

ECONOMIC/THEMATIC RESEARCH:

Trump Reciprocal Tariff Measure

Lynette Lee
Mazlina Abdul Rahman
Syed Mohamad Bukhari Syed Bakeri
Uswatun Hasanah Mohd Zaini
Ammar Affendi

SMEBank-EconomicResearch@smebank.com.my

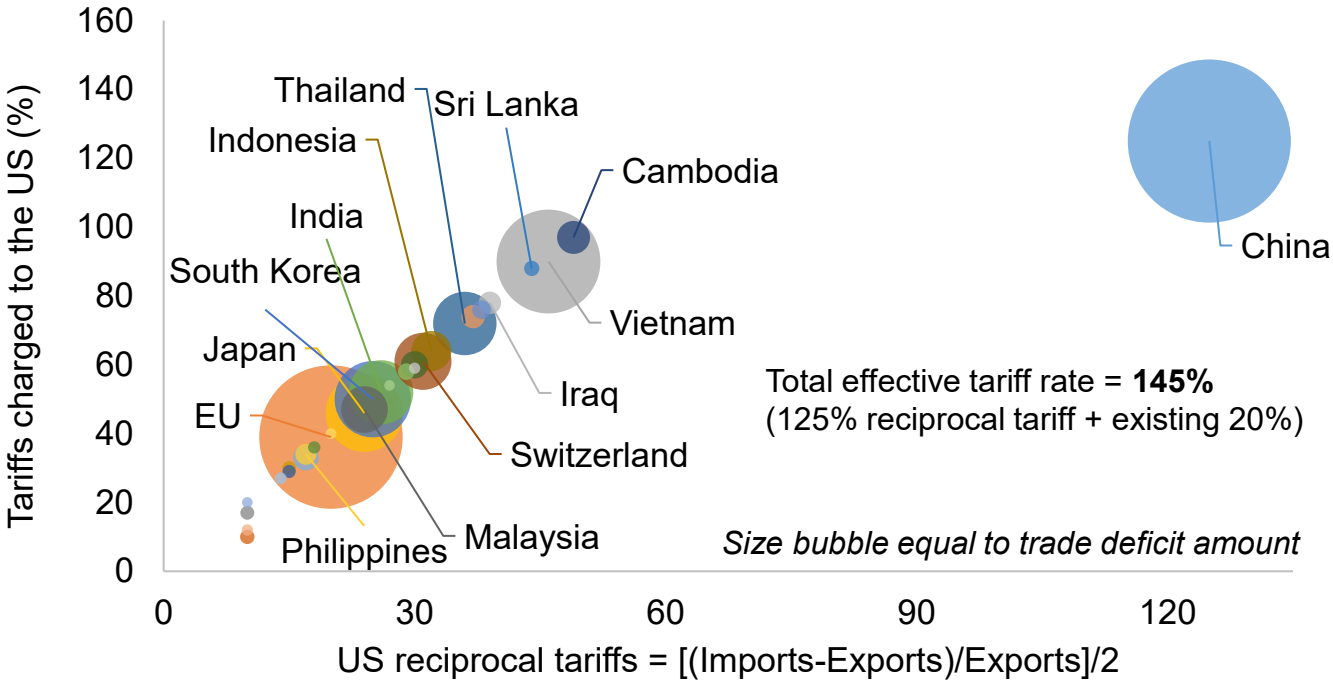
(603) 2615 2020

Malaysia, among nations, hit by Trump's reciprocal tariff announcement

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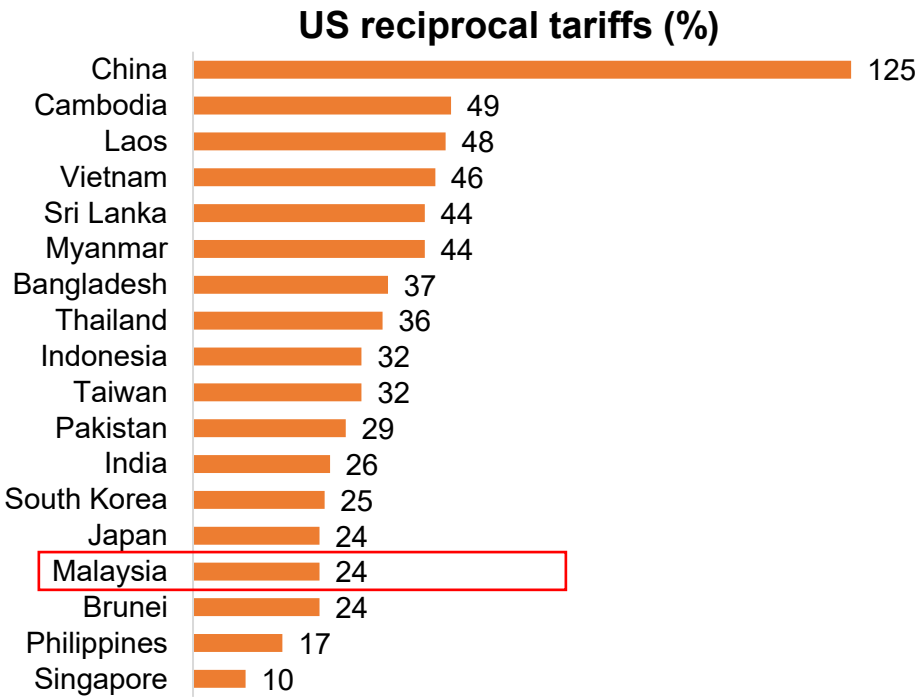
What happened?

- US President Donald Trump unveiled **reciprocal tariff measures** on 2 April 2025, imposing a minimum 10% tariff on all countries and higher tariff (up to 50%) involving 185 countries i.e **24% tariff on Malaysia**.
- Recently, Trump has paused the reciprocal tariffs for 90 days until 14 July 2025, except for China. However, a minimum 10% tariff will still be charged.
- This measure came as US aims to reduce its country's trade deficit, raise government revenue and protect domestic industries.
- Among the highest tariffs globally are China (125%), Lesotho (50%), Saint Pierre and Miquelon (50%), Cambodia (49%), Laos (48%), Madagascar (47%), & Vietnam (46%).
- All items imported by the US will be affected by the tariff** with the **exemptions of copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals & bullions, energy & energy products, laptops and desktop computers, smartphones, communication devices, computer components and storage devices.**



2

24% tariff, but among lowest in ASEAN and Asia economies



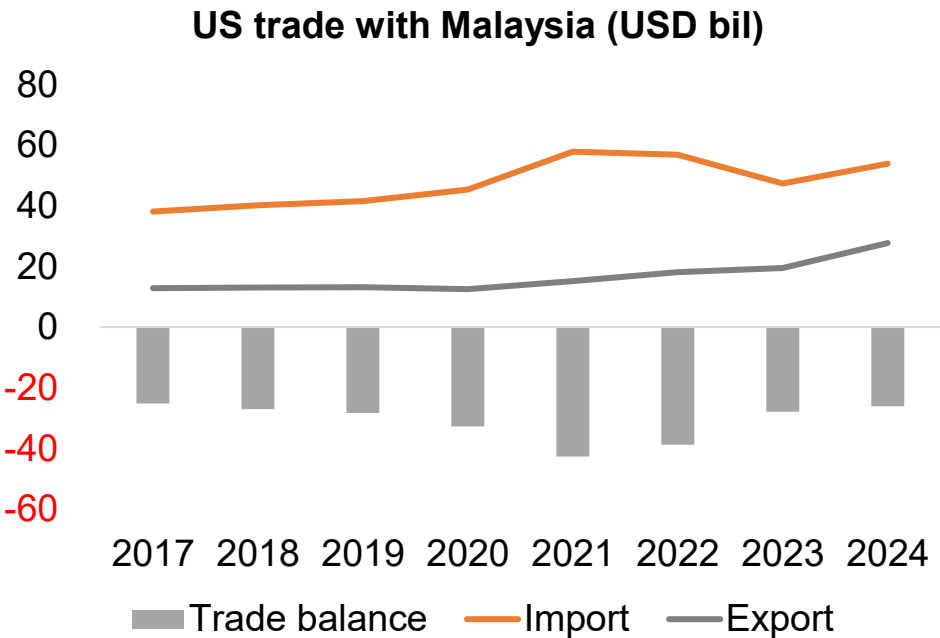
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Ranked 13th trade deficit among importers in US



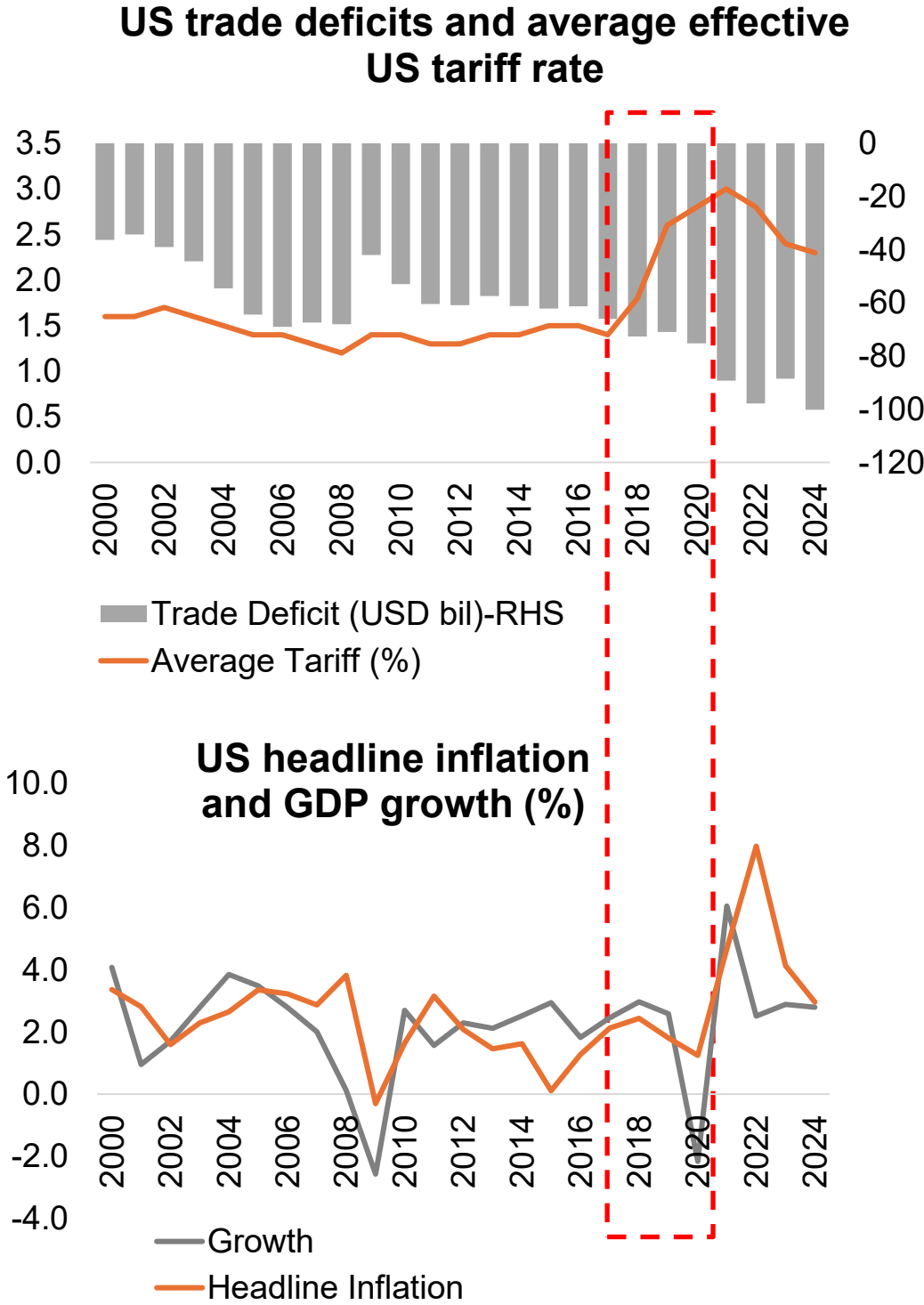
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US trade with Malaysia in deficit, but has narrowed in recent years



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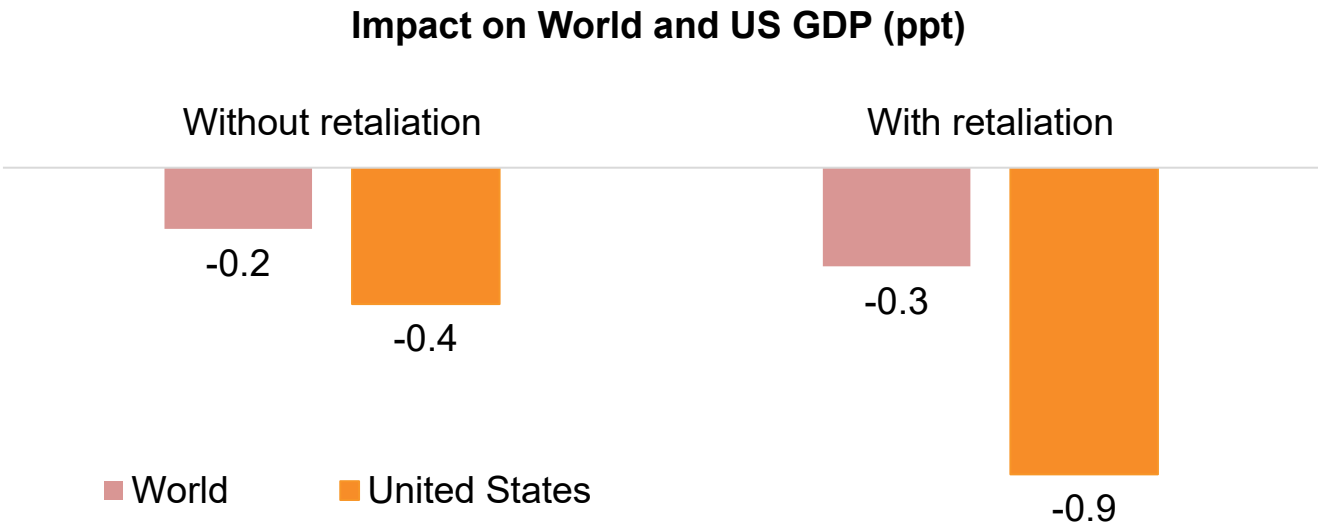
Higher average US tariff



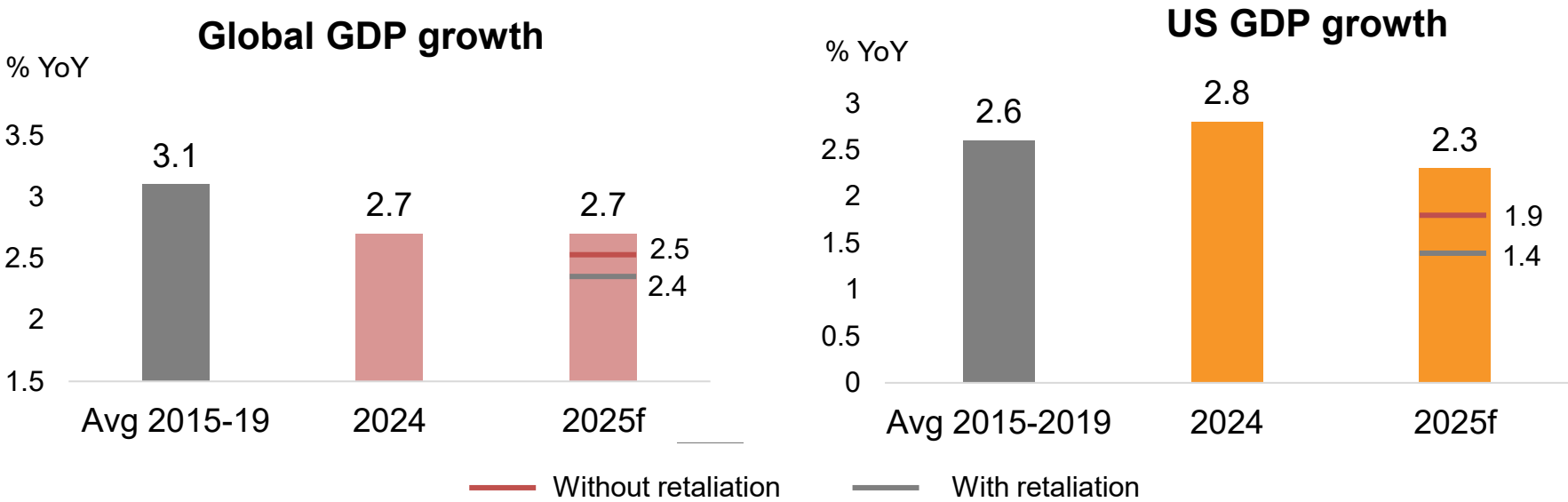
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World bank scenario analysis on US tariff

With an **assumption of 10% increase in US tariffs on imported goods**, the tariff is expected to negatively affect US's GDP more than the World



The following adjusted growth figures **reflects impact of tariffs**:



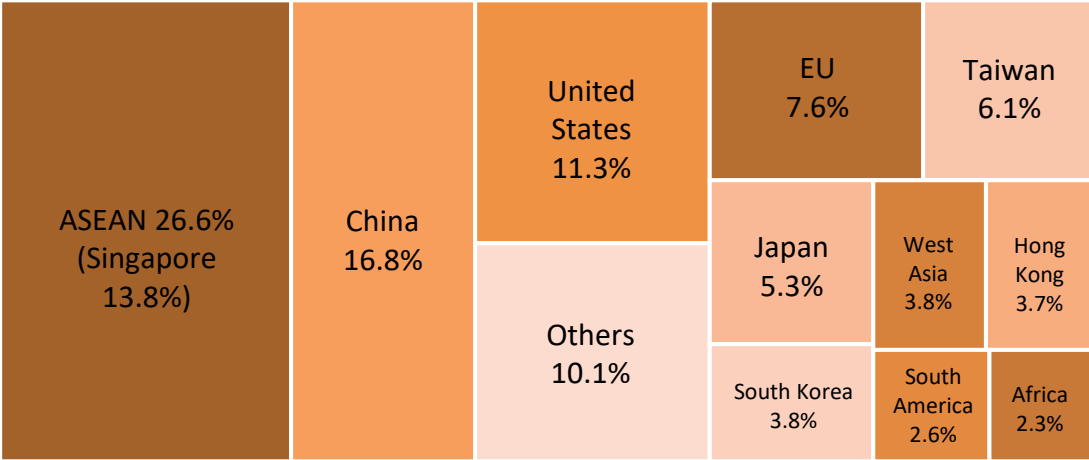
Sources: CEIC, Bloomberg, World Bank's Jan 2025 Economic Outlook & SME Bank Economic Research

Impact to Malaysia's export

1

Risks & Opportunities

Malaysia trade destinations



- Malaysia's total trade with US ranked 3rd among nations/region after China and Singapore.
- MOF estimated in Budget 2025 that **1ppt reduction in US GDP will reduce 1.71ppt of Malaysia's gross export to US, translating to 0.12ppt reduction in Malaysia GDP growth.**



- Diversify exports market to ASEAN, Middle East, Africa
- Move up value chain from intermediate to finish goods
- Explore reshoring & nearshoring of supply chains



- Higher import prices from US and its supply chain
- Risk of dumping and deflationary pressure in our domestic market

Malaysia imposed anti-dumping measure (up to 37.1%) on imported **iron & non-alloy steel** from several countries since 2019 (Vietnam) and 2025 (India, Japan and South Korea). However, even after import tariff, Vietnam's product sold is still 3x cheaper than local.

2

Malaysia's export to US by products

Products	% share		
	A	B	C
E&E	8.0	60.4	20.0
Non-semiconductor	4.2	32.1	30.0
Semiconductor	3.7	28.3	14.5
Miscellaneous manufacture & articles	1.1	8.5	23.5
Professional, scientific and controlling instruments	0.8	6.3	22.6
Machinery, equipment & parts	0.6	4.4	12.7
Iron, steel, non-metallic mineral products	0.6	4.3	8.0
Wood and paper products	0.6	4.2	23.3
Furniture and parts thereof	0.4	3.2	47.0
Rubber products	0.5	3.9	25.1
Rubber gloves	0.4	3.1	39.9
Chemicals and related products	0.2	1.8	4.5
Others	0.8	6.2	2.7
Textiles, apparels and footwear	0.1	1.1	11.4
Total	13.2%	100%	-

Notes:
A = Diversification Malaysia's export to US/ China
B = Concentration Malaysia's export to US/ China
C = Exposure Malaysia's exporter by products to US/ China

3

Malaysia's export to China by products

Products	% share		
	A	B	C
E&E	4.5	36.2	11.3
Semiconductor	3.5	28.4	13.8
Non-semiconductor	1.0	7.8	6.9
Petroleum, gas & other energy products	1.4	11.0	9.5
Iron, steel, non-metallic mineral products	1.0	7.9	14.0
Chemicals and related products	0.9	6.9	16.6
Miscellaneous manufactured articles	0.8	6.4	16.7
Plastic products	0.7	5.7	30.8
Professional, scientific and controlling instruments	0.5	4.4	14.9
Wood & paper products	0.5	3.9	20.4
Furniture and parts thereof	0.0	0.0	0.6
Animal & vegetable oils, fats & waxes (including crude related)	0.5	3.6	8.2
Others	1.7	13.9	11.6
Textiles, apparels and footwear	0.1	0.8	8.3
Total	12.4%	100%	-

Special Parliamentary meeting to tackle US tariffs possible impacts

1

Impact of US tariff to industry

- Malaysia's total trade with US (11.3% share) ranked 3rd among nations/region after China (16.8%) & Singapore (13.8%).
- With the imposition of US tariff (24% on Malaysia), sectoral impact/ impact on firms may **vary depending on their contracts, products & pricing competitiveness, as well as market share/concentration.**
- All items imported by the US will be affected by the tariff** with the **exemptions of copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals & bullions, energy & energy products, laptops and desktop computers, smartphones, communication devices, computer components and storage devices.**
- Malaysian exporters that could be directly affected by this 24% tariff include sectors such as **furniture & parts, rubber gloves, textiles, apparels and footwear, and plastic products.**

Who could be impacted?

Direct players

- Manufacturers
- Trading companies

Importer to bear cost:

Shipment contract to port, clearance by US local vendor/ company

Exporter to bear cost:

Contract to deliver to warehouse/ factory/shop

Indirect players (supply chain)

- Raw material suppliers
- Packaging providers
- Real estate (Warehouse/ factory)
- Transportation (automotive spare parts) & logistics
- Legal/ ICT/ aftersales support/ agents/ custom brokers/ financial institutions etc

Investment flows

- China-linked company (Maxeon) exits Malaysia's solar market. The company has put up for sale a 126-acre industrial site in Melaka (29 Mar 2025)
- + Semiconductor giant (Advanced Micro Devices) eyes Malaysia as hub for advanced chip packaging and design in Penang & Cyberjaya (6 May 2025)
- + Taiwan ASE has launched its 5th plant in Penang, significantly enhancing its chip packaging and testing capabilities (18 Feb 2025)

Substitution vs dumping

- + Given that China's tariff (>145%) is significantly higher than Malaysia's, **Malaysian products could be more marketable in the US market**, providing us the opportunity to be **substitutes for China.**
- However, China's products may **flood/be dumped** to other markets **at lower prices** due to excess supply (**unfavourable to Malaysian products that are in direct competition locally & those markets**)
 - Textiles, aluminium, ceramics, and steel** may face tougher competition from high-volume, low-cost producers.
 - Small firms** without the capacity to produce and sell at scale will struggle to compete

Selected US import share by products where Malaysia ranks top (2024):

Rubber gloves:

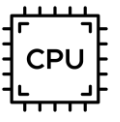


- Malaysia** (46.1% share)
- China (21.2%)
- Thailand (21.1%)

Vacuum:



- Vietnam (31.4%)
- China (29.6%)
- Malaysia** (14.1%)



Semiconductor:

- Malaysia** (20.3%)
- Taiwan (18.8%)
- Vietnam (11.3%)
- China (3.3%)



E&E (Display):

- Vietnam (30.3%)
- China (18.8%)
- Canada (9.7%)
- Malaysia** (8.7%)

2

New strategies announced in Special Parliamentary Meeting on 5 May

SMEs Aids & Financing



- RM1.5 bil in govt guarantees** and financing, including **RM500 mil allocated for soft loans**, to assist SMEs impacted by US tariffs.
- Raised Quotation Limit to RM3 mil** from RM1 mil for Small-Scale Contractors (G1 to G4)
- Raised Balloting Limit for maintenance work** to RM200K from RM100K
- RM50 mil allocation** to help SMEs **diversify their markets** and support export

New Export Facilitation & Trade Negotiations



- MITI will be the **sole issuer** of non-preferential certificates of origin (NPCO) **starting 6 May 2025.**
- 4 demands from the United States:
 - Address Non-Tariff Barriers (NTBs):** wants Malaysia to improve trade-related processes, such halal certification process, which they claim is slow
 - Reduce Trade Deficit**
 - Safeguard US Technology-** prevent the misuse or illegal re-export of US-made technologies (like microchips) to countries under US sanctions.
 - Invest in US Industries:** urging Malaysia to support and invest more in sectors they have identified for reciprocal support.

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