

The point of view

Trump's Asian Tour: The Art of the Deal Returns

Donald Trump recently undertook a grand tour of Asia for the first time since his inauguration. His first stop was Malaysia, where he attended the ASEAN Summit and finalised trade deals negotiated over the summer as well as agreements concerning rare earths.

Mixing genres in the way only he can, Trump also orchestrated **the signing of a “peace deal” between Cambodia and Thailand.** Tensions between the two countries had flared again in July against a backdrop of political discord and border conflict, with clashes on the ground leaving at least 43 dead and displacing more than 300,000 people. Moreover, all three countries involved (Cambodia, Thailand and Malaysia, which had been acting as a mediator) had seen sudden progress in their trade talks with the United States thanks to the conflict: following an initial ceasefire concluded under US sponsorship, “reciprocal tariffs” on imports into the US from those countries had fallen to 19%.

Helping Trump reaffirm his stance as “President of Peace”, Cambodia event went as far as confirming its support for the US President to be awarded the Nobel Peace Prize.

The necessity of the deal

For these South Asian countries, which have **built their growth models on participation in foreign trade**, striking a deal with the US – one of their main customers – was vital. That's undoubtedly why they agreed to events being staged as they were, and to terms that are not particularly favourable to them, to maintain access to the US market.

Although ASEAN¹ is, in theory, a platform that serves to coordinate its members' positions in the context of trade talks, the last few months have shown that, when dealing with the US, **the alliance's member countries have acted individually and, on the face of it, without consulting each other.** As soon as any one member reached a deal, it was therefore vital that the others do likewise and ensure that overall tariff conditions were equivalent. The ASEAN nations all participate in broadly similar value chains and compete with one another in some markets (notably textiles and electronics).

On 2 April, Asia found itself bearing the brunt of the wave of tariffs announced by the US administration. This was not surprising: the “formula” used² was designed to penalise those countries that showed large surpluses (in goods) with the US. And seven of the US's ten largest bilateral trade deficits are with Asian countries.

Among these countries are: some of the US's foremost partners and allies (South Korea, Japan, Taiwan), though that does not mean they have been spared tariffs; China, of course; and the ASEAN countries, whose exports to the US have risen rapidly since 2018 as companies have adopting a **strategy of diversification to escape the first round of US import tariffs on Chinese goods.**

As well as being a top-tier trading partner, **the US is also the number one foreign investor in the ASEAN countries** (with \$74.7 billion in foreign direct investment in 2023, the most recent year for which data is available), far ahead of China (\$17.5 billion). More than 6,000 US companies have a presence in the region, supporting over 600,000 direct jobs.

¹ ASEAN's member countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor Leste and Vietnam.

² “Reciprocal” import tariffs were calculated by dividing the trade balance with a given country by the amount of goods imported from that country.

The countries of South Asia – particularly Vietnam, Thailand and Malaysia – have thus become transshipment and re-export hubs for Chinese products, though they have also succeeded in capturing a portion of certain value chains. This phenomenon has gathered pace since the beginning of this year, with total imports into the US from ASEAN countries exceeding those from China as a share of total imports (14.6% and 9.4% respectively).

The issue is that these countries remain reliant on foreign companies, which monopolise the export sector: **in Vietnam, 70% of exporting companies are foreign-owned.** This means that in the least capital-intensive sectors (i.e. those in which assets are amortised more quickly) where price competitiveness is paramount, multinationals are able to adapt their strategies to the prevailing tariff environment. Since no one can afford to let a neighbouring competitor country negotiate a better tariff; it was vital that a deal be done.

Trump then stopped off in South Korea, where he also had a very busy schedule: he attended the APEC (Asia-Pacific Economic Cooperation) summit, **inked a new trade deal with South Korean President Lee Jae Myung and, in particular, met with Xi Jinping** for the first time since June 2019. Here again, a deal was announced, though its precise content remains to be clarified.

What do these deals entail?

Unsurprisingly, these deals focus first and foremost on lowering so-called reciprocal tariffs: with the exception of Singapore, which runs a trade deficit with the US, ASEAN countries have secured **tariffs of either 19% or 20%.** **The US's South Korean and Japanese "allies" have fared slightly better, with tariffs of 15%.** In particular, they have secured lower import tariffs (15%) on automotive goods, which are otherwise subject to a global US tariff of 25%, for which the US is their largest export market by far (accounting for 35% of Japan's and nearly 50% of South Korea's automotive exports).

In exchange, the signatory countries have committed to abide by the US's various priorities: **importing more US goods, having domestic companies invest in the US and cooperating in strategic areas** (naval, defence, rare earths).

South Korea: as well as preferential tariffs in the automotive sector, exemptions have been provided for in the timber, aerospace and pharmaceutical sectors. In return, South Korea has agreed to expand access to its market and step up its imports of liquefied natural gas (LNG).

South Korea has also committed to invest \$350 billion in the US, consisting of \$200 billion in cash and \$150 billion in shipbuilding cooperation, including construction of nuclear submarines. This cooperation is crucial: the US needs South Korean expertise and production capacity to revive its shipbuilding industry, especially if it wants to increase its hydrocarbon exports (South Korean shipbuilders specialise in building tankers).

Malaysia has agreed to grant preferential access to American industrial and agricultural products. The US import tariff on Malaysian goods is 19% but numerous exceptions are in place for products the US considers "essential" such as pharmaceuticals, semiconductors, palm oil and rubber. Malaysia has also committed to increase its US imports (hydrocarbons and aerospace) and invest \$70 billion in the US over the next ten years.

Above all, the deal includes a cooperation clause covering rare minerals. Malaysia, which currently accounts for 13% of global exports of rare earths and has reserves valued at over \$200 billion, has agreed not to place any restrictions on exports to US firms to ensure they have access to stable and secure supplies.

Thailand has agreed to remove import tariffs on around 99% of US products entering its market and to remove non-tariff barriers in sectors of strategic importance to the US (notably automotive, pharmaceuticals and meat). It also plans to increase imports of US energy supplies, agricultural products and aircraft by a total of \$27 billion. A Memorandum of Understanding on the supply of rare earths has also been made public, confirming that the US has negotiated a priority right to invest in this sector in Thailand. In exchange, the US is set to provide technical assistance to help the industry develop.

Vietnam has committed to offer preferential access to its market, notably in the automotive sector, by recognising US safety and emissions standards, as well as to its public procurement market (particularly in relation to medical devices). Unlike deals with other countries, the US-Vietnam deal does not appear to specify mandatory volumes of US imports, despite the fact that Vietnam has one of the highest bilateral surpluses with the US (over \$100 billion).

However, Vietnam is in the firing line for the “rule of origin” the US wants to put in place targeting Chinese goods transiting through other countries, which would be tariffed at a rate of 40%. It remains to be seen whether a deal between China and the US would amend this clause.

Country	Reciprocal tariffs (2 April)	Reciprocal tariffs (after deal)
Cambodia	49%	19%
China	34%	20%
South Korea	25%	15%
India	26%	50%
Indonesia	32%	19%
Japan	24%	15%
Malaysia	24%	19%
Philippines	17%	19%
Singapore	10%	10%
Taiwan	32%	20%
Thailand	32%	19%
Vietnam	46%	20%

As we have seen, then, these countries have agreed to pay a heavy price to retain access to the US market, though questions remain as to just how the US intends to force foreign firms to invest on US soil or increase their imports of US goods. The example of the US-China Phase One deal shows that signing this kind of treaty is not an end in itself: imports of US goods into China have never reached the levels negotiated under this deal.

The case of China

To say that the meeting between Donald Trump and Xi Jinping was highly anticipated would be an understatement. It had been delayed several times, with misgivings initially appearing to come from the American side. However, the balance of power tipped after tensions escalated in April and May, and above all after China went on the offensive over rare earths. **Xi Jinping appeared determined to wait for a credible deal to be negotiated before agreeing to a photo of a handshake with Trump “sealing the deal”.**

After several rounds of talks, Xi Jinping announced that the two leaders had “reached consensus on solutions to problems”. **The US will cut import tariffs on fentanyl from 20% to 10%. Meanwhile, China has committed to resume exports of rare earths and imports of soya.**

The deal thus signals a lull, though provides no real answers to US-China tensions. The rare earths deal will be renegotiated annually and, in any case, what would happen if either China or the US were to reverse course? With the WHO reduced to an empty shell, nations find themselves defenceless against a partner that might call into question or fail to abide by its obligations. **For Donald Trump, import tariffs are simply a negotiating tool in a race to keep the US at the top of the global tree and outpace its rivals, starting with China.**

While this deal will, in the short term, restore some much-needed visibility to economic agents, in no way does it mean the US-China clash is over. This is clearly reflected in the conclusions of China's Fourth Plenum, held in Beijing last week³: **China is more than ever preparing itself for self-sufficiency and strategic autonomy.** In this world of rivalry, the current détente can only be short-lived.

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³ See article [Chine – 4^e plénum et plan quinquennal, le ballet de la planification reprend à Pékin](#), October 2025.

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