

US-Asean relations This Week in Asia / Economics

Trump's 'tariff tantrums' threaten Malaysia, Thailand, Vietnam – and beyond

US protectionism was good for some Asian nations when China was the main target. But this time nowhere looks safe

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Published: 8:00am, 23 Nov 2024

For Malaysian recruiter Joseph Cheng, [Donald Trump](#)'s first stint in the White House brought a windfall. The US president's [trade war](#) with China triggered a rush of Chinese companies relocating to countries like [Malaysia](#), desperately seeking refuge from punitive tariffs.

"They sent their goods here to be repackaged ... and then sent them onto the US," said Cheng, director of recruitment agency Agensi Pekerjaan TSM, recalling the frantic scramble to find staff to accommodate the influx.

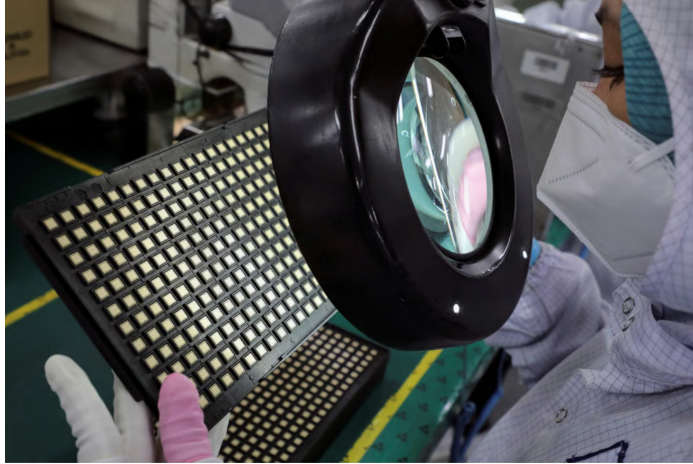
This manufacturing exodus didn't just benefit Malaysia; it brought a surge of investment and jobs to [Thailand](#), [Vietnam](#) and [India](#) too as Chinese firms sought to obscure their supply chains.

Now, as Trump gears up for a second act, Cheng's optimism has turned to apprehension. He fears the next wave of tariffs could be "more crazy", with Southeast Asian economies unlikely to reap many benefits from American protectionism this time around.

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Will Trump's presidency reshape Southeast Asia's trade, security landscape?

The China hawks poised to fill Trump's new administration are acutely aware of so-called third-country workarounds, raising the spectre of tariffs as high as 20 per cent on imports from nations with significant trade surpluses with the US, particularly in strategic sectors such as [semiconductors](#) and [electric vehicles](#).



A worker inspects semiconductor chips at a packaging plant in Ipoh, Malaysia. Photo: Reuters

For countries like Malaysia, the implications could be dire: foreign investors might retreat, exports could plummet, and new industries could stall.

“If the US cracks down on third countries for tariff evasion and trade diversion ... Chinese firms may reconsider their manufacturing investments,” warned Chua Hak Bin, regional co-head of macro research at Maybank Investment Banking Group.

But Asia is not without its defences. “Asian countries could retaliate with tariffs on the US and Western firms,” said Steve Alain Lawrence, chief investment officer of wealth management group Balfour Capital. “They could [also] impose non-tariff barriers, such as stricter regulatory measures or delays at customs, to frustrate American businesses.”

For nations lacking such leverage, new economic alliances are being explored alongside expedited free trade agreements to maintain open markets as America again turns inward.

Thailand, for instance, aims to “be the middleman to bring trade and investment in”, according to Thai Commerce Minister Pichai Nariphaphan.

“Thailand is lucky that China loves us, the United States loves us, Russia loves us, India loves us, all the big countries in the world love us,” he told reporters days after Trump's re-election. “We see that the economic outlook of Thailand is very good.”



Less stranger danger, but Asia will still pay for Trump's return

With Trump's victory, Malaysia sees more interest from Chinese firms to relocate

Japan downplays Trump pick Gabbard's warnings of its military threat to US

Howard Lutnick, Trump's pick for commerce secretary, speaks during a rally at Madison Square Garden in New York on October 27. Photo: Reuters

'They're eating our lunch'

While the exact details of the impending tariff regime remain unclear, the composition of Trump's tariff team provides insight into the motivations behind the rhetoric.

His pick for commerce secretary, Howard Lutnick, will oversee the imposition of taxes on imports. A staunch advocate of Trump's "Make America Great Again" agenda, the 63-year-old Wall Street hedge fund CEO articulated the grievances fuelling the push for tariffs during one of the incoming president's final pre-election rallies.

At Madison Square Garden [on October 27](#), Lutnick told the crowd that the US had a "rocking economy" in 1900, when government spending was funded by import tariffs rather than income tax. He lamented how the two world wars had prompted the US to abandon its isolationist stance and engage more closely with the global economy.

"We took down our protection, we took down our tariffs, and we taxed Americans so we could export the power of our economy and save the rest of the world," he said. "And we did it."

Now, he argues, "we are letting the rest of the world eat our lunch", overlooking the fact that the trade rules that contributed to America's manufacturing decline were crafted by Washington policymakers and widely supported by US multinationals and their shareholders.



A crane moves a shipping container at a container terminal in Incheon, South Korea. Photo: Reuters

Trade imbalances are indeed real and growing. Research from US investment bank Morgan Stanley shows that the trade surpluses enjoyed by Asian economies, excluding China, have ballooned to US\$400 billion over the past six years.

Vietnam, for instance, runs a surplus exceeding US\$90 billion – making it the fourth largest with the US – while [Japan](#), [Taiwan](#), [South Korea](#), India and Thailand follow closely behind. In contrast, [Hong Kong](#), [Australia](#) and [Singapore](#) all run trade deficits with the US.

Trump's first administration quickly rolled out tariffs, many of which his successor [Joe Biden](#) kept in place. Morgan Stanley predicts that fresh tariffs could emerge as soon as the first half of 2025, given that the legal framework is already established.

While Southeast Asia's service and tourism sectors might escape the worst

or “Trump’s tariff tantrums”, Maybank’s Chua warned that the “reconfiguration of manufacturing supply chains and the tech boom from AI and data centres” will require regional governments to be nimble and resilient.

“For Southeast and South Asia, this presents both an opportunity and a risk,” said Phillip Teschemacher, Asia-Pacific president at supply chain management firm Kinaxis.

“Asia’s growing infrastructure and competitive labour markets make it a solid alternative to China,” he told This Week in Asia. “The region has the potential to thrive, but only if it adapts to new rules and continues to innovate in the face of challenges.”

The coming storm

For many small businesses in Southeast Asia, the immediate challenge is surviving [a deluge of cheap Chinese goods](#) as companies rush to ramp up production and offload stock before Trump takes office again on January 20.

In Hat Yai, southern Thailand, hardware shop owner Parkkawutt Rattanalert, 41, already feels the tremors. He has witnessed non-branded products from China and Vietnam flooding into Thailand, being rebranded and stamped for sale in the US, undercutting his business on both cost and scale.

“Small businesses like mine will eventually disappear,” he told This Week in Asia, echoing a sentiment shared by many across the region grappling with the influx of inexpensive imports.

Governments in [Indonesia](#), Thailand and Malaysia have threatened tariffs of their own on Chinese goods to combat this dumping, complicating the trade landscape further.



We know Trump will increase tariffs, but we don’t know exactly what form that will take

— Cassey Lee, economist

“China needs to work with Asean member countries so that it does not lead to a situation of unnecessary protectionism,” said Cassey Lee, a senior fellow and coordinator of the regional economic studies programme at the ISEAS-Yusof Ishak Institute in Singapore.

As markets brace for what could be some of the most severe trade barriers in decades, Southeast Asian countries are preparing for an export slowdown, and the surge of foreign direct investment seen in recent years is also expected to wane.

“We know Trump will increase tariffs, but we don’t know exactly what form that will take, to what extent and how much of it is negotiable,” Lee said.

“The last thing you want is to put in billions of dollars in a particular country and then they start targeting that country [with tariffs].”



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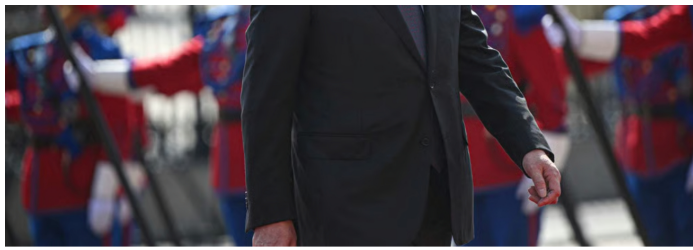
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Vietnam's President Luong Cuong in Lima on November 13. He made an impassioned defence of multilateralism at the Apec summit in Peru. Photo: AFP

Trump's return certainly puts Southeast Asia in a bind. Last year, trade between the [Association of Southeast Asian Nations](#) and China reached US\$702 billion, according to the Asean Trade Statistics Database, while trade with the US hit US\$396 billion, making it the bloc's second-largest trading partner.

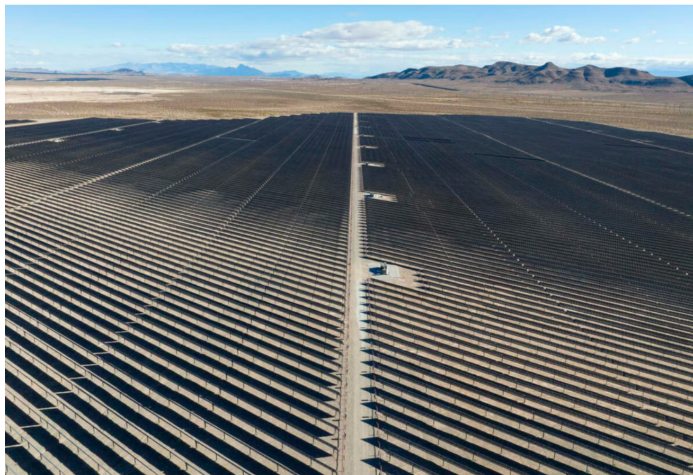
However, the US remains the region's largest source of foreign direct investment, contributing US\$74.4 billion in 2023 alone, much of which flowed into data centres and semiconductors.

At the recent [Apec](#) summit in Lima, regional leaders made impassioned pleas for the incoming administration to reconsider its tariff stance, fearing a hollowing out of their emerging economies.

"Isolationists, protectionism and trade wars lead only to recession, conflict and poverty," Vietnam's President Luong Cuong told the Apec CEO summit. "Every country, regardless of its size, must adhere to international law and act responsibly, acknowledging that each decision carries significant, far-reaching consequences."

Under Biden's administration, key renewable sectors in Southeast Asia have already felt the squeeze as the US seeks to buttress its domestic solar and electric vehicle industries.

In October, Biden's commerce team [imposed tariffs on solar equipment](#) imports from Malaysia, Thailand, Vietnam and Cambodia, alleging unfair state subsidies made US products noncompetitive.



Solar panels at a solar farm in Las Vegas, Nevada. Photo: Las Vegas Review-Journal/TNS

Trade re-routing has already begun "and this will impact some industries such as clean energy", said Enrico Tanuwidjaja, an Asean economist at United Overseas Bank. "These will undoubtedly be in the crosshairs of the incoming Trump administration."

The US has already imposed a 100 per cent tariff on all Chinese electric-vehicle imports, prompting car manufacturers to establish operations in Southeast Asia to capitalise on the growing consumer market.

Trump, who previously scoffed at the idea of the green economy, has now aligned himself with [Tesla](#) CEO [Elon Musk](#), a move that experts say could intensify US interest and investment in emerging industries.

“His association with Elon Musk, who really thrives on the EV business, may mean that Trump 2.0 will have a different take on EVs and renewable energy,” said Mohd Afzanizam Abdul Rashid, chief economist at Malaysia’s Bank Muamalat.



Observer say Trump’s association with Tesla CEO Elon Musk (right) could intensify US interest in renewables and the EV industry. Photo: Reuters

Cushioning the blow

As Trump re-enters the fray, his distinctive blend of bluster, threats and incentives is no longer unfamiliar to Asian nations.

Their best defence may lie in forging new trade deals or deepening ties with existing blocs like the China-led [Regional Comprehensive Economic Partnership](#), which gained traction after Trump [scuttled the Trans-Pacific Partnership](#) by withdrawing the US during his first presidency.

Thailand plans to sign free trade agreements with the [European Union](#), [United Arab Emirates](#), [Switzerland](#), [Norway](#) and [Iceland](#) in the coming months, its commerce minister has said. It is also engaging with the [Brics](#) bloc as a partner nation – alongside Malaysia, Indonesia and Vietnam – as a counterbalance to Trump’s expected disruptions.

Yet Southeast Asian nations are unlikely to unify in demanding leniency from the US, according to Lee of the ISEAS-Yusof Ishak Institute.

“Each of these countries will try and use a bilateral approach to deal with the Trump administration to minimise the negative impact,” he said.

“All you can do now is be one of the early ones to congratulate him ... like what [Indonesia’s President] Prabowo did.”



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