

Macro Note

US: Looming tariff threats put Asia at risk

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- Ahead of the 2 Apr "Liberation Day" tariff announcement by US President Trump, it is highly uncertain how Asian exporters will be affected, as a number of them are likely to be on the "Dirty 15" list, including Vietnam, Japan, South Korea, India, Thailand, and Malaysia.
- The upcoming tariff announcements could be a combination of: 1) country-specific tariff, e.g. the earlier announcement of 25% imposed on all imports from Canada and Mexico; 2) reciprocal tariff i.e. the US would implement tariff rate on imports from others that match tariffs that those countries impose on US products; and 3) product specific, e.g. the 25% duty on all automobile imports into the US that is slated to take effect from 2 Apr.
- For Asian countries, particularly ASEAN-5, reciprocal tariff would be relatively easier to manage, since the average rates in those countries hover around 7-8%. However, product specific tariff rates, especially in the double-digit range, could cause significant impact to these exporters and their supply chain partners. It is too early to assess the potential implications at this point, and we will await 2 Apr for better clarity.

Market in turmoil ahead of 2 Apr "Liberation Day"

As the 2 Apr "Liberation Day" approaches, financial markets have turned more jittery with exporters and businesses bracing for potentially hard-hitting import tariffs imposed by US President Trump.

On Mon (31 Mar), both Japan's Nikkei 225 and Taiwan's TAIEX slumped more than 4%, South Korea's KOSPI fell 3%, Hong Kong's Hang Seng and mainland Chinese equity indices dropped 0.5% - 1%, as the 25% tariff imposed on all automobile imports into the US starting from 3 Apr rippled through. Major US equity indices have declined in 3 out of the 4 weeks in Mar, with the S&P 500 posting a 4.6% decline and the Nasdaq falling more than 10% in 1Q25, for the worst quarterly performances for both indexes since 2022.

With some of the import tariffs already effective since Trump came to power earlier this year, including the 25% tariff on steel and aluminum imports since 12 Mar and 20% additional tariff imposed on imports originating from China since 4 Mar, it remains to be seen how the new tariff announcements would look like on Liberation Day.

To help think about what Trump would do on 2 Apr, we break down three ways the US tariff announcement could emerge: 1) country-specific tariff; 2) reciprocal tariff, and/or 3) sector-specific tariff, or a combination of these categories for different countries.

1) Country-specific tariff: Dirty 15 – Who are they?

The Dirty 15 list was first mentioned by US Treasury Secretary Scott Bessent as part of a broader tariff policy aimed at addressing trade disparities with other countries and are seen to have trade practices perceived as unfair to US trade interests.

It was not articulated which countries are on that list, but a look through US trade balances suggests that most of the Asian countries are on that list, alongside Canada, Mexico and a number of EU members. However, it was reported on 31 Mar that Trump said his tariff would hit “all countries” and that “I haven’t heard a rumor about 15 countries, 10 or 15,” he said when asked which nations would be affected ([link](#)).

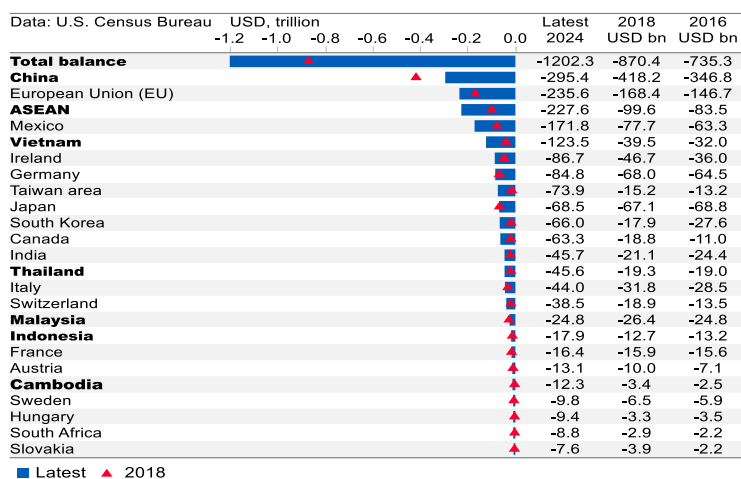
As shown in the table below, the US has the largest merchandise trade deficit with China, followed by Mexico and Vietnam. The 15 trade partners on the list account for the bulk of the US trade deficit in 2024. As a group, the US has the largest trade imbalances with the European Union and ASEAN in aggregate.

Looking through the list for ASEAN, Vietnam is the most vulnerable given its trade imbalance with the US has expanded by nearly 4 times since 2016, to USD123.5 bn in 2024. Other notable ASEAN members running large imbalances with the US include Thailand, Malaysia, and Indonesia.

Imposing specific tariff rates against individual countries would be the most efficient and easiest to administer for the US. However, if the Trump administration’s aim was to attract certain types of industries back to the US (or “reshoring”) e.g automobile manufacturing, steel production or pharmaceuticals, country-specific tariffs may not fulfill such a purpose, given that some of the sectors may be too low in the value- add to be feasible or profitable in the US.

US: Top goods trade deficit (Annual)

Source: Macrobond, UOB Global Economics & Markets Research



2) Reciprocal tariff: What is the likely quantum?

In contrast to limiting to the number of countries contributing the most to US trade deficits, Trump has in a number of occasions talked about raising US tariffs to match the tariffs that other countries charge on US imports. These countries charge duty on US products, and is therefore considered “unfair” from the US perspective.

Based on the average tariff rates table below, Cambodia and India, as well as Indonesia, Thailand and Vietnam, would likely to be the most obvious targets, given their high average rates these countries charge on imports from the US.

One word of caution is that the table shows average rate of all products from the US. Looking at individual product categories, some countries charge significantly higher rates compared to the average. E.g. Japan imposed tariffs of 12% on food imported from the US, as part of its policy to protect local producers while India levied 27% tariff on transportation products from the US.

One advantage of imposing reciprocal tariff rates is the ease of administration and collection by the US Customs, without the need to identify specific product codes or categories. With the US federal government going through the process of austerity and improving efficiency, reciprocal tariff could be an attractive option.

Assuming that ASEAN countries are hit by reciprocal tariff rates as shown on the table, the negative impact could be more manageable given the low rates and governments are likely to offer some forms of support or subsidies to exporters to mitigate the impact. For example, Vietnam could weather through a tariff rate of around 10%, as qualified exporters will be receiving VAT rebates of up to 10% starting from 1 July 2025. However, punitive rates in the range of 20% or even higher would be damaging especially for emerging economies that lack the depth and breath in their manufacturing sectors.

Tariff rate % (average for all products) imposed on US products imported

Source: World Integrated Trade Solutions (WITS), UOB Global Economics & Markets Research

Partners	2017	2022
China	10.73	7.11
Cambodia [^]	13.45	12.90
France	5.04	4.79
Germany	5.23	5.01
India	11.13	12.63
Indonesia	8.41	8.56
Ireland	4.77	4.80
Japan	4.63	3.63
Malaysia [^]	5.90	5.47
Philippines	6.14	6.13
South Korea	3.56	2.66
Thailand [*]	11.52	9.82
Vietnam	9.17	9.13
United States (average tariff on all imports)	3.36	2.77
Total table average (excl. US)	7.67	7.13
Total ASEAN5 average (excl. Cambodia)	7.07	6.55

[^] 2016; no data 2017-2019

^{*} 2021; no data 2016-2020

<https://wits.worldbank.org/CountryProfile/en/Country/MYS/StartYear/2000/EndYear/2022/TradeFlow/Import/Indicator/AHS-SMPL-AVRG/Partner/USA/Product/all-groups>

3) Product-specific tariffs – More complicated and damaging

US President Trump on 26 Mar announced a 25% tariff rate on all auto and auto parts imports (including engines, transmissions, electrical components) into the US effective 2 Apr ([link](#)). In an interview on 30 Mar, Trump said he “couldn’t care less” if automakers raised prices because of new tariffs ([link](#)).

It is estimated the auto tariffs could increase prices of cars in the US by USD 5,000 to USD 10,000 for domestically produced and imported vehicles. The new tariff could also push up costs of maintenance, repairs and insurance even for those not looking to buying a new or used car, according to CNN ([link](#)).

This example suggests that the Trump could also levy tariffs on specific products depending on how important that product is to the US as an industrial base and “national security” concern, as was cited in the case for automobile imports in the White House statement on 26 Mar.

For the product-specific case, we limit the scope by looking through only the values of US trade imbalances (i.e. deficits) of the types of products entering the US from ASEAN countries, in a 2-digit HS code for broad categories, and then examine further in 4-digit HS codes to ascertain specifically which are the more vulnerable sectors.

Many of the ASEAN countries are exposed in the broad category of HS code “85-Electrical Machinery & Equipment & Parts Thereof; Sound Recorders & Reproducers, Television Recorders & Reproducers, Parts & Accessories”, which is the major product group that Indonesia, Malaysia, Thailand, and Vietnam ran large trade deficits with the US. To a lesser extent, product group “84-Nuclear Reactors, Boilers, Machinery & Mechanical Appliances; Parts Thereof” is another common category that the US runs large deficits with ASEAN.

Product code “84” includes items such as air conditioners, fridges, freezers, machine tools, while “85” includes examples such as mobile phones, batteries, electrical appliances, and television sets. In short, many of the ASEAN countries sell the mentioned items to the US and ran large trade surpluses in those categories.

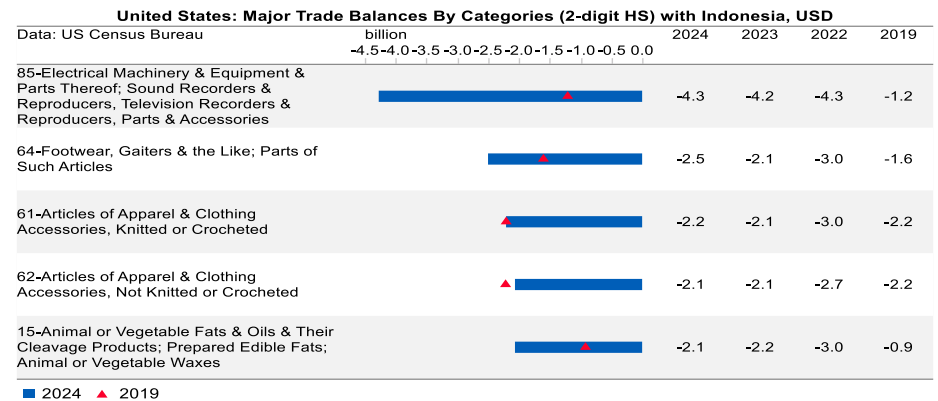
Looking into further detailed product breakdowns using 4-digit HS code, the ASEAN members would be vulnerable in varied ways, particularly if tariff rates are imposed in the high, double-digit range. Not only would the product categories be affected directly, the supply chains of these products are also exposed to disruptions. This is particularly important given the acceleration of China+1 strategy of supply chain relocations into ASEAN since the first Trump administration.

Going by 4-digit HS codes, **Indonesia** is exposed to risks on palm oil related products (1511), footwear (6403), as well as pneumatic tires (4011). For **Malaysia**, it would be generally products in the 84 and 85 categories, underscoring the country’s competitiveness and strengths in the electronic & electrical (E&E) space. Similarly for **Thailand**, product categories 84 and 85 dominate the list, but tires (4011) are another product that puts the country at risk of tariff similar to Indonesia. In **Vietnam’s** case, in addition to categories 84 and 85, furniture products (9403) turn out to be another item that the US ran substantial deficit against the country. For **China**, product codes 84 and 85 top the list, and toys (9503) is another category worth noting. **India** is highly exposed to risks in medicaments (3411), as Trump had previously threatened broad tariff on pharmaceutical imports.

The outlook is highly uncertain ahead of the 2 Apr "Liberation Day", and we will await further details to assess the impact. A relatively more benign outcome would be for the US to impose reciprocal tariff rate of 10% or so for countries in the region. A more troubling outcome would be punishingly high tariff rates, e.g. in the 20% range, on specific products such as HS codes 84 and 85 on ASEAN countries.

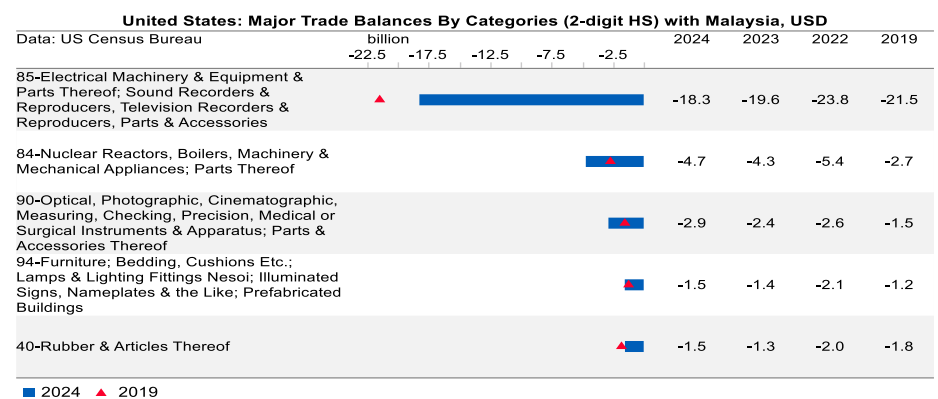
US: Trade Deficits By Top 5 Categories with Indonesia (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



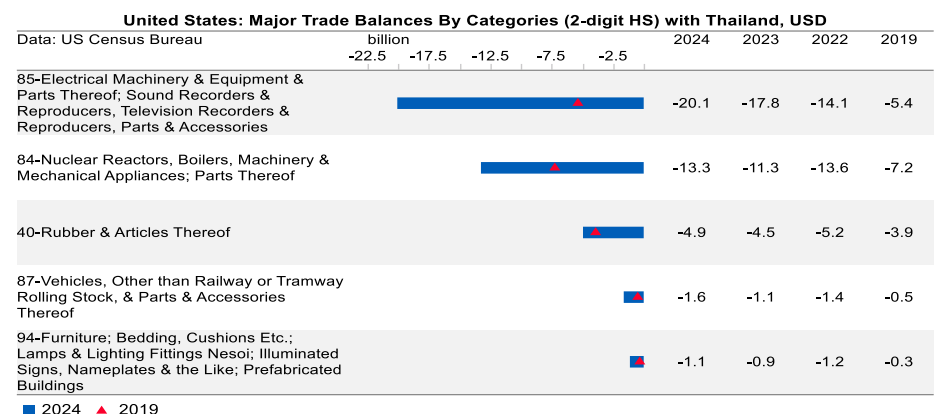
US: Trade Deficits By Top 5 Categories with Malaysia (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



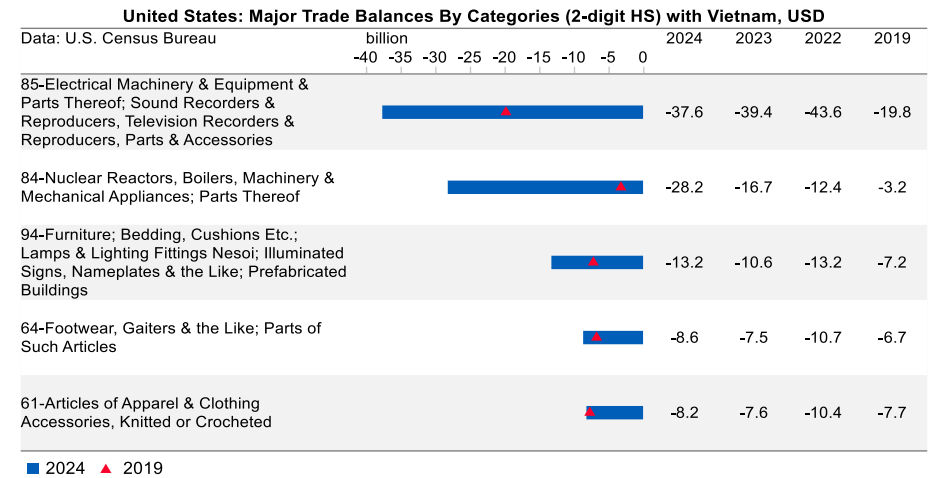
US: Trade Deficits By Top 5 Categories with Thailand (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



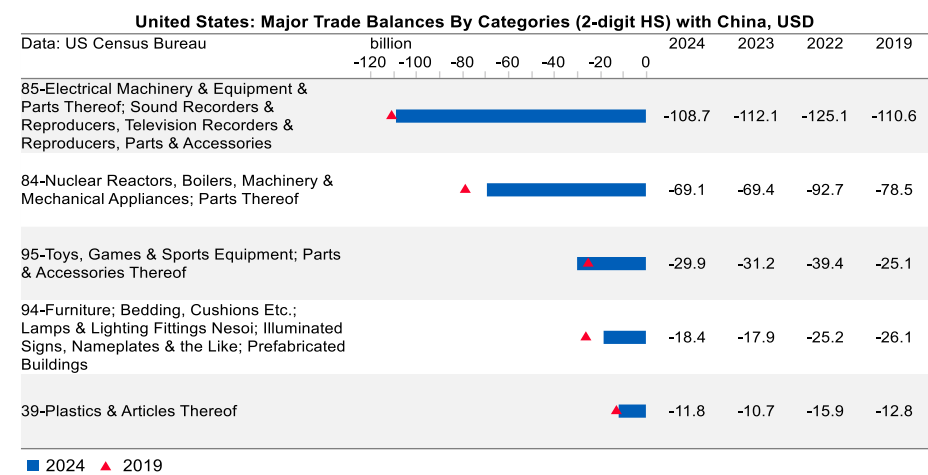
US: Trade Deficits By Top 5 Categories with Vietnam (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



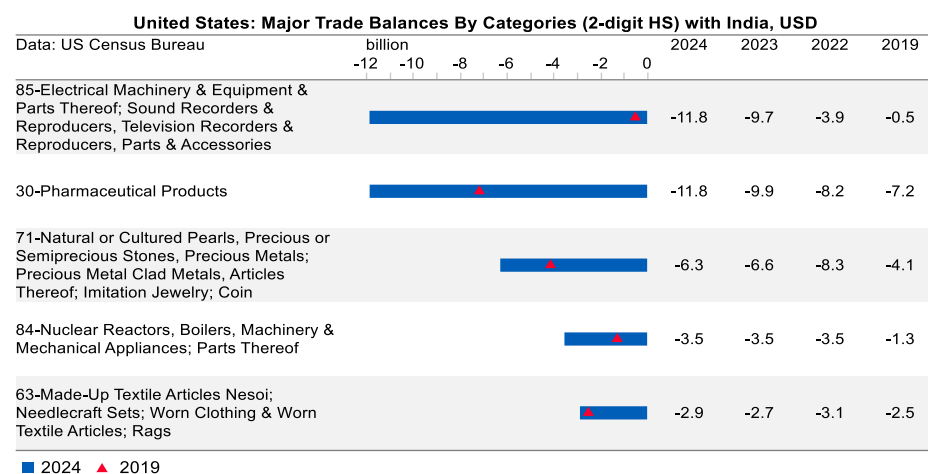
US: Trade Deficits By Top 5 Categories with China (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



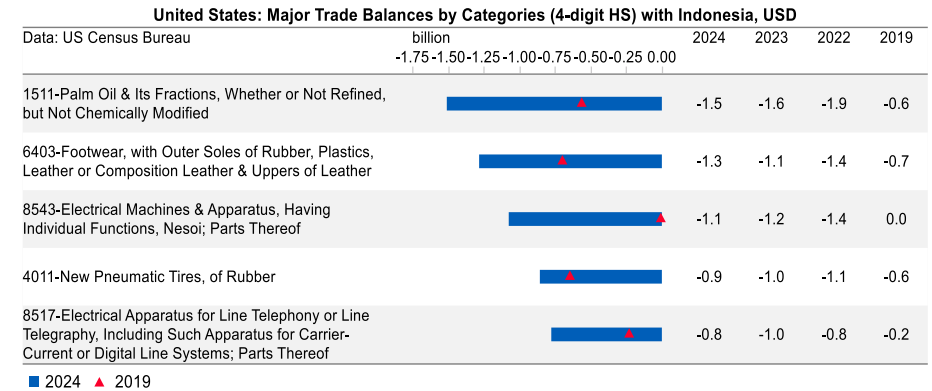
US: Trade Deficits By Top 5 Categories with India (2-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



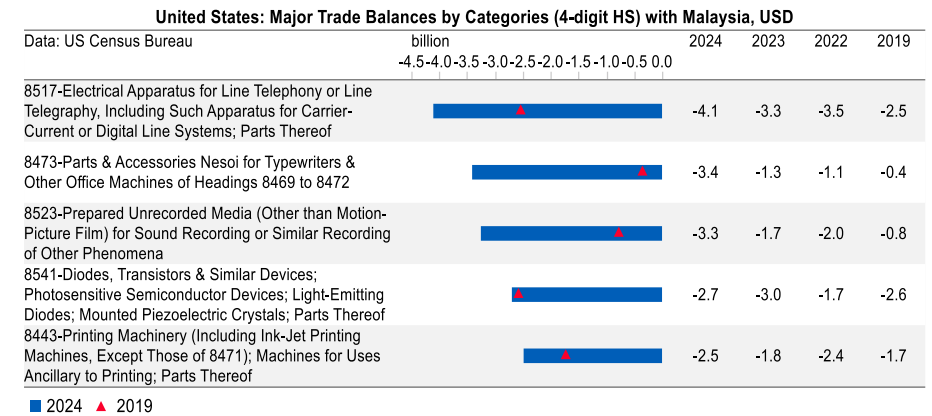
US: Trade Deficits By Top 5 Categories with Indonesia (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



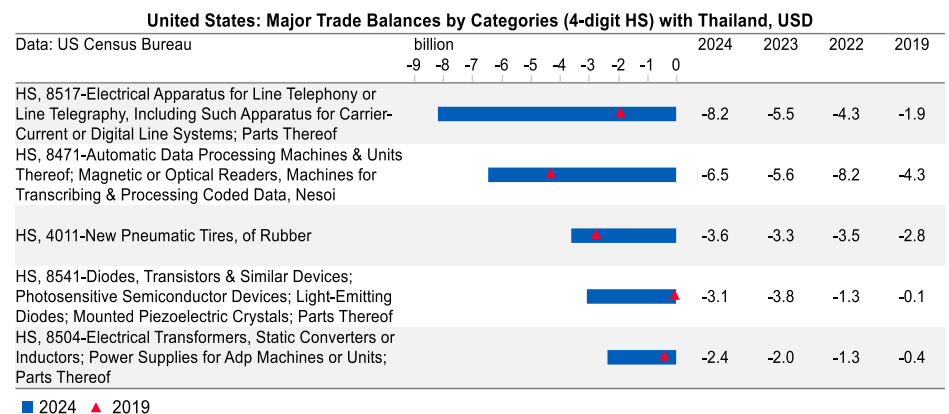
US: Trade Deficits By Top 5 Categories with Malaysia (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



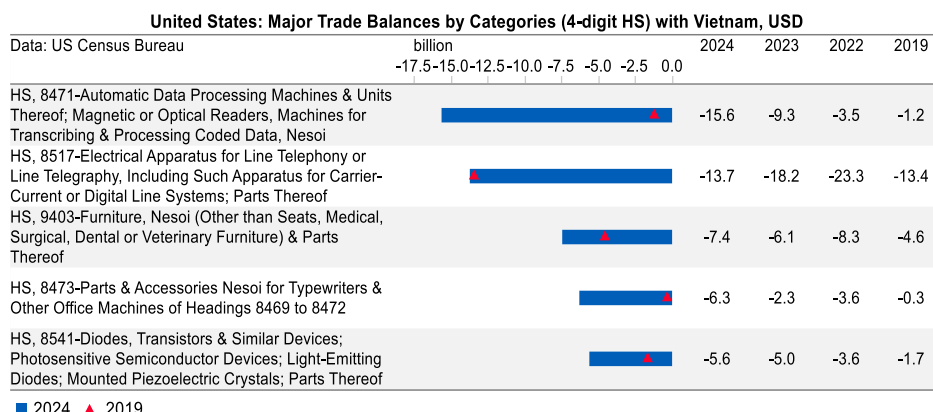
US: Trade Deficits By Top 5 Categories with Thailand (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



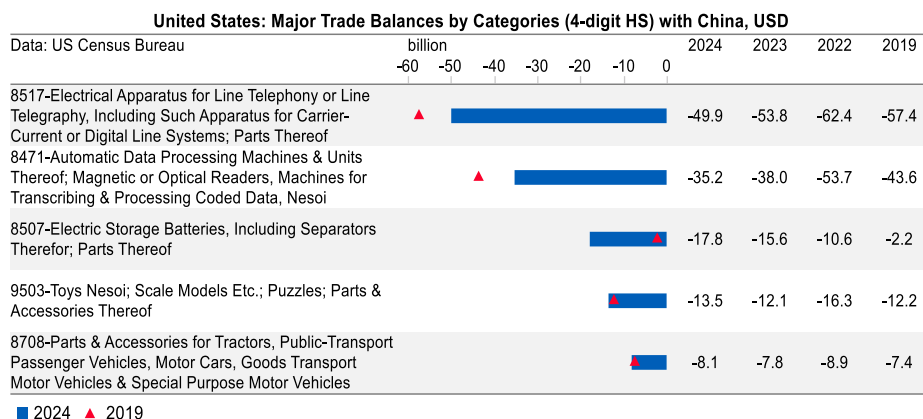
US: Trade Deficits By Top 5 Categories with Vietnam (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



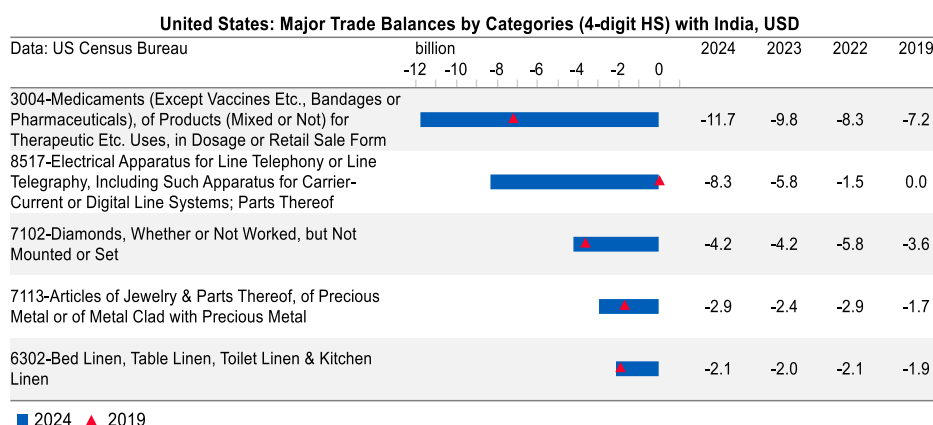
US: Trade Deficits By Top 5 Categories with China (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



US: Trade Deficits By Top 5 Categories with India (4-digit HS Code)

Source: Macrobond, UOB Global Economics & Markets Research



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