

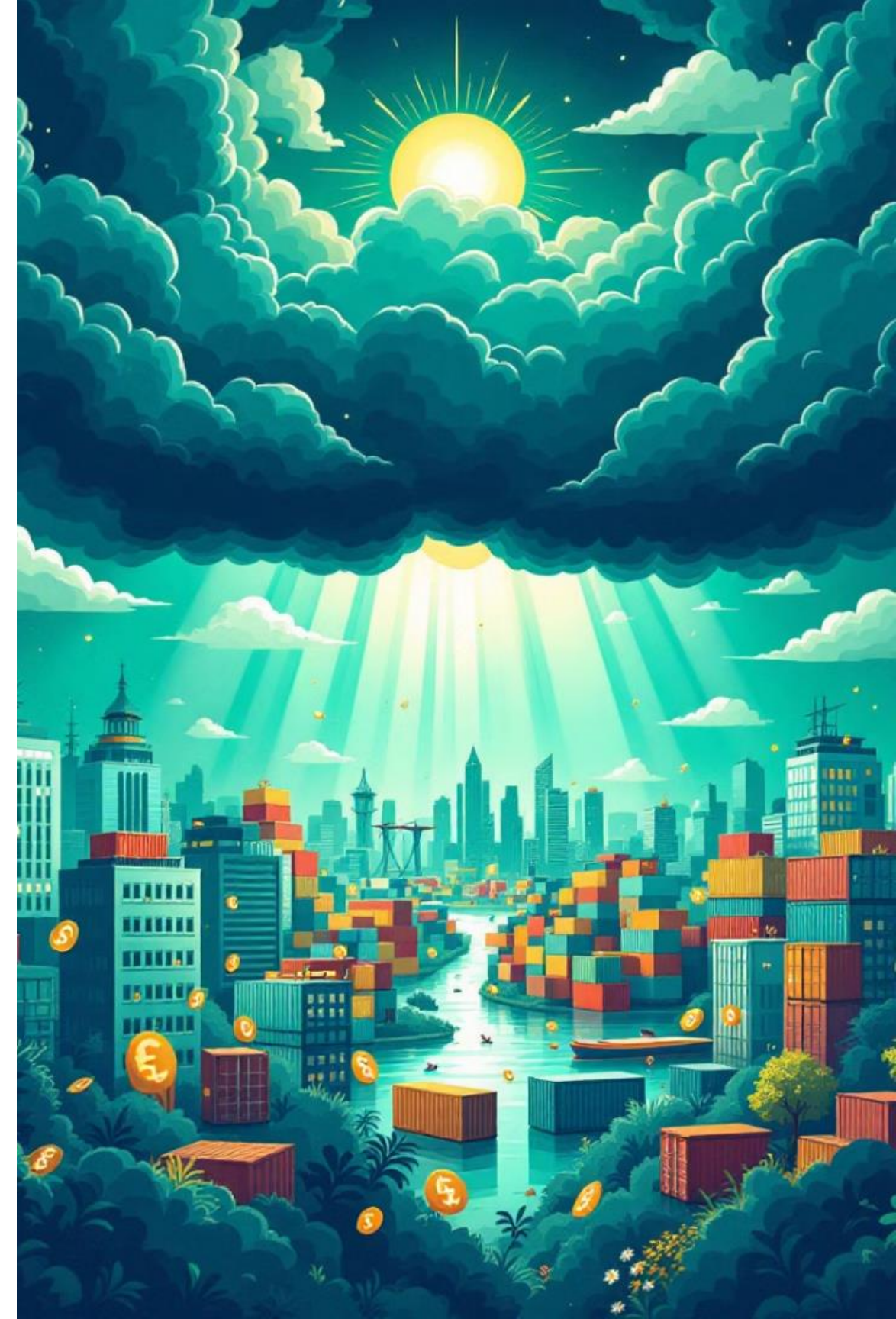
Playbook: As of 15 May 2025

## Tariff Watch: ASEAN Edition

The 2025 US tariff regime has dramatically reshaped global trade dynamics, with ASEAN now directly in the spotlight. As the back and forth of US tariffs loom – threatening to reach up to 49% for some ASEAN nations – regional supply chains, export competitiveness, and investment flows are being reshaped.

With currency pairs experiencing their highest volatility since 2022, companies must adapt their hedging strategies. In this playbook, we break down:

- Latest developments in US-China trade relations and economic impact on ASEAN
- Trump's policies and how they are reshaping ASEAN supply chains
- Key strategies and takeaways for businesses operating in ASEAN to navigate ongoing uncertainty.



# Trump's Trade Tariffs Timeline

February 1, 2025



The US imposes a 10% tariff on all imports from China and 25% tariffs on most imports from Canada and Mexico, citing concerns over fentanyl smuggling and trade imbalances.



April 2, 2025

US announces "Liberation Day" tariffs: 10% baseline on all imports, plus steep country-specific rates (up to 54% for China, 46% for Vietnam, 36% for Thailand, 32% for Indonesia, 24% for Malaysia, 49% for Cambodia/Laos).

April 5, 2025



The baseline 10% tariff on nearly all US imports goes into effect, marking the most significant US protectionist trade action in decades.



April 9-10, 2025

A 90-day pause on reciprocal tariffs for 75 countries is announced after bond market instability. China is excluded from the pause and faces a tariff hike to 145%, triggering yuan devaluation.

April 11, 2025



China retaliates with 125% tariffs on US goods, declares it will no longer respond to further US tariff hikes, and signals a halt to most US imports under current tariff levels.



May 2, 2025

The US ends the de minimis exemption for China, imposing a 120% duty on UPU shipments and 145% on courier deliveries, further restricting low-value Chinese imports.

May 12-14, 2025



In a major breakthrough, the US and China agreed to sharply reduce most tariffs for 90 days starting May 14, 2025: US tariffs on Chinese imports will drop from 145% to 30%, while China will cut its tariffs on US goods from 125% to 10%.

# Trumponomics 2.0: Policies & Impact

## Tariffs as Central Policy

- Global trade landscape is fragmented, driven by rising geopolitical tensions and shifting national policies.
- The April 2<sup>nd</sup> tariffs signal a shift away from traditional free trade, forcing companies to focus on margin protection and “friend-shoring”.
- Supply chain diversification is now critical, especially for businesses in Asia, with intra-Asian tariffs and retaliatory measures reshaping regional trade flows.

## Policy Uncertainty

- Trump’s aggressive trade approach has driven global policy uncertainty higher.
- This leads to frequent shifts in alliances and economic policies that complicate risk assessments.
- Volatility increases difficulty for businesses to plan long-term, impacting investor confidence, and highlights need for agile risk management.



# Stagnation of Globalisation

## Record Trade Volume (But Shifting)

Global trade volumes are still historically high, despite policy shifts. The April 2nd tariffs highlight a shift as routes are being reconfigured – moving from established, predictable channels towards more regionalised and politically influenced patterns.

## Political Decision Making (Over Profit)

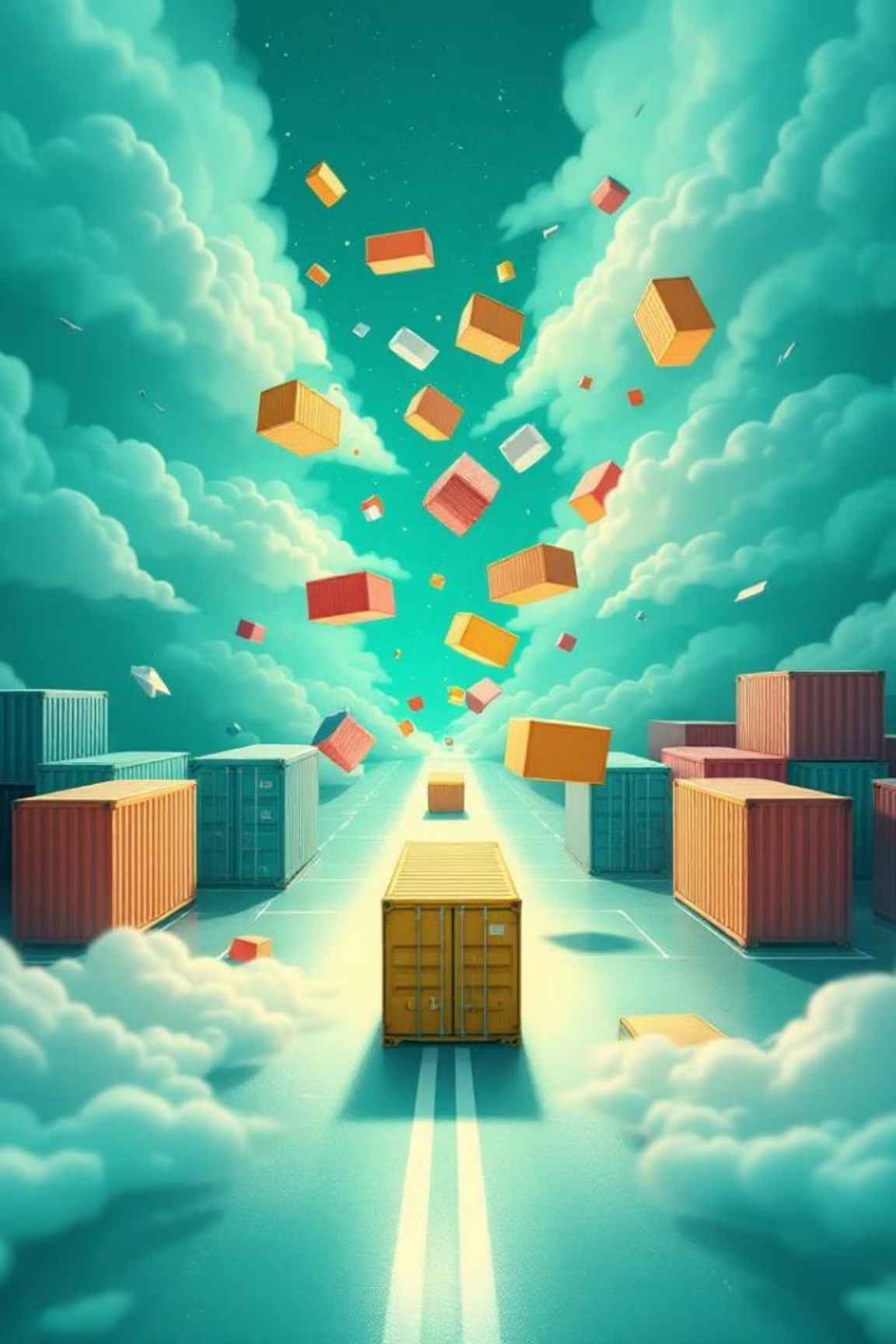
With political objectives now overriding traditional profit margins, companies must navigate not only market economics but keep a step ahead of evolving geopolitical priorities to minimise risk exposure. For businesses operating in ASEAN, this dual challenge demand agility.

## Rise of Friend-Shoring (Tariff Driven)

The imposition of tariffs has accelerated the trend of “friend-shoring”, where companies relocate operations to nations considered politically and economically stable allies. In Asia, this means a gradual pivot from traditional global supply networks to regional, secure partnerships.

## Uncertainty Dominates (The New Reality)

The era of stable, rules-based global trade is giving way to a landscape dominated by policy volatility and rapid change. National trade policies are now highly dynamic, jeopardising long-term plans.



# The Stagnation of Globalization

1

## Record Trade Volume

Global trade remains near record highs despite policy shifts.

2

## Political Decision-Making

Profit maximization gives way to companies making political choices.

3

## Friend-Shoring Rise

Businesses relocate production to allied or friendly nations.

4

## Uncertainty Dominates

Clear global trade rules replaced by unpredictable national policies.

# Impact on ASEAN: Initial Benefits

1

## Supply Chain Diversification: China+1 Strategy

The escalation of US-China trade tensions has accelerated the “China+1” strategy, prompting global manufacturers to diversify their production bases beyond China.

ASEAN countries—particularly Vietnam, Malaysia, and Thailand—have emerged as prime alternatives, attracting companies eager to reduce tariff risks and geopolitical exposure.

This shift has led to a significant reconfiguration of global supply chains, with ASEAN increasingly positioned as a critical manufacturing and export hub.



# Impact on ASEAN: Initial Benefits

2

## Manufacturing Shift and Export Growth

As companies relocated or expanded production facilities into ASEAN, the region experienced a marked increase in manufacturing output and export activity.

Vietnam, in particular, saw its trade surplus with the US reach record highs in 2024, while Malaysia and Thailand also posted strong export growth.

This manufacturing migration has not only boosted regional economies but also enhanced ASEAN's role in global value chains.



# Impact on ASEAN: Initial Benefits

3

## Rising Investment Flows

The manufacturing shift has been accompanied by a surge in foreign direct investment (FDI) and greenfield projects across ASEAN.

International firms, seeking to capitalize on the region's cost advantages and strategic location, have poured capital into new factories, infrastructure, and technology upgrades.

This influx of investment has further strengthened ASEAN's economic resilience and its attractiveness as a destination for future supply chain realignment.



# ASEAN Challenges Amidst Tariff Threat & Volatility

## China's Overcapacity

Surging Chinese exports to ASEAN, driven by US tariffs, risk flooding local markets and undermining domestic industries.

## Economic Slowdown

Economic forecasts for ASEAN-6 have taken a hit, with Vietnam and Thailand most exposed to the potential risk of tariffs.



## Threat of Tariff Spillover

The unpredictable back-and-forth of US tariffs—ranging up to 49% for some ASEAN members—creates ongoing uncertainty and threatens regional export competitiveness.

## Fragmented Response

Differing exposure and national interests risk regional disunity as ASEAN nations scramble for bilateral US tariff deals, despite pledges of solidarity.

# Business Strategies for Uncertain Times

## Currency Hedging

Protect against currency volatility with forward contracts and options. Maintain cash reserves in multiple currencies.

## Strategic Partnerships

Navigate regulations and access markets by forming alliances with companies in stable trade areas.

## Diversify Supply Chains

Reduce reliance on single countries or regions. Consider multi-sourcing and nearshoring strategies.

## Innovation Focus

Invest in technology to improve visibility across operations. Enable rapid response to disruptions.



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