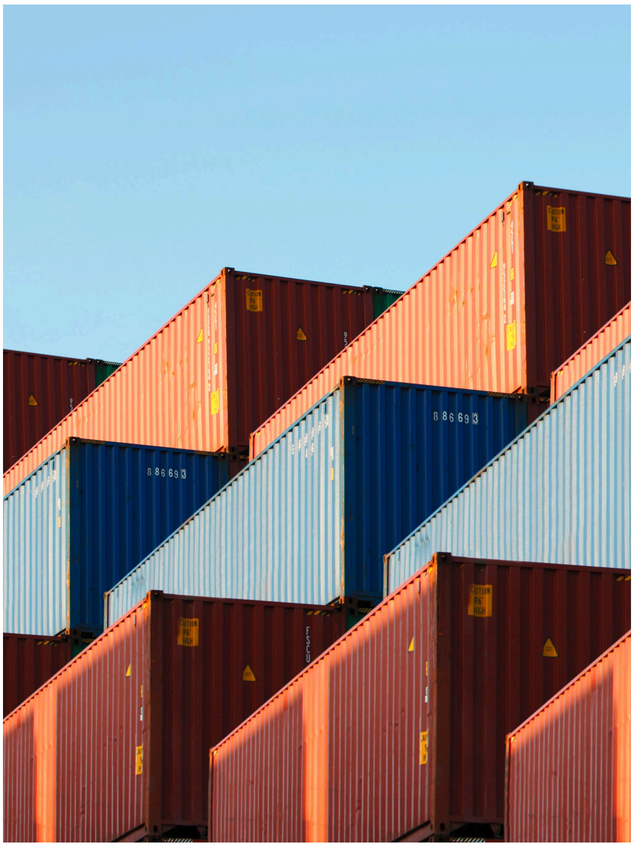
Thought Leadership

Navigating Global Trade in a Time of Change



Clifford Chance

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Navigating Global Trade in a Time of Change

Global trade and investment are undergoing dramatic change. Geopolitical and regulatory developments are fast-moving and often unpredictable. Over the past few months, the Trump administration has made the most sweeping US tariff changes for decades. At the same time sanctions, export controls, investment screening and regulatory developments are increasingly influenced by national security, trade and industrial policy objectives – with important implications for all businesses engaged in cross-border activities. These developments collectively have a significant impact on business resilience and global supply chains.

While uncertainty and change are common themes, geopolitical and regulatory developments are playing out in different ways across regions, sectors and policy areas. "To remain competitive in this new environment, businesses need a holistic and dynamic strategy for responding to emerging developments that is informed by integrated cross-jurisdictional expertise encompassing tariffs, sanctions, export controls, foreign investment regimes and broader regulatory considerations" says Jessica Gladstone, a Partner at Clifford Chance based in London. This new environment demands that businesses:

1. Embed real-time monitoring of trade and regulatory developments into compliance systems and cross-functional co-ordination across management and legal, trade, compliance, strategy and procurement teams.
2. Conduct trade and regulatory horizon-scanning and scenario-planning, to inform business and advocacy strategies.
3. Integrate flexibility into supply chain and investment strategies, to enable rapid responses to emerging developments.
4. Review, and where necessary adapt, contractual terms to pre-empt and react to sudden changes in the geopolitical and regulatory landscape.
5. Focus on enforcement risk arising from heightened scrutiny of compliance and litigation risk, whether with counterparties, investors or shareholders.

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Jessica Gladstone
Partner

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Tariffs

Although rates may continue to change suddenly and significantly, and court challenges may create bumps in the road for the United States administration, tariffs are expected to remain a constant. "The full impact of recent US tariffs is still to be seen, but it is clear that the Trump administration's tariff policies will continue to shape the international trading environment in the coming years," says Janet Whittaker, Senior Counsel at Clifford Chance based in Washington, DC.

Accordingly, businesses should consider these practical steps:

1. Ensuring operational, supply chain and investment strategies and decisions respond to changing tariff and broader trade conditions.
2. Revisiting supply chain planning, resilience and diversification.
3. Considering dual or multiple sourcing strategies and/or restructuring arrangements to shift production to more favourable tariff jurisdictions.
4. Reviewing and amending contracts to increase flexibility and to address the allocation of risk, including greater downside protection relating to trade measures.
5. Monitoring litigation risk with shareholders, investors and contractual counterparties.

US trade policy has entered a new era of differentiated tariff rates and bilateral tariff deals

Since January 2025, the Trump administration has rapidly shifted the US from an economy with mostly low, origin-neutral tariff rates to highly differentiated (and often significant) country-specific rates. Moreover, the Trump administration's tariff policy has been transactional and "on again, off again", resulting in shifting demands on trading partners, creating uncertainty and leading to increased costs for US businesses reliant on global supply chains and challenges for foreign businesses with exposure to the US market.

Overview of key Trump administration tariffs as at 16 September 2025

Global	• 10% across-the-board IEEPA tariff on almost all imports (excluding certain products). • Higher country-specific reciprocal tariff rates. • Some countries including Japan, the UK and the EU, have reached agreement on applicable across-the-board and certain sector-specific rates. • Elimination of 'de minimis' exemption for low-value imports.
North America	• 35% tariffs on goods from Canada, and 25% on goods from Mexico, that do not qualify as originating under the US-Mexico-Canada (USMCA) free trade agreement (10% rate on Canadian energy goods and potash). • Zero tariffs on Canadian and Mexican goods qualifying as originating under USMCA.
China	• 20% tariffs on all goods in response to concerns regarding fentanyl. • 10% tariffs on almost all imports following escalation of total additional tariff rate to 145% before agreement to suspend these pending negotiations. • Section 301 tariffs on certain Chinese imports with various exclusions set to expire in November 2025.
Sectoral	• 50% tariffs on global steel, aluminum, and certain copper products. • 25% tariffs on automobiles and parts. • Additional sector-specific duties are expected, including on energy sector products (e.g., critical minerals, wind turbines, polysilicon, semiconductors, pharmaceuticals, commercial aircraft and lumber).

Global impact of 'reciprocal' tariffs

On 2 April, "Liberation Day", President Trump declared a national emergency in relation to US trade deficits and announced the introduction of new 'reciprocal' tariffs under the International Emergency Economic Powers Act (IEEPA), legislation that – until the second Trump administration – had never been used as a basis for imposing wide-ranging tariffs. Those tariffs included reciprocal rates of up to 50% on imports from over 50 countries.

In the following weeks, these tariffs were suspended and amended and a global rush to negotiate bilateral tariff deals with the United States began. Despite those ongoing changes, as of September 2025, the additional 10% additional baseline rate remains in place for most US trading partners with only limited exceptions, many of which relate to sectors that are or are likely to be targeted by sector-specific tariffs (for example, semiconductors, critical minerals and pharmaceuticals). Moreover, imports from many significant US trading partners – including those which struck deals with the United States such as the EU, Japan and South Korea – continue to be subject to additional tariffs on most goods (although generally lower than the reciprocal tariffs originally proposed on 2 April).

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Senior Counsel

Several country-specific tariffs have been linked to non-trade policy objectives

The Trump administration has been clear that it is willing to use tariffs not only as a trade policy tool but also as a means of achieving broader US geopolitical, security and non-trade policy objectives. For example, the stated goal of the first round of tariffs imposed on Canada, Mexico and China was not trade-related, but rather to stem the flow of fentanyl, and to curb illegal migration from Canada and Mexico. Similarly, additional US tariffs on imports from Brazil were imposed based on US concerns relating to Brazil's judicial system. Then, in August, the administration imposed additional 25% tariffs on imports from India, citing India's direct or indirect importation of oil from the Russian Federation – which is subject to wide-ranging US sanctions.

Section 232 tariffs have targeted specific industrial sectors on national security grounds

President Trump has also used national security as a basis for new and expanded product-specific tariffs under Section 232 of the Trade Expansion Act of 1962 – including on steel and aluminum, automobiles and copper. New product-specific tariffs may also be on the horizon, with pending Section 232 investigations investigating the national security impacts of various imports including critical minerals, semiconductors, pharmaceuticals and their derivatives, polysilicon, wind turbines, commercial aircraft, lumber and trucks.

US trading partners have prioritised negotiation and diversification over litigation and retaliation

For businesses, the threat of US tariffs has been heightened by the risk that other governments will retaliate and the potential for a spiralling tariff war. To date, however, tariff retaliation by US trading partners has remained limited, with most countries acting pragmatically to avoid the most punitive tariff rates by negotiating deals, committing to investment in the US and making some reforms of non-tariff barriers. However, this could change, especially if new US tariffs are introduced, or if the terms of new bilateral deals (which in most cases remain vague, and potentially fragile) are threatened.

"The fragility of trade relations with the United States has emphasised the importance of countries having diversified trade relationships with other trading partners to help hedge the risk of trade uncertainty," says Jeremy Stewart, a Senior Associate based at Clifford Chance in London. Many countries are exploring deepening trade relationships and regional integration through traditional free trade agreements and regional groupings. For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – which the UK joined in 2024 – has increasingly gained interest beyond the Asia Pacific (APAC) region (including from the EU) as a potential mechanism for diversifying trade relationships. India has also pursued a more active free trade agreement agenda in recent years, signing an FTA with the UK in July and continuing to pursue negotiations with the EU.

Overview of key Trump administration tariffs – a multi-layered approach

Section 232 of the Trade Act of 1962

Authorizes the President to impose tariffs following Commerce Department finding that imports threaten to impair US national security.

Example:

- 50% on aluminum and steel, and certain copper products.
- 25% on automobiles and most automotive parts.
- Other products, including critical minerals, semiconductors, pharmaceuticals, commercial aircraft, wind turbines and lumber currently under investigation.

International Emergency Economic Powers Act (IEEPA)

Provides the President broad authority to regulate economic transactions following the declaration of a national emergency. Never previously invoked to impose tariffs.

Example:

- Reciprocal global tariffs of 10% or higher.
- 35% tariffs on non- USMCA-compliant Canadian imports.
- 25% tariffs on non-USMCA-compliant Mexican imports.
- 25% additional tariffs on Indian imports.
- 40% additional tariffs on Brazilian imports.

Section 301 of the Trade Act of 1974

Allows USTR to impose tariffs or import restrictions to respond to harmful foreign trade practices or protect US rights under a trade agreement.

Example:

- Imposed on Chinese goods during first Trump administration and continued by Biden administration and second Trump administration.
- Currently investigations ongoing into Brazilian, Chinese, and Nicaraguan practices.

Domestic challenges to US tariffs remain ongoing in US courts

Adding to uncertainty are legal challenges to the Trump administration's unprecedented use of IEEPA as a basis for imposing tariffs. In late August, a majority of the U.S. Court of Appeals for the Federal Circuit determined that the IEEPA tariffs imposed on Canada, China and Mexico, and the Liberation Day Tariffs, were unlawful. The Supreme Court will hear oral argument in the Trump administration's appeal of the Appeals Court's ruling (consolidated with a separate challenge to the IEEPA tariffs) in early November – a significantly accelerated schedule. In the meantime, the tariffs remain in effect and the administration is exploring alternative bases for imposing similar tariffs in case the Supreme Court finds the tariffs unlawful, with officials remaining adamant that higher tariffs are here to stay.

Supply chains are not easy to move

Relocating operations or sources of supply is not a simple exercise. "Onshoring" (moving operations to the country where products are sold), or "friendshoring" (moving operations towithin a network of countries with preferable tariff rates), can take years. "Companies need to consider a large variety of factors for their investment decisions, including political support, subsidies, land and labour costs, expertise of workforce, access to infrastructure, complexity of permitting processes, stability of the political system and legal protection," says Thomas Voland, a partner at Clifford Chance based in Düsseldorf For example, "in the pharmaceuticals sector, adjusting supply chains to start manufacturing an innovative product in a new jurisdiction is a challenging process that requires sizeable investments, technology transfers and often lengthy regulatory approvals. In many cases, moving only the final stages of the manufacturing process is not sufficient" says Torsten Syrbe, a Partner at Clifford Chance based in Düsseldorf.

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Regional commercial considerations

The impact on Europe

One European sector that is particularly exposed to the risk of US tariffs and trade policy measures is pharmaceuticals. Many international companies operate manufacturing hubs in Europe to supply global markets, and the EU is the primary supplier of active pharmaceutical ingredients for branded pharmaceuticals prescribed in the United States. While the US-EU tariff deal includes a 15% tariff ceiling on pharmaceuticals, uncertainties remain for the sector flowing from other policies proposed by the Trump administration, including:

- a proposal to reform the existing pharmaceutical distribution model for the US market, in favor of direct-to-consumer supply models; and
- a call for pharmaceutical companies to adopt an "MFN pricing model" for the United States market, where manufacturers align their US prices for innovative prescription drugs with the lowest prices available in selected peer countries.

With differing pricing and reimbursement systems across countries, the impact of these US initiatives on both the EU and United States markets remains uncertain. Consequently, companies are reducing prices and/or assessing the feasibility of changing their supply chains for both manufacturing and distribution and revising launch priorities for new products across different country markets.

The impact on APAC

"Trade policy under the current US administration disproportionately affects Asia Pacific, as much of the region's economic growth and strength has been developed though the manufacture and export of goods." says Romesh Weeramantry, a Clifford Chance Special Counsel based in Perth. Several countries within APAC have large trade surpluses with the United States and are deeply integrated in global supply chains that are heavily affected by US trade policy measures. Higher tariffs reduce the competitiveness of APAC products, so impacting trade volumes and revenue. Tariff uncertainty also cools or deters foreign direct investment (FDI). Although countries less exposed to the United States tariffs – such as the Philippines and Malaysia – may be recipients of redirected FDI, smaller economies – including Cambodia – are highly vulnerable due to their reliance on exports to the United States.

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Sanctions and export controls

Sanctions and export controls are also creating complexity and uncertainty for international trade and investment. The broad range of measures being used to implement sanctions make these controls harder to track and businesses need specialist expertise to monitor these developments.

"In this environment, agility is not just a competitive advantage; it is a compliance necessity," says Renée Latour, a Clifford Chance Partner based in Washington, DC. Sanctions and export controls should be treated as dynamic, not static in this ever-changing regulatory landscape.

Accordingly, businesses should consider these practical steps:

1. Embed real-time monitoring into compliance systems, conduct regular risk assessments, and ensure cross-functional co-ordination between legal, trade and procurement teams.
2. Undertake enhanced due diligence and training for procurement and sales teams on spotting red flags, particularly for business transactions involving high-risk jurisdictions.
3. Adopt robust record-keeping and scenario planning as normal operating procedures.

An ever-changing regulatory front

Sanctions and export controls, the sharp edges of trade policy, are increasingly intertwined and evolving rapidly in response to geopolitical developments. While Russia remains a focal point for the United States, EU and UK, attention and efforts – both on the regulatory and enforcement sides – are increasingly shifting to China, particularly in areas such as advanced semiconductors, artificial intelligence (AI) and dual-use technologies.

US expansion of its export control regime

In 2025, the United States significantly expanded its export control regime, particularly targeting China's access to advanced technologies. "The United States Department of Commerce's Bureau of Industry and Security (BIS) has significantly tightened export controls, targeting China's access to advanced semiconductors, AI technologies and related manufacturing equipment," says Latour. "What is interesting is that BIS is effectuating these increased controls though a variety of different measures, as opposed to the traditional route of amending the Export Administration Regulations (EAR) with new licensing requirements. This makes it more difficult for industry to track," adds Latour. A major update in January 2025 imposed broader licence requirements on foundries and packaging companies exporting advanced chips, unless

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the chips were verified by "approved" integrated circuit designers or outsourced semiconductor assembly and test (OSAT) firms. These rules also introduced stricter due diligence obligations and added 16 new entities to the Entity List, including AI firms linked to China's military-civil fusion strategy. In July 2025, the Trump administration released its AI Action Plan, the roadmap for AI-related policy priorities, which was closely followed by Executive Order 14320 on "Promoting the Export of the American AI Technology Stack", a formal policy directive dedicated to AI-related export controls policy. China, for its part, has responded with expanded export controls on critical minerals and dual-use goods as well as other countermeasures to retaliate against Western measures.

Shifting sanctions policy – although Russia still a priority

On the sanctions front, there has been a shift in US, EU and UK foreign policy towards the Middle East. In April 2025, the UK amended its sanctions on Syria, lifting restrictions on the Syrian financial services and energy production sectors while retaining prohibitions imposed on the Assad regime and those involved in the illicit trade in captagon. The EU quickly followed suit in May 2025, lifting all sanctions on Syria, except for those based on security grounds, followed shortly thereafter by the United States. As of September 16 2025, the U.S. Department of State had not removed Syria's designation as a State Sponsor of Terrorism, nor had the US export controls been fully relaxed. In July 2025, the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) launched its largest Iran-related sanctions package in years, targeting over 100 entities and vessels involved in illicit oil shipments.

Russia remains a priority, with increased focus in both the EU and UK on combating circumvention through third countries and tackling the Russian shadow fleet. Both the EU and UK will reduce the oil price cap for crude – from US$60 – to US$47.60 as of 3 September 2025, with the United States announcing an additional 25% tariff rate on India for buying Russian oil.

Focus on enforcement

Enforcement also remains aggressive in the United States, with multimillion-dollar penalties issued for facilitating transactions with sanctioned Russian entities. While historically less aggressive than the United States, the enforcement culture in both the EU and UK is also becoming more active. In the UK, we have seen a shift towards strict liability, the creation of the Office of Trade Sanctions Implementation, and measures proposed to enhance the effectiveness of the enforcement processes undertaken by the Office of Financial Sanctions Implementation. And in the EU, steps are being taken to harmonise criminal liability for sanctions breaches across member states.

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Investment screening

In the current environment of heightened geopolitical tensions and industrial competition, FDI screening regimes can be an increasing source of regulatory complexity for cross-border transactions. The growing focus on safeguarding national security and critical industrial sectors around the globe, in particular in the United States and Europe, requires careful consideration by transaction parties.

Businesses also need to track developments in outbound investment regulations. The United States has, for example, expanded investment restrictions beyond its border to cover transactions by US persons investing in countries of concern in certain sensitive sectors with the 2025 launch of the US Outbound Investment Security Program (OISP). All indications are that this program is likely to expand in scope.

Accordingly, businesses should consider these practical steps:

1. Undertake early, strategic and comprehensive CFIUS and FDI assessments for cross-border deals, with particular attention and planning to ensure that FDI issues are managed effectively.
2. Co-ordinate issues and filings across relevant jurisdictions, being mindful of the deal timeline.
3. Plan for potential remedies and allocate transaction risk to ensure business interests are appropriately protected.
4. Assess the applicability of the US Outbound Investment Security Program where potentially relevant and ensure compliance with notification requirements and prohibitions

Investment-friendly initiatives in the United States

The Trump administration outlined its approach to foreign investment with the America First Investment Policy (AFIP) released on 21 February 2025. The AFIP lays out investment-friendly initiatives calling for the creation of an easier path to investment, including in sensitive sectors, for trusted investors in reviews administered by the Committee on Foreign Investment in the United States (CFIUS). These include the introduction of a new fast-track process for "known investors" meeting certain objective criteria, and a more streamlined approach to using mitigation measures when necessary to address national security concerns.

Decline in requirements for CFIUS mitigation measures

The 2024 CFIUS Annual Report showed an approximate 50% decline in mitigation measures being required for clearance – a notable drop after a spike in the prior two years and the lowest rate in almost a decade. "Though transactions are considered on a case-by-case basis, this trend complements the direction laid out in the AFIP, which is to encourage foreign investment while using CFIUS mitigation in a targeted way to address risks," says Karalyn Mildorf, a Partner based in Washington, DC. The Annual Report also reflected that CFIUS continues to clear the vast majority of transactions it reviews without mitigation.

CFIUS using resources broadly for monitoring and enforcement

However, AFIP also signalled a potential expansion of CFIUS jurisdiction to include greenfield investments and higher scrutiny of non-passive investments with ties to foreign adversaries. "Consistent with this approach, the Annual Report showed that CFIUS continues to use its resources broadly, including looking for and calling in non-notified transactions for review and actively monitoring and enforcing mitigation agreement compliance," says T.J. Cluff, a Senior National Security Advisor based in Washington, DC. Notably, CFIUS has issued a number of significant penalties for violations and is examining transactions where parties failed to submit mandatory filings.

Outward expansion of US foreign investment regulations

The United States has also expanded its foreign investment regulation to cover outward investment by US persons. The United States Outbound Investment Security Program (OISP) took effect on 02 January 2025 and introduced notification and prohibition requirements for US persons investing in "countries of concern" (identified as China, including Hong Kong and Macau) in sensitive sectors, currently specified as semiconductors and microelectronics, quantum information technologies and certain artificial intelligence (AI) systems. All indications are that the OISP will expand further, in both the technology areas and types of transactions covered.

EU taking steps towards expanding FDI screening across EU member states and considering introducing outbound investment screening

The European Union is also in the process of reforming its FDI Screening Regulation. While the contours of the proposed Regulation are under debate, the proposal will at a minimum require EU Member States to expand the scope of their regimes. The European Parliament proposes that the EU Commission have the power to override Member States' decisions, to make it mandatory to review greenfield investments, and to significantly expand the sectors that need to be screened. "It remains to be seen how the political compromise will look at the end of the legislative process, but this signals a continuation of FDI screening being a key regulatory consideration for cross-border deals," says Dimitri Slobodenjuk, a Partner based in Düsseldorf. The EU is also considering introducing an outbound investment screening regime and has asked member states to gather information and conduct risk assessments on outbound investments involving AI, semiconductor and quantum technologies.

FDI screening mechanisms are continuing to evolve globally

In addition to developments at the EU-wide level, new FDI screening mechanisms recently came into force in Bulgaria, Ireland and Greece, and Switzerland is proposing a new FDI screening framework. In Germany, a revised draft of FDI legislation is in progress and expected to be adopted at the beginning of 2026. Additionally, the UK is currently consulting on changing its already broad FDI screening process, which could result in more transactions being captured. Singapore and South Africa have also proposed new FDI screening frameworks. Overall, the global trend continues to be that new FDI screening regimes are emerging and current systems are expanding in authority

Despite increased attention on FDI screening, a minority of European transactions has been subject to restrictions

"Despite expanding regimes and geopolitical trends resulting in increased FDI focus, Europe also continues to clear the vast majority of FDI filings unconditionally," says Nissim Massarano, a Senior Associate based in London. In 2024-25, a record 1,143 filings were made in the UK, but only 16 deals were subject to conditions and only one deal was blocked. In Germany, no transactions have been blocked, and restricting measures were imposed only on 3% of all 261 cases in 2024, with 2.3% ending with commitments from the parties. However, in France – a jurisdiction that tends to require more mitigation measures than most – 392 filings were made (again a record), with 99 deals subject to conditions.

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Regulation and policy factors disrupting trade

In a global economy where goods, services and investment flows are highly mobile, different domestic regulatory approaches are a key source of commercial friction. Major economies – in particular the US and EU – are likely to continue to use their market size to leverage regulatory outcomes abroad that align with their priorities, particularly in areas such as digital services and supply chain regulation.

Accordingly, businesses should consider these practical steps:

1. Monitor, prepare for and respond to changes in domestic regulatory frameworks in key jurisdictions, and map areas of divergence between jurisdictions.
2. Prepare for the potential that tensions over divergent approaches to regulation in key areas, such as digital regulation, trigger responses that lead to broader trade and supply chain disruptions.
3. Obtain comparative advice to inform supply chain and investment strategies and decisions affected by regulatory divergence, based on multiple factors including tax and tariff risks, sector-specific regulations, subsidy and incentive programmes, and national security and domestic content and localisation requirements.

The EU has sought to use its market to drive regulatory standards through international supply chains…

Over recent years, the EU has been increasingly active in pursuing unilateral regulatory policies designed to incentivise companies to align with EU regulatory approaches. The EU has implemented this strategy by requiring companies to comply with higher standards globally as a condition for accessing the EU market. Examples of policies adopted to implement this strategy include:

- Product- or sector-specific standards, requiring due diligence assessments and partly restricting the import (and export) of products based on environmental and human rights concerns, such as the EU Batteries Regulation, the EU Deforestation Regulation or the Conflict Minerals Regulation.
- "Horizontal" requirements, such as the Corporate Sustainability Due Diligence Directive (CSDDD) – which imposes a range of human rights and sustainability due diligence requirements on companies' global supply chains – and the EU Forced Labour Regulation, which bans the import and sale of products produced using forced labour.
- Import levies, especially the Carbon Border Adjustment Mechanism (CBAM) (which seeks to ensure certain categories of goods imports are subjected to a carbon price on importation to the EU).
- Disclosure obligations, e.g., under the Corporate Sustainability Reporting Directive (CSRD), for companies and/or their products informing about their performance under ESG rules or other frameworks.

…but in 2025 has begun to roll back some of these efforts in pursuit of increased competitiveness

The EU has begun a process to simplify and roll back elements of several regulations, including the CSDDD, the Batteries Regulation, the Deforestation Regulation, CBAM and CSRD. Thomas Voland, partner and Co-Head of Clifford Chance's Global ESG Board, says: "The EU is also embarking on a broader programme of regulatory simplification through its Omnibus programme. This change in tack follows the 2024 Draghi Report on EU competitiveness. At the same time, the EU is also beginning to pursue more targeted initiatives designed to strengthen the resilience of critical international supply chains – such as through the implementation of the Critical Raw Materials Act. This approach involves sticks and carrots – combining certain due diligence, disclosure and payment obligations with regulatory incentives and simplifications."

The United States has been explicit in linking reform of perceived regulatory barriers to tariff outcomes

As part of the Trump administration's broader tariff strategy, the United States explicitly used tariffs (and the prospect of tariffs) to leverage reforms of certain foreign regulatory measures that it considers to adversely affect US businesses. For example, the recently released EU-US joint statement summarising the key terms of the EU-US 'Framework on an Agreement on Reciprocal, Fair, and Balanced Trade', makes express reference to the EU addressing US concerns with CSDDD, CSRD, the Deforestation Regulation and CBAM. While many of these reforms are already part of the EU's own reform agenda, the inclusion of express references to these regulations in the summary highlights their close linkage to the tariff outcomes central to the EU-US deal.

Similarly, recent White House announcements of 'in principle' agreements with Indonesia and Japan indicate political agreement to reform certain non-tariff regulatory barriers and, in the case of Indonesia, further commitments on labour standards. The depth and significance of these new commitments, however, remains to be seen.

Diverging approaches to digital services taxation and regulation remain a key source of friction

The Trump administration has signalled that it intends to take action – including potentially imposing additional tariffs – to address foreign digital taxes and digital services regulations that adversely affect US companies.

While European digital regulation and digital taxes have been a particular focus for the Trump administration, Europe has not been the only focus. The Trump administration has also raised concerns with digital regulation in a number of countries outside Europe, including Brazil and South Korea. In July, for example, the Trump administration included concerns over the impact of Brazilian digital regulation on US tech companies in its investigation of Brazilian trade practices under Section 301 of the Trade Act 1974.

Conclusion

As outlined in this piece, the global trade and investment environment is undergoing a period of rapid change, with wide-ranging implications – and new challenges – for all businesses involved in cross-border activities. To remain resilient in this new environment, businesses need holistic and dynamic strategies that are informed by integrated trade, investment, and broader cross-border regulatory expertise.

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