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By Makio Miyagawa

SYNOPSIS

Countries are struggling to adapt to the Trump administration's new policies. Except for China, Asian countries are responding obediently, while Europeans have adopted a retaliatory posture. Whatever the approach taken, countries are anxious that America's unprecedented foreign policy does not disrupt the world and are devoting their energies to accommodating its selfish interests while protecting their own national interests.

COMMENTARY

Since Donald J. Trump became US President for a second time in January 2025, many around the world have had to adjust to his unusual and unpredictable policies. The business community has been impacted the most as they need to calculate risks and make decisions based on predictions about how the economy will perform. With President Trump at the helm in the US, it is challenging to predict where the economy will be next month, let alone next year. US Treasury Secretary Scott Bessent aptly described the situation as “strategic uncertainty”.

We remember the days when Trump first appeared on the political scene. People were amused when he was nominated as the Republican presidential candidate. When he was elected president, many were worried. But when he initiated a trade war against China, some thought that he was not that crazy after all.

Since 2001, the year China joined the WTO, China captivated the world with a brilliant narrative: Once China has achieved its economic growth, it will become a free and democratic country like the US. Unfortunately, this has not happened, and China continues to grow militarily.

During the Clinton and Bush administrations, China was not yet a serious economic and military threat. During the Obama administration, China was tolerated because its market was attractive. However, the Trump administration resurrected the China threat, bringing the world to realise a new confrontation.

President Trump accused China of unfair trade and investment practices and of stealing cutting-edge US technologies through researchers and scholars. He cautioned that China was using these in its military buildup, in bullying states around the South China Sea, and in raising tensions in the Taiwan Straits. He bandied these as a wake-up call for the international community.

When Trump returned to the US presidency, the world has been astonished but perplexed. His new tariff policy is clearly different from that of Trump 1.0. Unlike his sanctions, the tariff increases were not directed at China and Russia alone, but applied to almost every country, large or small. Secondly, the tariff increases were all predicated on putting US interests first. The interests of the international community did not appear to be taken into account.

Trump's policy has puzzled US allies and friends about his real objectives, which they guessed were: 1) To reduce US income tax by increasing tariff revenues. If the US were to impose a 25 per cent tariff on imports, its tariff revenue would reach US\$800 billion, which is one third of its income tax and bigger than its corporate tax; 2) To use tariffs as a leverage to negotiate and settle issues to the US' advantage; 3) To reform the WTO, as the US has been dissatisfied with its management; 4) To lure overseas US companies home to reinvigorate US production capabilities; and, 5) To offset US expenditures for the defence of its allies.

Except for China, Asian countries reacted calmly to Trump's tariffs. Global supply chains have moved to Southeast Asia in recent years, notably to ASEAN markets. Many Southeast Asian countries have trade surpluses with the US. President Trump announced relatively higher reciprocal tariff rates on them. Up until today, many Asian leaders have reached out to the White House in the hope of securing exemptions, reductions, and carve-outs. They have also offered to invest more in the US, to reduce tariffs on US imports, or to purchase more American products.

Vietnam and Taiwan responded swiftly, reducing their tariffs on US goods to zero. South Korea expressed its intention to substantially increase its investments in key strategic industries such as steel in the US. Cambodia, which received the highest reciprocal tariffs, immediately reduced duties on some US imports. Vietnam's Deputy Prime Minister agreed with Treasury Secretary Bessent to start formal trade talks. Indonesia contacted the Trump Administration seeking consultations. India has accelerated efforts to secure a trade deal with the US.

These countries have expressed readiness to offer unilateral concessions because they cannot afford to jeopardise the US presence in the region, where geopolitical tensions have intensified. However, in parallel, they will likely make long-term adjustments to reduce their economic vulnerability by quietly shifting to China.

Over time, this must have negative consequences for US wealth and power. Trump's transactional approach would erode trust in the US and provide Beijing with an

unexpected opportunity. Nevertheless, there is widespread reservation about Beijing in the region, even as the developing economies of Southeast Asia widen their trade with China. Most of these countries are still wary about China's engagements.

As for Chinese President Xi Jinping, it was diplomatically expected that he would attempt to tour Southeast Asia, which he did, visiting Vietnam, Malaysia, and Cambodia in April. For Xi, it was essential to engage Southeast Asia as the region is geographically close and economically significant. With a combined population of 700 million, it offered a big consumer market. Xi had also spent years building strong economic and trade relations with these countries, investing in their infrastructure, partly out of the need to pacify its territorial claims in the South China Sea.

China also approached countries in other regions suffering from Trump's tariff measures. It approached South Korea and Japan to strengthen a tripartite free trade agreement, something it had not previously paid much attention to. It has accelerated negotiations on free trade agreements with the Gulf Cooperation Council (GCC). It sent Premier Li Qiang to the second summit conference between ASEAN and GCC in May. The Chinese Foreign Minister told his French counterpart, "The Chinese market will remain open."

One of the significant advantages of the US over China and Russia lies in its global network of alliances. Trump's tariff policy, however, has shaken the trust that had kept them strong. Friedrich Merz, the new Chancellor of Germany, has called for Europe to "achieve independence" from America. The Australian Prime Minister, Anthony Albanese, said that the Trump administration's tariffs on Australia are "not the act of a friend". The latest opinion poll found that only 36 per cent of Australians believe the US can be trusted as a global leader, down from 56 per cent last year. Canada's newly elected Prime Minister, Mark Carney, lamented, "The US is no longer a reliable partner. This is a tragedy, but it's our new reality. We should never forget the lessons."

Unlike the relatively calm responses of most Asian countries, the European and Canadian governments have responded with some degree of defiance to the Trump administration's tariffs. Europe has indicated that it will retaliate if Trump proceeds with reciprocal duties against it. Canada has also retaliated with counter tariffs. EU leaders plan to travel to China for a summit in late July. For China, Trump's tariff policies provided an unprecedented opportunity to overshadow the US.

Since 2018, China has taken steps to circumvent US economic coercion. It pushed its state-owned enterprises to strengthen supply chain resilience, unveiled targeted fiscal and monetary measures to support small businesses, boosted domestic demand by strengthening consumer spending, and enhanced the global use of renminbi-based payment systems to reduce its monetary vulnerability.

China also rolled out a series of new laws, including the Anti-Foreign Sanctions Law and anti-espionage regulations, that provide legal bases for retaliatory measures. China also sold off US Treasury bonds, allowing Japan to be the top holder of the bonds in 2019, and the UK to be second in March this year.

How to evaluate President Trump, a rare and unorthodox politician, is of interest to many researchers. Evaluations should be based on a strategic perspective of our

world's medium- to long-term future, not merely on the here and now. His methodologies have been rough and heavy-handed. His policies tended to deviate from conventional wisdom, ignoring the rules that international society has established over many decades.

Nonetheless, his views are not entirely irrelevant or without merit, including some that directly address problems the world needs to solve. Global institutions and rules have contributed to the international community's peace, security, and development. But honestly, those institutions and rules have flaws and inequalities or are outdated and do not reflect the changes that have occurred over the years. Reforms are due, for which the world needs a strong leader or leaders. It is not certain that he is the one.

Ambassador Miyagawa served in Japan's foreign policymaking on the US, Russia, Asia, ASEAN, and the Middle East, led negotiations on Trade, Economic Partnership Agreements, Nuclear Disarmament, and Climate Change, and was assigned as Special Advisor on National Security. He received a D.Phil. in economic sanctions from Oxford University and a BSc in Aeronautical and Spacecraft Engineering from the University of Tokyo. He was awarded the Commandeur de L'Ordre National du Mérite au grade de Commandeur by France.

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