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Tax alert

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APAC Exporters Brace for Impact: Strategies to Counter Trump's Reciprocal Tariffs

Impact on international supply chains.

The introduction of President Trump's reciprocal tariffs marks a seismic shift in global trade dynamics, particularly for exporters in the Asia-Pacific (APAC) region. These tariffs, aimed at equalising trade imbalances, impose significant duties on goods from nations with high tariffs on U.S. exports. For APAC economies, which rely heavily on export-driven growth, this policy threatens to disrupt supply chains, inflate costs, and erode competitiveness in key markets.

The Executive Order introduces a 10% rate to all imports starting Saturday (April 5) and "Reciprocal" rates from April 9.

The new tariffs are generally additive on top of existing tariffs, such as U.S. MFN tariffs. Many Chinese products, for example, will now be subject to a 25% Section 301 tariff, 20% "fentanyl" tariffs; and now a 34% "discounted reciprocal tariff," plus whatever the US MFN rate is. E.g., total tariffs of 79%+.

As businesses brace for these challenges, exploring duty mitigation strategies becomes essential to safeguard profitability and maintain market access.

Tariff impact

The reciprocal tariffs are an ad valorem tariff imposed as a percentage of goods value, vary across countries based on existing trade imbalances and protectionist policies.

Country	Reciprocal rate
Australia	10%
Bangladesh	37%
Brunei	24%
Cambodia	49%
China	34%
India	27%
Indonesia	32%
Japan	24%
Laos	48%
Malaysia	24%
Myanmar	45%
Pakistan	30%
Philippines	18%
Singapore	10%
Sri Lanka	44%
South Korea	26%
Taiwan	32%
Thailand	37%
Vietnam	46%

Considerations:

When developing long-term trade strategies, companies must recognize that reciprocal tariff rates are inherently fluid and subject to change based on ongoing negotiations between countries and the U.S. While a country like Singapore may currently maintain a 10% reciprocal tariff rate compared to Cambodia's 49%, these figures are not static and could shift as nations work to address trade imbalances. Basing major business decisions solely on current tariff structures risks overlooking the volatility of trade policies, particularly as political leadership — such as potential adjustments by President Trump — can influence tariff rates in response to diplomatic or economic negotiations. A comprehensive strategy should incorporate flexibility, scenario planning, and an understanding of broader regulatory and economic trends rather than fixating on tariffs that may be revised in the short term.

Duty Mitigation Strategies

Exporters in APAC are looking for ways to remain competitive, we visit some strategies that can be used in collaboration with your customers which may be able to mitigate the effect of these duties on goods imported into the United States.

Product exclusion process

The new Executive Order does not contain provisions for the exclusion of reciprocal tariffs, there, are however two major exceptions to the new tariffs. First, products that are subject to 232 tariffs, such as steel and aluminum, and autos and auto parts, or to planned 232 tariffs, such as pharmaceuticals and semiconductors, are *exempt* from the additional reciprocal/universal baseline tariffs.

Here are some examples of tariffs that are exempt from the duties.
e.g.

Pharmaceuticals – 30024100 Vaccines for human medicine

Semiconductors – 85423100 Electronic integrated circuits: processors and controllers.

Kindly refer to the link below for a detailed list.

[Annex-II.pdf]

US Content

For products that include US content, the US content is exempt from the new tariffs, if the US content is at least 20% of the value of the imported product. E.g., a Korean car that includes 30% US content will only be tariffed at 70% of the import price. "U.S. content" refers to the value of an article attributable to the components produced entirely, or substantially transformed in, the United States.

Strategic Approaches to Reducing Dutiable Landed Costs

In the short term, companies can explore strategic solutions to minimise their dutiable landed cost when exporting to the U.S. Two effective mechanisms include utilizing the "first sale for export" principle, which allows importers to declare the transaction value based on the initial sale in a multi-tiered supply chain, thereby reducing the customs value subject to duty. Additionally, leveraging the provisions of HTS 9802.00.80 can enable companies to pay duty only on the value of processing performed outside the U.S., rather than on the full value of the re-imported goods. Implementing these strategies requires careful documentation and compliance, but they can offer immediate cost savings while businesses navigate broader trade considerations.

First sale for export

The primary method for determining the value for Customs purposes of imported goods is the "transaction value". The transaction value of imported goods is the actual price paid or payable for the goods when it is sold for exportation to the United States (subject to certain statutory adjustments). In most instances, that price is the total amount paid or payable by the United States importer to the foreign seller for the goods.

In a multi-tier procurement structure, however, it may be possible to reduce the customs value of goods imported from a country with a high tariff rate, and therefore the amount that will be subject to those duty rates, based on the "first sale for export". The opportunity to mitigate the effect of the reciprocal duties on imported APAC goods may therefore arise in circumstances in which an APAC manufacturer sells the goods to an intermediary in a third country, and that intermediary resells the goods to the United States importer. In those circumstances, the manufacturer's price of sale to the intermediary, rather than the intermediary's higher resale price to the United States importer, may constitute a bona fide transaction value for United States customs purposes when the goods are imported into the United States.

9802.00.80 Duty preference

If a product does not meet the minimum 20% U.S. content requirement, exporters may still explore the option of utilising the duty preference under 9802.00.80.

Subheading 9802.00.80, HTSUS establishes a special duty preference for certain imported goods assembled abroad from United States origin fabricated components. Ad valorem duties on imported products that meet the requirements of subheading 9802.00.80 are assessed on the full customs value of those imported products, less the value of the United States origin components. Subheading 9802.00.80, HTSUS may, therefore, provide some reciprocal duty mitigation for products assembled in an APAC country from United States origin components that meet the requirements of that United States tariff provision and the implementing provisions of the CBP Regulations.

Duty drawback

Section 313 of the Tariff Act of 1930, and Part 191 of the CBP Regulations, 19 authorize the drawback of duties paid on importation of goods into the United States when that good is subsequently exported either:

1. as incorporated into products manufactured in the United States (i.e., manufacturing drawback); or

2. in the same condition as originally imported (i.e., unused goods or same condition drawback).

The drawback statute allows the recovery of 99 percent of the duties originally paid on the imported goods, when the goods are subsequently exported, subject to the various conditions and requirements of the CBP Regulations.

Impacts beyond the US markets

Tariff increases on products from APAC are expected to cause trade deflection, diverting APAC and Rest of World exports from the U.S. market to other regions, including the EU. This could trigger protective measures within the EU and other countries (i.e., anti-dumping or countervailing duties) as they seek to manage the influx of redirected goods, potentially leading to increased competition and pricing pressures on local producers.

How we can help

The imposition of reciprocal tariffs on all products exported from APAC presents enormous financial and compliance challenges for companies and their United States customers that rely upon them as key elements of their supply chains.

Our supply chain tax experts can help you to possibly mitigate the impact of these duty increases by means of careful analysis of existing and potential supply chains and consideration of how any or all the foregoing and other mitigation strategies might be applied to your manufacturing and procurement operations.

Authors

Kenneth Leung
Partner
Head of Indirect Taxes,
Global Trade & Customs, Asia Pacific and
Head of Supply Chain & Indirect Taxes
KPMG in China
T: +86 10 85533311
E: ky.leung@kpmg.com

Shafiqah Binte Abdul Samat
Principal Advisor
Trade and Customs
KPMG in Singapore
T: +65 8518 7867
E: shafiqahabdulsamat@kpmg.com.sg

Contact us

Ajay K Sanganeria
Partner
Head of Tax
T: +65 6213 2292
E: asanganeria@kpmg.com.sg

BANKING & INSURANCE

Alan Lau
Partner
Head of Financial Services, Tax
T: +65 6213 2027
E: alanlau@kpmg.com.sg

Lum Kah Wai
Partner
T: +65 6213 2690
E: kahwailum@kpmg.com.sg

ENERGY & NATURAL RESOURCES AND TELECOMMUNICATIONS, MEDIA & TECHNOLOGY

Gordon Lawson
Partner
Head of Energy & Natural Resources, Tax
T: +65 6213 2864
E: glawson1@kpmg.com.sg

Harvey Koenig
Partner
T: +65 6213 7383
E: harveykoenig@kpmg.com.sg

Mark Addy
Partner
T: +65 6508 5502
E: markaddy@kpmg.com.sg

INFRASTRUCTURE, GOVERNMENT & HEALTHCARE AND MANUFACTURING

Chiu Wu Hong
Partner
Head of IGH & Manufacturing, Tax
T: +65 6213 2569
E: wchiu@kpmg.com.sg

Pauline Koh
Partner
T: +65 6213 2815
E: paulinekoh@kpmg.com.sg

Chris Roberts
Partner
T: +65 6411 8923
E: christopherroberts@kpmg.com.sg

Leo Yang
Partner
T: +65 6213 3721
E: leoyang5@kpmg.com.sg

Yong Jiahao
Partner
T: +65 6213 3777
E: jiahaoyong@kpmg.com.sg

REAL ESTATE & ASSET MANAGEMENT

Teo Wee Hwee
Partner
Co-Head of Real Estate, Tax, and Head
of Asset Management & Family Office
T: +65 6213 2166
E: weehweeteo@kpmg.com.sg

Anulekha Samant
Partner
Co-Head of Real Estate &
Asset Management, Tax
T: +65 6213 3595
E: asamant@kpmg.com.sg

Agnes Lo
Partner
T: +65 6213 2976
E: agneslo1@kpmg.com.sg

Pearlyn Chew
Partner
T: +65 6213 2282
E: pchew@kpmg.com.sg

Evangeline Hu
Partner
T: +65 6213 2597
E: evangelinehu@kpmg.com.sg

Contact us

TRANSFER PRICING

Felicia Chia
Partner
Head of Transfer Pricing, Tax
T: +65 6213 2525
E: fchia@kpmg.com.sg

Lee Jingyi
Partner
T: +65 6213 3785
E: jingyilee@kpmg.com.sg

Denis Philippov
Partner
T: +65 6213 2866
E: denisphilippov@kpmg.com.sg

Yong Sing Yuan
Partner
T: +65 6213 2050
E: singyuanyong@kpmg.com.sg

INDIRECT TAX

Elaine Koh
Partner
Head of Indirect Tax
T: +65 6213 2300
E: elainekoh@kpmg.com.sg

Sharon Cheong
Partner
T: +65 6213 2399
E: sharoncheong@kpmg.com.sg

CORPORATE TAX PLANNING & COMPLIANCE

Audrey Wong
Partner
Head of Corporate Tax Planning
& Compliance, Tax
T: +65 6213 2010
E: audreywong@kpmg.com.sg

Lim Geok Fong
Principal Advisor
T: +65 8118 1129
E: geokfonglim@kpmg.com.sg

TAX GOVERNANCE

Pauline Koh
Partner
T: +65 6213 2815
E: paulinekoh@kpmg.com.sg

TAX TECHNOLOGY & TRANSFORMATION

Lee Bo Han
Partner
T: +65 6508 5801
E: bohanlee@kpmg.com.sg

TAX REIMAGINED

Catherine Light
Partner
T: +65 6213 2913
E: catherinelight@kpmg.com.sg

Abad Dahbache
Partner
T: +65 6213 2034
E: abadullahdahbache@kpmg.com.sg

GLOBAL COMPLIANCE MANAGEMENT SERVICES

Cristina Alvarez-Ossorio
Partner
T: +65 6213 2688
E: cristinaalvarez@kpmg.com.sg

PERSONAL TAX & GLOBAL MOBILITY SERVICES

Murray Sarelius
Partner
Head of Personal Tax &
Global Mobility Services, Tax
T: +65 6213 2043
E: murraysarelius1@kpmg.com.sg

Barbara Kinle
Partner
T: +65 6213 2033
E: bkinle@kpmg.com.sg

Eugenia Tay
Partner
T: +65 6213 2039
E: eugeniatay@kpmg.com.sg

Garren Lam
Principal Advisor
T: +65 9728 1502
E: garrenlam@kpmg.com.sg

FAMILY OFFICE & PRIVATE CLIENTS

Teo Wee Hwee
Partner
Head of Asset Management
& Family Office
T: +65 6213 2166
E: weehweeteo@kpmg.com.sg

Pearlyn Chew
Partner
T: +65 6213 2282
E: pchew@kpmg.com.sg

MANAGED SERVICES

Larry Sim
Partner
Head of Managed Services, Tax
T: +65 6213 2261
E: larrysim@kpmg.com.sg

Contact us

PROPERTY TAX & DISPUTE RESOLUTION

See Wei Hwa
Partner
T: +65 6213 3845
E: wsee@kpmg.com.sg

Leung Yew Kwong
Principal Advisor
T: +65 6213 2877
E: yewkwongleung@kpmg.com.sg

R&D AND INCENTIVES ADVISORY

Lee Bo Han
Partner
T: +65 6508 5801
E: bohanlee@kpmg.com.sg

TAX – DEALS, M&A

Adam Rees
Partner
T: +65 6213 2961
E: adamrees@kpmg.com.sg

BASE EROSION AND PROFIT SHIFTING (BEPS)

Andy Baik
Partner
Co-Head of BEPS COE
T: +65 6213 3050
E: andybaik1@kpmg.com.sg

Harvey Koenig
Partner
Co-Head of BEPS COE
T: +65 6213 7383
E: harveykoenig@kpmg.com.sg

TRADE AND CUSTOMS

Shafiqah Binte Abdul Samat
Principal Advisor
T: +65 8518 7867
E: shafiqahabdulsamat@kpmg.com.sg

INDIA TAX SERVICES

Bipin Balakrishnan
Partner
T: +65 6213 2272
E: bipinbalakrishnan@kpmg.com.sg

US TAX SERVICES

Andy Baik
Partner
Head of US Tax Desk
T: +65 6213 3050
E: andybaik1@kpmg.com.sg

Nicole Li
Principal Advisor
T: +65 9824 4169
E: nicoleli4@kpmg.com.sg

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KPMG
12 Marina View, #15-01
Asia Square Tower 2
Singapore 018961
T: +65 6213 3388
F: +65 6225 0984
E: tax@kpmg.com.sg

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