



# Trade in ASEAN: Impact of US Tariffs

## Briefing Note

Release Date: 28<sup>th</sup> July 2025

On April 2<sup>nd</sup>, 2025, the United States announced a new trade policy that introduced a 10% tariff on all imported goods, with even higher 'reciprocal' rates for certain countries. While the focus is on larger economies like China and the European Union, this new policy also affects Asian countries, many of which are a part of the ASEAN bloc. Each ASEAN member would face a unique rate of tariff based on an erroneous formula which considers US bilateral trade deficits. However, on April 9<sup>th</sup> 2025, the US declared a 90-day suspension on applying tariffs for most countries, except for China. At that same time, the US also announced a 10% universal tariff on all imports, along with a number of sector specific tariffs that are all currently in force. The reciprocal tariffs were due to come into effect on July 9<sup>th</sup>. However, on July 7<sup>th</sup>, the White House announced another extension along with modifications to the reciprocal tariff rates. These tariffs are now to come into effect on August 1<sup>st</sup>. The analysis presented in this brief utilises a Trade Simulation Model to explore the potential impact of the currently applicable tariffs (as of 28/07/2025) and the threatened tariffs from the US (01/08/2025), against the situation before the Trump Administration took office.

### Relevance for ASEAN

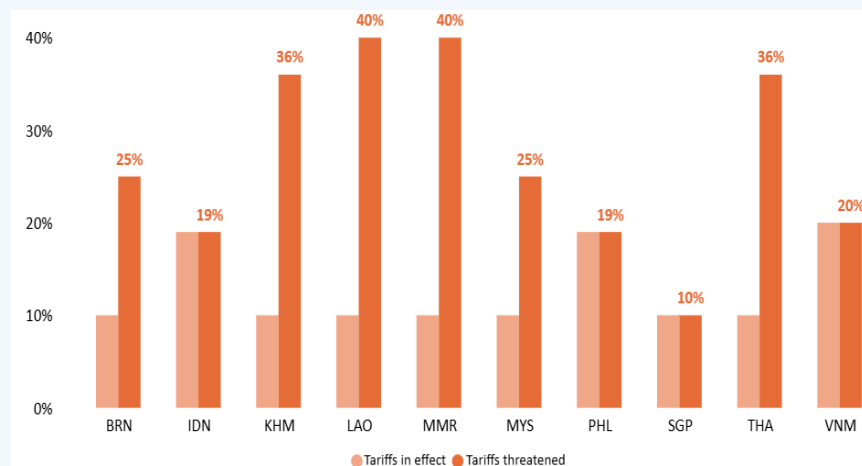
ASEAN economies, known for their significant exports in electronics, textiles, and agro-industry products, face potential setbacks due to these increasing tariffs.

The tariffs placed on ASEAN products threaten almost **16.5% of ASEAN exports** which are directed towards the US.

The greatest exposure for ASEAN members are:

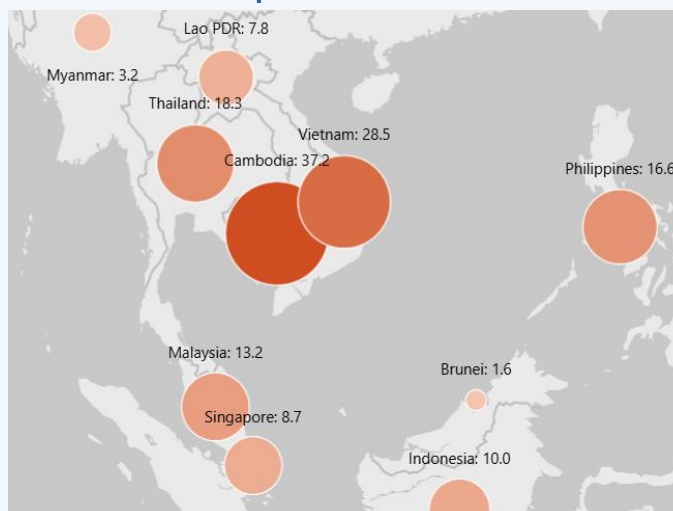
- **Cambodia**, with **37.2%** of the country's total exports directed to the US,
- **Vietnam**, at **28.5%** of exports to the US, and
- **Thailand** at **18.3%**.

### Current Vs Threatened Tariffs

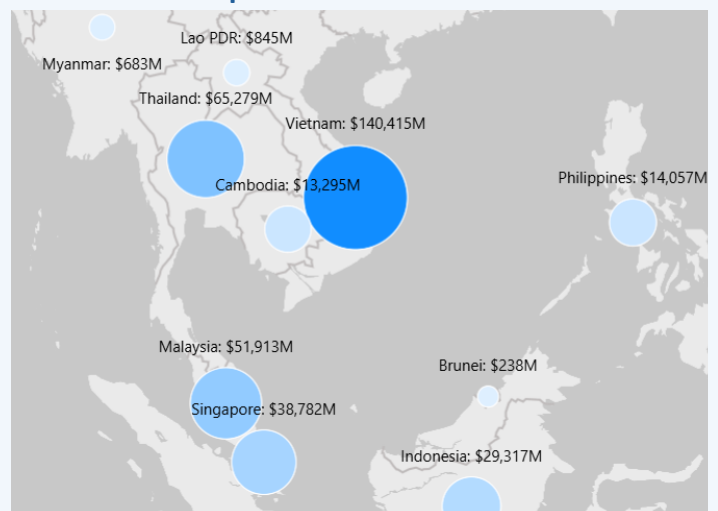


Source: White House Executives Order, 2025

### Share of ASEAN exports to the US market in 2024



### USA Imports from ASEAN in 2024



Note: Share (%) is calculated as the share of the country's exports to the US market

Source: IEC Calculations; UN Comtrade and ITC TradeMap

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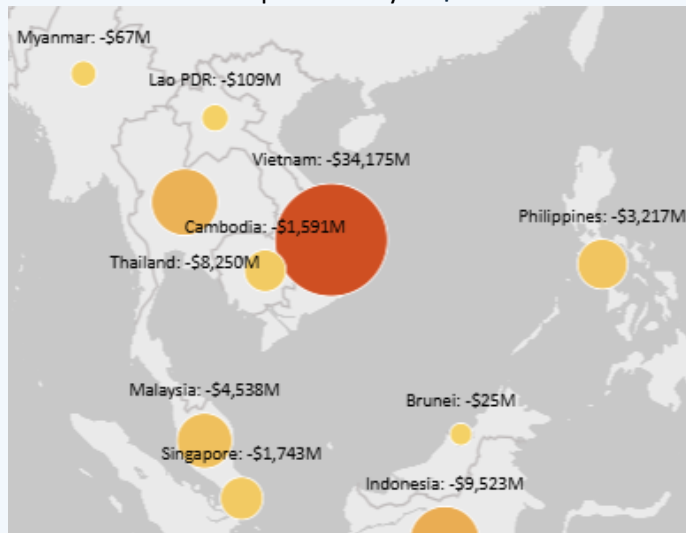


## Impact of US tariff rate increase on ASEAN Member States

### Simulated trade loss by ASEAN countries due to Tariffs in Effect (28 July 2025)

Annual change in US imports from ASEAN:  
**US\$ 63.2 Billion**

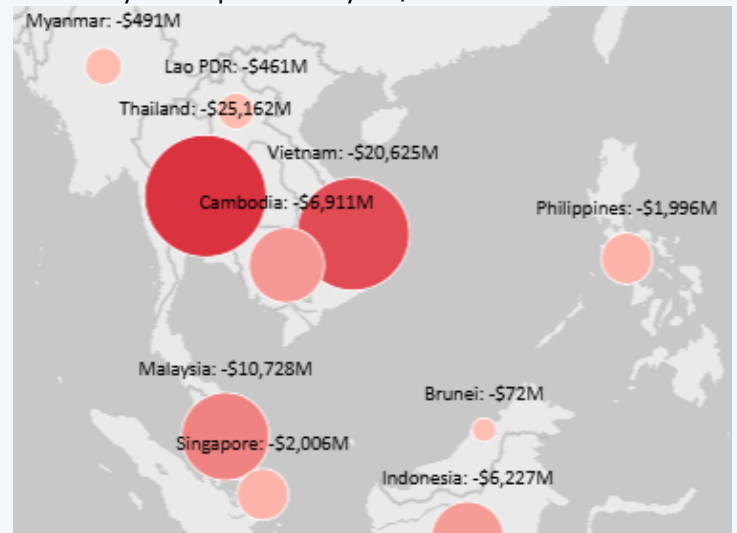
- Vietnam's exports to the US fall more than any other ASEAN Member State: **US\$ 34.2 billion**.
- Indonesia's exports to the US drop by **US\$ 9.5 billion** and Thailand's exports fall by **US\$ 8.3 billion**.



### Simulated trade loss by ASEAN countries due to Threatened Tariffs (1 August 2025)

Annual change in US imports from ASEAN:  
**US\$ 74.7 Billion**

- Thailand's exports to the US fall more than any other ASEAN Member State: **US\$ 25.2 billion**.
- Vietnam's exports to the US drop by **US\$ 20.6 billion** and Malaysia's exports fall by **US\$ 10.7 billion**.

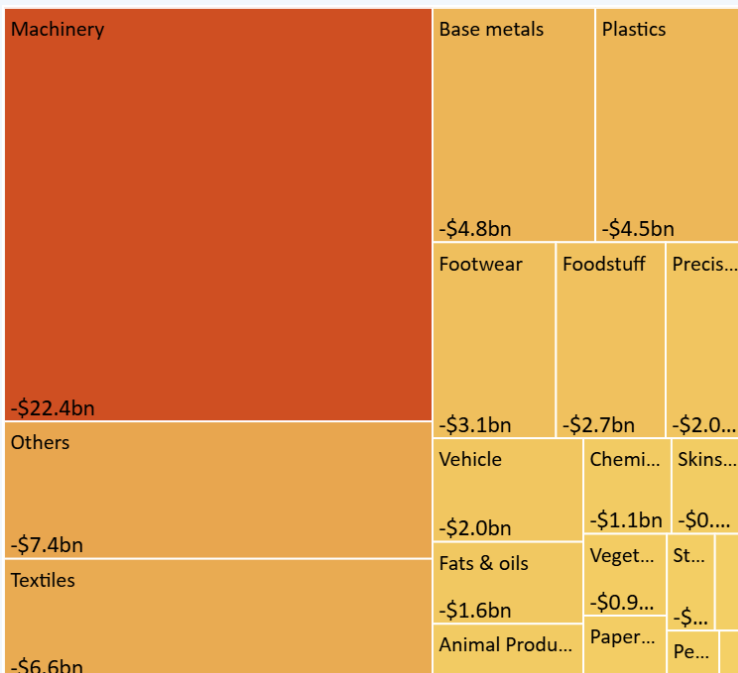


Source: International Economics Consulting [Trade Simulation Tool](#)

## Sector level impacts

### Simulated trade loss by sector due to tariffs in effect

- The sector which is impacted the most is Machinery where exports fall by **US\$ 22.4 billion**
- Other impacted sectors are **Other products, Textiles, Base metals, Plastics, and Footwear**.



### Simulated trade loss by sector due to threatened tariffs

- The sector which is impacted the most is Machinery where exports fall by **US\$ 31.0 billion**
- Other impacted sectors are **Other products, Plastics, Textiles, Base metals and Food Stuff**.



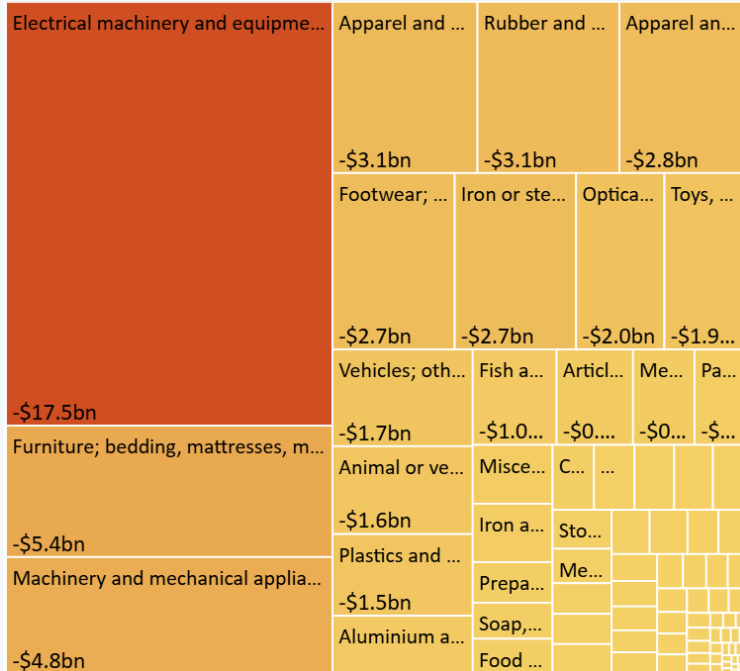
Source: International Economics Consulting [Trade Simulation Tool](#)



### Product level changes

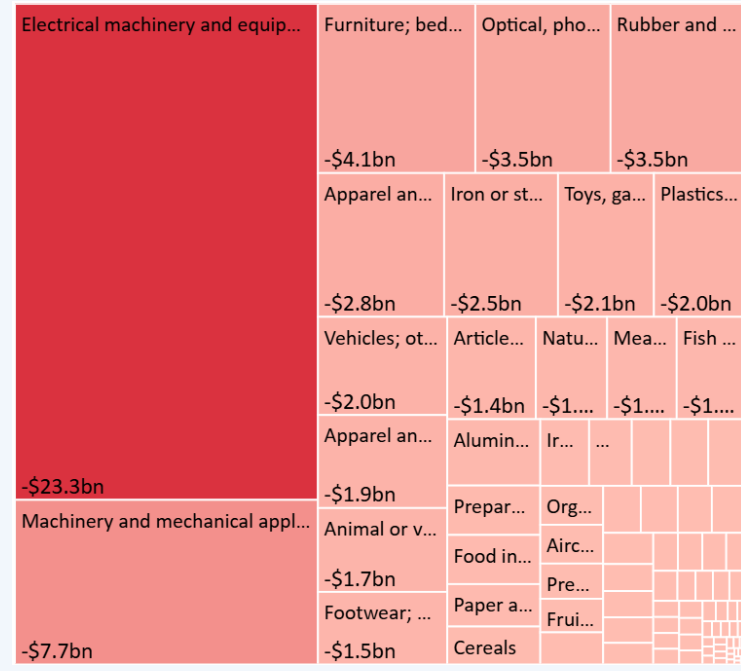
#### Simulated trade loss at HS2 level for tariffs in effect

- **Electrical machinery** such as electronics and electrical products contract the most by **US\$ 17.5 billion**
- Other impacted products are **Furniture, Mechanical Machinery, Apparel & Clothing** and **Footwear**.



#### Simulated trade loss at HS2 level for threatened tariffs

- **Electrical machinery** such as electronics and electrical products contract the most by **US\$ 23.3 billion**
- Other impacted products are **Mechanical Machinery, Furniture, Rubber** and **Optical Equipment**.



Source: International Economics Consulting [Trade Simulation Tool](#)

### Wider Tariff Effects and Global Responses



### What do these tariffs mean for ASEAN?

#### Implications

Reduced Exports to US, Manufacturing costs escalate across ASEAN supply chains, Disruption of Global Value Chains (GVCs), Trade Diversion effects Slowdown in Foreign Direct Investment, Factory closures leading to Job Losses, Currency volatility as trade flows shift and investor sentiment fluctuates, Depressed Global Prices.

#### Way Forward

Diversify trade partners; Boost regional integration; Create integrated ASEAN production hubs; Promote domestic value addition; Support exposed sectors and SMEs; Enhance trade facilitation; Leverage ASEAN policy dialogue instead of bilateral channels; Accelerate regional capital market integration.

The simulation was conducted using applied tariffs and projected tariffs, using a partial equilibrium model in two-stages. The first stage calculates the impact of bilateral tariffs applied to all partners to estimate trade creation and diversion effects. The trade diversion effects were re-allocated against the tariffs in force faced by those suppliers, to calculate the adjusted trade diversion values. Final flows are estimated using the total trade effects. See the [Methodology](#). Access the [Trade Simulation Tool](#).