New bilateral deals open lanes for U.S. industries and investors, but leave a maze of tariffs and uncertainty.

Key Takeaways

Trump's trade tour reshapes the playing field. President Donald Trump's 5-day trip through Asia last week produced a flurry of trade announcements redefining U.S. economic relations with the region. Trump's new reciprocal trade deals with Malaysia, Thailand, Vietnam and Cambodia didn't erase tariffs, but they did open lanes that favor certain U.S. exports and corresponding supply-chain flows in sectors ranging from agriculture to aviation to energy.

Southeast Asia gets modest relief and lingering uncertainty. New U.S. framework agreements with Southeast Asian partners bring only modest tariff relief as most countries remain at 19 or 20 percent baseline rates. But the removal of nontariff barriers may open major channels for investment and sectoral cooperation. Malaysia and Cambodia agreed to adopt U.S. trade restrictions and align with U.S. enforcement against unfair trade practices by third countries. Thailand and Vietnam accepted frameworks on supply-chain resiliency, tariff evasion and export controls.

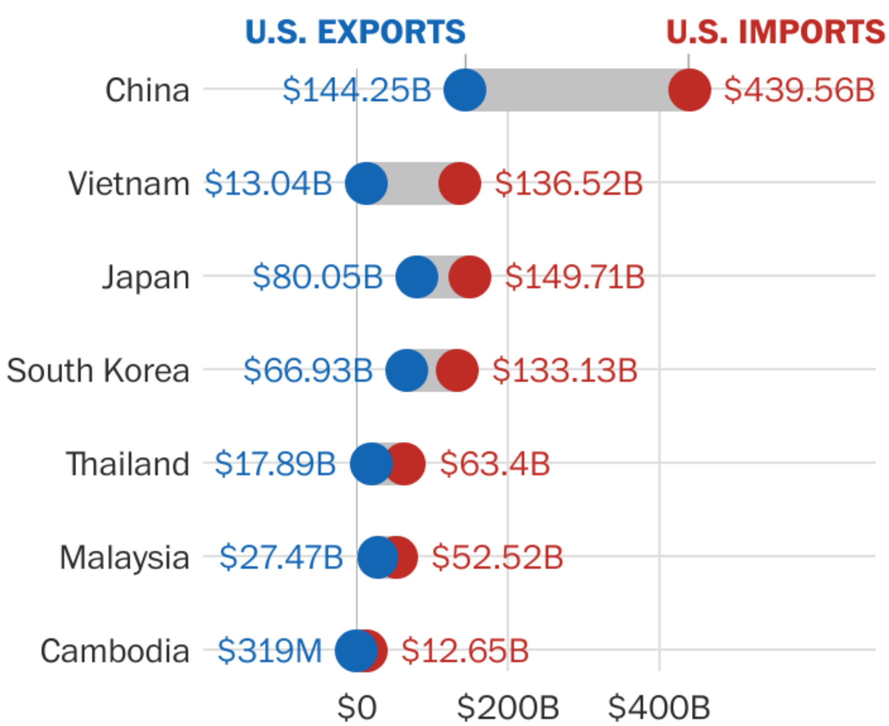
South Korea secures the trip's biggest win. Seoul finalized a $350 billion investment framework and received Trump's authorization to participate in shared manufacturing of nuclear-powered submarines in the Philadelphia shipyard owned by Korean conglomerate Hanwha, with South Korea getting access to nuclear-propulsion technology. This represents a strategic win for President Lee Jae Myung, who smartly appealed to Trump's shipbuilding and defense-industrial priorities.

U.S.-China truce provides only temporary calm. Trump and Chinese President Xi Jinping met in South Korea on the sideline of the APEC CEO Summit. Beijing agreed to a one-year pause on export controls for rare earths and critical minerals. The U.S. government suspended some export restrictions and port fees for Chinese vessels. But semiconductor and digital-trade frictions are unresolved, and most insiders view the truce as a tactical timeout, not a durable peace.

Scarce details mean increased risk. The Southeast Asia agreements lack enforceable dispute-settlement mechanisms and clear implementation details. The Trump administration also hasn't said how it will enforce a 40 percent penalty tariff for transshipped goods that originated in other countries. More sector-specific sanctions on items like semiconductors are coming soon. All of this uncertainty undermines the upside of these deals.

U.S. goods trade balances in 2024 for countries that signed deals with Trump during his recent Asia trip

While the U.S. runs its largest absolute goods trade deficit with China, it buys about 40 times more from Cambodia than it sells there — the U.S.'s second-largest goods trade imbalance in relative terms.



Note: Dollar values rounded to the nearest $10 million.

Source: Bureau of Economic Analysis

KENDRICK FRANKEL AND DANIELA SANTAMARIÑA, WP INTELLIGENCE / THE WASI

Summary: A China détente and a Southeast Asian reset

As Trump returned this week to Washington from his swing through Malaysia, Japan and South Korea, governments and executives around the region and in the United States were still parsing through the flurry of trade announcements emanating from the White House.

After the Trump-Xi meeting in the South Korean city of Busan, Treasury Secretary Scott Bessent cast the resulting agreement as a win for the United States. He told the Financial Times that “Beijing made a real mistake by threatening to shut off exports of its rare earths,” a reference to the Chinese threat to control the export of more than a dozen critical minerals. Still, most trade observers saw the arrangement as a draw, at best, that provided a short-term limited de-escalation in trade tensions while leaving much of Beijing’s leverage intact for future use.

The Trump administration used the trip to deepen coordination with other Asian partners, unveiling new trade and investment frameworks with Malaysia, Cambodia, Thailand and Vietnam. These deals keep the reciprocal-tariff structure of Trump’s “Liberation Day 2” Executive Order 14326 from August, but add operational provisions on customs enforcement, digital trade and intellectual property. They are designed to curb tariff evasion, address nontariff barriers, and limit the ability of third-country companies (read Chinese firms) to route around U.S. restrictions by moving their goods through Southeast Asia.

A new cooperation initiative with Japan on rare earth mineral production and a deal with South Korea to jointly manufacture nuclear-powered submarines are case studies in how Asian governments are learning to successfully deal with the Trump administration.

Wendy Cutler, vice president at the Asia Society Policy Institute and former U.S. trade negotiator, said Malaysia’s agreement is the most substantive. “The administration was able to secure high levels of market access to Malaysia, both through Malaysia agreeing to unilaterally cut many of its tariffs, but also through addressing a whole host of nontariff measures,” she noted, adding that the Trump team deserves kudos for its work in these areas.

Cutler said the deal introduces detailed economic security provisions directing Malaysia to align with U.S. policy on companies from third countries operating inside its borders. “The word China doesn’t appear in the Malaysia deal at all, but if you look at many of these provisions, it seems to be aimed at China,” she said. “This is fairly unprecedented.” Expect that precedent to become the new norm for Trump’s second term.

Analysis

China: Tactical truce, strategic fog

What Trump called the "G2" summit between him and Xi produced a one-year freeze on the escalating U.S.-China trade war, not a formal settlement. China paused new export restrictions on rare earths, while Trump held off on the threat of new tariffs and reduced China's existing reciprocal rate by 10 percent. Both sides suspended port fees. The truce creates breathing room for the U.S. to continue developing alternative rare earth and critical mineral sources and supply chains.

For those tracking U.S. restrictions on technology exports to China, the result of the summit was mixed. Hawks were relieved that Trump did not lift current restrictions on the sale of high-level Blackwell semiconductors for China, thwarting the lobbying campaign led by the producer of those chips, Nvidia. But Trump did roll back new rules imposed just last month by his own Commerce Department that would automatically blacklist companies majority owned by already blacklisted companies. This reverses a move meant to close a big loophole that blacklisted Chinese firms exploit at will by routing business through their non-blacklisted subsidiaries. Even this temporary truce is fragile; the Trump administration has said it is planning to announce sectoral sanctions on semiconductors that could break the détente, if Beijing retaliates against the next wave of Trump trade actions.

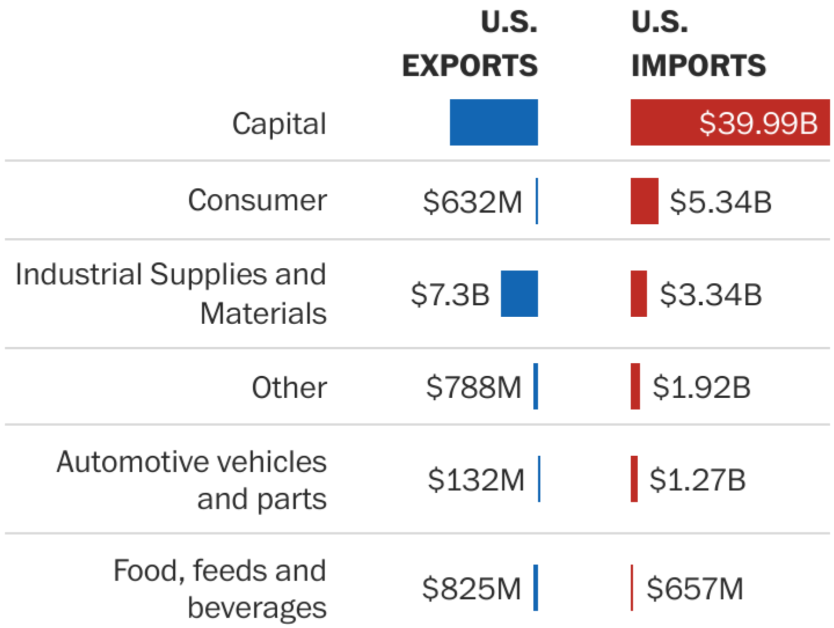
Malaysia: Comprehensive but fragile

As the host of this year's East Asian Summit, the Malaysian government was able to secure significant face time with Trump and strike a deal to stabilize its tariff burden in exchange for a host of concessions long sought by Washington. Malaysia's agreement keeps a 19 percent reciprocal tariff but removes a wide set of barriers to U.S. goods, including chemicals, passenger vehicles, machinery, and meat and dairy products. It commits to facilitating digital trade with the U.S., including exemptions from digital-services taxes or restrictions. It pledges strengthened intellectual-property enforcement and a ban on imports made wholly or in part with forced labor.

On customs enforcement, Malaysia agreed to combat transshipment and other duty-evasion practices through a duty-evasion cooperation agreement. The framework provides for the establishment of "rules-of-origin" requirements, which would identify where the components of goods are coming from, in order to prevent tariff evasion. Malaysia also pledged to regulate sensitive technologies, screen inbound investments related to critical minerals and infrastructure, and coordinate with Washington on economic-security issues.

U.S. trade in goods with Malaysia by major category in 2024

Twenty-four percent of U.S. semiconductor imports came from Malaysia, second to Taiwan (28 percent), accounting for 18 percent of the total value of U.S. imports.



Note: The "other" category consists of "other general merchandise" and "nonmonetary gold."

Source: Bureau of Economic Analysis, UN Comtrade Database

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But the Malaysia deal does not address the sector based semiconductor tariffs Trump is planning to announce. And because the agreement does not contain any dispute resolution mechanism, Malaysians fear Trump could reimpose harsh tariffs any time he perceived Malaysia is not living up to its side, said Jaideep Singh, an analyst with the Institute of Strategic & International Studies Malaysia

"At the moment, the reaction in Malaysia has been sort of mixed," he said. "Businesspeople have been more positive to the agreement because there was a lot of confusion and uncertainty when the so-called preliminary framework deal was announced and this agreement at least puts commitments on paper."

Japan: The rare-earths comeback

Tokyo and Washington signed a new framework during Trump's Japan stop to secure the supply of critical minerals and rare earths, aimed squarely at reducing reliance on China's dominance in global processing. The agreement commits both nations to coordinate investment in mining, separation and processing, and to deploy grants, guarantees and loans to accelerate projects and shorten permitting timelines.

The new framework effectively creates a trade-security template integrating supply-chain resilience, investment and national-security coordination. It cements Japan's role as America's leading partner in critical-minerals diversification. Combined with the U.S.-Japan trade memorandum of understanding struck in July, Japan seems to be ahead of the curve in making deals with the Trump team. Playing to Trump's favorite color, Japan's new prime minister, Sanae Takaichi, called it a "new golden age" of U.S.-Japan industrial cooperation.

South Korea: A strategic win on submarines

South Korea's Lee surprised the region by striking a deal with Trump to share manufacturing of nuclear-powered submarines to be built in the Philadelphia shipyards. Sources close to the White House told me this was Lee's initiative and was discussed directly between the two leaders. This places South Korea in a very small category of U.S. allies that are permitted access to nuclear-propulsion technology, along with the U.K. and Australia.

The South Korean conglomerate Hanwha owns and operates the Philadelphia shipyard, where Trump says the submarines will be built. This could result in jobs for Americans but also significant economic benefits for South Korea as well. The rate of Virginia-class submarine construction in the United States cannot meet current orders, so adding Korean resources and expertise has clear benefits. This is also a natural way for Seoul to begin spending the $350 billion of investment it promised Trump in the newly signed trade framework agreement.

By focusing on Trump's desire for domestic jobs and shipbuilding capacity, Lee secured a strategic win for South Korea and a boost for one of its major firms. Other world leaders will take note.

Vietnam, Cambodia and Thailand: Symbolism over substance, but with real sector hooks

The new trade frameworks with Vietnam, Cambodia and Thailand stabilize tariff rates and create new coordination mechanisms but stop short of full, detailed trade agreements. Vietnam remains at a 20 percent tariff, commits to remove duties on most U.S. industrial and agricultural goods, and will cooperate on digital services, intellectual property, labor and environmental standards. Thailand keeps a 19 percent reciprocal rate but eliminates tariffs on nearly all U.S. exports, from industrial goods to meat and ethanol, and increases purchases of U.S. agriculture, aircraft and energy. Cambodia also sees its tariff burden reduced to 19 percent and removes tariffs on all U.S. goods while pledging to align with U.S. trade restrictions and enforcement.

Matthew Aks, senior strategist of international political affairs and public policy at Evercore ISI, said these deals lack the level of detail normally found in such agreements. For example, on July 31, Trump signed an executive order applying an additional 40 percent tariff on items determined to have been transshipped from another country to avoid duties. However, 5 months later, country-of-origin rules have not been promulgated and none of the agreements signed on this trip contained language clarifying this point.

Trump is “trying to re-architect the entire global trading system at once … without providing massive detail on key pillars,” he said.

Murray Hiebert, senior fellow at the Center for Strategic and International Studies, said Trump's pattern is consistent: "He just declares victory and moves on and then leaves it to the U.S. Trade Representative's office and the local trade ministry to try to figure it out." He called Trump's lifting of the arms embargo for Cambodia and restoration of joint military drills "probably one of the most stunning things that happened" on Trump's trip. The U.S. had a military embargo on Cambodia from 1975 to 1992, and then again since December 2021. Large U.S. arms sales are unlikely because the Cambodian military mostly employs Chinese and Russian systems. But the two sides have agreed to resume the annual "Angkor Sentinel" joint military exercise.

Recommendations

1. Take advantage of the Southeast Asia's partial tariff relief. The deals Trump struck last week create many opportunities for U.S. business to take advantage of. Thailand has pledged billions in U.S. agricultural and energy purchases, including LNG and feed corn. Vietnam will remove tariffs on nearly all U.S. industrial goods, from machinery to medical devices. Malaysia's deal benefits digital services, automotive components and chemicals. Cambodia is now wide open to U.S. agricultural goods and aviation partnerships. Each of these sectors is now safer in Trump's tariff matrix. The move to localize manufacturing or distribution in Malaysia or Thailand now carries less risk. U.S. firms can now more easily partner with local conglomerates that can align with Washington's priorities.

2. Use the U.S.–China détente to recalibrate tech exposure. The Xi-Trump truce announced in Busan is a breathing space, not a settlement. The one-year window (maximum) before the truce falls apart is a strategic planning opportunity. Tech manufacturers, chip-equipment suppliers and investors should use this period to assess how much of their China exposure is indispensable, and how much can be hedged through third-country partnerships like Malaysia or Vietnam, where digital-trade and IP provisions are more aligned with U.S. standards. Executives should assume that any future export liberalization to China will be conditional and temporary. That means companies must design "snapback-ready" compliance systems that can scale exports up or down quickly when rules shift. The lesson from this détente is not stability, it's permanent unpredictability.

3. Move fast on rare earths and critical minerals. The Tokyo rare-earth agreement and Malaysia's critical-mineral provisions show exactly how Trump wants to structure industrial cooperation: bilateral, security-focused and always with a flashy news conference. The Japan deal creates co-investment vehicles for mining, refining and recycling critical minerals, backed by government financing and accelerated permitting, adding some meat to the U.S.-Japan trade framework agreed to in July. Malaysia's framework ties inbound investment to U.S. oversight of sensitive technologies and infrastructure. For companies in mining, logistics, battery materials and heavy manufacturing, this is a clear invitation. The departments of Energy, Commerce and Treasury will soon publish guidance for critical-mineral co-investment programs. Firms that submit shovel-ready proposals before mid-2026 will define the early wave of U.S.-aligned projects.

4. Learn from the Koreans: Play to Trump's narratives. South Korea's success offers a model for other U.S. allies and companies: link something your country needs strategically to something Trump personally values. Seoul tied its capital commitments and shipbuilding expertise directly to U.S. industrial goals. Trump rewarded that with a headline: authorizing Korea to build nuclear-powered submarines. This is how business leaders should think about Trump-era diplomacy, as a barter system between political deliverables and economic imperatives. Trump's current agenda emphasizes shipbuilding, defense industrial capacity and critical infrastructure. Companies that can plug into those narratives, by promising American jobs, capital investment or supply-chain security, will earn exemptions or influence.

5. Prepare for volatility and build buffers now. Trump's second-term trade system represents institutionalized unpredictability. The Supreme Court will soon weigh the constitutional limits of presidential tariff powers under IEEPA, but even a ruling against Trump is unlikely to settle the issue. And even if the ruling goes against them, Trump's team already has contingency plans to roll out more sector-specific tariffs through various other authorities. Executives should view every short-term "deal" as one turn in a much longer cycle of disruption. The winners will be those who treat volatility not as a crisis but as an enduring feature of the new world order.

Conclusion

Trump's Asia trip underscored the administration's pivot to bilateral, security-driven trade deals that are heavy on market access and China de-risking. But as Cutler said, "Trade agreements are worth the paper they're written on. It's the implementation that's really critical." For CEOs and investors, that means keeping an eye on the fine print while keeping an ear to the ground in D.C. In Trump's new trade world, predictability is the rarest commodity of all.