# High stakes for Asia at the US elections

Asian markets seem relatively relaxed ahead of the US elections on 6 November. But here are some reasons why they should be more anxious


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## Non-China Asia's gains could become next year's problems

While it may be a US election, the world will watch to see who emerges as the next American president on November 6. And in Asia, the interest will be as great as anywhere.

The Biden administration's approach to this region has differed from that of the Trump administration, yet Trump-era tariffs remain in place, with some additional tariffs recently introduced.

Asian economies, excluding China, have had to navigate the impact of a weaker Chinese economy on exports and growth, and these additional sanctions and tariffs won't have helped the region as a whole. But some economies will have picked up market share in areas where China has lost ground.

And depending on who wins the next election, this could cause problems...

## Tariffs may be broader than they were in 2017

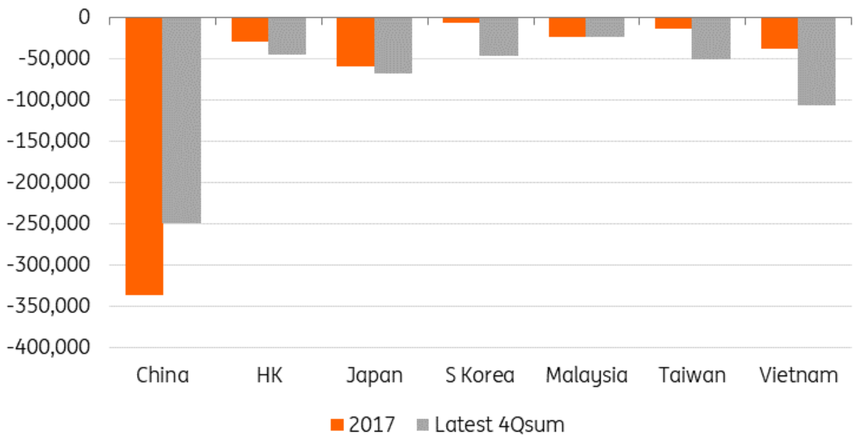
If we look back at trade data from 2017, when Donald Trump started his presidency, the US had an annual bilateral deficit with China of US$336bn – more than 60% of the entire US trade deficit that year. The combination of trade wars, tariffs, and other sanctions plus reshoring and friend-shoring / de-risking and re-location by Chinese companies has shifted this balance.

The bilateral deficit with China has fallen, and the latest fourth-quarter sum is about $87bn lower than it was for the whole of 2017. But the deficits with other Asian economies have risen even more (about $150bn is the latest fourth-quarter sum compared to 2017).

It will not be surprising to learn that Vietnam, the poster child for the China-plus one story, has seen the biggest swing in the bilateral deficit with the US. But there have also been gains for South Korea and Taiwan, and some of the SouthEast Asian economies.

This raises a question. If an incoming president wants to tackle trade imbalances, is the focus this time likely to be broader than just China? And if so, could there be a wider set of tariffs which will capture more of Asia directly than during 2017-21? It's worth considering.

## US bilateral deficits with Asia (US$m 4Q sum)




Source: CEIC

## Asia dominates the US currency manipulator monitoring list

The timeline for any such action is highly contestable. The previous Trump administration took some time to build up to the full-scale trade wars with China, starting with some tariffs on fridges and solar panels before scaling things up over subsequent years. At that time, a split Congress meant that Trade policy was one of the few avenues available to Trump to enact policy, which may help explain why this became such a focus.

For non-China Asia, a similarly split Congress might be a more worrying outcome than a clean sweep for the Republican Party. The latter might suggest more of a domestic focus on policy, at least initially.

As well as tariffs, the tag of “currency manipulator” may be a first red flag for an Asian economy. In 2024, the US Treasury found that none of its major trading partners appeared to be manipulating their currency – a charge which could start the process of investigation and possible sanctions including tariffs. There are three criteria for meeting this list, none of which make a huge amount of sense, and in addition are open to change and interpretation, but large surpluses with the US are the main trigger point.

Asian economies dominate the current “monitoring list”, and alongside China is Japan (newly added), Vietnam, Taiwan, Malaysia and Singapore. So to conclude, Asian markets seem relatively calm at the moment. But with this election too close to call, a little more trepidation may be appropriate.

## Author

**Robert Carnell**
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

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