

# Reciprocal tariff negotiations directed against China

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**29 May 2025**

One of the key features of the so-called negotiations over the US reciprocal tariffs imposed on a series of countries, with some of the biggest hikes against Southeast Asian countries, is Washington's demand that they impose tariffs and other restrictions against China.

The central target of Trump's economic war is China because its economic advance, especially in the area of high-tech, is regarded as an existential threat to the global dominance of the US.

The strategy to be pursued with around 70 other countries, reportedly devised by Treasury Secretary Scott Bessent, was set out in a *Wall Street Journal* article published shortly after the 90-day freeze on reciprocal tariffs was announced on April 9.

"The idea is to extract commitments from US trading partners to isolate China's economy in exchange for reductions in trade and tariff barriers imposed by the White House. US officials plan to use negotiations with more than 70 nations to ask them to disallow China to ship goods through their countries, prevent Chinese firms from locating in their territories to avoid US tariffs, and not to absorb China's cheap industrial goods into their countries," it said.

The demand for action against China was a feature of the deal with the UK, announced earlier this month, in which it was stipulated that Britain would align itself with US "national security" concerns over China and implement tariffs against Chinese steel.

But that was very much a question of plucking the low hanging fruit. The measures agreed to are not expected to have a major impact on the UK economy. It is a very different matter for others, especially those in southeast Asia, which have close ties with China but whose main export market is the US.

The most significant of these economies is Vietnam

which has undergone major industrial and manufacturing growth in the past decade as a result of Chinese investment and its integration into Chinese-based global supply chains.

Vietnam was one of the hardest hit by the reciprocal tariffs with a levy of 46 percent. Government officials have already held two rounds of talks with their counterparts in Washington and another round is set for next month.

The immediate issue is transhipment—the process in which goods largely made in China are rerouted via Vietnam and then exported to the US. But the US demands go well beyond the ending of this practice. It wants to break up the supply chains in which raw materials and components are supplied for goods manufactured in Vietnam.

Vietnam has created a special task force to deal with smuggling and trade fraud and stop the export of goods falsely labelled as "made in Vietnam," but according to a report in the *New York Times*, Trump officials have said this is not enough.

If Vietnam is not able to escape the effect of the Trump measures, they will have a devastating impact. Manufacturing now accounts for 20 percent of the country's GDP. In 2015 manufacturing output was around \$60.5 billion. By 2023 it had risen to \$102.6 billion, an increase of almost 70 percent in eight years.

The countries of the region are seeking ways to counter the impact of the US economic war.

Addressing a conference this week in Kuala Lumpur of the ASEAN group of nations—comprising Malaysia, Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Singapore, Thailand and Vietnam—the Malaysian foreign minister, Mohamad Hasan, emphasised the need for unity to meet the changed world situation.

“ASEAN nations are among the most heavily affected by the US-imposed tariffs,” he said. “The US-China trade war is dramatically disrupting production and trade patterns worldwide. A global economic slowdown is likely to happen. We must seize this moment to deepen regional economic integration, so that we can better shield our region from external shocks.”

The ASEAN gathering was followed by a meeting of the bloc with the Gulf Cooperation Council (GCC)—comprising the oil producing countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates—on Tuesday. It was also attended by Chinese Vice Premier Li Qiang.

Opening the meeting, Malaysian Prime Minister Anwar Ibrahim said the inaugural meeting marked the beginning of a new chapter of cooperation.

ASEAN, the GCC and China have a combined GDP of nearly \$25 trillion and a market of over 2 billion people which offered vast opportunities for cross-regional investment.

“I am confident that ASEAN, the GCC and China can draw upon our unique attributes and shape a future that is more connected, more resilient and more prosperous,” Ibrahim said.

The central aim of the US is to tear countries, especially those in southeast Asia, away from their economic dependence on China, with the aim of ending their attempted strategic balancing act between Washington and Beijing.

But the US has a major problem in that it has nothing to offer those countries economically, under conditions where a break from China will result in economic devastation, threatening to set off major social upheavals and possibly sparking retaliatory action, of which Beijing has warned.

The outcome, at least so far, is that rather than a break from Beijing, US actions are pushing more countries into its orbit because they have nowhere else to go. The US will also be concerned that the GCC countries, from which China draws 30 percent of oil supplies, chose to publicly declare closer collaboration with the ASEAN bloc at a major meeting held in the presence of a top Chinese government leader.

Similar issues are emerging in Latin America, which the US wants to integrate into an anti-China bloc.

They were highlighted in a recent interview

conducted by the *Financial Times* with the outgoing head of the 35-member Organization of American States (OAS), Luis Almagro. He warned that the “worst thing that could happen to Latin America is to be forced to choose” between the US and China.

The comments from the OAS head, who has stepped down after 10 years in the post, are significant because he is regarded as politically aligned with the US.

“China is the biggest or second biggest trading partner of practically every Latin American country,” Almagro noted. “Take that out of the equations... and you are going to have a violent regional economic disaster.”

The issue is the same as in southeast Asia. With no economic concessions on the table, the US is proceeding with imperialist bullying and threats. After pushing to resume control of the Panama Canal, it has forced Panama to withdraw from China’s Belt and Road initiatives, warned of sanctions against Colombia if it joins it and called on Mexico to reduce Chinese investment in its factories.



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