

Trump 2.0: The Impact on ASEAN Supply Chains and Taiwanese Businesses

Yang, Shu-Fei | Associate Research Fellow, Deputy Director,
The Regional Development Study Center, CIER

ASEAN as a Key Beneficiary under Trump 1.0

During Trump's first term in 2018, the imposition of punitive 301 tariffs of up to 25% on Chinese imports spurred a significant shift in global supply chains, redirecting investments from China to Southeast Asia. Countries like Vietnam, Thailand, and Malaysia became the preferred destinations for multinational corporations seeking to diversify risks, thanks to their geographic proximity, low labor costs, and supportive government policies. This shift led to a strong performance in foreign direct investment (FDI) inflows, with ASEAN attracting an average of \$188.4 billion annually from 2019 to 2023, a 42.4% increase compared to 2014–2018. ASEAN's share of global FDI inflows rose from 8.1% to 13.6%.

In terms of export competitiveness, ASEAN's export value exceeded \$2 trillion in 2022, representing nearly 8% of global exports. However, the region remains behind China, which accounted for 14% of global exports with an export value of \$3.4 trillion—approximately 1.86 times ASEAN's total. Nevertheless, ASEAN has made significant progress in sectors such as ICT electronics, where its global market share grew from 16.9% in 2015 to 20.6% in 2022. In the U.S. market, ASEAN's share of imports rose from 7.3% in 2018 to 10.1% in 2023, underscoring the positive impact of supply chain realignment on its export capabilities.

Challenges to ASEAN Supply Chains under Trump 2.0 Policies

Trump returns to the White House in 2025, his policies are expected to intensify, with potential 60% tariffs on Chinese imports, 25% tariffs on goods from Canada and Mexico, and blanket tariffs of 10–20% on all imports. These measures aim to promote reshoring manufacturing to the U.S., accelerating the shift from "de-China-ization" to "Americanization" of supply chains. Trump 2.0 policies could disrupt ASEAN's supply chain dynamics.

ASEAN countries face multiple challenges in this context. First, export-heavy nations like Vietnam may face sanctions over suspicions of "country-of-origin laundering." In late 2024, the U.S. Department of Commerce imposed anti-dumping

tariffs of up to 271.2% on solar products from four ASEAN countries, citing such concerns. Second, ASEAN nations are grappling with labor shortages and rising production costs, necessitating accelerated efforts to improve industrial ecosystems, enhance productivity, and adapt to the evolving global supply chain landscape. Lastly, if Trump withdraws the U.S. from the Indo-Pacific Economic Framework (IPEF), it could undermine ASEAN's collaborative relationship with the U.S.

Strategic Responses for Taiwanese Businesses

Trump's stringent trade policies could reshape ASEAN's supply chain landscape and influence the strategic decisions of Taiwanese businesses. In this volatile environment, Taiwanese companies must proactively address challenges and seize opportunities by focusing on the following strategies:

1. Strengthening Technological Capabilities and Supply Chain Resilience

Taiwanese businesses should invest in developing proprietary technologies, establish flexible production networks, and diversify manufacturing bases to mitigate geopolitical risks. Building stronger partnerships with academia and research institutions is also essential for fostering innovation and technological integration.

2. Deepening ASEAN Market Integration

Shifting from a cost-driven to a technology- and market-driven business modes, Taiwanese companies should adopt localized strategies and strengthen their branding efforts to deepen ties with ASEAN markets. This can help offset pressures from rising labor costs.

3. Promoting Industrial Upgrading and Transformation

Taiwanese firms can support ASEAN countries in developing industrial ecosystems and R&D capabilities. Leveraging Taiwan's "New Southbound Policy" can help enhance supply chain efficiency and competitiveness in the region.

4. Adapting Global Strategies with Flexibility

To navigate evolving regional policies, Taiwanese businesses should reassess their global production and investment strategies. Maintaining supply capabilities for the U.S. market while capitalizing on opportunities arising from ASEAN's supply chain realignment will be critical.

©Chung-Hua Institution for Economic Research 2025