

“Liberation Day” Trade Impact in Southeast Asia

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Note: This remains a developing story; further updates will be published as new information becomes available

President Donald Trump’s “Liberation Day” trade actions have sparked global economic uncertainty and strategic recalibration as countries scramble to safeguard their trade interests and minimize exposure to US trade volatility. Southeast Asia stands particularly vulnerable, with a USD 227 billion trade surplus with the US and a central role in global electronics and manufacturing supply chains.

This briefing unpacks the strategic implications of “Liberation Day” for Southeast Asia, where trade under the Trump administration has shifted toward a more transactional model. ASEAN nations now find themselves delicately balancing between US demands and China’s growing economic influence.

Risk Assessment: Elevated

Southeast Asia has been assessed as an elevated risk. Over 75 countries that did not retaliate against the initial tariff imposition will have their “Liberation Day” reciprocal tariffs postponed for 90 days.

This assessment is based on a composite evaluation of:

- (1) Direct exposure to US tariffs, as Southeast Asia is the US’ fourth-largest trading partner
- (2) Economic vulnerability to both regional and global shocks
- (3) Geopolitical pressures, given the region’s strategic position at the intersection of global trade routes, security rivalries, and shifting power dynamics.

US–ASEAN Trade Relations Overview

The Association of Southeast Asian Nations (ASEAN) is the US’ fourth-largest trading partner, underpinned by substantial trade volumes, investment flows, and a framework of agreements promoting economic cooperation.

In 2024, US goods trade with ASEAN reached an estimated USD 476.8 billion, with US goods exports to ASEAN totaling USD 124.6 billion and imports from ASEAN amounting to USD 352.3 billion, resulting in a US trade deficit of approximately USD 227.7 billion.

Southeast Asia's exports to the US are primarily composed of high-tech electronics, manufactured goods, and apparel. Vietnam alone accounts for over half (54.24%) of ASEAN's trade surplus with the US, and together with Thailand and Malaysia, contributes a combined 85.16% of the total surplus. By early 2024, the US surpassed China as ASEAN's largest export destination, accounting for 15% of ASEAN's total exports—a shift driven by rising US demand for semiconductors and electrical components, alongside China's slowing economic momentum.

The primary framework guiding US–ASEAN trade relations is the 2006 Trade and Investment Framework Arrangement (TIFA), which facilitates ongoing dialogue on trade and investment issues, without constituting a formal Free Trade Agreement (FTA). In addition, the Indo-Pacific Economic Framework for Prosperity (IPEF), launched in 2022, includes seven ASEAN members (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam). However, its impact remains limited when compared to tariff-reducing agreements like the Regional Comprehensive Economic Partnership (RCEP).

To date, Singapore remains the only ASEAN member to have signed an FTA with the US. While no formal FTA exists, Vietnam's economic ties with the US have strengthened, especially the establishment of a Comprehensive Strategic Partnership in 2023. Although bilateral FTA negotiations between the US and the Philippines began during President Trump's 2017 visit, they have since stalled. Nevertheless, the 2023 Enhanced Defense Cooperation Agreement (EDCA) indicates potential for expanded economic engagement moving forward.

US "Liberation Day" Tariffs: Impact Assessment—First Glance

The US "Liberation Day" tariffs introduce a new layer of complexity to trade dynamics with Southeast Asia, with uneven yet potentially significant impacts across ASEAN member states. Tariffs imposed vary by country, reflecting trade volumes, export dependency, and the size of bilateral trade imbalances with the US.

Country	Exports to US (US\$ bn)	Export vs GDP (%)	US Goods Trade Deficit (US\$ bn)	Reciprocal Tariff
Vietnam	136.6	29	123.5	46%
Thailand	63.6	12	45.6	37%
Malaysia	52.5	12	24.8	24%
Indonesia	28.1	2	17.9	32%
Cambodia	12.7	27	12.3	49%
Philippines	14.2	3	4.9	17%
Singapore	43.2	8	- 2.8	10%

Source: [USTR](#)

Source: [New York Times](#)

Source: [USTR](#)

Key Regional Impacts

As a bloc, ASEAN faces heightened exposure to export-driven growth risks, potential supply chain disruptions, and inflationary pressures. In a severe tariff scenario, regional GDP could slow by an estimated 0.5–1%.

- ◆ **Vietnam and Thailand** are **the most exposed**, with large trade surpluses and high export-to-GDP ratios. Both may experience **domestic inflation and downward pressure on growth** due to their heavy reliance on US-bound manufacturing and electronics exports.
- ◆ **Malaysia** could face **moderate losses**, particularly in electronics, though its diversified trade base offers some cushion.
- ◆ **Indonesia's resource-based economy** provides **relative resilience**, though select sectors—such as textiles—remain vulnerable.
- ◆ **Cambodia**, with high export dependence and low diversification, may face **disproportionate tariff shocks**.
- ◆ **The Philippines** has lower exposure overall but may still face headwinds in electronics and garments.
- ◆ **Singapore**, despite running a **trade surplus with the US**, is likely to experience **indirect impacts** through **regional trade interconnectivity and supply chain fragmentation**.

Country-Specific Impact and Its Response

Vietnam

Vietnam's key export strengths—agricultural and seafood products—lie within the lower-value segment of its broader export portfolio. Approximately 70–75% of the country's total goods export value is driven by the foreign-invested enterprise (FDI) sector, which includes major US firms. Higher-value industries such as electronics and machinery are likely to face immediate pressure from elevated US tariffs. Meanwhile, relocation pressures on labor-intensive sectors—including textiles, garments, and footwear—are expected to gradually intensify, impacting employment, raw material sourcing, and capital inflows. Vietnam's ambitious 8% GDP growth target for 2025 now encounters mounting challenges.

Response: Party General Secretary To Lam's phone call on April 4 marked President Trump's first direct engagement with a foreign leader following the announcement of reciprocal tariffs. During the conversation, Vietnam offered a 0% tariff on US goods. It reaffirmed its commitment to proactively reviewing and reducing non-tariff barriers, while enhancing efforts to detect and prevent trade fraud. This prompt and strategic outreach signals a shift in Vietnam's diplomatic posture—placing economic outcomes at the center of its foreign policy. The move aligns with broader structural reforms underway in the country's political and administrative systems, reflecting a growing emphasis on sustaining economic momentum amid external headwinds.

Thailand

Thailand's deep integration with Chinese supply chains—especially in electronics and automotive components—renders it vulnerable to disruptions in intermediate goods and rising input costs. The Volatility Index (VIX) surged from its typical level of 25 to 46.98, surpassing the level recorded during the Russia-Ukraine conflict and approaching peaks seen during the COVID-19 pandemic. The increase in US tariffs is anticipated to decrease Thai export volumes and strain manufacturing capacity. Experts predict that, without a successful trade resolution, Thailand could experience a 1.1% contraction in GDP growth and a 5% decline in export growth.

Response: Thailand is adopting a multi-faceted strategy to address the repercussions. The government intends to boost purchases of US products, including raw materials for animal feed, raw meat for processing industries, and US natural gas. Additionally, Thailand will evaluate and lessen non-tariff barriers to US goods, enforce stricter controls to prevent trade rerouting through Thai territory, and encourage Thai investment abroad in the United States. These initiatives aim to showcase goodwill, ensure trade stability, and sustain positive diplomatic and economic relations with Washington.

Malaysia

Key Malaysian export sectors—electronics and electrical products, machinery and equipment, scientific and optical instruments, rubber, furniture, and palm oil—are anticipated to be among the most impacted by the new US tariffs. In response, Malaysia has announced its intention to negotiate favorable terms under the Trade and Investment Framework Agreement (TIFA) and pursue a Technology Safeguards Agreement to protect its critical electronics exports, particularly semiconductors. Notably, semiconductors—accounting for nearly 40% of Malaysia's exports to the US—have been exempt from the new tariffs, shifting Malaysia's focus to securing long-term protections for its broader electrical and electronics (E&E) sector.

Response: As the current ASEAN Chair, and leveraging Prime Minister Anwar Ibrahim's extensive diplomatic experience, Malaysia initially aimed to coordinate a unified regional response. However, early efforts to maintain ASEAN cohesion have faltered, as several member states have independently initiated bilateral outreach with the US. Malaysia is now preparing to send a delegation of senior officials to Washington to advance its own trade negotiations. These parallel efforts reflect the urgency and complexity of managing national interests within the broader ASEAN framework.

Indonesia

Indonesia's most vulnerable export sectors under the new US tariffs include electronics, textiles and apparel, furniture, and palm oil. Although the country remains the least export-dependent to the US among ASEAN-5 economies, the tariffs are expected to exacerbate existing economic challenges. Indonesia's middle class has contracted from 23% pre-COVID to 18% today, raising concerns about domestic consumption resilience and income inequality. The cumulative impact of tariffs, subdued global demand, and internal economic pressures present a significant risk to growth momentum.

Response: For nearly two years, Indonesia has operated without an appointed ambassador to the United States, which has limited its diplomatic engagement. President Prabowo Subianto's aspirations for a statesman role, along with the appointment of a loyal aide as Foreign Minister instead of a seasoned diplomat, have further constrained Indonesia's institutional capacity to respond effectively.

A task force led by Coordinating Minister Airlangga Hartarto is currently preparing to engage with Washington. Instead of retaliating, Indonesia plans to offer concessions, including easing ICT local content requirements, reviewing its list of restricted goods, and increasing US oil imports while simultaneously seeking renewed market access for key exports. Although the likelihood of major breakthroughs is low, the situation may act as a catalyst for long-overdue economic reforms and a more coherent trade policy direction. However, President Prabowo's protectionist leanings raise concerns that any initial liberalization may be short-lived, with Indonesia potentially retreating into deeper economic nationalism after early, symbolic reforms.

The Philippines

The sectors most vulnerable to the new US tariffs are agriculture and electronics. However, since the Philippine economy is primarily driven by domestic consumption rather than exports to the US, the direct impact is anticipated to be less pronounced compared to other Southeast Asian markets. With lower tariffs imposed in comparison to regional peers, the Philippines is positioning itself to take advantage of shifting investment trends, particularly by attracting manufacturing activity seeking US market access under more favorable tariff conditions. This strategy is especially important, as the Philippines has largely missed the region's manufacturing boom over the past decade.

Response: Trade Secretary Cristina Roque is willing to offer improved market access for US goods, leveraging the country's close bilateral relationship as a negotiation platform. Senate President Chiz Escudero has called for a measured response, proposing potential measures such as tariff code revisions, currency policy adjustments, and targeted export diversification. Meanwhile, Malacañang Palace has minimized the tariff impact, framing it as minor and potentially beneficial. Ongoing inter-agency coordination is focused on utilizing the Philippines' relatively favorable tariff position to attract investment and enhance trade engagement with the US.

Singapore

Although direct exports to the US account for less than 10% of Singapore's total trade, the country remains vulnerable through key sectors such as electronics, semiconductors, biomedical sciences, and financial services. These industries now face increased uncertainty due to weaker external demand and potential supply chain disruptions. In the long term, Singapore is particularly exposed to the erosion of the WTO-based multilateral trading system, which could weaken its negotiating position in a world increasingly dominated by bilateral trade deals—putting smaller, open economies like Singapore at a disadvantage.

Response: Singapore has established a national task force to coordinate its domestic response, concentrating on supporting affected businesses and workers. The task force is chaired by Deputy Prime Minister and Minister for Trade and Industry Gan Kim Yong. It includes representatives from various economic agencies, the Singapore Business Federation (SBF), the Singapore National Employers Federation (SNEF), and the National Trades Union Congress (NTUC).

Singapore has confirmed that it will not impose retaliatory tariffs, consistent with its longstanding commitment to open trade. Given the existing US-Singapore Free Trade Agreement (FTA)—which ensures zero tariffs on nearly all US goods—the government intends to maintain engagement with Washington through diplomatic and economic channels. Simultaneously, Singapore is actively consulting with ASEAN, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and other trade groupings to explore coordinated regional responses to the tariffs.

Cambodia

A large share of Cambodia's apparel and footwear production—accounting for over 60% of its total exports—depends heavily on imported materials from China, making it especially vulnerable to supply chain disruptions and rising input costs. Over the medium term, Cambodia faces structural challenges stemming from its deep reliance on China-linked supply chains, limited domestic industrial capacity, and increased exposure to potential US trade enforcement actions.

Response: To mitigate the impact of US tariffs and enhance export competitiveness, Cambodia has announced an immediate reduction in tariffs across 19 product categories, lowering rates from the maximum bound rate of 35% to an applied rate of 5%. Of its 1,868 total tariff lines, 211 now permit US goods to enter Cambodia duty-free, including high-demand items like mobile phones.

The Cambodian government seeks to negotiate preferential tariffs on essential US-bound exports and has shown interest in commencing discussions toward a potential bilateral free trade agreement. These actions reflect a broader strategy to diversify trade partnerships, enhance economic diplomacy, and indicate an openness to deeper commercial engagement with Washington.

Strategic Considerations for Business

Short-Horizon Opportunities and Risks

The 90-day delay in reciprocal tariff implementation, coupled with the sharp increase in tariffs on Chinese goods to 125%, presents both risks and opportunities for Southeast Asia. While large, China-based multinational enterprises may view the delay as inconsequential, small and medium-sized enterprises (SMEs)—especially those operating under tight margins—could leverage this window as a commercially viable short-term opportunity to access secondary markets or reposition inventory flows.

Businesses across Southeast Asia must prepare for dual market pressures: rising inflows of goods from both the US and China, which may intensify competition, disrupt pricing structures, and place downward pressure on local currencies. A proactive approach to managing inventory, pricing strategy, and demand forecasting will be crucial.

Mid-to-Long-Term Future Readiness

- ◆ In a rapidly changing trade environment, impulsive or rushed decisions can escalate operational complexity and costs. Agility and informed decision-making should direct any strategic response.
- ◆ Companies should establish strong monitoring systems to track policy changes and tariff developments in real time. This involves assessing supply chain vulnerabilities, pricing risks, and client dependencies.

- ◆ Engage actively with industry associations, chambers of commerce, and government trade bodies to remain informed, influence policy discussions, and advocate for specific sector interests.
- ◆ Pursue supply chain diversification, identify alternative sourcing options, and leverage regional trade.

Above all, long-term resilience depends on a coordinated industry response and evidence-based advocacy. Businesses that stay informed, flexible, and engaged will be best positioned to navigate short-term shocks and influence longer-term policy outcomes.