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Navigating Trump 2.0

Unpacking Trump's Tariff Strategy and Its Implications for Southeast Asia

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SYNOPSIS

US President Donald Trump's "Liberation Day" tariff regime has been placed on hold for 90 days, but there are clear lessons for Southeast Asia. Trump's focus on balancing deficits, as well as concerns about Southeast Asia-washing and how market interests forced him to backtrack are also noteworthy. As the global trading system comes under threat, Southeast Asian countries should work to coordinate their responses to this unfolding situation and improve their resilience to future disruptions.

COMMENTARY

To the relief of many, US President Donald Trump abruptly reversed most of his touted "Liberation Day" tariffs on 9 April.

Speaking from the White House Rose Garden, Trump had earlier declared 2 April as "the day American industry was reborn, the day America's destiny was reclaimed and the day we began to make America wealthy again." His tariffs put the United States' effective tariff rate at [nearly 30%](#), far above the 20% set by the Smoot-Hawley Tariff Act of 1930.

Yet, not even a day after the tariffs went into effect on 9 April, he abruptly declared a "90-day pause" on higher tariffs, defaulting to a 10% flat rate for all countries except China. He is still locked in a showdown with the world's second-largest economy, with the two sides trading tariff hikes like broadsides in a 19th-century naval battle.

Even as the situation unfolds, there are lessons to be learnt for Southeast Asia. Far from being reciprocal, the tariffs disproportionately targeted even developing countries

that export cheap goods to the United States. Trump's focus on balancing deficits, his senior trade advisor's wariness over Southeast Asia-washing and the combination of factors that led him to relent are also instructive for the region. As we enter his 90-day reprieve, Southeast Asian governments may welcome the relatively low 10% flat tariff rate, but they should also take this chance to start building their own resilience against future extortion.



US President Donald Trump has announced a 90-day pause on some of his "Liberation Day" tariffs, just days after the plan sent shockwaves through global markets.

Image source: Wikimedia Commons.

“Reciprocal” is a Misnomer

Trump's initial calculations told us important facts about his priorities. Instead of trying to match the tariff rates imposed by a particular country, Trump's [formula](#) focuses on the relative amount of trade between the United States and the country in question. Many developing Southeast Asian countries received much higher tariff rates than their larger counterparts for a simple reason: these countries export large quantities of consumer goods to the United States, while not buying much in return.

Prior to 2 April, much attention had been focused on Vietnam, which had the largest trade surplus with the United States in the region at [US\\$123.5 billion](#). Yet [Vietnam's 46% tariff rate was matched or surpassed by Cambodia \(49%\), Laos \(48%\) and Myanmar \(44%\)](#), all of which have smaller surpluses with the United States.

In effect, these countries help to provide American consumers with cheap goods through their manufacturing sectors but were being punished for lacking the purchasing power of their American counterparts. Even Trump's description of these tariffs as “[kind reciprocal](#)” is misleading, at best. There is also no evidence to suggest that he will move away from these calculations once the 90-day reprieve expires.

Deficits, Southeast Asia-Washing and Saved by the Market

Trump has gloated about how world leaders were “[dying to make a deal](#)” as they negotiated for lower tariffs for their countries. This boast reinforces [earlier statements](#) from him on the utility of tariffs as negotiating tools.

Yet beyond vanity, three of his priorities should be points of concern for Southeast Asian governments: his fixation on balancing deficits; his suspicions about Southeast Asia-washing; and what finally caused him to change his mind.

First, what Trump seeks goes beyond lower tariffs and an improved trade balance in America's favour; what he wants is a complete restructuring of America's participation in the global trading system. As Trump himself told reporters on Air Force One, "[to me, a deficit is a loss](#)", and observers have [warned](#) that Trump treats the very concept of a deficit as evidence of unfair activity. Even promising zero tariffs may not satisfy him. As senior White House trade advisor Peter Navarro [told CNBC](#) on the topic of Vietnam, "zero tariffs ... means nothing to us, because it's the non-tariff cheating that matters."

It is unlikely that smaller, developing economies will be able to meet Trump's demands that they buy more from America to redress the trade imbalance. Take Cambodia, whose [US\\$12.3 billion surplus](#) with the United States earned it a 49% tariff rate. Even if Cambodia had the wherewithal, it is unlikely to be able to purchase significant numbers of Boeing jets, for instance, given the company's [backlog](#) of over 8,600 passenger jets in end-2024. Furthermore, even if Cambodia removes all its tariffs on US imports, consumer preferences are unlikely to change quickly enough to consume enough quantities of American beef or corn, for instance, to address America's trade deficit with Cambodia.

A second point concerns Navarro's remarks from the same interview on the prospect of Chinese goods being sold through Vietnam to bypass existing tariffs on China. Concerns about such "[Southeast Asia-washing](#)" have existed since the Biden administration, but they may grow even stronger now. As China grapples with a 125% tariff rate, we may see more Chinese companies relocate their manufacturing operations to leverage the 10% tariff rate in Southeast Asia, which may attract more of Trump's ire.

A third concern surrounds the reason behind Trump's backtracking on his tariff plan. It ostensibly had little to do with what Southeast Asian leaders offered – rather, a combination of worsening bond and stock markets, as well as [lobbying](#) by American banking executives through Republican lawmakers, ultimately forced Trump to backtrack as he stared economic ruin and political upheaval in the face. Market interests may have saved the global economy from a broader crisis for now, but it was a call that was too close for comfort.

Southeast Asia in the Crosshairs

For Southeast Asian countries, the tumult of the past week must come as a shock. It is no secret that the United States has been moving away from free trade principles over the past decade. Nonetheless, the post-election expectation was that Trump's penchant for [dealmaking](#) and reciprocity in foreign policy could yield some benefits for the region.

Even as the immediate danger has been lifted, these expectations now seem premature. Trump's approach to tariffs hinges on [rank extortion](#), not reciprocity. A reprise of this tumult might only be 90 days away.

As Malaysian Prime Minister Anwar Ibrahim [suggested](#), Southeast Asian governments should work to coordinate their tariff response. As [negotiations](#) continue with the United States, ASEAN member states should work to deepen their economic integration, lower non-tariff barriers and develop linkages between their digital economies. They should also work to deepen trade links with new and existing partners such as China to absorb excess exports.

The solution will not appear overnight, but the unfolding crisis might give ASEAN governments the motivation to take more substantive actions.

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