

# THE SPILLOVER EFFECT: HOW THE NEW US TARIFFS MIGHT RESHAPE SOUTHEAST ASIA'S ECONOMIC INTEGRATION AND VALUE CHAINS?

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## 1 INTRODUCTION

As the United States has been imposing new tariffs amid intensifying geopolitical competition and rivalry, Southeast Asia stands at a crossroads. This paper explores how emerging US trade barriers – particularly those targeting China – could indirectly impact Southeast Asian economies. It evaluates the potential for trade diversion, investment relocation, and the reconfiguration of global value chains in key sectors like electronics, textiles, and automotive parts. Additionally, it examines how these moves may influence ASEAN's economic integration agenda, intraregional trade and long-term development trajectories. Drawing on recent trade data, policy shifts, and firm-level responses, the presentation aims to map out both the risks and opportunities facing the region in a new era of global trade realignment.

## 2 MATERIAL AND METHODS

With a view to investigate and underpin the theoretical framework with empirical sources the author intends to apply a mixed-methods approach, combining quantitative trade data analysis, qualitative policy synthesis, and country-level case studies to evaluate the impact of new U.S. tariffs on Southeast Asia's economic integration and participation in global value chains (GVCs). The approach is designed to capture both measurable economic changes and broader structural dynamics across the region. As for the first pillar, trade and tariff data is used, obtained from globally recognized sources including UN Comtrade; World Integrated Trade Solution (WITS) by the World Bank; IMF, Asian Development Bank (ADB) and UNCTAD; as well as sources and figures from TradingEconomics and Knoema. As to statistical figures and charts the author recourses to ASEANStats for regional statistics; US Census Bureau and Bureau of Economic Analysis (the latter two under the United States Department of Commerce) as well as MERICS and Bruegel Institute and National Bureau of Statistics of China for US and Chinese data records, respectively. The qualitative records section would encompass policy reports, legal documents and strategic assessments from relevant think tanks and research institutes (Boston Consulting Group; McKinsey & Company; the Brookings Institution etc.); regional trade agreements; expert analyses and peer studies from renown scholars. Descriptive analysis would explore trade and FDI trends before and after major U.S. tariffs, complemented by case study approaches, which, finally, are rounded up with evaluating potential scenarios and trajectories.

### 3 RESULTS

The study reveals that the novel U.S. tariff policy, introduced following the proclamation of ‘Liberation Day’ by President Trump, though not directly targeting the region, is significantly reshaping the Southeast Asia’s economic landscape. Tariff-induced trade diversion along with FDI relocation are obvious results of the above-quoted developments. While Southeast Asia is poised to obtain a greater share of global manufacturing, it must avoid becoming over-reliant on external demand and geopolitically-geoeconomically exposed supply chains.

### 4 CONCLUSIONS

The author finds it a key aspect that the Association of Southeast Asian Nations (ASEAN) – practically covering the whole region in question – should strive for maintaining ASEAN centrality and fostering joint actions. In the author’s opinion the future of the regional integration depends on whether Member States can coordinate and cooperate, what’s more overcoming differences of interests, rather than compete in responding to global supply chain shifts. To put it in a regional context, Southeast Asian countries would need to hammer out a joint response and should refrain from reverting back to more drastic measures. The first statements and steps so far are encouraging and welcoming.

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