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US Tariffs May Deal Major Blow to Malaysian SMEs, Samenta Warns

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Malaysia's trade ministry clarified on July 8 that a planned 25 percent U.S. tariff on Malaysian imports effective August 1 is a reciprocal replacement for the existing 10 percent baseline tariff, not an additional levy on top of it. Announced by President Trump on July 7 as part of his latest round of reciprocal tariffs affecting 14 countries, this move has unsettled Malaysia's SMEs, which account for 60 percent of the country's electrical and electronics exports to the U.S.)

Samenta president Datuk William Ng did not mince words, describing the tariffs as an “economic earthquake” that could cripple thousands of businesses. He warned that manufacturers and other export-focused companies will be hit the hardest once the tariffs come into force.

While Ng acknowledged that the Malaysian government has been working through diplomatic channels to resolve the issue, he stressed that more immediate, practical measures are urgently needed on the ground. According to Samenta, many SMEs are already struggling with rising costs, labor shortages, and slowing domestic demand. The association urged authorities to fast-track the release of previously announced financial assistance, including RM1 billion in loan guarantees and RM500 million in soft loans, to help companies stay afloat.

Ng also called for these support measures to include domestic businesses that do not export. He explained that weaker export numbers will have ripple effects across the economy, especially in the services sector. Industries such as logistics, food services, and tourism are expected to face declining activity as consumer spending slows.

Adding to the challenge, SMEs are grappling with proposed cost increases, like the rationalization of petrol subsidies and new fees imposed by various agencies and local councils. Ng appealed to the government to delay these measures to avoid adding further strain on businesses already under pressure.

Samenta emphasized that quick and coordinated action is critical to prevent lasting damage to Malaysia’s industrial base and to support future recovery. Ng concluded by highlighting that urgent solutions are needed to address labor shortages in key sectors so that businesses can better absorb shifts in demand.

In response to the tariffs, the Ministry of Investment, Trade, and Industry said it will continue discussions with US counterparts to pursue a fair and balanced trade agreement. However, until a resolution is found, many Malaysian SMEs are bracing themselves for challenging times ahead.

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