



# A Reality Check on the Importance of Poison Pill Clauses in US Trade Deals

*Kevin Chen Xian An*



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### KEY TAKEAWAYS

- “Poison pill” termination clauses in US trade deals with Malaysia and Cambodia have gained notoriety in recent weeks.
- These clauses are part of a broader effort by Washington to force other countries into its economic orbit.
- Southeast Asian countries should play for time to diversify their trade links, mitigating the long-term risks of this coercive approach to trade.

### COMMENTARY

The jubilation did not last long. Shortly after Cambodia and Malaysia signed trade deals with the United States during the October 2025 ASEAN Summit to bring their respective tariff rates down, questions began to emerge about “poison pill” termination clauses in the text.

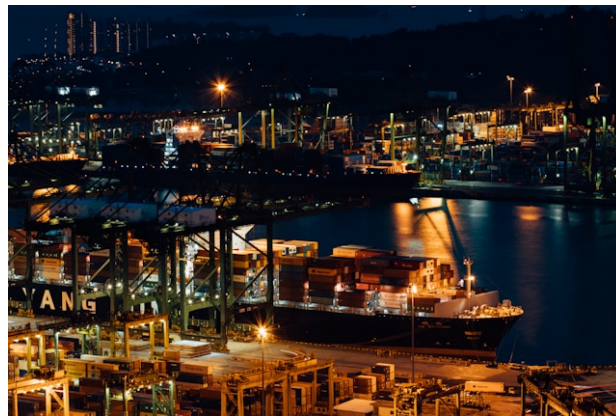
While the language differs slightly, the agreements list a series of restrictions on the ability of these countries to enter agreements with other parties, ranging from those that include agricultural standards that are “[incompatible](#)” with or disadvantage US exports to those covering digital trade in a way that threatens the “fundamental interests” of the United States.

Article 5.3 in both agreements states this more broadly, allowing the United States to terminate the agreement if the other party enters an agreement with a third country that, in Malaysia’s case, “[jeopardises essential US interests](#)” or, in Cambodia’s case, “[undermines](#)” its deal with the United States or “poses a material threat to [US]

economic or national security". The United States would then end the agreement and reimpose the high tariff rates announced on 2 April, forcing its partner to restart the tariff negotiation process.

The revelation of these clauses caused an uproar in Malaysia, with Prime Minister Anwar Ibrahim [accused of surrendering Malaysia's sovereignty](#). Opposition politician Mohamed Azmin Ali [warned](#) that Malaysia would be forced to follow Washington's lead on trade measures, including blocking imports from China or Russia, forcing Malaysia to take sides in external conflicts.

However, these criticisms fail to grasp some of the bigger issues at hand. The poison pills are part of a bigger trend of America's weaponisation of trade, aimed at forcing countries into America's economic orbit. Faced with such challenges, Southeast Asian economies will need to play for time, placating Washington's demands while looking afield to diversify their trade ties.



Amid coercive trade measures by the United States, Southeast Asian countries should play for time to diversify their trade links. *Image source: Unsplash.*

## **Assessing the Significance of Poison Pill Clauses**

The concept of the United States reserving the right to protect its national security in trade agreements is not a new issue.

Past bilateral trade agreements, including those with [Singapore](#), [Australia](#) and [South Korea](#), included a provision that the agreement would not preclude a party from taking measures for the "protection of its own essential security interests", even if it breaks existing terms. Another provision stated that "either Party may terminate this Agreement" with six months' notice. Yet, these were seen as formalities, meant to soften the blow of surrendering aspects of a country's ability to set economic policy by agreeing to lower trade barriers.

The agreement that changed this precedent was the 2018 US-Mexico-Canada Agreement (USMCA). Under Article 32.10, parties to the agreement were given the right to terminate it if their counterparts entered a trade agreement with a "[non-market country](#)" – namely, China. Suddenly, this formality was sharpened into a tool of leverage.

Under the second Trump administration, Washington's use of leverage against its trade partners is continuing to evolve. An underappreciated aspect of the recent deals is that Trump has withheld the right to apply tariffs on "[transshipped](#)" goods on top of the poison pill clauses.

Granted, there is no specific mention of such penalties in the agreements, which only called for Malaysia and Cambodia to "[adopt and effectively enforce measures to combat transshipment](#)". Yet even if future iterations of the deal include more precise language on defining transshipments, uncertainty over Washington's actions will continue to colour trade relationships.

Indeed, the poison pill clauses speak volumes about how the US approach to trade has shifted. Free trade is no longer seen as a net benefit for America. The recent National Security Strategy charges that free trade "[\[hollows\] out](#)" the American middle class and industrial base, and insists on treating the attraction of the US market as leverage to use against allies and adversaries alike.

### **Trump's Ultimate Goal**

By using these trade tools, Trump clearly intends for these poison pill clauses to be a corollary to his use of tariffs, which aim to balance America's trade, raise government revenue and attract investments into America. Specifically, he aims to limit a partner country's ability to engage with China across key economic areas.

Taken to its logical conclusion, Trump aims to create a trade network and supply chain that excludes China. Parties to trade deals with the United States would be kept in its orbit by the threat of losing access to its market, while agreements for purchasing American products like Boeing jets would keep them intertwined with American companies for years to come.

One could think of this trade approach as a dark mirror of the hub-and-spokes alliance model. America would act as the hub to a litany of bilateral partners, using its economic power as leverage.

Such a goal does not preclude Trump from seeking more concessions from economic partners along the way. Nonetheless, the intentions behind the poison pills are clear: the United States does not just want a divorce from China; it also wants to gain custody of as many "children" as possible.

### **Southeast Asia Needs to Play for Time**

To add to Southeast Asia's woes, the region is facing pressure from China as well. Chinese officials ominously called on Malaysia to "[fully consider](#)" its trade deal with the United States while Chinese trade envoy Li Chenggang urged Cambodian officials to ensure the agreement does not "[harm China's interests](#)".

Yet, the region still retains its agency. Indonesia is reportedly [refusing to accept](#) poison pill clauses during trade talks, including [a demand](#) for Indonesia to avoid using Chinese shipping carriers when sending merchandise to the United States.

Some experts even surmised that Cambodia and Malaysia accepted their respective trade deals as [tactical](#) stopgaps to mitigate the worst of Trump's tariffs; they were a bitter pill to swallow in the short term with the expectation that the deals would eventually crumble.

Building on this idea, it appears that the best path forward for Southeast Asian countries is to play for time through short-term concessions and more talks to stave off the worst of Trump's tariffs. The time gained should be spent diversifying their trade ties with like-minded states. These initiatives should go beyond regular trade deals to include coalitions such as the [Future of Investment and Trade \(FIT\) partnership](#), an initiative co-convened by Singapore, New Zealand, Switzerland and the United Arab Emirates to champion a forward-looking trade agenda.

The poison pill clauses and America's coercive approach to trade will continue to be a cause for concern. But if countries play their cards right, the poison may become less lethal over time.

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