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From Paris to Tariffs: US Goals Risk Ceding Influence in Southeast Asia

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SYNOPSIS

The Trump administration's withdrawal from its climate commitments and dismantling of USAID have not only jeopardised Southeast Asia's energy transition but also US soft power, creating opportunities for China to expand its regional influence. Further, the administration's tariff-heavy economic strategy threatens Southeast Asia's trade-dependent economies and the open, multilateral rules-based system that has facilitated the region's prosperity. However, this challenge presents an opening for ASEAN to shift from being passive consumers of public goods to active contributors towards a rules-based, inclusive, and cooperative regional order.

COMMENTARY

From abandoning its climate obligations to dismantling USAID and pursuing aggressive tariff policies, the Trump administration's actions in its first two months back in office signal that it is prepared to upend the established nostrums of US foreign policy for an "America First" approach. These policies, however, not only jeopardise Southeast Asia's decarbonisation efforts and economic resilience but also create a vacuum that China is eager to fill. As the United States scores a series of own goals, it risks ceding its soft power and economic leverage in a region that has long relied on American partnership.

Scoring Own Goals: A Series of Unfortunate US Foreign Policy Moves

President Donald Trump's withdrawal of the United States again from the Paris Agreement will be felt especially hard in Southeast Asia, a region which the IMF calls "one of the world's most vulnerable to weather extremes and rising sea levels associated with global warming." The Trump administration has also withdrawn

[American participation](#) in the [Just Energy Transition Partnerships](#) (JETPs), jeopardising [Indonesia and Vietnam's decarbonisation goals](#). The decision by major US banks to [exit](#) the UN-sponsored Net-Zero Banking Alliance (NZBA) — in anticipation of the Trump administration's antipathy to “woke” climate initiatives — further compounds the problem by [raising the costs](#) for regional countries seeking funding for [their energy transition](#).

Geopolitics abhors a vacuum. Thus, as the United States casts aside its environmental responsibilities, China is presenting itself as a trailblazer in [deploying clean energy](#) and fully committed to fighting climate change. Moreover, China is a major player [in the region's energy sector](#), with significant investments in green technologies, building and running energy infrastructure, and influence over water governance in the [Mekong region](#), home to multiple hydropower projects. While China's role is often touted as a [win-win opportunity](#), there are concerns about over-reliance and the need for diversification and retention of national control over strategic resources and industries.

Survey results [indicate](#) that although China is perceived as the least trustworthy and reliable partner for regional countries, it is also viewed as the most beneficial partner for economic growth. In this regard, the Trump administration's dismantling of USAID is troubling for the region. While attention has rightly focused on the [deleterious consequences](#) of the abrupt termination of health, education, and humanitarian aid programmes for vulnerable communities across the region, USAID was also a [vital partner](#) for regional countries seeking alternative energy infrastructure investments, technical assistance and training, and capacity building. USAID also sought to counter China's assertiveness in the Mekong region by [promoting](#) transparency, sustainable development, and regional resilience. Thus, the evisceration of USAID is an extraordinary act of self-harm, [undermining](#) America's soft power and hamstringing its ability to compete effectively in the region.



Several Southeast Asian countries, with their sizeable trade surpluses, may become targets of President Donald Trump's protectionist policies. *Image source: Tom Fisk via Pexels.*

You Don't Know What You'll Miss till It's Gone: Farewell IPEF, Hello Tariffs!

Upon taking office in his first term, Trump [withdrew](#) from the Trans-Pacific Partnership (TPP), a proposed trade agreement between 12 countries in the Pacific Rim. While

campaigning to return to the White House this time around, Trump [castigated](#) President Joe Biden's Indo-Pacific Economic Framework (IPEF) as "TPP Two" and vowed to scrap it if elected. Although the Southeast Asian countries that signed on to IPEF are unlikely to miss the framework since it did not offer [any substantive economic benefits](#), at least it did no harm. The region, however, now faces a new reality of US economic engagement conducted through sweeping [tariffs](#).

President Trump fixates on the bilateral trade balance to keep score on which countries he believes are "cheating" America, and the region is vulnerable since all Southeast Asian countries — except Singapore — [run a merchandise trade surplus](#). Vietnam is especially vulnerable, running the third-largest trade surplus (amounting to [US\\$123.5 billion in 2024](#)) after China and Mexico, but Thailand, Malaysia, and Indonesia have sizeable trade surpluses too. When it comes to gaps between US tariffs and the tariffs imposed by third countries — another one of Trump's bugbears — [Thailand runs the largest gap](#) followed by the Philippines, Malaysia, and Vietnam.

Trump has directed the administration to also [investigate](#) non-tariff barriers, and Singapore and Vietnam are already on the [Treasury Department's "Monitoring List"](#) for heightened scrutiny of their macroeconomic policies and currency practices. The administration could also target the region — which has [benefited greatly](#) from the "China+1" rerouting of supply chains — for greater scrutiny of the so-called Southeast Asia-washing of Chinese investments [seeking to circumvent US tariffs](#).

Trump's economic policies pose a mix of challenges for the region, with different countries and sectors having varied levels of exposure and vulnerability. The region, however, will find it hard to diversify away from the United States in the short run. As President Trump is wont to say, the United States holds the cards — it is the region's [largest source of FDI](#) and [technology transfers](#), its domestic market's size and wealth are matchless, as is the depth of its capital markets, and the US dollar remains the world's [preeminent reserve currency](#).

Regional countries will therefore seek bilateral negotiations with the Trump administration to address non-tariff barriers, request exemptions or lower tariffs, or deals to purchase more American goods to satiate US demands for "reciprocal trade", These efforts, while rational and pragmatic in the short term, do not address the Trump administration's larger plan to reshape the international economic order that threatens to undermine the open, multilateral rules-based system that has facilitated the region's prosperity.

Conclusion

The United States under the Trump administration is unwilling to bear the continued [burdens of hegemony](#). However, instead of floundering at the prospect of the

[“Kindleberger Trap”](#), countries in the region should seize the moment to move from passive consumers of public goods to active producers.

ASEAN should use this opportunity to double down on, and accelerate regional economic integration, in order to materialise the [ASEAN Economic Community](#) (AEC). A stronger, more integrated, and resilient ASEAN economic bloc — with 600 million people and a market size of US\$2.3 trillion — will be better equipped to overcome overreliance on any single power or market, assert its centrality on its terms, and help regional states buffer against external economic shocks.

There is also no better time than the present to operationalise the [ASEAN Outlook on the Indo-Pacific](#) (AOIP) and promote a rules-based, inclusive, and cooperative regional order in the face of both a [rent-seeking America](#) and an assertive China. ASEAN and regional states should also leverage the multiplicity of bilateral, minilateral, and multilateral trade agreements to form a new “lattice-work framework” of like-minded states that are committed not just to supporting the multilateral rules-based economic order but to also reform it so that it is fit for purpose in the 21st century.

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