

# **ASEAN AND CHINA: SHIFTING TRADE DYNAMICS AMID US-CHINA TRADE RIVALRY**

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Amid escalating US-China tensions, ASEAN nations like Vietnam, Thailand and Malaysia have emerged as major beneficiaries of trade diversion, particularly in semiconductors and electronics, with Vietnam gaining the most in the US market share. ASEAN's strategic role as a connector between the two superpowers has solidified its position as a manufacturing and technology hub in global value chains. From 2010 to 2022, ASEAN-6 economies significantly increased imports of Chinese machinery and components, deepening interdependence. China has further strengthened ties with ASEAN through heavy investment, particularly in the electric vehicle industry, where ASEAN countries are key suppliers of battery materials and components. However, this growing integration exposes the bloc to risks, including US protectionist measures and levies on China-made products. To mitigate vulnerabilities, ASEAN should diversify trade partnerships, leverage frameworks like the Regional Comprehensive Economic Partnership and navigate geopolitical tensions to secure its economic resilience in an increasingly fragmented global economy.

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### **Chinese:**

#### **东盟与中国：中美贸易竞争中贸易动态的转变**

在中美紧张局势不断升级的情况下，越南、泰国和马来西亚等东盟国家已成为贸易转移的主要受益者，特别是在半导体和电子产品领域，其中越南在美国市场份额中获得最大份额。东盟作为两个超级大国之间联系者的战略作用巩固了其作为全球价值链中制造和技术中心的地位。2010年至2022年，东盟六国经济体大幅增加对中国机械及零部件的进口，相互依存加深。中国通过大量投资进一步加强了与东盟的联系，特别是在电动汽车行业，东盟国家是该行业电池材料和零部件的主要供应商。然而，这种日益增长的一体化使该地区联盟面临风险，包括美国的保护主义措施和对中国制造的产品征税。为了减轻脆弱性，东盟应该实现贸易伙伴关系多元化，利用区域全面经济伙伴关系等框架，并应对地缘政治紧张局势，以在日益分散的全球经济中确保其经济弹性。

### **French:**

#### **ASEAN ET CHINE: CHANGEMENT DE DYNAMIQUE COMMERCIALE DANS UN CONTEXTE DE RIVALITÉ COMMERCIALE ENTRE LES ÉTATS-UNIS ET LA CHINE**

Au milieu des tensions croissantes entre les États-Unis et la Chine, des nations de l'ASEAN comme le Vietnam, la Thaïlande et la Malaisie ont émergé comme les principaux bénéficiaires du détournement commercial, en particulier dans les secteurs des semi-conducteurs et de l'électronique, le Vietnam gagnant le plus en part de marché sur le marché américain. Le rôle stratégique de l'ASEAN en tant que connecteur entre les deux superpuissances a renforcé sa place de centre industriel et technologique dans les chaînes de valeur mondiales. De 2010 à 2022, les économies de l'ASEAN-6 ont considérablement augmenté leurs importations de machines et de composants chinois, approfondissant ainsi leur interdépendance. La Chine a également renforcé ses liens avec l'ASEAN par des investissements massifs, notamment dans l'industrie des véhicules électriques, où les pays de l'ASEAN sont des fournisseurs clés de matériaux et de composants pour batteries. Cependant, cette intégration croissante expose le bloc à des risques, y compris celui des mesures protectionnistes américaines et des taxes sur les produits fabriqués en Chine. Pour atténuer les vulnérabilités, l'ASEAN devrait diversifier ses partenariats commerciaux, tirer parti de cadres tels que le Partenariat économique régional global et naviguer à travers les tensions géopolitiques pour assurer sa résilience économique dans une économie mondiale de plus en plus fragmentée.

*Spanish:*

## **ASEAN Y CHINA: DINÁMICA COMERCIAL CAMBIANTE EN MEDIO DE LA RIVALIDAD COMERCIAL ESTADOS UNIDOS-CHINA**

En medio de las crecientes tensiones entre Estados Unidos y China, naciones de la ASEAN como Vietnam, Tailandia y Malasia se han convertido en los principales beneficiarios de la desviación del comercio, particularmente en semiconductores y electrónica, siendo Vietnam el que gana la mayor participación en el mercado estadounidense. El papel estratégico de la ASEAN como conector entre las dos superpotencias ha solidificado su posición como centro de fabricación y tecnología en las cadenas de valor globales. De 2010 a 2022, las economías de la ASEAN-6 aumentaron significativamente las importaciones de maquinaria y componentes chinos, profundizando la interdependencia. China ha fortalecido aún más los lazos con la ASEAN a través de fuertes inversiones, particularmente en la industria de vehículos eléctricos, donde los países de la ASEAN son proveedores clave de materiales y componentes para baterías. Sin embargo, esta creciente integración expone al bloque a riesgos, incluidas medidas proteccionistas estadounidenses y gravámenes a los productos fabricados en China. Para mitigar las vulnerabilidades, la ASEAN debería diversificar las asociaciones comerciales, aprovechar marcos como la Asociación Económica Integral Regional y sortear las tensiones geopolíticas para asegurar su resiliencia económica en una economía global cada vez más fragmentada.

## Executive Summary

1. ASEAN countries like Vietnam, Thailand and Malaysia have benefitted from trade diversion due to the US-China rivalry, particularly in semiconductors and electronics. Vietnam saw the largest gain in US export market share with 3%-point, followed by Thailand (1%-point) and Malaysia (0.3%-point) from 2017 to 2023.
2. As ASEAN serves as a connector of trade between China and the United States, it has grown in importance as an integral node in global value chains, both as a manufacturing hub and a key player in the technology supply chain network.
3. China views ASEAN countries as vital markets and partners particularly as its US rivalry intensifies. In 2023, China's investment in ASEAN-6 manufacturing sector more than tripled that of South Korea and Japan, and surpassing that of the United States. Notably, the electric vehicle (EV) industry saw substantial investment from China.
4. Due to China's rapid ascent up the manufacturing value-added ladder, its industrial structure is increasingly complementary with that of ASEAN and more competitive with major economies like the United States.
5. Within the EV industry, ASEAN-6 countries' export shares to China in battery materials like lithium cathode are significant: 26% for Singapore and more than 50% for Malaysia, Thailand, Philippines and Vietnam. Thailand, known as ASEAN's automotive hub, shipped slightly more than half (52%) of its EVs to China from 2022 to 2023.
6. ASEAN's exports of critical materials show a high degree of export concentration to China in recent years. Around 93% of Malaysia's cobalt and 95% of its manganese ore exports go to China. The Philippines exports 97% of its nickel to China. Chinese firms have also invested massively in Indonesia to secure nickel supplies for its EV industry.

7. As geopolitical tensions continue to escalate between the United States and China, China has stepped up economic engagement with ASEAN. However, this exposes the bloc to risks if major countries impose extensive levies on China-made EVs as some of ASEAN's exports to China are used as inputs for EV production.
8. US measures, such as countervailing and anti-dumping investigations of photovoltaic cell imports from Cambodia, Malaysia, Thailand and Vietnam using Chinese components may portend more future stringent policies to contain indirect trade through connector countries such as Vietnam.
9. ASEAN would do well to adjust strategies due to their exposure to geopolitical developments, strengthening economic ties with other trade partners via the Regional Comprehensive Economic Partnership to mitigate risk from future trade tensions.