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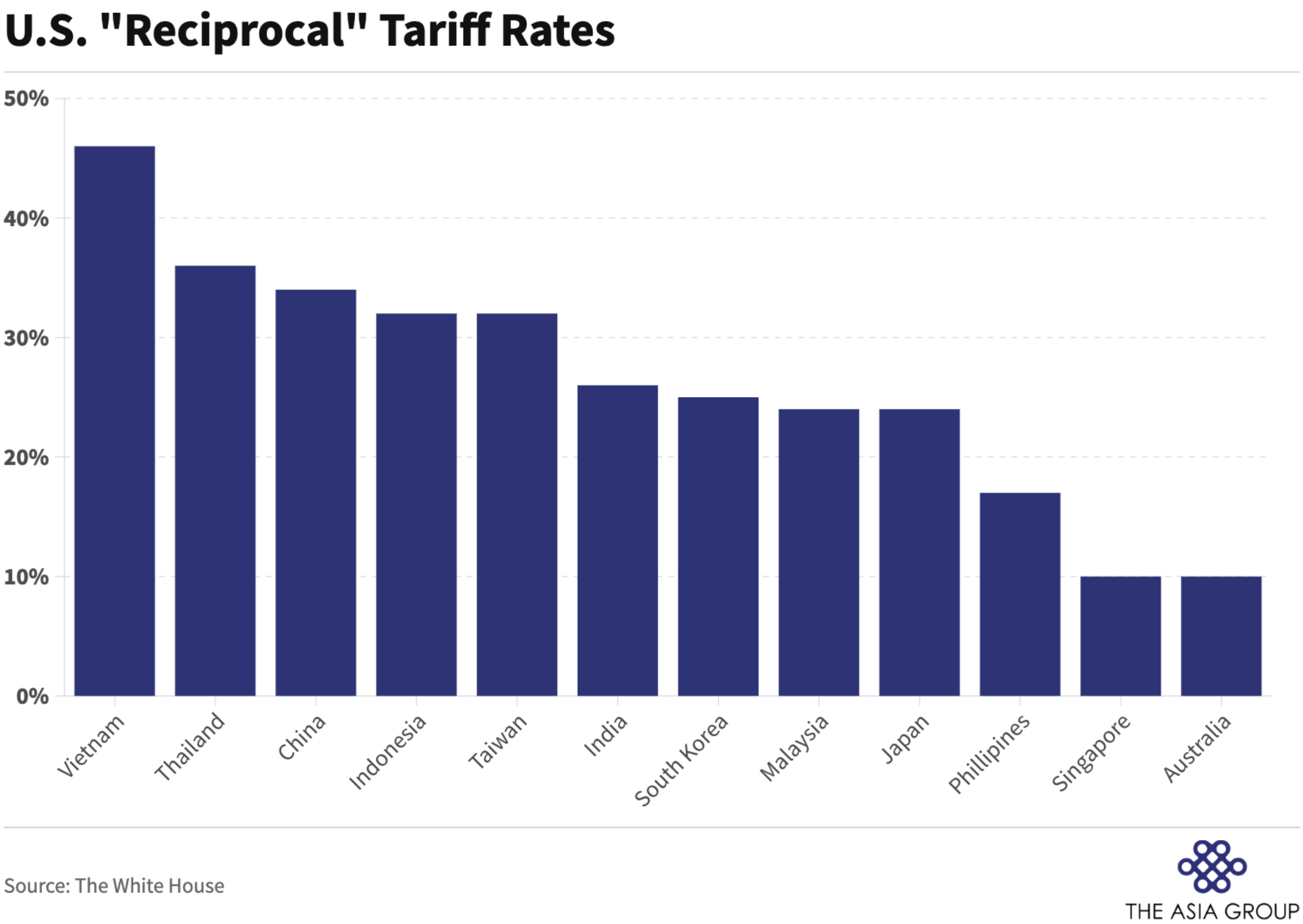
Asia Reacts to Trump's Historic Tariffs



Trump's Liberation Day Tariffs

- **On April 2, U.S. President Donald Trump imposed 10 percent duties on all trading partners, effective April 5,** plus higher market-by-market tariffs on many Asian nations, effective April 9, targeting partners that have the largest trade surpluses with the United States. President Trump is calling these tariffs "reciprocal," although the methodology of tariff calculations remains unclear.

- **The latest tariffs will not stack atop Trump's sector-specific duties**, but will be applied alongside 25 percent tariffs on steel, aluminum, and autos. The administration also announced carve-outs for pharmaceuticals, semiconductors, and lumber as well as energy and other minerals not available in the United States.

- **The measures will hit key Asian exporters hard.** The administration imposed steep rates on Indo-Pacific economies, including Vietnam (46 percent), Thailand (36 percent), China (34 percent), Taiwan and Indonesia (32 percent), India (26 percent), South Korea (25 percent), Malaysia and Japan (24 percent), and the Philippines (17 percent), and framing these rates as proportional responses to persistent trade imbalances.

- **The policy does not distinguish between friends and competitors.** Like the tariffs on steel, aluminum and autos, the new round of tariffs is universal and does not reflect any of the 'flexibility' Trump previously hinted at. This is a notable departure from his first term when he accommodated exemption requests from allies like Australia, South Korea, Canada, and Mexico.

- **Among Asian governments, only China seems certain to retaliate.** Others appear likely to pursue a mixture of negotiation and adaptation strategies, although so far only India has a clear path toward negotiation. Thus, all the announced tariffs on Asia are expected to go into effect next week on April 9.

Australia

IMPACT

The bottom line: President Trump imposed a 10 percent baseline tariff on Australian goods, notably calling out beef exports valued at over AUD 4.03 billion. He cited Australia's biosecurity laws, which restrict U.S. poultry, pork, and beef imports, as a key reason. This follows 25 percent tariffs imposed on Australian steel and aluminum the previous month. However, Australian pharmaceuticals and gold were exempt from the latest measures – at least so far. Despite the tensions, Australia enjoys a Free Trade Agreement (FTA) and maintains a trade surplus with Washington. U.S. tariffs may influence Australia's upcoming federal election on May 3 by intensifying economic debates and testing leadership responses.

Anticipated costs: By some estimates, the average duty on Australian imports could increase by as much as 18 percentage points and the new measures will cost the country about AUD 27 billion, or 1 percent of GDP. Inflation across all goods is expected to rise by about 1 percent ahead of the upcoming elections.

REACTIONS

Initial reactions: Prime Minister Albanese said the decision **would have consequences for Australia's view of the U.S. relationship,** and that Canberra would not weaken any laws that protect Australian farmers and biosecurity. He also threatened to exercise 'dispute resolution' powers embedded in the U.S.-Australia FTA signed in 2004. Opposition Leader Peter Dutton criticized the Labor government's handling of U.S. tariffs, labeling it a "significant failing." He also emphasized the need for swift negotiations to protect Australian interests, suggesting leveraging the defense relationship and critical minerals as bargaining tools.

What could happen next: Despite heavily criticizing the U.S. tariffs**, Albanese announced that it will not counter them with further tariffs.** Any future Australian government is likely to argue that the nation's longstanding alliance and deep political, security and economic ties with the U.S. justify tariff reductions — or, ideally, a negotiated exemption — in the interest of preserving mutual benefits under the FTA framework. Amid rising tensions, Australia is looking to strengthen Indo-Pacific partnerships, balancing its crucial alliance with the U.S. through trade diversification and deeper regional cooperation.

China

IMPACT

The bottom line: The United States imposed an **additional 34 percent tariff** on all imports from China, including Hong Kong, bringing the total new duties on Chinese goods to 54 percent when combined with the previous 20 percent hikes tied to the fentanyl issue. Leading economists have calculated that the **total effective tariff rate on Chinese goods will now rise to nearly 70 percent** when factoring in residual tariffs from 2018-2019 and the upcoming step-by-step elimination of *de minimis* exemptions for goods from mainland China and Hong Kong. China may also face an additional 25 percent tariff on all exports to the United States due to its continued oil imports from Venezuela, sending effective tariffs to even more extraordinary levels.

Anticipated costs: The tariffs **could shrink China's U.S.-bound exports by 80 percent.** Washington is Beijing's third largest trading partner, with U.S.-China trade accounting for roughly 11 percent of China's exports in 2024 and as much as 2.8 percent of its total GDP. Experts estimate the impact of the announced tariffs could result in as much as a 1-2 percent loss to China's GDP growth, but China could reduce this impact to as little as 0.5 percent if it depreciates the renminbi to 8 CNY per USD.

REACTIONS

Initial reactions: Responses from China's top leadership reflect a willingness to impose targeted retaliation, and we are likely to hear specific measures from Beijing in the coming days. China's Ministry of Commerce (MOFCOM) responded with strong boilerplate language stating that Beijing firmly opposes the reciprocal tariffs and Trump's **"act of unilateral bullying."**

What could happen next: **Retaliation is likely in the near term.** Based on Beijing's retaliatory playbook, it could impose additional export controls on critical minerals and rare earths, launch investigations or restrictions into U.S. companies, sanction U.S. individuals or entities, and file cases with the WTO. Hong Kong has responded only rhetorically and is not expected to retaliate given its lack of leverage and the small impact of the tariffs on the Hong Kong economy, which produces few goods exports. China's leader Xi Jinping is thought to remain interested in pursuing negotiations with Trump, but suspicions are high and Beijing is fundamentally taking a wait-and-see stance for the time being.

India

IMPACT

The bottom line: The United States imposed a **26 percent tariff** rate on India. President Trump referred to Prime Minister Modi as "a great friend" but criticized India for not "treating us right." This new tariff comes on top of the existing 25 percent U.S. global tariffs that affect Indian steel, aluminum, automobiles, and auto parts, which remain unchanged due to those sectors being exempt from additional reciprocal tariffs.

Anticipated costs: The impact on India will vary by sector. Pharmaceuticals — one of India's major exports to the United States — are exempt from the reciprocal tariffs, prompting a positive reaction in pharmaceutical stocks. In contrast, higher tariffs will more **profoundly affect sectors such as electronics, auto components, chemicals, and textiles and garments**.

REACTIONS

Initial reactions: **India's official response has been restrained.** The Department of Commerce within the Ministry of Commerce and Industry issued a press release citing ongoing consultations with industry and reaffirming the U.S.-India strategic partnership, including the goal of doubling bilateral trade to USD 500 billion by 2030. Meanwhile, opposition parties in Parliament have criticized the government's response as overly passive.

What could happen next: Following a recent visit to New Delhi by Assistant USTR Brendan Lynch from March 24 to 29, India's trade **negotiators continue to prioritize accelerated talks with U.S. counterparts aiming to secure a first tranche of a bilateral trade agreement (BTA) by late 2025.** Both sides remain actively engaged through frequent in-person and virtual meetings, with Commerce Minister Piyush Goyal requesting weekly check-ins with his U.S. counterparts and offering to travel to Washington as needed to break bottlenecks. Minister Goyal is expected visit to Washington in May. Negotiators have agreed on terms of reference for the BTA — a key first step in the USTR's process — and are now working through internal preparations.

Indonesia

IMPACT

The bottom line: The United States imposed a 32 percent tariff on all Indonesian goods, citing the country's non-tariff barriers. These include local content requirements, Indonesia's import licensing regime, and a new regulation mandating that natural resource companies retain revenue from transactions over USD 250,000 onshore.

Anticipated costs: The latest round of tariffs pose a serious risk to Indonesia's economy. The Indonesian rupiah, already at its weakest level since the 1997 Asian Financial Crisis, may weaken further, and the Jakarta Composite Index could face additional volatility when markets reopen on April 8. Export-reliant sectors such as palm oil, electrical machinery, footwear, and apparel are likely to absorb the brunt of the impact.

REACTIONS

Initial reactions: Indonesian economic ministers held an emergency meeting to coordinate the government's immediate response, focusing on assessing the tariffs' economic impact, stabilizing the rupiah and government bonds, and formulating a broader mitigation plan. Officials also turned to regional diplomacy, advocating for Malaysia — as this year's ASEAN Chair — to raise the issue with Washington. Domestically, members of Parliament called on the government to diversify export markets in case negotiations with the United States stall.

What could happen next: Indonesia hopes to negotiate to lower the 32 percent tariff and restore its competitive position relative to other Southeast Asian economies. Officials are drafting deregulation measures to ease local content requirements and streamline import licensing. They also intend to boost imports of soybeans and petroleum to address trade imbalances.

Japan

IMPACT

The bottom line: The United States imposed a 24 percent tariff on all imports from Japan. These tariffs will not stack with the existing 25 percent steel and aluminum tariffs and 25 percent automobile and auto parts tariffs imposed on Japan and other markets in March. The reciprocal tariffs are a huge blow following what was perceived as a highly successful visit by Prime Minister Ishiba to Washington for a summit with Trump in February. During those discussions, Ishiba pledged to increase Japan's purchases of U.S. LNG and invest in U.S.-based LNG production architecture, as well as contribute greater funding to its defense.

Anticipated costs: According to estimates from the Nomura Research Institute, reciprocal tariffs on Japan could slow the country's economic growth by 0.59 or more percentage points. Meanwhile, Bloomberg expects Japanese exports to the United States to fall by a quarter every year.

REACTIONS

Initial reactions: Prime Minister Shigeru Ishiba said he willing to build on existing ministerial-level communications and directly engage with Trump "at the most suitable time and in the most appropriate manner." He instructed Minister of Economy, Trade, and Industry Yoji Muto to explore options for supporting domestic industry, including hotlines and financial support. Meanwhile, Opposition leader Yoshihiko Noda of the Constitutional Democratic Party of Japan said that the Diet should ratify a resolution "sounding the alarm against the rise of protectionism[.]" Opposition parties are demanding that Ishiba meet directly with Trump.

What could happen next: Any retaliatory measures will only evolve slowly, over time. Ishiba stated after the auto tariff announcement that "every option is naturally subject to consideration." The government is reportedly exploring retaliatory tariffs and filing a complaint with the World Trade Organization. However, Tokyo will want to avoid ratcheting up tensions with the United States and may opt to address non-tariff barriers related to automobiles and/or agricultural products (especially rice) instead. The tariffs — and potential price increases for consumers ahead of the Upper House election in the summer — could be politically costly for Ishiba.

Malaysia

IMPACT

The bottom line: The United States will impose a 24 percent tariff on Malaysia. Despite maintaining a large trade surplus with the United States, Malaysia's largely open economy helped produce a lower tariff rate than many of its regional competitors. Malaysia now faces the risk of additional pressure from President Trump's proposed 25 percent tariff on countries importing Venezuelan oil. This challenges Malaysia's long-standing policy of avoiding support for unilateral sanctions and could trigger political backlash if the government appears too accommodating. However, Malaysia's centralized oil sector — led by state-owned Petronas — makes compliance more manageable. Officials have previously canceled contracts with Iran to avoid U.S. sanctions.

Anticipated costs: Sectoral tariffs on semiconductors will likely hit Malaysia's electrical and electronics sector, which accounts for 40 percent of its exports to the United Staes. While these tariffs may hurt industry profits, the broad tariff application across countries limits the risk to Malaysia's global competitiveness in semiconductor supply chains.

REACTIONS

Initial reactions: Prime Minister Anwar Ibrahim has not issued a statement, and the Government of Malaysia is unlikely to unveil any retaliatory measures given that it was left relatively unscathed by the latest tariffs. Anwar has focused on need for economic diversification in his public statements and could double down on his tilt to China as part of that strategy.

What could happen next: Anwar stands out among Southeast Asian leaders for choosing not to cultivate a relationship with Trump, instead prioritizing deeper economic ties with China. Malaysia is unlikely to pursue negotiations on reciprocal tariff rates with the United States unless regional competitors secure more favorable terms that threaten Malaysia's economic position.

Philippines

IMPACT

The bottom line: The United States will impose a 17 percent tariff on the Philippines — the lowest rate among Southeast Asian countries apart from FTA partner Singapore. The Philippines avoided harsher penalties due to its comparatively small trade surplus with the United States and the predominance of services in its economy, despite maintaining significant tariffs and non-tariff barriers. Philippine officials also face additional pressure as President Trump prepares to impose a 25 percent tariff on countries importing Venezuelan oil. While Manila plans to comply, enforcing the ban across numerous smaller buyers could prove difficult.

Anticipated costs: A proposed 25 percent sectoral tariff on semiconductors threatens to disrupt the Philippines' growing testing and packaging industry. A slowdown in this sector could lead to job losses and amplify political risks ahead of the critical May midterm elections. Broader uncertainty around trade and enforcement could further weigh on investor sentiment and economic stability.

REACTIONS

Initial reactions: President Ferdinand Marcos Jr. has yet to issue a formal response. However, the Department of Trade and Industry (DTI) has noted that the Philippines was in a "better position" than other Southeast Asian countries. DTI Secretary Maria Cristina Aldeguer-Roque stated that there is "guarded optimism" that the reciprocal tariffs will provide opportunities for the Philippines to improve its economic relationship with the United States.

What could happen next: Direct retaliation is unlikely as Manila fared better than many other ASEAN countries. The Philippines has long pressed the United States to negotiate an FTA and may see the expected negotiations over reciprocal tariffs as an opening to secure a broader deal.

Singapore

IMPACT

The bottom line: Singapore will only face the universal 10 percent tariff announced by President Trump, reflecting its FTA status, zero tariffs on U.S. exports, and a trade deficit with the United States. Despite the relatively low headline tariff, Singapore remains exposed to sectoral tariffs, particularly the expected 25 percent levy on semiconductors. However, the impact will be more limited compared to other countries since the United States accounts for a smaller share of Singapore's chip exports than China and Hong Kong.

Anticipated costs: Singapore also faces risk from Trump's proposed 25 percent tariff on countries importing Venezuelan oil. Legal constraints and strong rule-of-law traditions make it difficult for Singapore to impose an outright ban, but the government will likely engage importers quietly to reduce exposure. Any disruption to oil flows or semiconductor trade could affect Singapore's logistics and export-driven economy.

REACTIONS

Initial reactions: Minister for Trade and Industry Gan Kim Yong noted that Singapore would not impose retaliatory tariffs or seek countermeasures under their FTA and would instead try to work with U.S. counterparts to "better understand their concerns."

What could happen next: Minister Gan stated that Singapore would continue to work with other ASEAN countries and like-minded partners to "preserve the multilateral system to the extent possible," and warned that Singaporean households and businesses may need to prepare for "rough waters."

South Korea

IMPACT

The bottom line: The United States will impose a 25 percent tariff on South Korea. President Trump claims that South Korea effectively imposes a 50 percent tariff on the United States, a figure that contrasts sharply with the actual tariff rate of approximately 0.79 percent under the existing U.S.-South Korea FTA. The forthcoming Constitutional Court ruling on President Yoon's impeachment will be a key factor shaping South Korea's strategic response to these tariffs. If Yoon is impeached, South Korea will hold a snap election in 60 days, limiting the interim government's ability to respond effectively to evolving U.S. trade policies. If reinstated, President Yoon is expected to seek immediate diplomatic engagement with President Trump.

Anticipated costs: In February, the Bank of Korea revised its 2025 growth forecast downward from 1.9 percent to 1.5 percent, noting that a universal 10 percent tariff could reduce growth by 0.1 percentage point. However, the imposition of a 25 percent tariff has raised greater concerns that growth could fall below 1 percent as the South Korean economy depends heavily on trade.

REACTIONS

Initial reactions: Acting President Han Duck-soo called for a whole-of-government effort to develop emergency support measures for affected industries. The Ministry of Trade, Industry & Energy (MOTIE) will assess the tariffs' potential impact and develop a strategy for engagement with the United States. The main opposition Democratic Party (DP) urged the U.S. government to reconsider the tariffs. DP Policy Committee Chairman Jin Sung-joon also suggested pursuing dispute resolution through the WTO.

What could happen next: Amid ongoing political uncertainty**, South Korea has yet to announce any potential retaliatory actions** against the United States. With the likely removal of President Yoon Suk Yeol on April 4, such actions are unlikely in the next two months until a new president is elected. Additionally, South Korea is bracing for the possibility of further sector-specific tariffs, particularly on semiconductors and pharmaceuticals. The semiconductor industry is especially concerned about a repeal or renegotiation of the CHIPS Act.

Taiwan

IMPACT

The bottom line: The United States imposed a **32 percent tariff** on imports from Taiwan. Notably, the new tariffs do not apply to semiconductors. However, servers, computers parts and accessories, and other major export items to the United States are still subject to the tax. During the Rose Garden event announcing the reciprocal tariffs, Trump again mentioned Taiwan Semiconductor Manufacturing Co. (TSMC), highlighting its investment in U.S. manufacturing. Trump was complimentary of TSMC Chairman and CEO C.C. Wei, noting the company's plan to build one of the world's largest manufacturing plants in the United States – although Trump has mooted a semiconductor-specific global tariff for future months.

Anticipated costs: According to Bloomberg, the new U.S. tariffs **could contract Taiwan's economy by as much as 3.8 percent** given that 60 percent of the island's economy profits from exports (to both the U.S. and beyond) and its trade surplus currently stands at USD 74 billion.

REACTIONS

Initial reactions: Taiwan's Executive Yuan responded by stating that the tariffs are **"highly unreasonable and regrettable,"** adding that the proposed tariff rate does not accurately reflect the actual state of the U.S.-Taiwan economic and trade relations. Authorities also noted that Taiwan has already implemented measures to actively combat illicit transshipment despite U.S. claims that concerns about low-cost transshipment and "country-of-origin evasion" factored into its tariff calculations.

What could happen next: Under Taiwan President Lai Ching-te's guidance, Taiwan's Premier Cho Jung-tai has instructed the Office of Trade Negotiations to immediately review the tariffs and **formally lodge a strong protest** with USTR to request an explanation. Meanwhile, Taiwan's government will also continue to engage with the

United States to safeguard Taiwan's national and industrial interests. Retaliation is unlikely and the pathway toward negotiations appears muddled.

Thailand

IMPACT

The bottom line: Thailand faces a **36 percent tariff** from the United States, driven by Washington's view that trade between the two countries is unbalanced. U.S. officials point to Thailand's average tariffs on American goods — reportedly around 72 percent — as significantly higher than U.S. tariffs on Thai imports.

Anticipated costs: **The previously announced 25 percent U.S. auto tariffs are also expected to impact Thailand's auto parts exports,** particularly those routed through third countries for vehicle assembly.

REACTIONS

Initial reactions: Despite confusion over the U.S. tariff calculation, **Thailand signaled readiness to engage in negotiations.** Prime Minister Paetongtarn stated that the government has prepared both short- and long-term response plans to protect exporters and maintain GDP growth targets. These include revising import tax structures — particularly for agricultural goods like corn and tuna — and establishing a dedicated negotiation team. Officials plan to release a comprehensive response strategy soon.

What could happen next: The government **will support a weaker baht to enhance export competitiveness** and tighten rules on origin certification to ensure compliance. Officials also plan to review non-tariff barriers and ease import rules.

Vietnam

IMPACT

The bottom line: Vietnam will be subject to a steep **46 percent tariff** — one of the highest tariff rates announced, behind only Cambodia, Laos, and Madagascar. Vietnam may also face an additional 25 percent tariff on all exports to the United States due to its continued oil imports from Venezuela, further complicating trade ties.

Anticipated costs: The tariffs are expected to have a significant impact on Vietnam's export-driven economy. Economists estimate **potential losses of up to USD 55 billion**

— roughly 10 percent of the country's GDP — over the next year. The high tariff rate relative to regional peers could also undercut Vietnam's appeal as a destination for foreign manufacturers.

REACTIONS

Initial reactions: Prime Minister Pham Minh Chinh responded to the tariff announcement by convening an emergency cabinet meeting and reaffirming Vietnam's 8 percent GDP growth target for 2025. He directed Deputy Prime Minister and Foreign Minister Bui Thanh Son to lead a newly established task force to coordinate the government's response. Chinh also expressed sensitivity towards the United States for singling out Vietnam and urged Washington to adopt an approach that reflects the strength of the bilateral relationship and Vietnam's status as a developing country.

What could happen next: In the near term, Vietnam is unlikely to pursue retaliation. Caught off guard by the scale of the new tariffs, top leaders in Hanoi remain committed to negotiations. Deputy Prime Minister Ho Duc Phoc will lead a high-level delegation to New York and Washington from April 6–14, likely aiming to engage U.S. officials on launching bilateral FTA talks. Officials may tighten export inspections to counter U.S. claims that Vietnam serves as a transshipment hub for Chinese goods. The State Bank may also adjust currency policies to preempt accusations of manipulation — potentially impacting U.S. firms benefitting from favorable exchange rates.

Watchpoints for Business

- **Supply chains:** The latest tranche of U.S. tariffs will significantly complicate ongoing efforts to diversify product sourcing as sourcing from alternative partners (especially Southeast Asia) becomes increasingly problematic. Businesses should reassess supply chain strategies, explore nearshoring or reshoring options, and prepare to absorb higher costs.

- **Evolving responses:** While the overall effect of the tariffs on Indo-Pacific economies is expected to be universally negative, the effects will be heterogeneous across markets and there may still be room for negotiating approaches by countries that have not opted to retaliate. Businesses operating in the region should closely monitor these dynamics, as emerging trade concessions or policy adjustments could create new opportunities for market entry, investment, or strategic partnerships amid the shifting landscape.

- **Secondary effects:** Retaliation from China and other countries could trigger secondary ripple effects that extend far beyond the immediate industries targeted. Higher tariffs or trade restrictions on U.S. exports could squeeze American manufacturers, particularly those reliant on foreign markets for growth, while global supply chain disruptions may drive up costs for businesses across sectors. Additionally, increased economic uncertainty could dampen investor confidence, impact currency stability, and slow cross-border investments, forcing companies to reassess expansion plans and risk exposure.

- **Additional duties:** Further announced or hinted U.S. tariffs on pharmaceuticals, semiconductors, lumber, digital services, and other sectors may compound the impact on key markets. The Trump administration could reverse its decision not to allow the tariffs to stack with existing duties.