

Navigating Trump Tariffs in Commercial Deals: A Guide for Negotiation Teams



Traditionally, tariffs have been used to protect domestic producers from overseas competitors. While this can protect strategic industries in the short term it may eventually lead to less innovation and less efficient producers.

Impact of higher input costs on U.S. businesses and consumers will, in the short term, likely produce higher inflation and trade disruption, and thus increased pressure to reverse the policy. This may result in a few volatile years of where the only constant is uncertainty.

On-shoring might increase, supply chains might shorten, globalisation might reduce but inevitably businesses will seek out competitive advantage by using the lowest cost producers.

With the introduction of Trump-era tariffs, many commercial teams are facing a difficult question: **How do we manage existing deals, avoid absorbing tariff costs and future-proof contracts against future trade disruptions?**

If you're in this situation, the key is to take a strategic, well-prepared approach to renegotiation—one that protects margins, maintains relationships, and builds resilience for future deals.



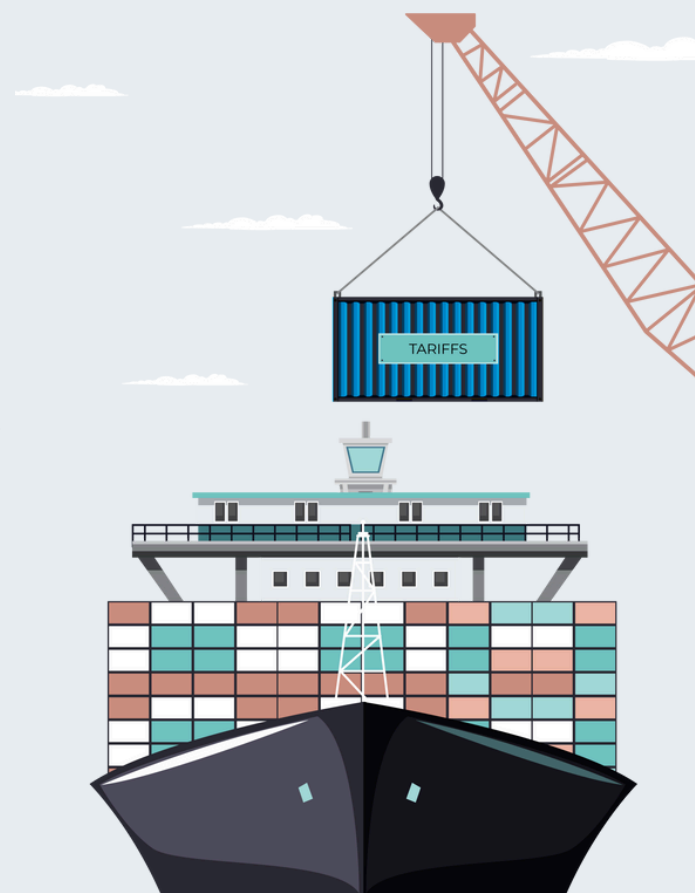
01

Managing Existing Deals: Do Your Contracts Allow Renegotiation?

If your company has pre-existing agreements, the first step is to assess whether your contract allows for renegotiation or termination in response to tariffs. Some key clauses to check include:

- Force Majeure – If the contract includes force majeure provisions covering government actions, you may have grounds to renegotiate or pause obligations.
- Material Adverse Change (MAC) – If tariffs significantly impact profitability, MAC clauses might provide room for renegotiation.
- Hardship Clauses – Some contracts (especially in international trade) allow for renegotiation if an unexpected event makes performance excessively burdensome.
- Price Adjustment Mechanisms – If your deal includes cost-based pricing adjustments, tariffs might qualify as a trigger for price revision.
- Termination for Convenience – If applicable, this clause allows one party to exit the contract, which may be a last-resort option if renegotiation isn't possible.

If none of these clauses exist in your current deal, you will need to take a strategic approach to negotiations rather than relying on legal contract terms alone.



Who pays?

There is no simple answer to who should bear the burden of tariffs.

In price-sensitive sectors, suppliers are being pushed to absorb costs. The importer will be looking for lower tariff suppliers, possible domestic alternatives and to renegotiate terms with suppliers.

In premium or strategic segments, customers may be willing - or forced - to take the hit.

In this scenario, this is not about win/lose, but about negotiating creatively.



02

How to Keep a Deal While Getting Clients to Absorb the Tariffs

If you're looking to maintain your commercial relationships while shifting the tariff burden to your clients, a well-trained negotiation team is essential. Negotiation is about trading and being well prepared with a flexible strategy meaning you have explored how you might work with your client to help them absorb these costs.

A supplier negotiating with a client over tariffs may need to make strategic concessions to maintain the relationship and secure future business.

However, these concessions should be conditional: carefully structured to protect margins while keeping the deal attractive. Here are some possible concessions:



1. Trade them Price Adjustments (Without Fully Absorbing the Tariff)

- Volume-Based Discounts – Offer tiered pricing where larger orders receive better rates, helping the client offset tariff costs through economies of scale - in return for x, y or z on other terms.
- Bundled Pricing – Combine products or services to create cost efficiencies that help the buyer absorb the tariff - in return for x, y or z on other terms.

2. Payment Term Flexibility

- Extended Payment Terms – Offer net-90 or net-120 payment terms to ease the client's cash flow constraints caused by tariffs.
- Installment-Based Payments – Allow payments over time rather than lump sums to make the tariff cost easier to manage.
- Performance-Based Rebates – Provide retroactive rebates based on sales performance, giving the client a future incentive rather than an upfront discount.

3. Adjustments in Logistics & Shipping

- Sharing Freight Costs – Offer to absorb a portion of shipping expenses to offset the overall landed cost.
- Alternative Shipping Arrangements – Consider bulk shipping or direct-to-distribution center deliveries to reduce handling and logistics fees.
- Delivering to Free Trade Zones (FTZs) – If the client uses an FTZ, ship products there to defer or avoid tariff payments.

4. Product or Specification Adjustments (“Tariff Engineering”)

- Reconfiguring Products – Modify product designs, components, or assembly locations to qualify for a lower tariff classification.
- Shifting Production or Sourcing Materials Differently – If possible, move final assembly to a tariff-free country before exporting

5. Long-Term Contract Commitments & Sole Supplier Agreements

- Locking in Pricing for Future Orders – Agree to fixed pricing over a longer period to help clients forecast costs despite tariff uncertainty.
- Guaranteeing Supply Chain Stability – Offer assurance of stock availability to prevent clients from needing to switch suppliers.
- Negotiating Sole Supplier Status – In exchange for price adjustments, flexible terms, or supply stability, request exclusive or preferred supplier status for a longer-term contract. This ensures that once tariffs are removed, your position with the client remains strong, and they won't switch back to competitors.

03

When You Have to Absorb - Negotiating the Best Deal for Yourself

Suppliers should never concede outright to absorbing the full tariff cost.

Instead, focus on structured concessions that provide long-term value, build loyalty, and protect margins. By combining small price adjustments, flexible terms, logistics support, and strategic collaboration, non-U.S. suppliers can keep their U.S. clients engaged while securing sole supplier status or long-term commitments that ensure future profitability.

At Scotwork, we believe even when you have to concede, you never do it without a trade. Negotiation isn't just about what you give—it's about what you get in return.

If absorbing part of the tariff is unavoidable, here's how to do it the Scotwork way:



1. Make It Conditional

Never say “yes” without a “if you..., then we...”. Absorbing 10%, 20%, or 30% of a tariff should come with commercial strings attached. For example:

- Volume guarantees – “We’ll absorb 20%, but we need a 12-month minimum volume commitment.”
- Sole supplier agreements – “We’ll take on part of the cost, but only if we’re your exclusive provider for this category.”
- Longer contract terms – “If we’re absorbing this, we need a 3-year agreement instead of a 1-year agreement.”

A concession without a condition is a discount. A concession with a trade is a deal.

2. Redesign the Narrative

Be clear with your counterpart that this isn’t a discount—it’s a response to exceptional circumstances. Use language like:

“This isn’t a price cut. This is a shared response to a short-term disruption.”

By reframing, you avoid setting damaging precedents and protect your pricing integrity.

3. Redesign the Narrative

Use non-price elements to reduce the concession:

- Change the product bundle – Slightly alter configurations to reduce costs elsewhere
- Adjust payment terms – Ask for faster payment in exchange for the absorbed cost
- Alter delivery terms or service levels – Reduce added-value extras that aren't essential

4. Use Framing

The psychological game matters. Don't start the conversation by offering to share the burden. Start by reinforcing your value, the exceptional nature of the situation, and the cost implications to your business. Then:

- Show the total cost of the tariff
- Break down what you're willing to absorb
- Clearly frame what the client will still need to cover

This changes the conversation from “why can't you absorb this?” to “thank you for meeting us halfway.”.

5. Set Time-Bound Conditions

If you do agree to absorb part of the cost, make it temporary:

“We’ll absorb this until Q1 2026, or until the tariff is lifted—whichever comes first.”

Build this into the agreement. Otherwise, when the tariff goes away, you’ll struggle to return prices to where they were, or the client will think they were overpaying all along

6. Go First

In negotiations, parties often are weary of making the first offer. This is a mistake. By making a proposal, you are ensuring that any negotiation that ensues will revolve around YOUR terms.

When you go first with a structured, fair proposal, it shifts the tone of the conversation. You’re not reacting—you’re leading.

7. A Word of Warning: Absorbing as a Habit

One of the most damaging moves a company can make is consistently absorbing external cost pressures without trading for value. As John McMillan, Scotwork founder, notes:

“If a company agrees to absorb 50% of the tariff, they risk implying that their prices were too high to begin with.”

That perception sticks.

So absorb what you must—but negotiate what you can. And make sure every tariff you take on becomes an opportunity to lock in long-term advantage.

05

The Role of a Strong Negotiation Team

Handling tariff-driven renegotiations isn't just about the contract—it's about having a skilled negotiation team that understands:

- Trade policy implications to find creative solutions.
- Strategic communication tactics to maintain relationships while pushing for fairer terms.
- Scenario planning and risk management to prepare for multiple possible outcomes.

By investing in well-trained negotiators and structured negotiation processes, companies can protect margins, strengthen relationships, and create more resilient commercial agreements.

Be Prepared. Stay Proactive, Not Reactive

