

Tariff Buyer Guide

Chemicals

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Overview & Introduction

- The United States imposed a blanket tariff on all imports of foreign goods. In addition, country-specific reciprocal tariffs will go into effect on August 7, 2025. However, certain trade deals have been signed that exempt chemicals from tariffs. For example, certain European chemicals are exempt from all tariffs.
 - Tariff exemptions are also in place for all USMCA-compliant goods imported from Canada and Mexico.
- The United States issued a [list](#) of products exempted from all reciprocal tariffs, which includes many major chemicals, including certain petroleum products, pharmaceuticals, minerals for the chemical industry, basic inorganic chemicals, primary form plastics, agrochemicals, battery materials, and more.
- While many major chemicals are currently exempt from reciprocal tariffs, the chemical industry faces a high level of uncertainty as tariffs are affecting the price of thousands of products, including raw materials used by chemical manufacturers, such as solvents, acids, and bases, increasing costs.
- The Trump Administration has signaled that tariff exemptions for pharmaceuticals will end, with base rates reaching 25.0% for pharmaceutical products; however, as of August 2025, tariff exemptions are still in place. The United States imports hundreds of billions of dollars of pharmaceuticals, mainly from Europe, India, and China.
- Chemical manufacturers and distributors are expected to pass on higher tariffs to buyers on affected products. The Alliance for Chemical Distribution (ACD) estimates that the new reciprocal tariffs will cost customers up to an additional \$1.25 billion per year.
- Chemicals originating from China that lack domestic manufacturing capacity, such as citric acid, will raise input costs for domestic manufacturers reliant on these products, including food, cleaning products, and cosmetics manufacturers.

Country	Tariff Rate	Trade Deal Info	Start Date
Canada	35.0	No trade deal	In effect
Mexico	25.0	90-day pause	In effect
China	54.9	No trade deal	In effect
European Union	15.0	Signed	8/7/2025
Switzerland	39.0	No trade deal	8/7/2025

Key Takeaways





- While exemptions for many chemicals and pharmaceutical products have spared the broader chemical industry from more significant disruption, the unpredictable and changing tariff environment is putting manufacturers and buyers on high alert.
- Many suppliers and industry groups have stated that the tariffs will significantly affect manufacturers as the price of raw materials increases and the complex chemical supply chain is upended, with many products being unavailable at scale domestically.
- Price increases are expected across many products impacted by tariffs on chemicals, including food and beverage products, medicine, and more.
- Shipping and lead times for affected products may be impacted by several days or weeks if tariffs remain for a prolonged period, as companies reroute their supply chains.
- While major manufacturers, including Johnson & Johnson and Eli Lilly, have announced multi-billion-dollar investments in domestic manufacturing for chemical inputs over the next few years, it will take some years for operations to start running.

Risk & Import Assessment

- **Overall Risk Level: High**
- Ireland is the top source of chemical products imported into the United States, a significant amount being pharmaceutical and medical chemicals.
- Germany, Switzerland, Canada, and China are also major exporters of chemicals and chemical products to the United States.
- As EU countries and China command a large share of chemical product imports, tariff risks are high.
- The tables below highlight the top ten countries by share of imports for a variety of products impacted by tariffs on chemicals.





Share of US Chemicals Imports by Origin Country

Pharmaceuticals – % of Total US Imports

Country	Import Share
Ireland	16.4%
Switzerland	12.3%
India	12.0%
Italy	6.5%
China	6.1%
Germany	5.5%
Slovenia	5.1%
Singapore	4.8%
Belgium	4.4%
Canada	4.4%

Agrochemicals – % of Total US Imports

Country	Import Share
Germany	19.6%
Switzerland	17.8%
China	10.2%
Mexico	8.8%
India	5.9%
Canada	5.8%
United Kingdom	5.7%
Israel	3.7%
France	2.7%
Colombia	2.6%

Sulfuric Acid – % of Total US Imports

Country	Import Share
Canada	49.2%
Mexico	25.0%
Taiwan	7.8%
Spain	5.9%
Japan	3.2%
Finland	3.0%
Sweden	1.6%
Belgium	1.0%
Germany	0.9%
South Korea	0.7%

Ammonia – % of Total US Imports

Country	Import Share
Canada	61.3%
Trinidad and Tobago	33.4%
Algeria	3.7%
Indonesia	1.0%
Belgium	0.4%
South Korea	0.2%
Japan	0.1%
Taiwan	0.1%
Germany	0.1%
France	0.1%

Supply Chain Risk – Best Practices & Overview

Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Oil & Gas Producers	High	High	- Oil and gas producers in the United States are expecting more a more significant slowdown than already predicted due to tariffs and higher costs across the market. - As retaliatory tariffs from the United States and other countries, such as China, cause a slowdown in trade and economic activity, oil and gas producers will be hit from both sides, experiencing higher costs and lower demand. - Oil and gas producers are preparing for a period in which profits and sales will fall.
Specialty Chemical Manufacturers	High	High	- Chemical manufacturers are preparing for potentially devastating disruptions to the chemical supply chain. - While many critical chemicals have been exempted from the worst of the tariffs, manufacturers are bracing for potential changes and exemption reversals. - As the global chemical supply chain is complex, with fewer alternative suppliers for many critical chemicals, avoiding tariffs will be more difficult for some buyers.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Food & Beverage Manufacturers	Medium	High	- Food and beverage companies rely on many important chemicals for manufacturing, such as citric acid, which China is a major producer of and lacks domestic manufacturing capacity. - Food and beverage suppliers expect tariffs to significantly impact them, with higher costs partly being passed to consumers in the form of higher prices. - Countries, including China, Mexico, and Canada, are major exporters of food and beverage products to the United States. - Market suppliers are expecting significant disruptions to supply chains, leading to higher lead times and product shortages as supply chains are rerouted and new supply chain agreements are negotiated.
Agricultural Producers	Medium	High	- Agricultural producers rely on agrochemicals, including chemical fertilizers and pesticides, for production, many of which are exposed to tariffs. - Agricultural producers are preparing for significant impacts to operations due to tariffs. As the cost of production increases, consumers will pay higher prices. - Retaliatory tariffs by countries such as China, a major buyer of American agricultural products, will also significantly impact producers' sales and economic viability. Prolonged tariffs would significantly damage the agriculture industry, with many producers going out of business. - The long-term effects of tariffs on the market may result in shortages of certain products that are mostly imported or that are no longer viable to produce due to retaliatory tariffs and demand destruction.



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Pharmaceutical Manufacturers	High	High	• While the pharmaceutical industry has been spared from tariffs for the time being, drugmakers are preparing for targeted tariffs that will raise base rates by up to 25.0% for medicines and pharmaceutical products. • Generic drugmakers produce at a very tight margin, significantly increasing the risk of price increases for consumers if tariffs go into effect. • Tariffs affecting thousands of products and chemicals used in drug manufacturing will cause significant supply chain disruptions as businesses struggle to reroute supply chains and look for opportunities to avoid tariffs, if at all possible. • The disruptions stemming from tariffs are also expected to exacerbate drug shortages already plaguing the United States.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Creative Procurement Strategies

- Buyers should focus on **diversifying their supply chain**, when possible, to reduce their exposure to tariffs. Procuring goods from alternate locations can help keep costs down as significant tariffs are placed on major exporters of chemicals, such as China.
 - To avoid tariffs from top importing nations such as China, buyers can look to source chemical products from Canada and EU countries, such as Ireland and Germany, which are major exporters of chemicals and chemical products.
 - With many major chemicals falling under the United States-Mexico-Canada Agreement, Canada is currently a relatively safe sourcing destination for buyers.
- Buyers should **establish strategic partnerships** with suppliers in relatively safer sourcing destinations, such as Canada, to secure their supply chains. With many buyers rerouting their sourcing to unaffected countries, establishing a strong relationship with new suppliers can help ensure access to critical goods as demand spikes.
 - By establishing a mutually beneficial relationship with suppliers, buyers can benefit from preferential treatment from suppliers during volatile periods.
- For buyers of products that do not have viable alternative sourcing locations, **renegotiations with existing suppliers** may help mitigate some of the risks associated with significant cost increases due to tariffs.





- As tariffs negatively affect both sides, some suppliers may be willing to lower costs and share the burden of some of the negative effects of the tariffs to keep customers.

Contract Clauses

- **Implement price-adjustment clauses to account for tariff fluctuations:**
 - Buyers should include clauses that allow for price adjustments based on changes in input and component costs due to tariffs.
 - Price-adjustment clauses ensure that both parties have transparent expectations for cost fluctuations, protecting buyers from unforeseen expenses.
 - Adjustment clauses should outline clear thresholds for triggering price changes.
 - Price adjustment clauses provide a safety net against cost surges that result from tariff implementations. Clear additional clauses can help maintain financial stability.
- **Implement liquidating agreements in order to mitigate risk:**
 - Employing liquidating agreements enables businesses to mitigate liability linked to increases in costs due to tariffs.
 - Liquidating agreements offer a way for companies to minimize risk from escalating expenses by distributing the responsibility for these costs among all involved parties.
 - Through liquidating agreements, companies can handle claims without incurring undue financial strain, resulting in efficient resolutions.
 - Clear and precise language is crucial for safeguarding companies, ensuring timely claims resolution, managing risks, and supporting seamless operations and continuous business activities.
- **Lock-in rates and prices with long-term agreements:**
 - To ensure stable pricing for essential materials, buyers are encouraged to enter into long-term contracts with suppliers, which can prevent sudden cost increases for both suppliers and manufacturers of final goods.
 - Fixed pricing can reduce the risks tied to market volatility, particularly during periods affected by tariffs.
 - Establishing long-term contracts can strengthen relationships with suppliers, resulting in improved service quality and priority access to crucial components that may be scarce due to global supply chain disruptions.

Negotiation Questions

1. How do current tariffs impact the pricing structure of your products?





2. What contingency plans do you have to manage supply chain disruptions caused by tariffs?
3. Can you provide a breakdown of what percentage of your components are sourced internationally, particularly those subject to tariffs? Are you planning to reallocate sourcing to different destinations? If so, where?
4. How are you managing inventory levels to ensure product availability despite potential delays from tariffs?
5. Are there any anticipated changes to your lead times due to tariffs, and how do you intend to communicate these?
6. Can you offer alternative sourcing options or product adaptations to minimize tariff impacts?
7. How do you manage currency fluctuations and tariff impacts when setting prices for contracts?
8. What are the terms and conditions for pricing adjustments if tariffs increase or decrease?
9. How are you assisting other clients in similar industries in adapting to tariff-related challenges?
10. What guarantees do you offer regarding quality and compliance amid changes in the supply chain due to tariffs?

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