

INTERVIEW

Malaysia calls for broader intra-ASEAN trade to counter U.S. tariff risks

Minister says competition to draw investment away from China 'not zero-sum game'



Malaysia's investment, trade and industry minister, Zafrul Aziz, calls for broader intra-ASEAN trade in an interview with Nikkei Asia. (Photo by Norman Goh)

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KUALA LUMPUR -- Malaysia has called for greater intra-ASEAN trade and economic integration within the bloc, which is bracing for potential ripple effects from new U.S. tariffs.

"We must ensure ASEAN's internal trade grows faster," Zafrul Aziz, the Malaysian minister of investment, trade and industry, told Nikkei Asia in an interview. "The priority is clear: ASEAN must build economic resilience from within while remaining indispensable to global trade."

Malaysia's push for deeper regional integration comes as U.S. President Donald Trump's [20% blanket tariffs](#) on Chinese goods loom over Southeast Asia, including for chips and electric vehicles where different countries in the region have been competing to be part of global supply chains.

Some ASEAN countries have benefitted from investment shifts away from China, which has [hit back](#) at Washington with new levies on a wide range of U.S. agricultural products. Malaysia, Thailand, Vietnam and Indonesia have been positioning themselves as a key alternative for high-tech manufacturing, attracting investments from both U.S. and Chinese firms looking to navigate geopolitical tensions after the previous U.S.-China trade war.

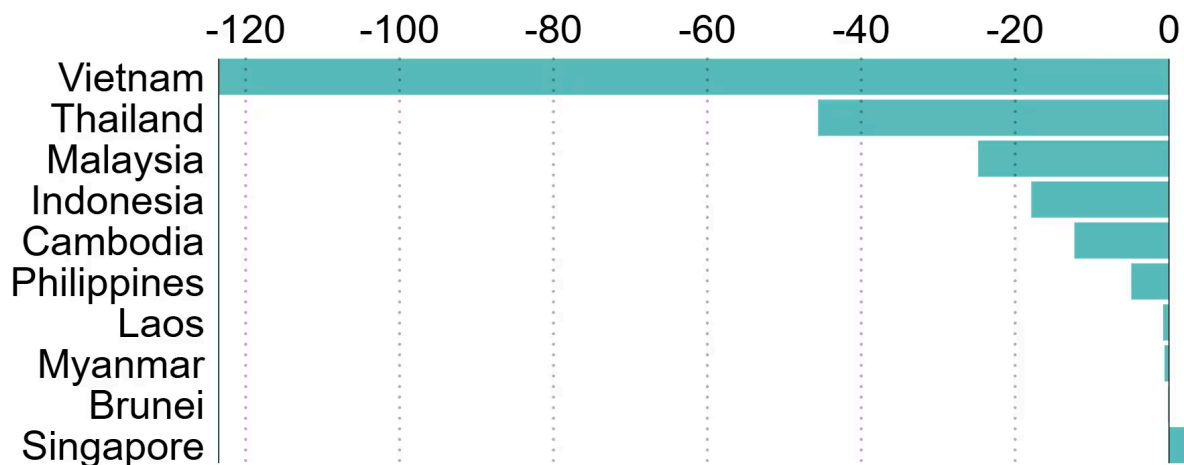
But ASEAN countries are now facing twofold risks: reduced U.S. market access and potential investment slowdowns, especially if the tariffs extend to chips and vehicles made in the region, as well as broader market volatility and trade disruptions.

The U.S. posted a \$227.7 billion goods trade deficit with ASEAN last year, a 11.6% increase from 2023, according to the Office of the United States Trade Representative. It had trade deficits with nearly all 10 member countries of the bloc -- except Singapore. The U.S. deficit [with Vietnam](#) is the largest at \$123.5 billion, followed by Thailand (\$45.6 billion) and Malaysia (\$24.8 billion).

These are putting some ASEAN countries at risk of Trump's tariffs.

U.S. trade balance with ASEAN countries, 2024

(In billions of dollars)



Source: Office of the United States Trade Representative

Zafrul underscored the need for proactive engagement with Washington, arguing that the bloc must demonstrate its role in supporting U.S. economic growth to ensure continued market access and investment flows.

"The U.S. has very strong views on regions that maintain a trade surplus," he said. "Trump's policies are about strengthening the U.S. economy. If we show that ASEAN contributes to that growth, we can reduce risks."

He added that ASEAN "must engage the U.S. strategically, ensuring we remain an investment hub rather than a target of protectionist policies." This is the reason why Malaysia, the current chair of the regional grouping, is advocating for an ASEAN-U.S. trade summit this year to address the issue.

Zafrul said ASEAN's trade was robust with partners outside the bloc. It reported \$3.5 trillion total trade in 2023, maintaining a surplus at \$96.7 billion. However, he added, intra-ASEAN trade has not grown as much, accounting for just around 23% of the total -- far below its potential.

"While engagement with key partners is crucial, our collective market strength is underutilized."

Zafrul said that competition among ASEAN members to benefit from supply chain shifts away from China should not be a "zero-sum game," saying that the bloc should work together to create an ecosystem where it can "leverage the strength of one country and then address the weakness" of others in the face of U.S. tariff risks.

"There will be areas where we compete head-on, and this is where, of course, the ecosystem will play a role," he said.