

# From coalitions to tariffs: The US economic reset and its impact on Asia

While President Donald Trump and his predecessor Joe Biden have the same economic objectives, their strategies differ markedly. BY RAMKISHEN S RAJAN

AMID rising geopolitical tensions and economic uncertainty, President Donald Trump, like his predecessor Joe Biden, has prioritised two key economic objectives: revitalising American manufacturing and strengthening supply chains to reduce dependence on China while countering its market-distorting practices.

Yet, their strategies differ markedly. Biden leaned heavily on coalition-building and industrial policy, while Trump is doubling down on economic nationalism and protectionist measures. These contrasting approaches will shape global trade, particularly in Asia, where US policy shifts carry significant ripple effects.

## Securing critical inputs: Allies vs insularity

Both administrations acknowledged vulnerabilities in supply chains for semiconductors, rare earth elements and industrial metals. Biden sought to mitigate these risks through strategic alliances, launching initiatives such as the Mineral Security Partnership and the Indo-Pacific Economic Framework to strengthen ties with partners such as Australia, India, Japan, and the European Union. This "friend-shoring" strategy aimed to reduce dependence on China without resorting to full-scale economic decoupling. At the same time, Biden's tariff exemptions for allied nations created unintended loopholes, as firms exploited these carve-outs by routing production through third countries to maintain access to the US market.

Taking cues from Beijing's resource diplomacy, Biden also sought to secure minerals from African economies, promoting investment in resource-rich nations.

Trump, by contrast, has adopted a more uncompromising approach. His broad-based tariffs on steel and aluminium, and proposed duties on copper, apply uniformly, regardless of whether the exporter is an ally or a competitor. His goal is to block Chinese goods from entering the US through intermediary countries while boosting domestic production.

Unlike Biden, Trump's trade policy operates on a zero-sum premise, treating allies with the same scrutiny as competitors under a policy of "no exemptions, no exceptions".

Rather than working with partners to secure critical inputs, Trump's approach hinges on direct pressure – leveraging trade access to extract concessions from resource-rich nations such as Canada,



Biden (right) sought to mitigate vulnerabilities in supply chains through a "friend-shoring" strategy aimed at reducing dependence on China without resorting to full-scale economic decoupling. Unlike Biden, Trump's trade policy operates on a zero-sum premise, treating allies with the same scrutiny as competitors under a policy of "no exemptions, no exceptions". PHOTO: AFP

Greenland, and Ukraine. Whether this strategy proves more effective remains to be seen, particularly given recent diplomatic missteps such as the controversial meeting between President Donald Trump and Ukrainian counterpart Volodymyr Zelenskyy at the White House on Feb 28.

## Manufacturing revival: Green industrial policy vs self-sufficiency

The decline of US manufacturing has been a central concern for both leaders. Biden's approach intertwined industrial revival with climate and technology policy, channeling billions of dollars into domestic production through the Inflation Reduction Act (IRA), CHIPS and Science Act, and Infrastructure Investment and Jobs Act. The IRA, often dubbed a "Green New Deal",

was particularly transformative in encouraging investment in clean energy and electric vehicles.

These efforts contributed to a manufacturing boom and sustained low unemployment, but they came at a cost. The combination of pandemic stimulus and large-scale industrial policy drove US public debt up by US\$8.4 trillion under Biden, pushing up long-term interest rates and mortgage borrowing costs. Bureaucratic red tape further slowed implementation, creating compliance challenges for businesses. With inflation and housing affordability concerns persisting, economic policy remained a key issue heading into the November 2024 election.

Trump, in contrast, views green industrial policy as an unnecessary and costly

fiscal burden – often dismissing it as the "Green New Scam". His approach prioritises aggressive deregulation to lower business costs and regulatory burdens, including, regrettably, environmental protections. At the same time, he is leveraging punitive tariffs to pressure firms to reshore production. The Trump administration has cited Apple's commitment to invest US\$500 billion in the US over the next few years as evidence that tariffs can effectively stimulate domestic manufacturing.

However, his America-First doctrine is not without contradictions. Blanket tariffs on industrial inputs risk driving up costs for US manufacturers, potentially undermining competitiveness. To offset this, the administration has emphasised fiscal discipline to ease long-term interest rates.

Treasury Secretary Scott Bessent has explicitly stated that Trump's economic team is focused on lowering long-term borrowing costs, which are largely influenced by the 10-year US Treasury yield.

Additionally, his plan to lower energy costs – even if at the expense of the environment – coupled with an aggressive push to streamline bureaucracy led by the Elon Musk-led Department of Government Efficiency (Doge), and the proposed deep cuts to defence spending through negotiations with China and Russia, are designed to rein in long-term interest rates and restore fiscal health, alongside his push for lower corporate taxes.

While Trump initially clashed with the Federal Reserve, his administration now recognises that preserving the Fed's credibility is essential for anchoring inflation expectations and ensuring financial market stability.

## Implications for Asia

For export-oriented Asian economies, Biden's supply chain policies positioned the region as a crucial link in manufacturing realignment. Many regional countries – including Singapore, Malaysia and Vietnam – have acted as "connector economies" or important "neutral" intermediaries in a geopolitically fragmented world, drawing investments from China and elsewhere. However, Trump's weaponisation of trade could upend these gains, disrupting foreign direct investment flows and reshaping trade dynamics across the region, particularly if companies redirect investments to the US to maintain access to its vast market.

Yet, Trump's approach also opens the door for direct US-China negotiations. Whether this results in trade concessions and a partial reset of relations between these big powers or accelerates economic decoupling – with smaller Asian economies caught in the middle – remains uncertain. What is clear, however, is that US trade policy will remain unpredictable, forcing businesses and policymakers across Asia to navigate an increasingly uncertain economic landscape.

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