

**“Building Bridges, Countering Rivals: Strengthening U.S.-ASEAN Ties to Combat Chinese Influence”**

**House Foreign Affairs Committee  
Subcommittee on East Asia and the Pacific**

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**Statement for the Record**

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Chairwoman Kim, Ranking Member Bera, and distinguished Members of this subcommittee, thank you for the invitation to appear before you today. I am honored to have this opportunity to share my views on how the U.S. Government can strengthen its economic ties to ASEAN at this critical juncture.

I am currently a nonresident scholar at the Carnegie Endowment for International Peace but previously spent nearly two decades working on Southeast Asia and the Association of Southeast Asian Nations (ASEAN) at the Office of the U.S. Trade Representative. U.S. policy long recognized the commercial and strategic significance of the region, beyond its role in the U.S.-China competition but as an important partner in its own right. Under successive administrations, the United States pursued a range of initiatives, both regional and bilateral, intended to further deepen our economic ties and advance our common interests. Although results were uneven, concrete progress was made, and the United States and ASEAN members remained committed to their efforts to build our economic ties, address bilateral trade frictions, and strengthen cooperation in global and regional trade forums.

The dramatic shift in trade and economic policy by the Trump administration has markedly altered the situation and created confusion and uncertainty among ASEAN countries about their relationship with the United States. Since at least 2017, the U.S. had actively promoted ASEAN countries as central to the strong, rules-based architecture that anchors the U.S. vision for the Indo-Pacific<sup>1</sup> and as alternative destinations to China for U.S. trade and investment. But the Trump Administration’s imposition of “reciprocal” tariffs and its promotion of reshoring of manufacturing have deeply shaken ASEAN’s trust in the United States as a partner on which it could rely. These actions have cast doubt on what Southeast Asian countries saw as a shared understanding of the value of their partnership with the United States and the central role ASEAN countries thought the United States had seen them playing in the evolving regional trade and investment landscape.

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<sup>1</sup> U.S. Department of State: A Free and Open Indo-Pacific, Advancing a Shared Vision, November 4, 2019; <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>

At the same time, the U.S. inward turn has created a leadership vacuum, which China is seeking to fill to advance its economic and broader interests and strengthen its global standing, including with long-time U.S. allies and partners. Portraying itself as the defender of the global trading system, the Chinese government has stated the U.S. across-the-board tariff action “severely infringes upon the legitimate rights and interests of all countries, severely violates World Trade Organization (WTO) rules, severely undermines the rules-based multilateral trading system, and severely disrupts the global economic order.”<sup>2</sup> China is actively pursuing closer economic cooperation with partners across Asia, Europe, and the Middle East. It is energetically promoting closer trade, investment, and cooperation, including through the Belt and Road Initiative, on projects focused on infrastructure, payments systems, AI, the digital economy, and green and low-carbon development.<sup>3</sup>

Make no mistake: Southeast Asian countries are not naïve or inexperienced regarding China’s policies toward them or ways to navigate their relations with their formidable neighbor. China is ASEAN’s largest trading partner, and trade between them continues to grow robustly,<sup>4</sup> facilitated by their free trade agreements and major infrastructure connectivity projects. At the same time, Southeast Asian countries have long been concerned about Chinese coercion and more recently about China’s export of its industrial overcapacity to their markets.

Their more immediate concern, however, is the devastating effect of U.S. tariffs on their economies and the potential that the damage could be intensified with U.S.-China decoupling. Although Southeast Asian countries will continue to resist choosing sides between the U.S. and China, the U.S. protectionist posture and unpredictability makes them more amenable to Chinese overtures and to economic cooperation with China that will serve to weaken U.S.-ASEAN ties.

### **The Economic Significance of ASEAN to the United States**

Erosion of U.S.-ASEAN economic ties would hurt not only ASEAN, which relies heavily on exports to the United States, but U.S. interests as well. The nominal GDP of the ten ASEAN countries totals about \$4 trillion, among the world’s largest. ASEAN is the fourth largest destination for U.S. exports, and the fifth largest destination for U.S. agricultural goods. U.S. goods exports to the region totaled nearly \$125 billion last year, a 16-percent increase over the previous year, while exports of U.S. services to the region were nearly \$58 billion in 2023 (most recent available data), an 11-percent year-over-year increase. ASEAN’s population is nearly 700 million, with two-thirds under the age of 30,

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<sup>2</sup> Chinese Ministry of Foreign Affairs, April 5, 2025; [https://www.mfa.gov.cn/eng/xw/zyxw/202504/t20250406\\_11589042.html](https://www.mfa.gov.cn/eng/xw/zyxw/202504/t20250406_11589042.html)

<sup>3</sup> Remarks by H.E. Li Qiang, Premier of the State Council of the People’s Republic of China at the ASEAN-China-GCC Summit, Kuala Lumpur, May 27, 2025; [http://us.china-embassy.gov.cn/eng/zgyw/202505/t20250528\\_11635023.htm](http://us.china-embassy.gov.cn/eng/zgyw/202505/t20250528_11635023.htm).

<sup>4</sup> Total China-ASEAN trade grew 7.1 percent year-over-year in the first quarter of 2025, according to the Chinese General Administration of Customs. Manufacturing products accounted for 90.1 percent of China’s trade with ASEAN countries; <https://www.globaltimes.cn/page/202504/1332056.shtml>

a growing middle class, and a digital economy that is set to grow from approximately \$300 billion to an estimated [\\$1 trillion](#) by 2030.<sup>5</sup>

The United States also is ASEAN's largest source of foreign direct investment (FDI). U.S. FDI flows to ASEAN totaled \$74.4 billion in 2023 (latest data available), contributing 32.4 percent of total ASEAN inward FDI flows that year.<sup>6</sup> More than 6,000 U.S. companies operate in the region, and investment and trade with Southeast Asia supports 625,000 jobs in the United States.<sup>7</sup>

Southeast Asia's relative importance to the United States has grown in recent years as U.S. companies looked to diversify away from China and build secure and resilient supply chains with ASEAN partners. As noted in a recent Asia Foundation task force report, of which I was an author, "U.S. direct investment in Southeast Asia is greater than that in China, Japan, Korea, and India combined; and now exceeds U.S. FDI in Canada. U.S. investment in Southeast Asia generates 10 percent of the total global sales by overseas affiliates of U.S. companies, of which 40 percent are sales to the local market and 49 percent are sales to third countries."<sup>8</sup>

ASEAN also is positioned to play a role in next-generation technology supply chains. Southeast Asian countries, including Indonesia, Philippines, Myanmar, Thailand, and Vietnam have large reserves of nickel, copper, cobalt, rare earths, and other critical minerals. They are still at an early stage in the development of this sector and focused largely on extraction rather than refining and processing. Still, these countries could play an important role in U.S. efforts to expand and diversify its supply of these resources.

### **Current U.S. Economic Relations with Southeast Asia**

The Trump Administration has articulated support for deepening economic ties, but ASEAN countries are skeptical. The U.S. government has not concluded a single major trade policy initiative with ASEAN since the conclusion of the U.S.-Singapore FTA in 2003. From the withdrawal of the United States from the Trans-Pacific Partnership in 2016, to the now apparently abandoned Indo-Pacific Economic Partnership agreement negotiations (which ASEANs supported despite their doubts about its commercial significance), ASEAN already were questioning the reliability of the United States, its regional economic strategy, and whether they could trust in the broad continuity of its international economic policy from one administration to the next.

The Trump Administration policies have reinforced, and turbo charged these doubts in a region for which trade is its lifeblood. ASEAN countries face potential prohibitive U.S. tariffs – the highest of 49 percent on Cambodia, 48 percent on Laos, and 46 percent on

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<sup>5</sup> <https://www.weforum.org/stories/2024/01/asean-building-trust-digital-economy/#:~:text=One%20such%20huge%20opportunity%20is,2023%20and%204.8%25%20in%202024.>

<sup>6</sup> [https://www.aseanstats.org/wp-content/uploads/2024/06/ASEAN-Statistical-Brief-Vol-9-June-2024\\_fn.pdf](https://www.aseanstats.org/wp-content/uploads/2024/06/ASEAN-Statistical-Brief-Vol-9-June-2024_fn.pdf)

<sup>7</sup> <https://asean.usmission.gov/mission/>

<sup>8</sup> <https://asiafoundation.org/wp-content/uploads/2024/10/Critical-Issues-for-the-United-States-in-Southeast-Asia-in-2025.pdf>

Vietnam. Even if the United States commits to limit Southeast Asian countries' tariffs to the 10-percent global baseline rate, ASEANs still face section 232 tariffs on their exports of steel, and potentially on semiconductors, critical minerals and other products. The uncertainty has complicated operations for businesses across the region, both U.S. and ASEAN.

At the latest ASEAN summit in May in Kuala Lumpur, the ASEAN countries expressed deep concern over the unilateral tariffs and their potential impact but committed as a group not to impose any retaliatory measures in response.<sup>9</sup> With the United States having overtaken China to become ASEAN's largest export market in 2024, they are seeking ways to satisfy U.S. demands, and bespoke deals will likely be reached. Some countries hope that the agreements will result in stronger bilateral economic ties, but the constant shifting of U.S. policy, new threats, and disregard of previous trade commitments has many of them questioning the value of any deal reached.

Meanwhile, the suspension of U.S. foreign aid will erode U.S. soft power and damage U.S. influence. This includes aid supported projects on economic integration and growth, trade facilitation, digital economy, science and technology, public health, and other areas important to our partnerships in the region.

### **Current China-ASEAN Economic Relations**

China and ASEAN already have close economic ties and trade agreements intended to more deeply integrate their production and supply chains. They are members of the 14-country Regional Comprehensive Economic Partnership, which entered into force in 2022, and ASEAN and China concluded on May 20 an upgrade of the 2010 China-ASEAN Free Trade Agreement, which they hope to sign by the end of the year. The agreement includes new chapters on the digital economy, green economy, and supply chain connectivity.

President Xi visited Vietnam, Malaysia, and Cambodia in April in his first overseas trip this year. He used his trip to highlight the contrast between U.S. and Chinese trade policy and emphasized "China's support for regional economic integration as global protectionism and unilateralism continue to mount."<sup>10</sup> Xi also heralded Belt and Road Initiative (BRI) infrastructure, digital, green economy, and transportation projects. ASEAN countries have welcomed BRI investment, although BRI loans are mainly debt financed and ASEAN countries worry about the financial viability of some projects and the growing debt servicing costs.<sup>11</sup>

ASEAN-China trade remains strong, and China has been ASEAN's largest two-way trade partner for more than a decade. But Chinese exports to ASEAN are growing at a much

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<sup>9</sup> <https://asean.org/wp-content/uploads/2025/05/01.-FINAL-Chairmans-Statement-of-the-46th-ASEAN-Summit.pdf>

<sup>10</sup> [http://en.cppcc.gov.cn/2025-04/21/c\\_1087174.htm](http://en.cppcc.gov.cn/2025-04/21/c_1087174.htm)

<sup>11</sup> <https://carnegieendowment.org/posts/2023/12/how-has-chinas-belt-and-road-initiative-impacted-southeast-asian-countries?lang=en>

more rapid pace, increasing 52 percent from \$385 billion in 2020 to \$587 billion in 2024 compared with its imports from ASEAN, which increased from \$301 billion to \$396 billion in the same period, a 32-percent rise.<sup>12</sup>

Southeast Asian countries are increasingly alarmed about this shift, which appears to be the result of China's drive to export its overcapacity, coupled with the diversion of China's exports from the United States and the EU to ASEAN in the face of higher tariffs and other trade restrictions. This shift of Chinese exports to Southeast Asia includes not just redirection of trade in intermediate goods, but of exports to ASEAN as an end market, as well documented in a recent Asia Society report.<sup>13</sup> The report notes that the flood of Chinese exports threatens local manufacturing, the largest contributor to ASEAN GDP, and the artificially low-priced goods is hurting the global competitiveness of ASEAN business in sectors key to its growth plans. Some ASEAN governments have imposed anti-dumping duties and other restrictions and others are facing pressure to increase tariffs to curb the Chinese import surge but worry about Chinese retaliation given their dependence on Chinese components.

Although still much smaller than that of the United States, Chinese FDI into ASEAN also has grown significantly over recent years to a high of \$17.3 billion in 2023, comprising 7.5 percent of total inward ASEAN FDI flows. Much of this investment went to the automotive, ICT and electronics, renewable energy equipment, mining, and consumer goods sectors.<sup>14</sup> Even as ASEAN countries value Chinese investment, they are concerned that it will threaten their access to the U.S. market as the U.S. government pressures them to squeeze Chinese inputs out of their supply chains.

### **Rethinking U.S. Economic Strategy**

The United States needs to urgently develop a new economic strategy in Southeast Asia that reflects the importance of this region to long-term U.S. economic interests. The bilateral economic agreements that the U.S. government is negotiating with Southeast Asian countries will yield certain benefits, including elimination of some longstanding trade barriers and additional purchase commitments. But we need to rethink our approach and use carrots, not only sticks, to ensure more durable results that advance U.S. long-term economic and strategic interests.

The United States needs a clear and comprehensive regional economic strategy that:

- Focuses on U.S. long-term economic interests and how best U.S. relations with Southeast Asian nations can be shaped to advance U.S. strengths, including in traditional industries as well as new ones expected to drive U.S. innovation and growth in the future.

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<sup>12</sup> IMF statistics.

<sup>13</sup> <https://asiasociety.org/policy-institute/asean-caught-between-chinas-export-surge-and-global-de-risking>

<sup>14</sup> <https://rhg.com/research/chinas-manufacturing-fdi-in-asean-grew-rapidly-but-faces-tariff-headwinds/>

- Promotes an affirmative economic strategy based on common U.S.-ASEAN interests and win-win outcomes.
- Capitalizes on the interest of ASEAN countries in keeping the United States engaged in the region.
- Fosters ASEAN integration and its key role in promoting regional stability and security.
- Provides certainty and enables the U.S. private sector, already deeply integrated in the region, to further deepen its ties and expand partnerships with ASEAN countries.

## **Recommendations**

Below are five proposals on ways the United States could enhance its role as a leading economic partner in Southeast Asia.

### 1. Build critical minerals supply chains

Even as it seeks to build its own critical minerals production capabilities, the United States should promote development of Southeast Asian critical minerals extraction and processing and U.S.-ASEAN critical minerals supply chains. Over the past several years, the United States has pursued various initiatives to promote development of these supply chains, including through cooperation on mapping, transparency, and information sharing, but progress has been slow.

The United States should pursue critical minerals agreements with select Southeast Asian countries. These agreements should establish criteria for trusted critical minerals supply chains and guaranteed supplies of critical mineral resources for U.S. industry. They should also include traditional trade commitments, including elimination of tariffs and non-tariff barriers, and investment protection to decrease political risk for U.S. companies.

A key obstacle to accelerating this work is financing. In this regard, Japanese government policy may be a model. While the Development Finance Corporation has financed some critical minerals projects, Japan's approach allowed it to reduce its reliance on rare earths from China from 90 percent 2008 to 60 percent in 2023.<sup>15</sup> Japan's Organization for Metals and Energy Security (JOGMEC) -- a Japanese government administrative agency charged with securing stable and affordable energy and mineral resources to strengthen Japan's industrial base and economic prosperity -- has played a central role in this effort<sup>16</sup>. Together with the Japan Bank for International Cooperation, JOGMEC is building critical minerals stockpiles and helping Japanese companies secure

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<sup>15</sup> [https://eneken.ieej.or.jp/en/chairmans-message/chairmans-message\\_202310.html](https://eneken.ieej.or.jp/en/chairmans-message/chairmans-message_202310.html)

<sup>16</sup> [https://www.jogmec.go.jp/english/about/about\\_jogmec\\_01\\_000003.html](https://www.jogmec.go.jp/english/about/about_jogmec_01_000003.html)

critical minerals, including dedicated supply chains to meet their critical minerals demands.

## 2. Conclude plurilateral digital trade agreement

The United States should negotiate a plurilateral digital trade agreement with Southeast Asian countries, drawing from commitments the U.S. government reportedly is pursuing in its bilateral agreements with ASEAN countries. Maintaining U.S. leadership in setting digital trade rules is vital given this sector's role in U.S. innovation and economic growth, and to ensuring the U.S. remains at the forefront of the artificial intelligence (AI) revolution. A plurilateral agreement would extend bilateral commitments to establish common rules across the region. Doing so would prevent fragmented regulation that would make it more difficult for U.S. firms to compete regionally and would support U.S. efforts to counter China's model of digital authoritarianism.

Pursuing a plurilateral agreement would signal U.S. interest in partnering with ASEAN on a priority issue to both. In addition to regionalizing the U.S.-ASEAN bilateral commitments, such an agreement could build upon them, including on AI and AI safety, where Singapore is playing a prominent role.<sup>17</sup> It also could create channels for U.S.-ASEAN private sector cooperation and promote U.S. digital and technology goods and services.

The United States should push forward on this digital trade initiative as soon as possible. ASEAN is negotiating its own Digital Economy Framework Agreement (DEFA), which it hopes to finish later this year. DEFA's core elements include policy issues important to U.S. interests, including digital trade, cross border data flows, data protection, cross-border e-commerce, digital payments, and cybersecurity. Meanwhile, the inclusion of digital economy issues in ASEAN's upgraded China-ASEAN Free Trade Agreement gives China opportunities to influence digital regulation and connectivity in Southeast Asia in ways that could be counter to U.S. interests.

## 3. Promote U.S.-ASEAN-wide customs cooperation

The United States should propose a customs cooperation initiative that demonstrates its willingness to work in partnership with ASEAN to tackle this issue. The U.S. government has made addressing Chinese transshipment through ASEAN countries a priority.

A U.S.-ASEAN customs cooperation agreement would better position ASEAN to deal collectively with transshipment from China. Many ASEAN members already are implementing stricter rules to address transshipment because such activity fuels corruption, hurts domestic businesses, cuts tax revenues, and tarnishes their global reputation. But greater U.S. cooperation with ASEAN as a group would help the region better coordinate enforcement efforts.

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<sup>17</sup> <https://www.imda.gov.sg/resources/press-releases-factsheets-and-speeches/press-releases/2025/singapore-ai-safety-initiatives-global-ai-summit-france>

Such cooperation could include information sharing, joint enforcement actions, and capacity building. The United States also should continue its support of the ASEAN Single Window to promote regional economic integration and enhance transparency, making it more difficult to hide transshipment.

4. Reauthorize the Development Finance Corporation (DFC) and other agencies that support U.S. trade

Congress should fully fund U.S. economic statecraft tools, including reauthorization of the DFC this year. The DFC has numerous projects in Southeast Asia focused in such areas as infrastructure, healthcare, technology, financial services, and clean energy, advancing over \$2 billion in private sector investment across the region.<sup>18</sup> Such funding could support U.S. private sector development of Southeast Asian critical minerals and other priority U.S. projects. Similarly, Congress should reauthorize the Export-Import Bank next year and ensure adequate funding for the U.S. Trade and Development Agency to promote U.S. exports.

5. Regionalize trade commitments

The United States should consider regionalizing the trade commitments it has negotiated bilaterally with ASEAN countries, building these trade agreements into a regional agreement. Such an agreement should be open to countries willing to meet U.S. requirements, as several Southeast Asian countries have demonstrated their ability to do.

The agreement should consolidate and expand bilateral ASEAN commitments to eliminate tariff and nontariff barriers in goods and services across the region. It should include tight rules of origin that limit non-parties from benefitting from the agreement. It also should require new commitments on customs and trade remedies. The agreement should include rules in areas critical to U.S. competitiveness, including intellectual property, investment, competition policy, labor, and environment, as well as economic security measures.

In exchange, the United States should gradually eliminate tariffs on imports from Southeast Asian parties to the agreement. Doing so would incentivize Southeast Asian countries to commit to U.S. standards and to alter supply chains in ways that can promote U.S. manufacturing and exports. It also would have the broader benefit of strengthening ASEAN's position regionally, supporting U.S. broader strategic interests.

Again, thank you for the opportunity to share my views on how the U.S. Government can strengthen its economic ties to ASEAN at this crossroads. I look forward to your questions.

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<sup>18</sup> [https://asean.usmission.gov/the-united-states-asean-relationship-3/#:~:text=The%20U.S.%20International%20Development%20Finance%20Corporation%20\[DFC\],to%20driving%20more%20investments%20across%20the%20region.](https://asean.usmission.gov/the-united-states-asean-relationship-3/#:~:text=The%20U.S.%20International%20Development%20Finance%20Corporation%20[DFC],to%20driving%20more%20investments%20across%20the%20region.)