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Singapore Business Federation welcomes National Task Force on Reciprocal Tariffs

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To be attributed to Kok Ping Soon, CEO of Singapore Business Federation

The announcements by US and the retaliatory moves by China are deeply concerning for businesses, which have already raised concerns about the ongoing uncertainty and disruption.

Given the potentially detrimental impact of the tariffs, the formation of an MTI-led National Task Force to seek input from businesses on the implications and potential response is timely and necessary in keeping with the government's pragmatic and calm reaction to the events of the last few days.

How might Singapore businesses be impacted by tariffs?

Even though Singapore is slapped with the 10% minimum base tariff, which is the most favoured tariff rate levied, we are not immune to the effects of the higher tariffs imposed on other economies. According to the SBF National Business Survey, 71% of Singapore businesses have an offshore presence. Top markets including Malaysia (63%), Indonesia (49%) and China (46%), have been hit with reciprocal tariffs ranging from 24% to 34%. Businesses that had pursued a "China + 1" strategy in diversifying their supply chain to SEA countries to supply to US are now casualties.

Even for businesses which are not directly selling into the US or operating in the region, they could be intermediate suppliers in the global supply chain of goods destined for the US market. Businesses will face compounded supply chain costs, shrinking margins and volume cuts.

In addition, the secondary impact of a global trade war to the Singapore economy, with a trade-to-GDP ratio exceeding 300%, will be significantly negative for the logistics, wholesale trade and financial services sectors. This will in turn affect even the domestically oriented businesses arising from weaker demand and potentially higher prices. These will all be a drag to our economic growth.

In the end, tariffs function as a tax: Who ultimately bears the cost and to what extent is determined by who holds the leverage. However, this situation is different from the COVID-19 pandemic, which saw supply shortages leading to costs being passed down the entire value chain. Currently, whether the additional expenses will remain upstream, affecting manufacturers, or transferred to consumers in the US remains to be seen.

How should businesses respond?

Businesses will need to urgently look at compliance, supply chain risk, and how best to engage with government officials in countries they operate. They will need to re-examine their reliance on US as a market and consider whether there are market opportunities in the region and in the trade corridors where Singapore has Free Trade Agreements.

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Singapore must therefore use this unpredictable period to double down on its commitment to free and fair trade by seeking out opportunities to strengthen economic integration with other like-minded nations. The current situation presents an opportunity for ASEAN to review regional non-tariff barriers to facilitate greater intra-regional trade. Existing agreements like the Regional Comprehensive Economic Partnership (RCEP) should be further enhanced to foster economic integration.

During challenging times, it is critical that business and government are united. To that end, the Singapore Business Federation (SBF) welcomes the opportunity to be represented in the National Taskforce, alongside Singapore National Employers Federation and the National Trades Union Congress, to provide business insights and develop response strategies to support Singapore businesses and workers in addressing challenges on the ground.

What is SBF doing?

As a contribution to this effort, the Centre for the Future of Trade and Investment (CFOTI) established by Singapore Business Federation (SBF) has the following line-up in the coming weeks: -

- Business survey on the impact of tariffs to capture business concerns and inform the Task Force's response strategy to be launched on 11 April.
- Briefing and workshop titled "US Reciprocal Tariffs: Make Sense, Take Action, Plan Ahead" on 16 April, featuring practitioners from the trade value chain including DBS, DHL, PwC and Rajah & Tann with representatives from MTI.
- Export Control and Trade Compliance workshop on 29 April featuring insights from trade experts and Singapore Customs to guide companies navigating the US export control regimes for sensitive goods such as semiconductors.

How can your business get involved?

Other than participating in the above activities, CFOTI has a team of Advisors who can work with businesses to assess tariff impacts across their supply chains and explore mitigation strategies. These include product pricing adjustments, market diversification, alternative manufacturing hubs, and long-term supply chain resilience planning.

Please contact CFOTI at fta@sbf.org.sg to share your thoughts on the announcements, how they might impact your business, and any measure you would like to see from the Singapore Government.



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For media queries, please contact:

Edna Chia
Assistant Director, Marketing and Communications Division
Singapore Business Federation
E: edna.chia@sbf.org.sg

Melody Faye Jimbangan
Ruder Finn Asia on behalf of
Singapore Business Federation
E: melody.faye@ruderfinn.com

About Singapore Business Federation (新加坡工商联合总会)

Singapore Business Federation (SBF) is the apex business chamber with over 32,000 members across diverse industries. With a vision to advance Singapore towards a globally competitive and sustainable economy, SBF mobilises the business community to be future-ready and magnify transformation opportunities through policy advocacy, partnership platforms and capability programmes.

For more information, please visit: www.sbf.org.sg