

Balance of Concessions under the WTO and the Potential Direct/Indirect Impacts of the US Reciprocal Tariffs on ASEAN Economies

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Balance of concessions under the WTO (Beshkar, Chang, and Song, 2025)

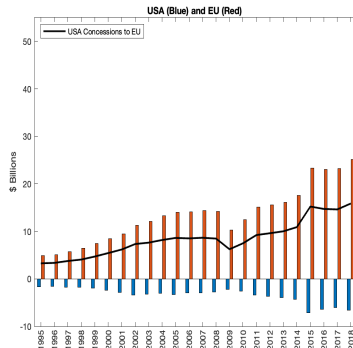
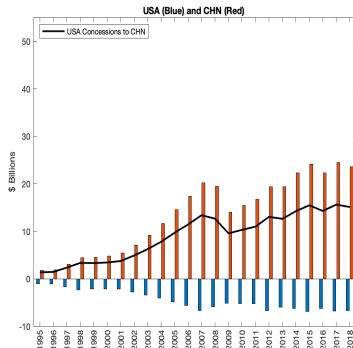
- ▶ First, we compute the counterfactual equilibrium under a bilateral trade war for each pair of countries, holding all other tariffs in the world constant.
- ▶ We then use

$$NC_{hf} \equiv \frac{1}{2} \left[T_f^{\{D_{hf}, D_{fh}\}} - T_h^{\{D_{hf}, D_{fh}\}} \right], \quad (1)$$

to measure the net concessions that country h gives to country f , as a result of moving from bilateral trade war (D) to the factual equilibrium (A) under the WTO, where T_i^D denotes the terms-of-trade gains of country i (across all its trade relationships) as a result of a change in equilibrium from bilateral trade war (D) to cooperation (A).

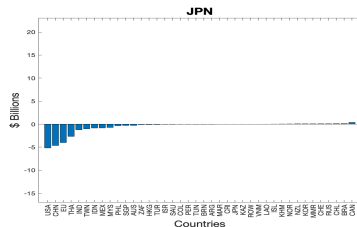
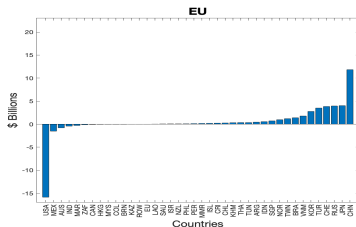
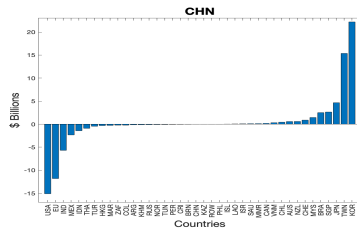
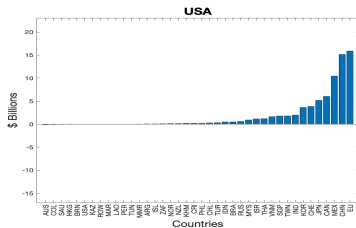
- ▶ Based on production and bilateral trade data from the OECD-WTO Trade in Value Added (TiVA, 2021) database, for years 1995–2018, 22 individual sectors (+ a combined service sector), and 40 economies/regions.

Bilateral concessions of US under the WTO



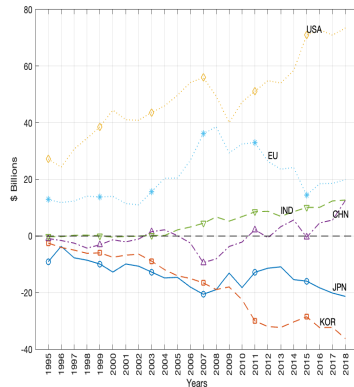
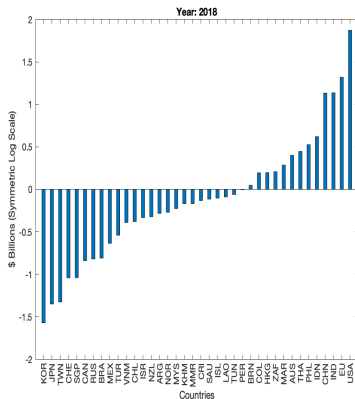
- ▶ The blue (red) bars indicate the effect on the US terms of trade (on its trading partner's): the net concessions of the US to China and the EU have increased over time.
- ▶ Not shown here, but its net concessions to Mexico have also increased over time.

Bilateral concessions of major economies under the WTO in 2018



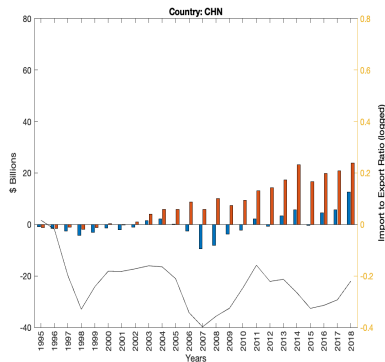
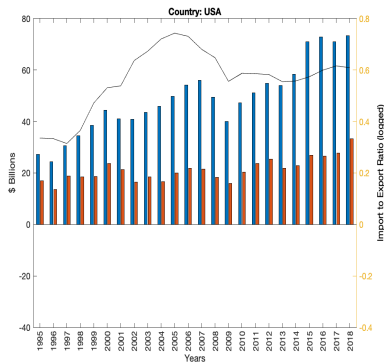
- ▶ The US is a net grantor of concessions to nearly all other countries, with the EU (\$16 billion) and China (\$15 billion) as the largest recipients.
- ▶ After its accession to the WTO, China also becomes a net grantor to Asian economies, but a net recipient from the US, the EU, and India.

Multilateral concessions under the WTO



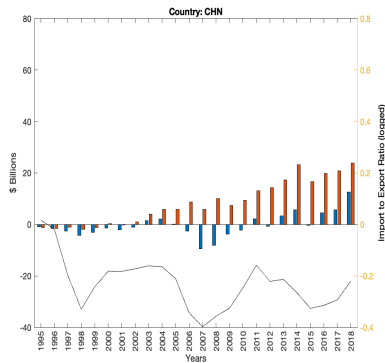
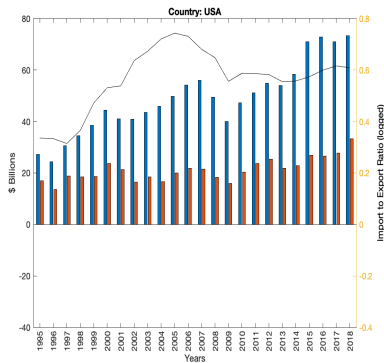
- ▶ The US stands out as the largest net contributor to the system and the South Korea as the largest recipient.
- ▶ Following its accession to the WTO in 2001, China initially receives net concessions before transitioning into a net granter. Korea and Japan consistently remain the largest net recipients of concessions.

Effect of trade imbalances on reciprocity



- ▶ The net multilateral concessions granted by the US and China under the factual scenario (blue bars) and the balanced trade scenario (red bars).
- ▶ Removing multilateral trade imbalances reduces the multilateral concessions granted by the US from \$73 billion to \$30 billion, making trade agreements more reciprocal for the US.

Effect of trade imbalances on reciprocity (continued)



- ▶ Under the counterfactual scenario of balanced trade, the net concessions granted by the US would have been more than 60% lower, indicating:
that much of the observed asymmetry stems from the structural effects of trade imbalances.

Direct threats of US reciprocal tariffs

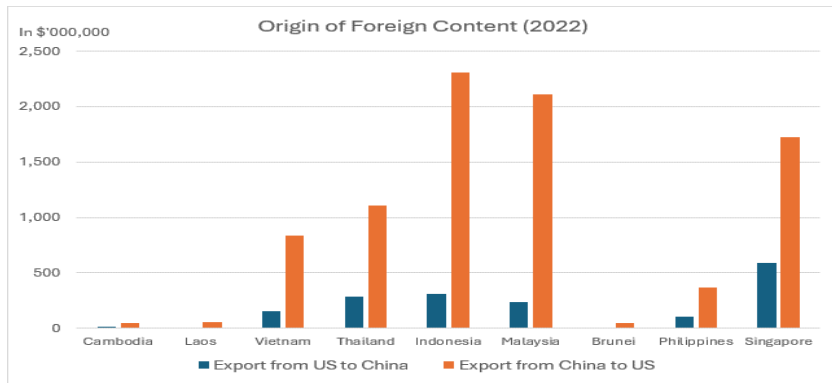
ASEAN economies ranked by the threatened US reciprocal tariffs, versus their reliance on the US markets (% of exports) in 2024:

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
	US reciprocal tariff rate	2024 goods exports to US (millions)	2024 goods imports from US (millions)	2024 goods trade surplus with US (millions)	(D) / (B)	2024 total exports (millions)	(B)/(F)
Cambodia	49%	12,700	322	12,378	0.97	26,000	0.49
Laos	48%	803	40	763	0.95	8,100	0.10
Vietnam	46%	136,600	13,100	123,500	0.90	405,530	0.34
Myanmar	45%	657	77	580	0.88	14,920	0.04
Thailand	37%	63,300	17,700	45,600	0.72	300,500	0.21
Indonesia	32%	28,100	10,200	17,900	0.64	264,700	0.11
Malaysia	24%	52,500	27,700	24,800	0.47	329,450	0.16
Brunei	24%	239	127	112	0.47	11,308	0.02
Philippines	18%	14,200	9,300	4,900	0.35	73,200	0.19
Singapore	10%	43,200	46,000	-2,800	-0.06	674,500	0.06

Note: Columns (B)–(D) are based on the USTR website. Column (F) is based on the WTO website and various other sources; may or may not include services exports.

Indirect impacts of the US-China trade war on ASEAN

- ▶ Calculate the foreign contents that originate from each of the key ASEAN countries in **U.S. bilateral exports to China**.
- ▶ Calculate the foreign contents that originate from each of the key ASEAN countries in **China's bilateral exports to the US**.



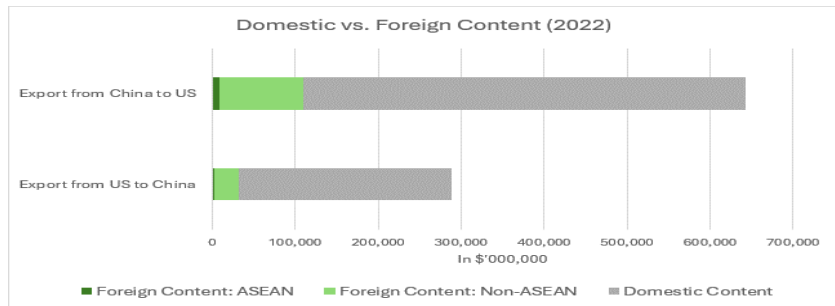
Note: Based on the 2022 ADB MRIO tables.

Indirect impacts of the US-China trade war on ASEAN

- ▶ ASEAN economies' contents (value-added) are relatively more important contributors to the production of Chinese exports to the US markets than the other way around, both individually and as a whole.
- ▶ The imbalance is especially pronounced for Indonesia and Malaysia.
- ▶ Thus, the US tariffs on China are likely to pose more threats, than the Chinese tariffs on the US, to the ASEAN economies.
- ▶ With two-way trade flows combined (US-to-China and China-to-US), Indonesia, Malaysia, and Singapore are the most exposed to the escalated US-China trade war.

Indirect impacts of the US-China trade war on ASEAN

- ▶ The pattern still holds when taking into account the different size of US-China bilateral exports.
- ▶ ASEAN contents (\$1.704 billion) accounts for 0.590% of US exports to China and 5.347% of all foreign contents in US exports to China.
- ▶ In contrast, ASEAN contents (\$8.587 billion) accounts for 1.336% of Chinese exports to the US, and 7.836% of all foreign contents in China's exports to the US.



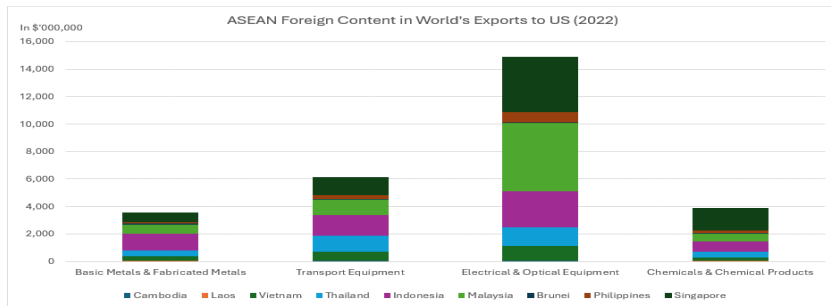
Note: Based on the 2022 ADB MRIO tables.

Sectoral Reliefs (?)

- ▶ There are two distinct categories of products exempted from the US reciprocal tariffs:
 - ▶ The first category is exempted because the products included are already subject to product-specific punitive measures, including:
 - ▶ steel (25%) & aluminium (25%);
 - ▶ automobile (25%) & auto parts (25%).
 - ▶ The second category is exempted by the US for strategic reasons and includes products such as:
 - ▶ electronics/semiconductors and
 - ▶ pharmaceuticals.

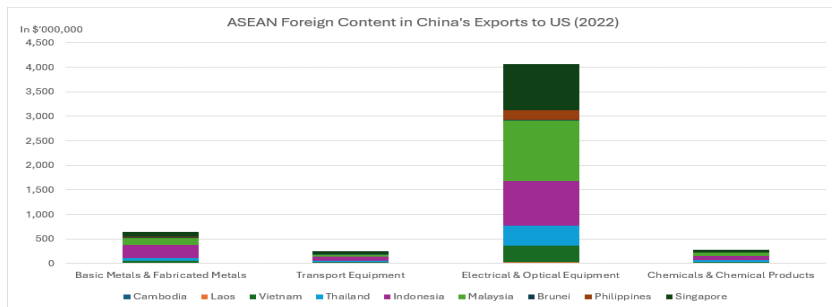
Sectoral Reliefs (?)

- ▶ Foreign contents originating from ASEAN embedded in the World sectoral exports to the US are substantial in the electrical & optical equipment sector (proxying for electronics and semiconductors) compared with the other sectors.
- ▶ Malaysia, Singapore, and Indonesia stand out in terms of their contribution to the GVC in this sector embedded in the world's exports to the US.
- ▶ Thailand also stands out in the transport equipment sector.



Note: The sectors in the ADB MRIO table which include these products are, respectively: basic metals & fabricated metal, transport equipment, electrical & optical equipment, and chemicals & chemical products.

- ▶ The benefits of the tariff relief on electrical & optical equipment become even starker, when focusing on the exports from China to the US.



Note: The sectors in the ADB MRIO table which include these products are, respectively: basic metals & fabricated metal, transport equipment, electrical & optical equipment, and chemicals & chemical products.

GVC position and exposure to the US reciprocal tariffs

- ▶ The most downstream ASEAN economies are Vietnam, Singapore, and Thailand, with Vietnam and Thailand facing some of the highest potential reciprocal tariff rates of 46% and 37%, respectively.
- ▶ The more downstream economies are more likely to carry the weight of the world's trade imbalance with respect to the US in their bilateral exports to the US, hence the higher calculated reciprocal tariffs by the US.

	Backward Linkages	Forward Linkages	GVC Participation	Downstreamness
Laos	10.5	30.0	40.6	25.9
USA	11.5	29.6	41.1	28.0
Indonesia	16.3	21.3	37.6	43.3
China	16.6	19.1	35.7	46.6
Brunei	34.5	23.4	57.9	59.6
Philippines	30.9	16.5	47.4	65.2
Malaysia	39.4	19.0	58.3	67.5
Cambodia	37.3	16.5	53.8	69.4
Thailand	37.6	12.8	50.4	74.6
Singapore	46.8	13.6	60.4	77.5
Vietnam	56.1	6.2	62.4	90.0

Note: Based on the 2022 ADB MRIO tables.

GVC intensity of ASEAN compared to other trade blocs (2022)

EU				ASEAN			
	Gross Exports	GVC Trade	GVC^{BM}		Gross Exports	GVC Trade	GVC^{BM}
World	9,396,782	5,354,803	57.0	World	2,061,768	1,125,897	54.6
Within Bloc	5,086,992	3,180,802	62.5	Within Bloc	322,382	200,822	62.3
Outside Bloc	4,309,790	2,174,001	50.4	Outside Bloc	1,739,386	925,075	53.2
RCEP				CPTPP			
	Gross Exports	GVC Trade	GVC^{BM}		Gross Exports	GVC Trade	GVC^{BM}
World	8,205,744	3,596,942	43.8	World	4,969,849	2,416,060	48.6
Within Bloc	3,027,276	1,494,000	49.4	Within Bloc	664,696	357,579	53.8
Outside Bloc	5,178,467	2,102,941	40.6	Outside Bloc	4,305,153	2,058,480	47.8
USMCA				World			
	Gross Exports	GVC Trade	GVC^{BM}		Gross Exports	GVC Trade	GVC^{BM}
World	4,323,990	1,827,576	42.3	World	30,166,931	14,559,141	48.3
Within Bloc	1,676,200	732,053	43.7				
Outside Bloc	2,647,789	1,095,523	41.4				

Note: The gross exports and GVC trade are in million US\$. The calculation of gross exports or GVC trade is based on the bloc members' exports to the world, to the countries within the bloc, or to the countries outside the bloc, respectively. Based on the 2022 ADB MRIO tables.

GVC intensity of ASEAN compared to other trade blocs (2022)

- ▶ In 2022, ASEAN as a whole was more intensive in GVC participation (54.6%) than the CPTPP (48.6%), the RCEP (43.8%) and USMCA (42.3%), second to the EU (57.0%).
- ▶ In 2022, ASEAN's trade within the bloc had a higher GVC ratio (62.3%) than its trade with countries outside the bloc (53.2%).
- ▶ This stronger within-bloc GVC link of ASEAN (by a gap of 9.1%) is lower than the EU (12.1%), but more significant relative to those of the RCEP (8.7%), the CPTPP (6.0%), and USMCA (2.3%).
- ▶ This stronger within-bloc GVC-connectedness in ASEAN implies a stronger potential for the transmission of shocks across its members, but also a larger scope for re-alignment within the bloc.