



The Impact of the New US Tariffs on International Trade : What Parties Need to Lookout For



Prakaash Silvam
Partner
Head of Shipping



Yuen Zi Gui
Senior Associate
Litigation & Dispute Resolution



Vedanta Vishwakarma
Foreign Lawyer
Litigation & Dispute Resolution

Introduction

Tariffs, regulatory shifts, and geopolitical turbulence are no longer rare occurrences—they are now the new normal. For businesses with exposure to the USA, especially those involved in cross-border trade or global supply chains, legal and contractual preparedness is no longer just good practice—it's an essential pillar of risk mitigation.

This reality has been sharply reinforced in recent weeks as President Donald Trump imposed sweeping tariffs on various territories across the globe. Trump's tariffs have reignited fears reminiscent of the Financial Crisis in 2008, with several stock markets plummeting in the wake of these tariffs.

This article explores the ways in which businesses can better insulate themselves from liability in response to these tariffs or in any other regulatory and/or legal change in the industry. Businesses should strongly consider consulting a law firm with demonstrated expertise in international trade law to ensure they are adequately prepared for such regulatory challenges.

What are tariffs?

To start off, a tariff refers to a tax accrued when goods are imported into the USA. Although the party responsible for paying the accrued tax may technically be the importer, most business will adjust the final prices charged to consumers upwards to absorb the costs.

The tariffs vary from a default baseline of 10% to as high as 145%, specifically on Chinese imports. These tariffs form part of Trump's vision for the USA – to be self-sufficient and to manage trade imbalances.

At present, these newly enacted tariffs issued by the USA against most countries have been placed on hold for a 90-day period. This comes after mounting pressure is placed on the Trump administration from various industry leaders in the USA.

Businesses should take full advantage of this temporary but critical reprieve to review and strengthen their

contracts with the help of legal professionals to ensure that their interests are well-protected.

Which contracts and businesses are most vulnerable?

The most glaringly vulnerable area of business to the US tariffs is the global supply chain industry, particularly companies with heavy reliance on important raw materials or components for US-bound products.

As mentioned above, tariffs raise the costs of importing foreign goods into the USA. This forces companies to reconfigure their supply chains through various methods such as by relocating production or diversifying their global sourcing to various territories unaffected or less affected by these changes. However, such supply chain restructurings are not as straightforward as one may think. For example, such changes might be restricted if there are exclusivity clauses put in place between suppliers and purchasers without any exceptions for a situation such as these tariffs.

In addition, as a result of supply chain businesses being significantly impacted by these tariffs, the value of commercial invoices will inevitably inflate. This translates to companies requiring higher working capital and, as expected, more companies will require further trade credit to cover the costs adjustments and drops in revenue due to these tariffs. Thus, if the existing trade finance agreements are not prepared for such a scenario, borrowers would struggle to meet repayment terms due to more revenue volatility and lenders might also have to face larger than anticipated liability. In these circumstances, robust and airtight event of default clauses are crucial to ensuring a lender is safely guarded. It would also be crucial that lenders take this time to re-evaluate credit risk for various borrowers, especially borrowers who are most likely to experience margin compression and increased revenue volatility in light of these tariffs.



Importance of contractual preparedness

Many of these businesses across various parts of the world have already embedded protective clauses into their cross-border contracts but few revisit them proactively or draft them with sufficient clarity.

Some examples of how contractual clauses can come into play given the current changing geopolitical landscape include the following protective clauses:

1. Change-in-law clauses;
2. Force Majeure; and
3. Material Adverse Change.

Change-in-law clauses

A change-in-law clause effectively sets out mechanisms or procedures for contractual parties whenever a change happens to relevant laws and regulations that would have an impact on the contractual agreement and/or its performance.

This is an extremely helpful tool because, for example, an Indian petrochemical exporter, facing a 15% US tariff hike, could invoke a change-in-law clause to trigger price renegotiation. Further, courts (and arbitration tribunals) have tended to uphold such clauses when they specify specific thresholds, timelines, and provide defined adjustment mechanisms.

Companies should review these clauses not just for their presence, but for their precision. This is because vague language usually offer little protection in practice. Lawyers familiar with such matters would be key in ensuring that these provisions are clear and enforceable.

Force Majeure clauses

A force majeure clause, on the other hand, allows parties to be protected from liability or non-performance of an obligation when an extraordinary event (*commonly referred to as an "Act of God"*) or circumstance beyond their control prevents one or both from fulfilling their contractual duties.

As such, a textile consortium, for instance, could suspend performance obligations by defining "*substantial regulatory change*" as a force majeure

event, especially when tariffs coincide with supply chain disruptions.

This is especially useful to include in contractual agreements. Although traditionally used in the context of natural disasters, wars, or pandemics, courts are increasingly receptive of expansive interpretations of Force Majeure clauses, particularly when disruptions are not isolated incidents but are systemic regulatory disruptions, such as these sudden tariffs.

Material Adverse Change ("MAC") clauses

A third clause that would be relevant to include in your contract is known as the MAC clause which are commonly found in trade finance agreements. The MAC clause, similar to a Force Majeure clause, allows for parties to essentially back out of a deal or amend the terms of the deal where certain events arise before or around the time parties enter into a contractual agreement.

For instance, a pharmaceutical company exporting to the US could use a MAC clause if new tariffs suddenly increase the cost of key active ingredients necessary to ensure a certain medicine remains efficacious. If a cost limit is defined, a MAC clause can also help to adjust delivery timelines without breaching the agreement. It should be noted that to ensure the enforceability of MAC clauses, parties expressly spell out what exactly constitutes a "material" adverse change and the steps that parties can take in such event.

Wider industry implications

Further, according to shipping and trade law analysts, sectors like container shipping and automotive exports are already witnessing a contraction in volume as companies pause operations to recalibrate their operations. Thus, it should be expected that freight routes, logistical and warehousing contracts as well as digital freight platforms will be braced with change.

While industries such as oil and dry bulk may appear shielded temporarily, the broader market definitely remains in flux, as various market players continue to play "*guess*" in order to anticipate the Trump administration's next moves.



Even regions that seem to be far removed from the main targets of the US tariffs, such as Singapore and other SEA nations, are afflicted by these tariffs.

Takeaways for businesses

With the above in mind, it is of utmost importance for businesses to take advantage of the current hold in the US tariffs to:

- Review existing contracts to deal with any vulnerability to tariff-specific disruptions;
- Quantify thresholds for economic impact with specificity and accuracy;
- Establish clear protocols for invoking either relief or renegotiation of terms;
- Train frontline commercial teams to identify and escalate triggers early; and
- Document baseline commercial assumptions at the time of signing contract, which can also help to establish context for future disputes.

It would also be greatly beneficial for such businesses to work closely with their legal counsels and trade finance partners to reassess existing trade finance arrangements and possibly conduct stress-tests to ensure working capital requirements are met under various tariff scenarios.

Conclusion

The Trump administration's renewed tariff strategy represents more than a trade spat—it's a systemic shock to global commerce. In this environment, legal agility is as important as supply chain flexibility. The most resilient companies will be those that not only adapt their operational models but also update their contractual architecture to handle regulatory upheavals with clarity and confidence.

By embedding thoughtful protections into their contracts today, businesses can turn unpredictability into a manageable risk tomorrow.

This article was authored by Partner and Head of Shipping Practice [Prakaash Silvam](#), Senior Associate [Yuen Zi Gui](#) and Foreign Lawyer [Vedanta Vishwakarma](#). The authors thank Trainee Haziratul Zakirah for her valuable assistance with the article.

At Oon & Bazul LLP, we have deep expertise in advising clients on complex disputes stemming from the evolving landscape of international trade regulations, including those triggered by United States tariffs.

The recent waves of tariffs imposed by the US have disrupted global supply chains, affected cross-border transactions, and created significant uncertainty for businesses operating in Asia and beyond. Companies in Singapore, a key node in global trade, are particularly exposed to disputes concerning contractual obligations, trade compliance, and international arbitration arising from shifting tariff regimes. Our team provides strategic counsel to multinational corporations, regional businesses, and government-linked entities navigating the risks and commercial challenges posed by these developments. As a firm rooted in Singapore's dynamic legal and business ecosystem, we are uniquely positioned to guide our clients through disputes and regulatory complexities at the intersection of US trade policy and Asia-Pacific commerce.

You may visit our [International Trade](#) page to learn more about our practice.

If you require any legal advice on US tariffs-related matters, please do not hesitate to get in touch with the authors above.