CESDAsia

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NEWSLETTER

AN ASIAN PERSPECTIVE

"ASEAN IN FOCUS: NAVIGATING THE RIPPLE EFFECTS OF THE U.S. TRADE TARIFFS AND ASIA'S STRATEGIC CALCULUS"

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TRADE, TRANSFORMATION AND THE FUTURE OF ASEAN

Datuk Lim Sue Beng

The recent imposition of U.S. trade tariffs has set in motion a series of economic reverberations across South-East Asia with ASEAN member states positioned at the heart of this unfolding narrative. As policymakers and business leaders assess the ramifications, we examine the structural shifts and strategic imperatives arising from these developments.

The U.S. tariffs, designed to bolster domestic industries, have precipitated a recalibration of global supply chains. For ASEAN economies, the effects are multifaceted. While we understand that Vietnam, Malaysia, and Thailand, may experience short-term gains from redirected foreign investment, export-oriented sectors face heightened volatility. Amid these challenges, ASEAN's strategic response will be pivotal. The region's established frameworks, including the Regional Comprehensive Economic Partnership (RCEP), provide a foundation for mitigating disruptions. Indonesia's nickel down-streaming initiatives, Singapore's fintech advancements, and the Philippines' renewable energy investments exemplify efforts to enhance self-reliance and value-added production. Amongst regions serving as influential ports and trading facilitators, the state of Malacca holds a historical position as a host for traders from China, India, the Middle East, ASEAN and Europe, for the nation of Malaysia. This region plays an important role in Malaysia‘s development, and in supporting the demands of the nation and overseas.

This edition of our CESDAsia Newsletter presents a data-driven exploration of key themes;

- Trade Realignment: Assessing ASEAN's export diversification strategies.
- Geopolitical Balancing: Evaluating ASEAN's neutrality efficiency in external competition.
- Sectoral Resilience: Exploring strategies within industries, technology, and others.

We invite you to engage with these insights while navigating the evolving economic terrain. Thank you for your continued readership. Stay tuned with us for more.

Datuk Lim Sue Beng

Chairman,

Center for Economic and Sustainable Development - Asia (CESDAsia)

Tan Sri Dato' Sri Ong Tee Keat

TAKING A LEAF OUT OF ASEAN'S PLAYBOOK

The inclusion of Indian Ocean in the power equation of Indo-Pacific geopolitical dynamics has once enhanced the significance of the sub-continent remarkably amid the escalating global tumult. Yet, the international limelight and fanfare do not translate into economic dividends to the countries across the region. While Asia Pacific is evolving into a robust economic growth area defined by multilateral economic partnership and supply chain integration, South Asia remains relatively passive in engaging with other parts of Asia.

The region is not devoid of economic groupings. Both, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the South Asian Association for Regional Cooperation (SAARC), are the two key pillars of regional economic cooperation. The former (BIMSTEC), comprising Bangladesh, Bhutan, India, Myanmar, Sri Lanka, Thailand and Nepal, is supposed to play a useful bridge linking South Asia with Southeast Asia. Yet, over the years, the acronym BIMSTEC remains relatively remote to Southeast Asia.

Similarly, neither has the South Asian Association for Regional Cooperation (SAARC) facilitated any intra-regional cooperation between its member states and ASEAN, though the South Asian Free Trade Area (SAFTA) ratified under its framework is framed as a parallel to the ASEAN Free Trade Area in South Asia. The SAARC comprises 8 signatory nations in the region, namely Nepal, Bhutan, India, Bangladesh, Pakistan, Sri Lanka, Maldives, and Afghanistan, thereby providing a good conduit for regional economic integration and cooperation. Despite that it has been in existence for decades, the grouping is yet to make the same economic strides as ASEAN. The entire South Asia remains the least integrated region in the world. The biggest challenge lies in delivery and consensual decision making which, in many instances, is subject to geopolitical disruptions and distractions within the region.

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Under the prevailing global geopolitical dynamics, ASEAN has never been spared from the challenges posed by disputes and major power rivalry either. Nonetheless, ASEAN, as a regional bloc, does not allow the overlapping territorial claims over some parts of South China Sea by several claimant states in ASEAN to derail the trade relations with its top trading partner, China.

Pictographic information of ASEAN region (iStock, n.d.)

China, the Comprehensive Strategic Partner of ASEAN, has been the latter's top trading partner since 2009, while the 10-member bloc began to surpass the European Union as China's top trading partner in 2020 when the pandemic was ravaging in the region. Since then, ASEAN and China have been each other's top trading partner.

The ASEAN-China Free Trade Area (ACFTA) implemented on 1 January 2010, is the cornerstone for deepening the robust economic engagement. Having been incorporated with the provisions of Trade in Goods, Early Harvest Programme, Trade in Services, Investment, Dispute Settlement Mechanism and Economic Co-operation, the recent substantial conclusion of the ACFTA 3.0 upgrade further witnessed the inclusion of consumer protection and competition provisions, alongside a conspicuous shift to the emerging drivers of growth in sustainable development, like electronic commerce, clean energy and sustainable infra-structure.

Last year (2024), the China-ASEAN trade figures reached US$962.98 billion, marking a year-on-year increase of 9% and accounting for 15.7% of China's total foreign trade during the period. Prior to that, it posted US$722 billion in 2022, accounting for nearly one-fifth of ASEAN's global trade. The figures further soared to USD 911.7 billion in 2023, inching even closer to the USD 1 trillion mark, as the bloc continues to integrate itself into the China-centric Global Value Chain.

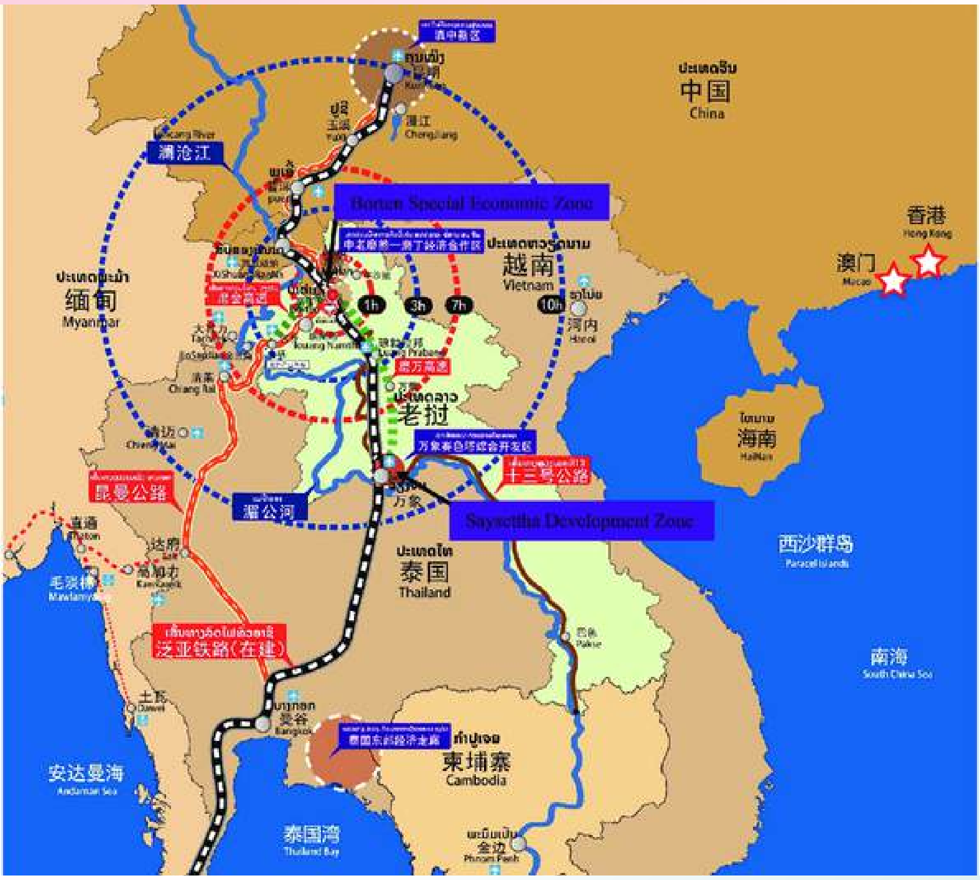
Be that as it may, while embracing the China-initiated Belt and Road Initiative (BRI), ASEAN maintains its centrality in addressing its security concerns and development priorities , alongside straddling the delicate geopolitical rivalry between China and the US. This reminds the world of its consistency in endeavouring to make Southeast Asia a Zone Of Peace, Freedom And Neutrality (ZOPFAN) , as was underscored in the 1971 ZOPFAN Declaration in Kuala Lumpur. The signatory parties, comprising then Foreign Ministers or their representatives of the ASEAN member states , namely Indonesia, Malaysia, Singapore, Thailand and the Philippines, publicly stated their collective intent to keep Southeast Asia *"free from any form or manner of interference by outside powers"* and *"broaden the areas of cooperation."*

This was evidenced by the circumspection and astuteness of ASEAN in prioritising regional economic cooperation and sustainability as two core pillars of the ASEAN Outlook on Indo-Pacific (AOIP), instead of the controversial regional security concerns as is intended by the US in its Indo-Pacific Strategy. The AOIP marks the initial ASEAN response to the US-initiated strategy designed to encircle China and stymie its rise. Plainly put, ASEAN is pursuing its own course of autonomous strategic partnership without picking side in the major power face-off in the best interest of its 650 million people.

On the other hand, among the member states of BIMSTEC and SAARC, Nepal stands out as a unique model. The Himalayan landlocked economy is one of the BRI partner countries in the region. Yet only a meagre 0.5% of Nepal's exports and 15.1% of Nepal's imports by value are traded with China, which is its second largest trade partner. From the relatively less updated statistics, India remained its largest merchandise trade partner in 2021, representing 80.1% of its exports and 60.7% of its imports - Not much different from its 84% exports to India half a century ago, in the FY 1974/75. In contrast, Nepal's integration with the China-dominated Global Value Chain remains low and insignificant, mirroring the case of India - The biggest developing economy in South Asia.

Being a less developed economy, Nepal's substantial trade deficit of USD 11.04 billion during FY 2022/23 was indeed burdensome. Landlockedness, higher production cost, political instability and devaluation of its currency are identified as among the factors impeding Nepal from coming out of the trade deficit doldrum.

While bemoaning landlocked topography that leads to remoteness from the source of supplies of materials and marketplace for the finished products for any desired industrialization in pursuit of a nation's prosperity, the China-Laos rail link always stands as a classic example in transforming Laos, a landlocked least developed economy in ASEAN to a land-linked country with enhanced economic competitiveness.



Depiction of the China-Laos Rail Link in regional context (Research Gate, 2021)

The 1035 km railway line, linking Kunming of Southwest China's Yunnan Province and Laotian capital of Vientiane, is a flagship BRI project in Southeast Asia. Being part of the long hatched Pan-Asian Railway or Kunming-Singapore Railway, it is a ‘game-changer’, reshaping the logistical infrastructure and connectivity landscape across the Southeast Asian peninsula, alongside boosting regional economic growth and facilitating people-to-people engagement across the stakeholder countries in ASEAN.

In retrospect, none of the BRI-related infrastructure projects across the world, notably those in ASEAN countries, such as the China-Laos Railway, Jakarta-Bandung High Speed Rail and the East Coast Rail Link in Malaysia, have ever been spared from consistent onslaught of vilification and disinformation by the BRI detractors. The malicious stereotype platitude, ranging from hyping the *"debt trap conspiracy" to dispensing the prophecy of "compromised sovereignty by the host countries under the debt distress"* , alongside casting the aspersions as to *"whom would benefit most from the project"* form the template of the West-sponsored cognitive warfare against BRI. Having been obsessed with such agenda, any glitches stalling the project would immediately be trumpeted as a ‘push-back’ by the host country. In this context, the East Coast Rail Link (ECRL) which was once stalled by change of railway configuration is a clear case in point.

Similarly, any domestic political discord within the potential host country of BRI provides an ideal rift for the West to drive wedge at against the mega endeavour. Yet, as the BRI is coming of age 12 years after its inauguration, it is no parallel to the Marshall Plan spearheaded by the US in the post-WWII Western Europe as it has never been a China-aided project with attached conditionalities. Parallel to this, the collective endorsement by 152 nation states and more than 30 international agencies of the trillion dollar endeavour was never spurred by sheer herd mentality across the world. Instead, it is anchored in the dire quest for development needs, albeit of diverse priorities.

Amid the intense demonising of BRI, perhaps a comprehensive and comprehensible set of BRI narratives is necessary to keep the discourse on BRI in the right perspective, differentiating it from other forms of Chinese overseas aid grants. The incorporation of modalities of project finance and implementation will certainly help pre-empt any unnecessary misgivings from being exploited for the wrong reasons. This is absolutely necessary as more Chinese companies, both State-own-enterprises (SOE) and private enterprises alike, are now venturing into the BRI partner countries in their quest for projects abroad. After all, not all projects undertaken by Chinese contractors beyond their shores are BRI-related. Any innocent or deliberate moves to label infrastructure projects as BRI- linked unilaterally and indiscriminately are virtually doing BRI a great disservice.

Knowing that the modus-operandus of BRI is rooted in symbiosis, benefitting both the host country and China alike, the former should have the latitude of tolerance to accommodate any possible reaping of geopolitical dividends, in terms of expanding the sphere of influence by China. After all, this is the name of the game which applies to all countries financing the projects. This may come as a collateral dividend to China in the case of BRI as geopolitical influence is intangible. But under the framework of other rival infrastructure endeavours such as the Partnership for Global Infrastructure and Investment (PGII) spearheaded by the US-led G7 and the Global Gateway Initiative by the European Union, it is the investors' share of profit that must be factored-in as a pre-requisite.

From the perspective of potential BRI partner countries like Nepal, time has never been on the side favouring small nation states as they have less tools to leverage on. The best bet still lies in jumping on the viable bandwagon of pursuing common prosperity through economic integration and cooperation. This should be underpinned by the ideal of fostering a Community of Shared Future where least developed economies are given an equal place as an equitable stakeholder.

Ong Tee Keat

President, Belt and Road Initiative Caucus for Asia Pacific (BRICAP)

May 4th, 2025

USA RECIPROCAL TARIFFS: POSSIBLE OPTIONS FOR ASEAN

Dr. Rajan Sudesh Ratna

The Association of Southeast Asian Nations (ASEAN) was established in 1967 to promote political and economic cooperation among its member states, with Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, the Philippines, and Vietnam as members. Over the years, ASEAN has evolved into an important regional block that plays a crucial role in fostering economic growth and stability in Southeast Asia. ASEAN's trade integration is primarily driven by the ASEAN Free Trade Area (AFTA), which aims to reduce tariffs and facilitate trade among member countries. As of 2023, the average tariff rate among ASEAN countries has dropped significantly to around 0-5% for most products and the intra-ASEAN trade accounted for approximately 23% of total ASEAN trade in recent years [1]. This integration not only enhances intra-regional trade but also strengthens ASEAN's collective bargaining power in global markets. Some of ASEAN’s top export destinations include USA, China, EU, Japan, Hong Kong, China, Republic of Korea and India.

The reciprocal duties imposed by US will reduce exports of ASEAN to US and thus they may see negative growth in their global exports. This paper studies how ASEAN can diversify its market or focus on existing markets so that its export loss to US can be supplied to other markets.

USA’s reciprocal tariff on ASEAN

President Donald Trump' imposed reciprocal tariffs on various goods countries, including ASEAN and China as part of a broader strategy aimed at addressing trade imbalances. The U.S. tariffs imposed on ASEAN countries on 2nd April 2025 are as follows:

Cambodia: 49 percent | Laos: 48 percent | Vietnam: 46 percent | Myanmar: 44 percent | Thailand: 36 percent | Indonesia: 32 percent | Malaysia: 24 percent | Brunei: 24 percent | The Philippines: 17 percent | Singapore: 10 percent (baseline)

While some countries like Cambodia and Vietnam face steep duties on key export categories, others like Singapore and the Philippines were imposed lesser duties due to lower trade surpluses with USA and lesser reliance on exports to USA. Vietnam may be hit especially hard, with its record trade surplus with the U.S. reaching $123 billion in 2024[1]. Smaller economies, such as Cambodia and Laos, are also vulnerable due to their reliance on U.S. exports, exacerbating their economic fragility. These tariffs have had significant implications for global supply chains and have prompted many countries to reconsider their trading relationships. Key sectors like Vietnam’s electronics and semiconductors, Cambodia’s textiles and footwear, Malaysia’s furniture, and Thailand and Indonesia’s agricultural products, including rubber and palm oil, are likely to be affected[2].

The current U.S. tariffs of 10% (imposed for 90 days grace period) could significantly impact ASEAN's economic growth and trade policies. ASEAN countries, particularly those with large trade surpluses with the United States, have been disproportionately targeted. As ASEAN Chair, Malaysia has initiated discussions with counterparts from Indonesia, Thailand, Brunei, Singapore, and the Philippines. The goal is to formulate a collective approach that balances national interests with ASEAN’s broader trade and economic agenda.[3]

ASEAN’s export direction

Table 1 below illustrates the imports of some of ASEAN’s important trading partners including its FTA partners (ASEAN plus 6) and USA. The trading partner’s import data is taken as a proxy for exports, and the data was taken for the year 2023. Intra-ASEAN imports occupy the highest share, followed by Australia, New Zealand, Japan China, and Republic of Korea, with whom ASEAN has ASEAN+1 FTA and they are all members of RCEP. India imports from ASEAN only 10% of its global imports and for USA it is 10.2% (if one compares ASEAN’s exports side, USA has 14.6% share of ASEAN’s total exports to world). In terms of value of imports, China is the biggest importer followed by USA, EU and Japan. ASEAN does not have a substantial market in EU’s global imports share (6.6% share). The table also demonstrates that the duties levied on imports from ASEAN (weighted tariff) is lesser than their global average tariff, however the same is not true for USA (USA’s weighted tariff from world is 1.21 however when it imports from ASEAN the tariff becomes 2.21 which is higher). The share of duty-free imports from ASEAN varies from 59.3% (New Zealand) to 93.6% (China).

Table 1: Import of trading partners from ASEAN (2023, in US $ billion)

	Imports from World				Imports from ASEAN					
Reporter Name	Import	Duty Free Imports	Weighted Average tariff	Share of duty free	Import	Duty Free Imports	Weighted Average tariff	Share of duty free	ASEAN's share in import of partner	Share in ASEAN's global export
United States	3043.39	2153.55	1.21	70.8%	309.54	213.05	2.21	68.8%	10.2%	14.6%
ASEAN	1738.80	1311.65	1.86	75.4%	359.42	272.30	1.37	75.8%	20.7%	16.9%
Australia	285.11	188.81	1.06	66.2%	51.31	35.33	0	68.9%	18.0%	2.4%
China	2545.87	1683.28	2.08	66.1%	380.38	355.86	0.41	93.6%	14.9%	17.9%
India	670.32	153.58	5.4	22.9%	67.04	46.07	2.73	68.7%	10.0%	3.2%
Japan	738.66	603.11	0.91	81.6%	112.61	103.99	0.44	92.4%	15.2%	5.3%
Korea, Rep.	642.15	421.68	4.04	65.7%	78.03	68.45	2.26	87.7%	12.2%	3.7%
New Zealand	49.92	34.56	0.87	69.2%	8.55	5.07	0	59.3%	17.1%	0.4%
EU28 - EU members (excl. UK) --- EU-UK	2745.70	1932.47	1.35	70.4%	182.26	135.07	1.28	74.1%	6.6%	8.6%

Source: Author's compilation from WITS (World Integrated Trade Solutions)

If one looks from ASEAN's export perspective, the export share to these markets (ASEAN's exports to trading partners as a share of ASEAN's exports to world) changes a bit. This shows that ASEAN has less export share to New Zealand, Australia, India, Republic of Korea etc.; signifying great scope to export to these markets.

Due to the current rule of USA, if inputs are sourced from China, the duties of China may be levied on imports coming from other countries. Since ASEAN heavily relies on importing from China including the supply chains linked to Chinese manufacturing, their exports may face challenges due to increased costs associated with tariffs especially if their exports are levied duties for China. In response to these pressures, ASEAN must explore alternate markets beyond China. Thus, one way to tackle the current situation is to look at New Zealand, Australia, India, Republic of Korea, Japan, EU etc. to expand its exports.

Going beyond trade in goods

The recent reciprocal duties imposed by USA only cover goods. Many countries are also anticipating that these tariffs will impede their overall economy. While for some countries whose economy is heavily reliant on exports of trade in goods, may be negatively impacted, however, for those economies which are diversified the impact may be much less. The table below has some of the macroeconomic indicators of ASEAN:

Table 2: ASEAN: Macroeconomic indicators

Country	GDP (constant 2015 in Billion US$)	Manufacturing, value added (% of GDP)	Services, value added (% of GDP)	Exports of goods and services (% of GDP)	Merchandise trade (% of GDP)	Trade (% of GDP)	Trade in services (% of GDP)
Brunei Darussalam	13.18	10.36	38.75	76.53	123.77	136.56	13.10
Cambodia	36.30	26.33	36.15	66.89	113.04	134.21	16.67
Indonesia	1178.92	18.67	42.88	21.75	35.06	41.32	6.19
Lao PDR	20.30	9.25	44.00	0.00	101.11	NA	14.36
Malaysia	401.48	23.02	53.42	68.58	144.75	132.06	23.73
Myanmar	63.76	21.87	39.68	0.00	46.73	0.00	0.00
Philippines	430.34	16.22	62.42	26.65	47.43	67.40	17.95
Singapore	387.15	17.65	72.45	174.30	179.43	311.24	136.51
Thailand	458.46	24.91	58.54	65.45	111.52	129.14	23.76
Viet Nam	377.36	23.88	42.54	87.18	158.14	166.32	11.39

Source: Author's compilation from World Development Indicator, World Bank

From the table above, most of ASEAN member's GDP is driven by a large share of services whereas the manufacturing sector contributes less to the economy. It is also evident that merchandise trade as well as trade as a share of GDP is much higher than the trade in services as a share of GDP. This signifies that while the country's economy is driven by services sector, its external trade in goods occupies a higher share of GDP. This imbalance needs to be corrected, if countries want to prevent themselves from such external shocks, and therefore they must focus on expansion of trade in services to the markets of their trading partners.

Way forward

The United States and China agreed on 12 May 2025, to drastically roll back tariffs on each other's goods for an initial 90-day period, in a surprise breakthrough that has de-escalated a punishing trade war and buoyed global markets. While US will bring the duties to 30% for imports from China (from 145%), China will bring its duties to 10% for imports from USA (from 125%)[1]. However, with an effective reciprocal tariff of 10% but there is no clarity if this will continue beyond 90 days or the differential reciprocal tariff announced will be in place. Thus, countries must prepare a plan in advance to handle the situation. Many ASEAN countries have prioritized diplomatic channels over retaliatory measures. For instance, Indonesia has opted for negotiation by sending senior trade officials to Washington, emphasizing a desire for fair trade rather than confrontation. Similarly, Vietnam has dispatched a special envoy and expressed willingness to adjust some tariffs on U.S. goods as part of de-escalation efforts. Countries like Thailand and Myanmar are conducting internal assessments regarding the potential economic fallout from the tariffs while opening lines of communication with the U.S. Malaysia, which is holding the ASEAN chairmanship in 2025, is facilitating discussions among member states to explore a unified regional approach.

On the other hand, countries like China, Canada have gone to WTO to challenge the reciprocal tariff imposed by US. EU and other countries have also expressed their desire to be part of these dispute settlement mechanisms. In this regard, ASEAN can follow a multipronged approach. These could include:

1. **Increasing Intra-ASEAN Trade:** Strengthening intra-regional trade through harmonization of regulations and reduction of tariffs among member states will create a more robust internal market within ASEAN itself and will prevent them from the 1.external shock emanating from US's additional tariff. This not only diversifies sources of revenue but also enhances collective bargaining power when negotiating external FTAs. ASEAN should also liberalise more in services under their trade in services agreement.
2. **Utilising collective bargaining power:** A collective approach could enhance bargaining power in negotiations with external partners and promote intra-regional trade to reduce reliance on the U.S. market. This is particularly important for smaller economies like Cambodia and Laos that are heavily impacted by high tariff rates. If ASEAN as a group can negotiate with US it will have a better chance to get more favourable trade deal rather than discussing bilaterally.
3. **Integrating with China:** Given that both US and China have imposed higher tariffs on each other (even with a 30% duty on China after 90 days), this could be an opportunity to tap Chinese markets on sectors that will see US being displaced from Chinese markets (as most of exports to China is under FTA and duty-free, where as China will charge additional 10% duty to US exports). ASEAN can capitalize on the shifting trade dynamics by promoting bilateral and regional economic partnerships with China. This includes increasing investments in infrastructure projects under China's Belt and Road Initiative (BRI), which aims to enhance connectivity across Asia. By aligning their development goals with China's initiatives, ASEAN nations can attract more Chinese investments. Since ASEAN and China have bilateral agreement as well as part of RCEP, ASEAN could explore sector-specific agreements that target industries where they have competitive advantages or where there is high demand in China.
4. **Market Diversification:** As pointed out earlier, ASEAN should focus on countries with which it has FTAs and make marketing strategy to get a higher share in their markets. These include New Zealand, Australia, India, Republic of Korea, Japan, EU etc. To further diversify markets, ASEAN should actively pursue new FTAs with emerging economies outside traditional partners like the EU. Countries in Africa or Latin America represent untapped potential markets for ASEAN exports. Engaging in negotiations with these regions could yield beneficial terms that encourage mutual growth.
5. **Focusing on the services trade:** Given the fact that the economy of ASEAN is heavily reliant on services, ASEAN must look to expand its services trade. In this regard, ASEAN must negotiate additional commitments on services trade with dialogue partners (Australia, China, India, Japan, New Zealand and Republic of Korea) and can open new markets for its service

providers while also enhancing competitiveness. ASEAN can diversify its service markets by harmonizing regulatory frameworks across member states. This involves creating a more coherent set of rules that govern trade in services, which would facilitate cross-border service provision. By aligning regulations, ASEAN can reduce barriers to entry for service providers from different member countries, thus promoting greater competition and innovation within the region

Dr. Rajan Sudesh Ratna (Deputy Head and Senior Economic Affairs Officer),

United Nations ESCAP - South and South-West Asia Office, New Delhi

May 12th, 2025

Links:

[1] By Dr. Rajan Sudesh Ratna, Deputy Head, South and South-West Asia Office of ESCAP, New Delhi. The views expressed are purely personal and academic work, these are not views of ESCAP.

[2] ASEAN Statistical Yearbook, 2023 available at https://www.aseanstats.org/

[3] *Trump's Tariffs and their Impact on ASEAN: Historical Context and Future Directions - Australian Institute of International Affairs*

[4] ibid

[5] ASEAN's Unified Response to U.S. Tariffs

[6] US and China agree to drastically roll back tariffs in major trade breakthrough | CNN Business

Prof. Dr. Aruna Gopinath

U.S. TARIFF POLICY & ASEAN'S RESPONSE : AN OVERVIEW

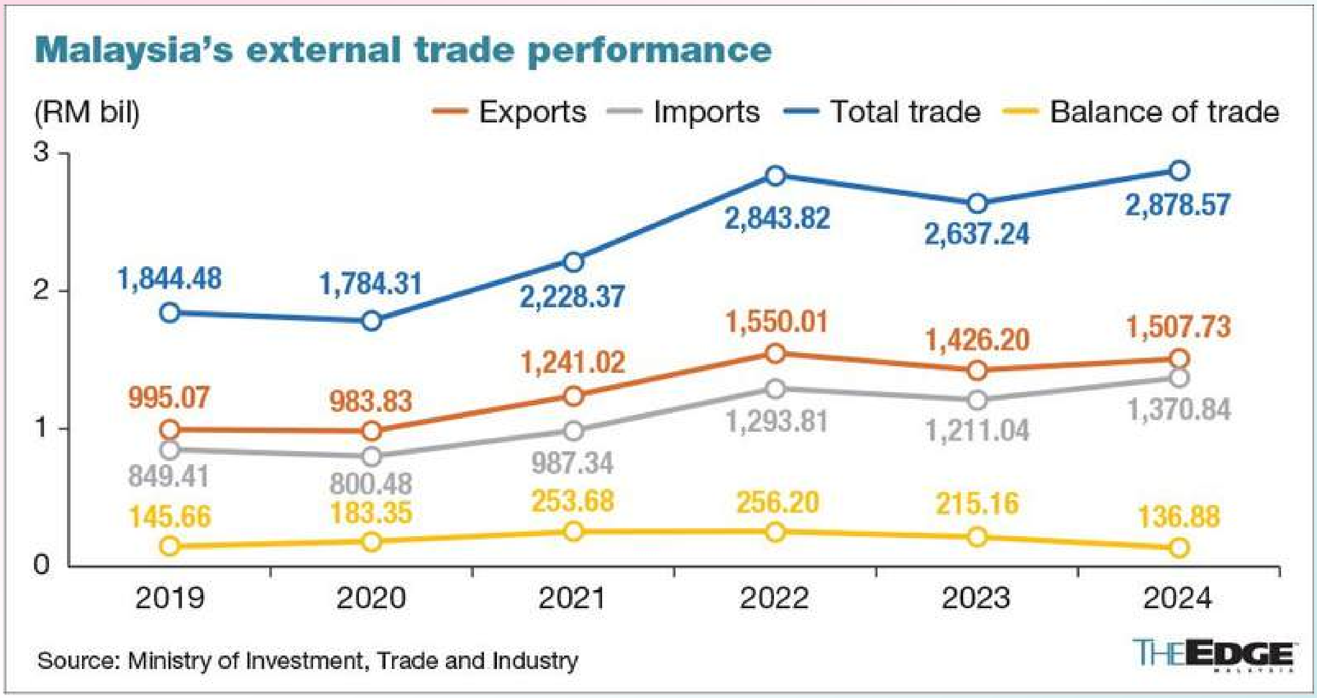
President Donald Trump's tariff policies in 2025 have significantly impacted ASEAN economies, disrupting exports, deterring investments and straining US-ASEAN trade ties. The 24 percent tariffs imposed by the United States has certainly hit the ASEAN countries. The respective countries are navigating a complex trade environment, balancing their relationships with both the United States and China, while seeking strategies to mitigate the impacts of shifting tariff policies.

To address the challenges, ASEAN hopes to focus on regional integration, diversification, and domestic reforms to enhance resilience and reduce vulnerability to protectionist shocks. The United States imposed a 90-day tariff pause, which began on April 2025 and ends on 8 July 2025.

As the ASEAN Chair, Malaysia is leading efforts to formulate a collective response to the U.S. tariffs. Discussions have been initiated with Vietnam and Indonesia to coordinate strategies. ASEAN generally believes in a diversification of trade partnerships and several of the member states see the US-China trade tensions as an opportunity to diversify their trade relationships. With tariffs impacting China, companies trying to avoid these taxes are beginning to shift their production to ASEAN countries, especially in sectors like electronics and manufacturing. Thailand has proposed a comprehensive trade plan to the United States to avert the imposition of steep tariffs on its exports. The proposal includes a commitment to crack down on transhipments through Thai ports and the strict enforcement of rules to prevent goods from third world countries being routed through Thailand. Furthermore, Thailand pledges to increase imports of U.S. goods and improve market access for U.S. farm products.

Cambodia has initiated trade negotiations with the United states in an attempt to address a significant 49 percent tariff imported by the Trump administration which threatens the country's key textiles and foot wear export sectors. It is hoped that the 90-day pause on the tariffs will provide a window for negotiation.

Malaysia, as ASEAN chair, is against imposing retaliatory tariffs and hopes to arrive at a resolution. Malaysia emphasises its role in the global supply chain in semi-conductors and electronics. The ASEAN countries will engage in economic support measures. Relief packages worth 1.5 billion Ringgit will be introduced to support businesses affected by the tariffs.



The tariffs have contributed to a slowdown in Malaysia's economy. In the first Quarter of 2025, the GDP growth has decelerated to 4.4 percent from 4.9 percent in the previous quarter. The Central Bank attributes this slowdown to reduced oil and gas output and a normalization in motor vehicle sales and production.

Malaysia continues to engage in negotiations with the United States to seek a favourable outcome. Malaysia's proactive measures are to cushion the economy from the adverse effects of the tariffs while exploring long term strategies to enhance resilience. The slower growth with major trading partners is due to trade restrictions which would affect spending and investment activities in Malaysia.

Minimising intra-ASEAN trade barriers and deepening interconnectivity will allow ASEAN to operate as a Cohesive bloc. This provides a powerful platform to gain favourable terms in agreements with international partners and opens the door to strategic collaborations with global partners.

The 10 countries in ASEAN must ensure that ASEAN is set up for success anchored on achieving a common market, stronger regional supply chains and more,\ equitable growth.

To avert any further impositions, from the United states, ASEAN must have a commitment to believe in this region, to commit and consume regional goods and to provide the energy to realise our shared potential.

Prof. Dr. Aruna Gopinath (Professor and Consultant),

Security Studies & International Relations,

May 18th, 2025

US TARIFF HEADWINDS OR ASEAN'S TRADE AND INVESTMENT WINS?

Prof. Dr. Digby James Wren

The intensifying US-China trade rivalry casts a shadow over global commerce, with Southeast Asia emerging as both a frontline and a champion for balanced trade. As the US escalates tariffs on Chinese goods, ASEAN faces a complex challenge: navigating spillover effects while safeguarding economic stability. ASEAN's export-oriented economies rely on open markets, with 60% of trade tied to China, the US, and Asia-Pacific. However, Washington's tariffs—though targeting China—risk destabilizing this balance. Chinese firms rerouting exports through Southeast Asia to bypass tariffs have drawn US scrutiny, ensnaring ASEAN in "de-risking" policies. The bloc's response hinges on diplomacy, converging national strategies, and regional unity.

To adapt, ASEAN states are diversifying economies and strengthening supply chains. Thailand and Vietnam have incentivized high-tech manufacturing and green energy, positioning as neutral hubs. However, Vietnam's electronics and textile exports face overexposure to US markets, while Malaysia's semiconductor sector (13% of global testing/packaging) attracts FDI displaced by US-China tensions. Singapore and Indonesia prioritize diplomacy. Singapore hosts dialogues like the Shangri-La Summit but warns the US is no longer the "anchor of global trade." Indonesia's "free and active" policy fosters multi-aligned partnerships with China, Russia, and the US.

Meanwhile, smaller economies like Laos and Cambodia face sharper constraints. Laos is heavily indebted, reliant on Chinese infrastructure investments and faces constant fiscal and monetary restraints. While Cambodia also relies on Chinese infrastructure investments and technology transfers it has managed to grow exports to the US and maintained fiscal and monetary discipline. Both countries remain vulnerable to external shocks, but Cambodia has realised it must position itself as a transport and manufacturing node between Vietnam, Malaysia and Thailand to offset the probable losses from US exports in the near future.

Beyond ASEAN, Asia's major powers are also recalibrating their strategies. China has lambasted US tariffs as "protectionist folly," even as it ramps up its own trade outreach through the Regional Comprehensive Economic Partnership (RCEP). Japan and South Korea, though security allies of the US, are hedging their bets. Tokyo has quietly expanded its investments in ASEAN's digital infrastructure, while Seoul seeks to bolster ties with China in advanced manufacturing, wary of losing access to critical materials. Both countries powerful automobile and, Japan's motorbike industry, face massive losses and restructuring due to the global shift to EV's made in China. However ASEAN must embrace this transition and not hesitate at the behest of desperate corporate forces, especially in the fossil fuel industry.

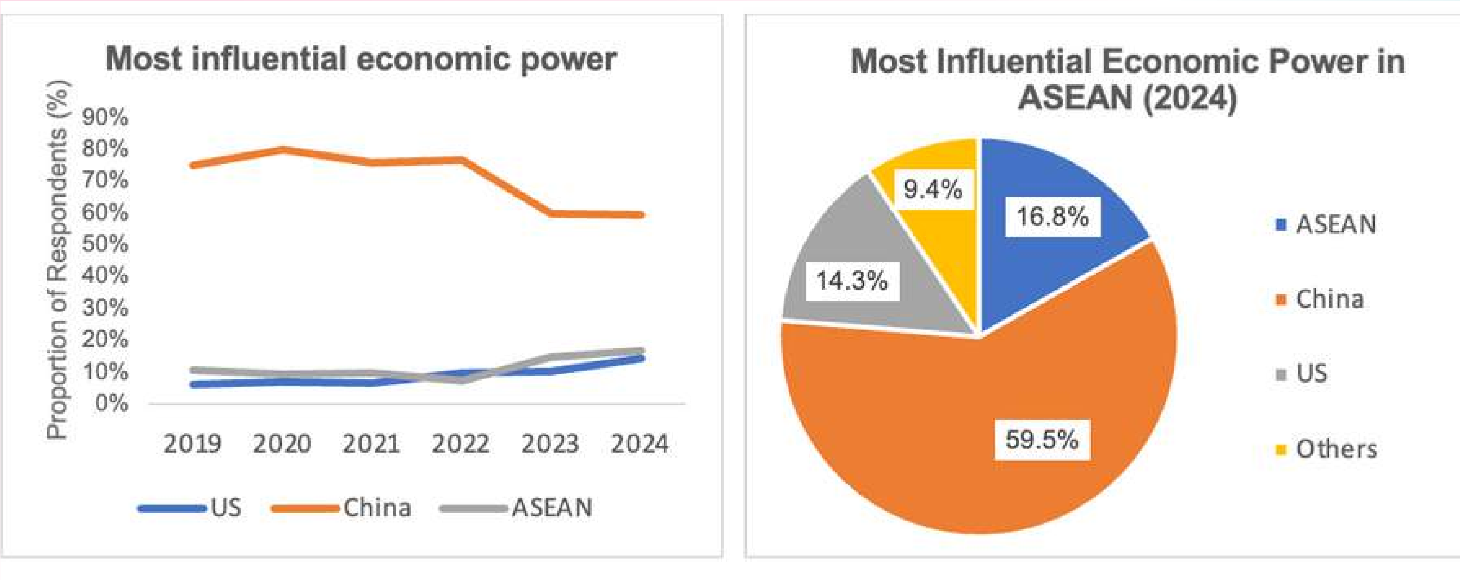


Image of the Economic investments by various players in ASEAN (ISEAS, 2024)

India, meanwhile, sees an opening. By offering production-linked incentives and pitching itself as a "China+1" alternative, it aims to attract firms diversifying supply chains. However, bureaucratic hurdles and infrastructure gaps have slowed progress, tempering New Delhi's ambitions. In terms of security, India's participation in the Quad minilateral has wider regional ramifications and is primarily focused on military and civilian (dual-use) technology transfers and investments and its geoeconomic rivalry with China for Indian ocean trade routes. For the US, India is seen as a 'blocking' maritime strategy and a hindrance to the BRI, especially in Pakistan and Central Asia.

While ASEAN's future assuredly hinges on maintaining neutrality, the bloc's consensus-driven model, slow and cumbersome as it is, does allow it to host platforms like the East Asia Summit, where US, Chinese and other leaders can engage. Yet internal cohesion is tested by Myanmar's civil war, which despite responding positively to concerted efforts by Cambodia, Thailand and Malaysia, continues to simmer. Similarly, Thailand's seemingly perpetual power struggle between the military, King and popular party politics, sustain political instability and strain ASEAN unity.

The Philippines, under Bong Bong has become a mere tool for US efforts to disrupt the DoC and CoC arrangements, although the recent election results may alter that equation.

Despite the furore and instability catalysed by US tariff and foreign policies both in Asia and Europe, it remains a dangerous actor in regional calculations. The US Indo-Pacific Strategy urges ASEAN to counter China and risks repeating the fragmentation catalysed by NATO strategy in the EU. In Saudi Arabia, President Trump again exposed the faults in past US policies as he cajoled and coerced inbound investment and strong armed OPEC to align with US energy policies. However, the ongoing conflict in Gaza and Israeli abominations against its civilian population, also highlight the cynical US 'realist' approach to regional foreign policy.

The Trump tariff fiasco has revealed major flaws in US strategy including global disruption of supply chain and their relocations to third countries, many inside ASEAN, cost US consumers billions and disrupt the bloc's integration and cohesion strategies. Moreover, by alienating key regional allies such as Japan and South Korea, who see Trump's policies as sparking a return to the stagnation caused by the 1985 Plaza Accords, Trump has also catalysed a precipitous decline in diplomatic and soft-power influence both regionally and globally.

Despite its waning diplomatic, military and soft-power, the US will almost certainly return to prioritizing its 'hub and spoke' minilateral frameworks (e.g., Quad and ANZUS) and continue its assault on China through sector-specific tariffs. The recently announced semiconductor warning that countries purchasing Huawei's Ascend AI chips will provoke secondary sanctions is a case in point. ASEAN's transition to a fully digitalised advanced industrial, manufacturing and financial grouping with open trade and investment links globally is once again under direct threat.

ASEAN's resilience lies not only in its diversity, but also in its ability to balance trade and investment with all major powers while rapidly improving its digitalisation of industrial and manufacturing capacity. To achieve these goals ASEAN must redouble its integration and digitalisation efforts in education, cross-border payments, transport and regional tourism. Above all, ASEAN must not succumb to US coercion, which continues to define regional relations in a 'zero-sum' choice between independent foreign policy or tariff and sanction penalisation. ASEAN must collectively adopt a multi-vector diplomatic posture to bolster ASEAN centrality and successfully navigate the transition away from US unipolarity toward a multipolar order and building of a shared future for mankind.

Prof. Dr. Digby James Wren,

Chair at the Belt and Road Capital Partners, Phnom Penh, Paris, Beijing, and Melbourne.

May 15th, 2025

Mr. Shao Subo

US TARIFF WAR COGNITION AND ASIAN STRATEGIC THINKING

Since the outbreak of the US tariff war, its impact on the world has been extensive and far-reaching. I will now share my personal views from the perspective of Asia:

1) What is the essence of this round of tariff war?

The outbreak of this round of tariff war is essentially a comprehensive game of multiple global contradictions. It is a manifestation of the reconstruction of the global order and the strategic competition of major powers, not just a conflict of economic interests. It is the strategic containment of emerging forces by the old hegemony and the pain of the transformation of globalization from a "single center" to a "multi-polar symbiosis".

2) How do you view the impact of this round of tariff war initiated by the United States on Asia?

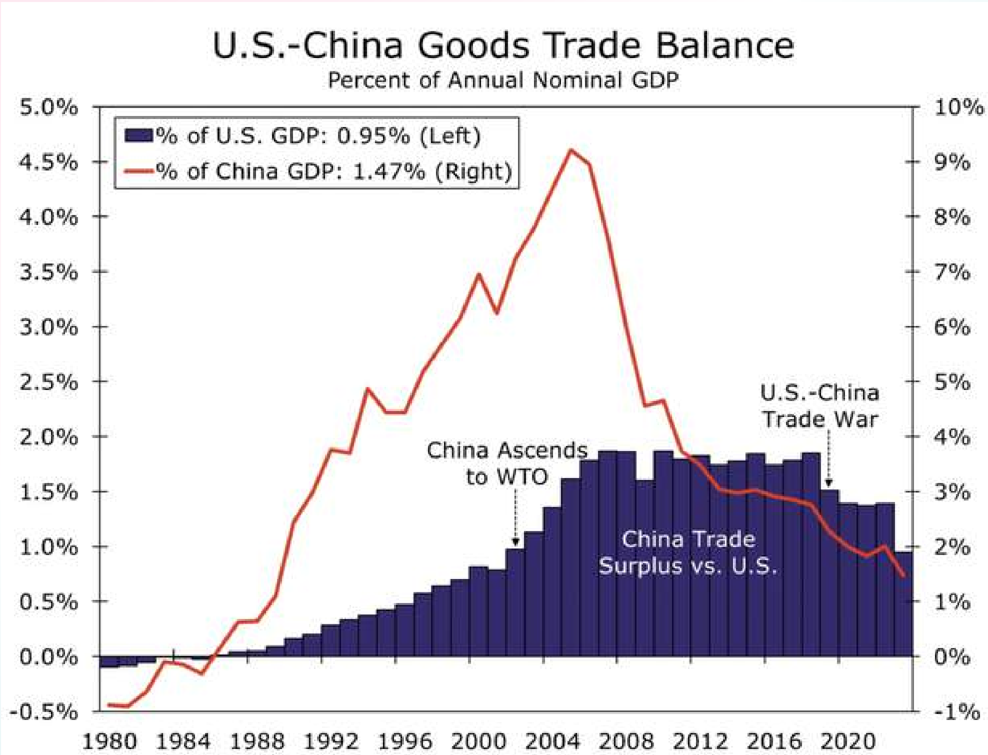
I. Let me share a few sets of background data first:

The United States is the world's largest consumer market, but not the world's largest commodity consumer market.

- In 2024, the total personal consumption expenditure (PCE) in the United States reached 19.8 trillion US dollars, accounting for 67.95% of GDP, of which service consumption (mainly medical care, transportation, entertainment, financial insurance, etc.) accounts for 68.51% of the total consumption, and commodity consumption account for 31.49%. The scale of service consumption is more than twice that of commodity consumption, and the actual amount of commodity consumption is only 6.24 trillion US dollars. Moreover, under the pressure of inflation, the trend of consumption downgrade in the United States will continue.

Asia has become the world's largest commodity consumption market, and it continues to grow rapidly.

- In 2024, China's total retail sales of consumer goods was at about 48.79 trillion yuan, a year-on-year increase of 3.5%. Among them, the retail sales of commodities was about 43.22 trillion yuan (about 6.07 trillion US dollars), which is about 10.83 trillion US dollars calculated at the 2024 purchasing power parity exchange rate (1:3.99).
- In 2024, ASEAN's total social consumption was about 3.2 trillion US dollars, and total commodity consumption at about 2.1 trillion US dollars. According to the purchasing power parity exchange rate, it will exceed 3.5 trillion US dollars.
- In 2024, Japan's total social consumption was about 2.6 trillion US dollars, an increase of 3.4%, and total commodity consumption at about 1.5 trillion US dollars.
- In 2024, South Korea's total social consumption was about 1.1 trillion US dollars, an increase of 1.3%, and total commodity consumption was at about 0.7 trillion US dollars.



Trade Balance Chart of US – China Goods (Action Forex, 2024)

Eastern Asia (including East Asia & Southeast Asia) has become the world's industrial center. In 2024, the industrial output value of the United States was about 3.74 trillion US dollars, accounting for about 18.8% of the world;

- In 2024, the industrial output value of the European Union was about 3.3 trillion US dollars, accounting for about 16.5% of the world;
- In 2024, the industrial output value of China was about 7.03 trillion US dollars, accounting for about 35% of the world;
- In 2024, the industrial output value of ASEAN was about 1.2 trillion US dollars;

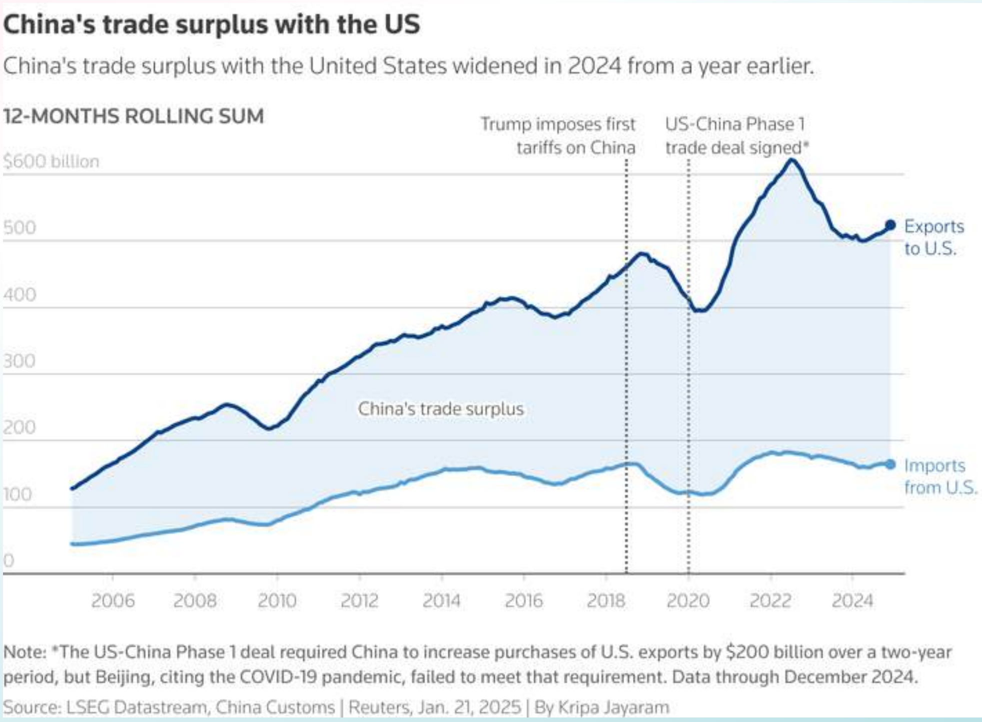
- In 2024, the industrial output value of Japan was about 1.05 trillion US dollars;
- In 2024, the industrial output value of South Korea was about 0.82 trillion US dollars.

II. Based on the above data, I would like to share a few views:

Asia has formed an internal economic cycle of sufficient scale and has sufficient ability to resist shocks. The impact of the tariff war on Asia is limited;

From the global trade collapse caused by the Smoot-Hawley Tariff Act in 1930 to the job loss caused by the steel tariff in 2002, the tariff wars in the history of the United States have never really solved economic problems, but have exacerbated the crisis. In this round of tariff war, the strategic intention of the United States to rebuild its economic hegemony through tariffs is doomed to fail. On the contrary, it will only accelerate the decline of the United States itself.

Soon, the United States will most likely face a major economic crisis and depression. Taking advantage of the opportunity of the tariff war, Asian countries will reduce their economic and financial connections with the United States, or even completely decouple, which will be a wise choice to reduce the impact of the US economic crisis on themselves.



China's Import and Export valuation with the USA (Reuters, 2025)

3) How should Asia make strategic considerations in response to the uncertainty brought about by the tariff war?

I. China should take the initiative to assume its responsibilities as a major country, strengthen the unity and mutual trust of Asian countries, create a good environment for regional economic development, and not give extraterritorial countries the opportunity to provoke.

II. Asian countries need to strengthen regional economic cooperation and coordination, increase the scale of regional economic internal circulation, further consolidate the foundation of economic development, and use the certainty of the development of the region's own economic internal circulation to deal with external uncertainties by;

- Continuing to promote and expand the construction of regional free trade mechanisms.
- Increasing the construction of trade infrastructure within the region to improve the efficiency and competitiveness of the economic internal circulation.

III. They should accelerate the construction of a multi-level and three-dimensional regional financial mechanisms. The steps include;

- Promoting local currency settlement and monetary cooperation to reduce dependence on the US dollar.
- Deepening financial cooperation under the RCEP framework and building cross-border financial infrastructures.
- Developing regional bond markets and enhancing local financing capabilities.
- Implementing the industrial chain financial support plan and establishing a regional industrial revitalization fund for key industries affected by tariffs.
- Strengthening the regional financial safety net and establishing a real-time monitoring platform covering trade, exchange rates, and capital flows.

Shao Subo
Senior Consultant at Hejun Group, and Dy. Sec. General of Hunan Mining Association,
May 10th, 2025

CONTRIBUTORS

1) Datuk Lim Sue Beng
(Acting Chairman, Center for Economic and Sustainable Development Asia - CESDAsia, Malaysia)

2) Tan Sri Dato' Sri Ong Tee Keat
(President, Belt and Road Initiative Caucus for Asia Pacific - BRICAP, Malaysia)

3) Dr. Rajan Sudesh Ratna
(Deputy Head and Senior Economic Affairs Officer, United Nations ESCAP - South and South-West Asia, India)

4) Prof. Dr. Aruna Gopinath
(Professor and Consultant, Security Studies & International Relations, former at National Defence University, Malaysia)

5) Prof. Dr. Digby James Wren
(Chair of the Belt and Road Capital Partners, Publisher at Long Mekong Media Cambodia, and External Relations Advisor to the Royal Academy of Cambodia)

6) Mr. Shao Subo
(Senior Consultant at Hejun Group, and Deputy-Secretary General of the Hunan Mining Association, China)

About CESDAsia

“Centre for Economic and Sustainable Development (CESDAsia) is a think tank that concentrates on the studies of economic affairs, sustainable development, public policies, and geopolitical matters in the Asian region. The main areas of focus are South-East, East, West, Central, and South Asia.

We intend to serve as a bridge to enhance connectivity among nations. CESDAsia is located in the heart of ASEAN, which is a connecting hub for major Asian economies such as China, India, Japan, South Korea, etc.

We will have a point of operation from Kuala Lumpur, Malaysia. As a friendly nation that is a multiracial society, Malaysia facilitates as the conduit for all member nations to attend, visit, and dialogue to improve trade and investment ties, sustainable goals, and inter-government relations.

We invite you all to join us on our journey to bringing Asia together through a broader perspective. You may follow us on our website, and LinkedIn for further updates. Please click the icons below for links. I hope to be in contact with you soon.”

In the words of Former Chairman of CESDAsia, Dr. S Sathya Moorthy S Subramaniam.

PAST MAJOR EVENTS

1) THE INDIA-MALAYSIA TRADE KL CONFERENCE, 2024

(CESDAsia, 2024)

Date: Saturday 14th December, 2024

Location: Kuala Lumpur, Malaysia

Venue: Dorsett Hartamas KL Hotel

"Exploring India-Malaysia Relations: Expanding Cooperation in Trade, Security, and Regional Development"

CESDAsia and RIS came together to co-organize a collaborative conference on Trade between India and Malaysia at the Dorsett Hartamas Hotel on December 14th, 2024.

The participants of this event included Dato' Sri Reezal Merican, Datuk Lim Sue Beng, Dr. Seshadri Chari, Tan Sri Ong Tee Keat, Dato' Ramesh Kodammal, Dr. Vivekanand, among others.

PAST MAJOR EVENTS

2) KL CONFERENCE, 2023

(CESDAsia, 2023)

Date: Saturday 17th June, 2023

Location: Kuala Lumpur, Malaysia

Venue: Royale Chulan Hotel

"Building an Asian Common Market of Shared Prosperity"

CESDAsia hosted its inaugural Economic Conference on June 17th, 2023 at the Royale Chulan Hotel in Kuala Lumpur city.

The event was co-hosted by a reputed policy institute, The Global Dialogue Forum.

The speakers at this event included YB Senator Tan Sri Datuk Seri Panglima Anifah Aman, Tan Sri Ong Tee Keat, Dr. Peng Yang, Ambassador Rahul Chhabra, Mr. K. J. Alphons, Mr. Sathya Moorthy, Mr. Moses Manoharan, and many more dignitaries.

CONTACT US

Via Email:

gokuljayakumar@cesdasia.com
(Gokul Jayakumar, Executive Director)

Address:

Center for Economic and Sustainable Development (Asia)
Goodwill Nation Bhd (Company No. 1053476-U),
LG 025, Dynasty Hotel, No. 218,
Jalan Sultan Azlan Shah,
51200 Kuala Lumpur.

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