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Instant Insight: Retaliation and Negotiation, Asia Responds to Tariff Implementation

Key Takeaways

- Retaliation: China stands unique among Indo-Pacific countries with the highest tariff rate of 145 percent while others have been paused at 10 percent for 90 days. China is also the only country in the region that has chosen to economically retaliate against U.S. tariffs, escalating the tensions into a trade war.

- Negotiation: Most other Indo-Pacific economies are prioritizing negotiation with the United States, offering trade concessions and increased U.S. purchases to secure tariff relief. For example, Taiwan pledged USD 200 billion in new U.S. purchases, Japan signaled USD 1 trillion in U.S. investments, while Vietnam offered reductions on tariffs on U.S. goods.

- Adaptation: Countries are also adapting to the changing trade environment and market fluctuations following the tariff announcements, both reciprocal tariffs as well as earlier autos and steel and aluminum tariffs. Economic interventions to date include South Korea's expanded export vouchers and policy financing for the auto sector, India's interest rate cut to 6 percent, and the Philippines' introduction of stock market stabilization measures.

Australia

Response: Subject to one of the lowest initial reciprocal tariff rate, Australia is adapting to the tariff impacts with a domestic five-point plan, including: an AUD 50 million assistance package for affected exporters (with the beef industry as a key focus); an AUD 1 billion economic resilience program with zero interest loans for exporters; a critical minerals reserve; prioritization of Australian-made products; and strengthening anti-dumping laws on sectors such as steel. Canberra is also pursuing free trade agreement negotiations with the European Union to diversify trade.

Outlook: Australia's ability to engage in aggressive trade negotiations with the United States is likely constrained by the May 3 federal election, where cost-of-living issues — such as inflation, housing affordability, and wage stagnation — dominate the political agenda. Neither major party is expected to campaign on trade retaliation or complex tariff negotiations. While past offers to grant the U.S. preferential access to critical minerals in exchange for tariff relief were declined, Australia's position as a key supplier is a significant source of leverage. Additionally, Canberra's participation in AUKUS and its broader security ties with Washington may strengthen its negotiating hand.

China

Response: China has sought to match U.S. measures in its retaliatory responses. Beijing has signaled that it can respond blow-for-blow while preserving capacity for further escalation, drawing on its toolbox of countermeasures. China has imposed 125 percent tariffs on all U.S. imports, a rate that the State Council Tariff Commission claims will make it impossible for U.S. goods to remain competitive in the Chinese market. Since February 4, additional measures have included tighter export controls on critical minerals, adding U.S. firms on the Unreliable Entity List, a formal complaint at the WTO, additions to the Export Control List, market access restrictions in entertainment and agriculture, and travel warnings for Chinese citizens visiting the United States. China has also increased diplomatic outreach to other regions, including the European Union and elsewhere in Asia, working to project Beijing as a reliable trade partner in contrast to Washington's unpredictability.

Outlook: China's Ministry of Commerce stated on April 8 that Beijing "will fight to the end" in response to rapid U.S. tariff increases on all Chinese imports. At this point, neither Washington nor Beijing has taken steps needed to facilitate direct communication, although observers argue leader-to-leader level contact may be the only means of breaking the current stalemate. Domestic economic policymaking will also provide signals as to how Beijing is viewing current U.S. trade war pressure. The Chinese government may opt to allow for further currency depreciation (the central bank recently lowered the CNY to 7.4287 but could go down to 8 CNY to the dollar, or beyond), provide further tax incentives and subsidies for domestic industries, and offer interest rate cuts to encourage continued consumption. While Chinese policymakers have projected confidence in Beijing's ability to withstand the economic impact of U.S. tariffs, such interventions indicate that they expect long term, negative economic impacts.

India

Response: India's response has been restrained and focused on its strategic partnership with the United States. New Delhi has emphasized advancing negotiations toward a Bilateral Trade Agreement (BTA). Commerce Minister Piyush Goyal has remained actively engaged with U.S. counterparts since his March visit to Washington, and officials on both sides have engaged in several high-level visits and virtual exchanges. India has cushioned the domestic impact of U.S. tariffs by cutting interest rates to 6 percent on April 9. Meanwhile, New Delhi continues to explore trade diversification, accelerating talks with the UK, EU, and several other partners.

Outlook: India will continue to focus on negotiations and is one of the furthest along in terms of bilateral trade talks with the Trump administration. India is working to finalize the first tranche of the BTA covering key tariff lines — such as electronics, autos, medical devices, and energy — as well as non-tariff barriers like digital trade and Quality Control Orders. India is also preparing to reduce the trade deficit by through increased defense and energy purchases. India's growing domestic market, tech partnerships under the TRUST initiative, and willingness to cut tariffs in priority sectors provide significant negotiation leverage. However, success will depend on its capacity to align with U.S. expectations on reducing tariff and non-tariff barriers.

Indonesia

Response: President Prabowo Subianto has convened his economic team to formulate a coordinated negotiation strategy. By April 8, Prabowo signaled potential reforms, including easing local content rules and import quotas. His ministers also floated tariff concessions along with increased purchases of U.S. petroleum, LNG, soybeans, steel, and medical devices. Prabowo has worked to regionalize the response, meeting Malaysian Prime Minister Anwar on April 6 and participating in the April 10 ASEAN Special Economic Ministers' Meeting, where members pledged not to retaliate.

Outlook: Jakarta is pursuing a dual strategy of negotiation and adaptation. Four senior ministers will travel to Washington in mid-April for trade talks. Adapting to U.S. tariffs as well as tariff-related dampened Chinese demand for Indonesian materials, Jakarta is diversifying trade partners by accelerating negotiations with the EU, EAEU, and others. Notably, Prabowo also embarked on a multi-stop tour of Abu Dhabi, Turkey, Egypt, Qatar, and Jordan to deepen partnerships and expand trade. Indonesia's success will depend on the outcome of its April diplomatic push and its ability to leverage its emerging role as a key regional and middle power.

Japan

Response: Japan is prioritizing negotiations with Washington and may offer increased LNG purchases and investment in U.S. infrastructure, including a potential stake in the Alaskan LNG pipeline, as part of upcoming talks. Prime Minister Shigeru Ishiba has pledged to increase Japanese investment in the United States to USD 1 trillion. Domestically, the Ministries of Economy (METI), Health (MHLW), and Foreign Affairs (MOFA) have launched task forces in response to potential economic fallout.

Additionally, the government is rolling out financial assistance and eased lending rules, with a focus on small and mid-sized auto parts suppliers. METI urged automakers to pass tariff costs on to U.S. consumers rather than domestic suppliers.

Outlook: Japan is leveraging both short-term policy tools and long-term investments to lay the foundation for negotiations. Economic Revitalization Minister Ryosei Akazawa will travel to Washington next week to meet U.S. Treasury Secretary Scott Bessent. However, concerns remain over Akazawa's relative inexperience and skepticism in Washington over Japan's ability to quickly deliver on key asks. Success will depend on what Japan can offer to reduce the trade deficit while managing domestic political risks ahead of the Upper House elections.

Malaysia

Response: Foreign Minister Mohamad Hasan spoke to U.S. Secretary of State Marco Rubio and agreed to continue negotiations. Prime Minister Anwar Ibrahim has emphasized ASEAN unity as a cornerstone of Malaysia's strategy, initiating an April 4 call with leaders of Singapore, Indonesia, the Philippines, and Brunei to coordinate a regional response. The Special ASEAN Economic Ministers' Meeting on April 10, hosted by Malaysia, concluded with a joint commitment to avoid retaliation and prioritize constructive dialogue with the United States. Domestically, Governor of Bank Negara Malaysia indicated that existing economic policies, including macroprudential controls and targeted export incentives, are expected to mitigate tariff impacts.

Outlook: Malaysia is positioning as a regional convener and a pragmatic negotiator. While ASEAN unity offers symbolic strength, actual outcomes will depend on Malaysia's ability to secure a place at the crowded negotiation table. Finance Minister Amir Hamzah Azizan is aiming to engage U.S. Treasury Secretary Bessent when he travels to Washington for the April 21–26 World Bank/IMF meetings.

The Philippines

Response: The Philippines has focused on adapting to the tariff impacts while pursuing goodwill measures such as boosting semiconductor and food exports to the United States. Trade Secretary Cristina Roque has requested a meeting with U.S. Commerce Secretary Howard Lutnick, though no confirmation has been received to date. President Marcos Jr. convened his economic team on April 8, and officials are exploring new export markets in South America and the Middle East. Concerns have emerged about the impact of tariffs on the country's ability to afford major defense procurements, including a USD 5.58 billion F-16 deal with the United States. The

Bangko Sentral ng Pilipinas cut interest rates on April 11 — the first such move in Southeast Asia following the tariffs.

Outlook: Officials view the current trade friction as a potential opportunity to revive negotiations for a U.S.-Philippines FTA. However, this is dependent on whether Manila can elevate its position in the crowded field of countries seeking negotiations with Washington. While there is guarded optimism in Manila, the economic pain from the tariffs may grow, with mid-term elections approaching on May 12. Still, strong bilateral ties, continuation of U.S. military aid, and ongoing high-level visits suggest Manila remains an important ally to Washington.

South Korea

Response: South Korea is positioning for negotiations while helping vulnerable export industries adapt to tariff environment. On April 9, Seoul increased its export voucher program budget, expanded policy financing for the auto sector, and allocated funds to support small and medium enterprises with overseas subsidiaries. Seoul is providing support for critical industries, such as steel, shipbuilding, and petrochemicals. These may include tax relief, expanded export insurance, and targeted R&D subsidies. A semiconductor resilience package is currently under government review.

Outlook: Despite operating with an acting head of state during its snap election cycle, South Korea has maintained a stable and proactive negotiation posture. The scope and depth of its sectoral support plans send a strong signal of resilience to both domestic stakeholders and U.S. counterparts. The anticipated sequential rollout of countermeasures in H1 2025 underscores Seoul's long-term commitment to cushioning its export economy and preserving trade ties with Washington. However, political uncertainty around the upcoming June 3 presidential election remains a wildcard that could affect policy continuity and negotiation momentum.

Taiwan

Response: Taiwan has focused on negotiations with the United States while protecting domestic producers against tariff impacts. It is one of the first in line for negotiations as President Lai Ching-te spoke with U.S. Trade Representative Jamieson Greer on April 11. On April 10, Economy Minister Kuo Jyh-huei stated that Taiwan's state-backed entities could purchase an additional USD 200 billion in U.S. goods over the next decade and boost U.S. LNG imports by one-third to help reduce the trade deficit. The government has also rolled out measures to cushion domestic industries, including financial aid, stock market stabilization, and tax filing extensions.

Outlook: Taiwan will likely continue to leverage its global dominance in semiconductors and its investments in the United States—including a reported joint venture between Intel and TSMC—to strengthen its case for tariff relief. Although President Trump has praised TSMC's investment, it is unclear what benchmark will satisfy the administration in terms of addressing trade imbalances and helping reshore semiconductor manufacturing. Regardless, Taipei is likely to continue to utilize both the private sector and diplomatic channels to actively engage the U.S. administration.

Thailand

Response: Thailand is positioning for both negotiation and adaptation. Deputy Prime Minister and Finance Minister Pichai Chunhavajira will lead a senior delegation to Washington for talks with U.S. trade officials, while Trade Representative Dr. Nalinee Taveesin leads a dedicated negotiation team. Additionally, the government is revising import tax structures and has announced plans to increase U.S. imports, including crude oil, LNG, commercial aircraft, soybean meal and corn, and automotive parts. Officials also indicated a willingness to eliminate certain non-tariff barriers and strengthen rules of origin enforcement to prevent Chinese transshipments.

Outlook: Thailand aims to preserve its trade relationship with the United States by offering increased U.S. purchases in upcoming negotiations. However, domestic disruptions — from the recent earthquake to political turbulence surrounding the controversial Entertainment Complex Bill — may limit the government's ability to fully operationalize its trade agenda in the short term. The Ministry of Commerce is reportedly considering targeted subsidies or loan guarantees for to help exporters adapt to tariff impacts, particularly in electronics and agro-processing.

Singapore

Response: Singapore's primary concern lies less with immediate business impacts and more with preserving the integrity of global commerce. It has emphasized the importance of strengthening existing partnerships, boosting intra-ASEAN economic cooperation, and upholding a rules-based global trading system. Growing tariff impacts may bolster Singapore's efforts to deepen ties with alternative partners and sustain a rules-based trade framework in the absence of U.S. leadership.

Outlook: Although Singapore's initial reciprocal tariff rate was among the lowest in the region, its public statements about the tariffs have been uncharacteristically strong. Singapore will likely adapt by strengthening its economic ties with both regional neighbors and other FTA partners. Singapore has yet to opted for concessions or publicly stated that they are pursuing negotiations with U.S. officials, although it has expressed support for negotiations by other countries.

Vietnam

Response: Hanoi has focused on negotiations after initially caught off guard by the high tariff rate imposed on Vietnam. General Secretary To Lam spoke with President Trump on April 4, offering to reduce Vietnamese tariffs on U.S. goods to zero. Deputy Prime Minister Ho Duc Phoc traveled to Washington to meet with Commerce Secretary Howard Lutnick and Treasury Secretary Scott Bessent. In response to U.S. concerns, Hanoi is tightening scrutiny of Chinese transshipments and drafting rules on sensitive exports to China. The central bank may act to counter currency manipulation claims.

Outlook: Vietnam's negotiation strategy includes economic concessions — including energy and defense purchases and potential U.S. investment pledges. However, White House advisor Dr. Peter Navarro's dismissal of Vietnam's initial offer signals a tough road ahead. Vietnam must now win over USTR, Commerce, and Treasury while navigating Trump's broader agenda. As part of its adaption strategy, Hanoi is accelerating trade diversification, including closer ties with China and other partners. Xi Jinping's April 14–15 visit and To Lam's expected U.S. trip in May position Vietnam to balance pressure from both sides.

Watchpoints for Business:

- **Retaliation, Negotiation, and Adaptation:** Indo-Pacific countries are responding to evolving U.S. tariffs by retaliation, negotiation, and adaptation — with implications for market access, supply chains, and regulatory environments. As countries engage the U.S. in bilateral negotiations, resolving tariff and non-tariff barriers will be central. This period presents an opportunity for businesses to assess where trade dynamics may shift in their favor and how they might engage to shape negotiation outcomes. At the same time, companies should closely track potential retaliation measures such as export controls and market access restrictions, while preparing for policy shifts and economic adjustments that could affect operating conditions in the region.

- **Deepening U.S.-China competition:** As China retaliates to U.S. tariffs, the trade war is intensifying with few near-term off-ramps in sight, signaling a sustained period of deterioration in the bilateral relationship. China's tit-for-tat countermeasures – such as the 125 percent tariff on U.S. imports – highlight Beijing's readiness to escalate. Multinational companies face rising regulatory and operational risks, especially as China increases use of the Unreliable Entity List and export controls, in addition to potential consumer boycotts.

- **The fate of negotiations:** Success of negotiations will largely depend on whether countries can offer sufficient trade concessions and measures to address the trade balance to satisfy Trump's expectations – which are currently unclear. While countries may seek to reduce tariffs to zero, there is not enough clarity whether Trump would be willing to reduce to zero or keep 10 percent tariffs as a permanent baseline rate. The fate of sector-specific tariffs – including 25 percent tariffs are still in place on steel, aluminum, autos and auto parts – remains similarly unclear with no exemptions to date. Trading partners will likely negotiate exemptions from these duties as well in future negotiations over forthcoming sectoral tariffs – likely pharmaceuticals and semiconductors. Trade concessions and strategic purchases of U.S. goods and commodities offer potential market access and growth opportunities for U.S. companies.

- **The role of domestic politics in negotiations and adaptation:** Domestic developments serve as both a barometer for the impact of U.S. tariff policy and a driver of negotiation positions. In countries facing consequential political transitions or elections, including South Korea, Australia, and the Philippines, managing tariff negotiations may feature into election rhetoric and be ultimately determined by the winning party. Domestic political pressure resulting from increased economic impact from tariffs may result in adjustments to negotiation and adaption strategies, including currency valuation, support packages, and other relief for domestic industries.

This report was prepared by TAG's Geopolitics and Research Team with input from TAG's Australia, China, India, Japan, South Korea, and Southeast Asia teams.