

The China-U.S. Tech War Under Trump 2.0: Implications for Southeast Asia

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Following Donald Trump's inauguration, the world nervously awaits America's next move. During his first term, Trump was widely regarded as the architect of the U.S.-led technology war against China. It all started in 2018, when the Trump administration prohibited the use and further procurement of Huawei telecommunication equipment from all U.S. government agencies (Tellez, 2023). This decision triggered a cascade of subsequent sanctions targeting key Chinese technology enterprises. By leveraging the U.S.' advanced and globally integrated science and technology ecosystem, Trump aimed to derail China's rapid technological rise and solidify American dominance in global technology (Haiyong, 2019). The Biden administration also appeared to share similar concerns regarding China's tech industries, and despite their many differences, Biden chose to retain the Trump administration's trade policy on China.

In 2022, Biden signed the bipartisan CHIPS and Science Act, or the "CHIPS Act," aimed at bolstering domestic semiconductor manufacturing by providing government incentives to accelerate research and development (R&D) in critical technologies while restricting semiconductor investments in "countries of concern" such as Iran, Russia, North Korea, and China (Badlam et al., 2024). In contrast, Trump, despite sharing concerns about technological dependency, has criticized the CHIPS Act, arguing that tariffs would be more effective than incentives in reshoring semiconductor production (Dumas, 2025). This difference underscores a broader divergence in their approaches: the Trump administration relied on unilateral measures such as tariffs and export controls, while the Biden administration has pursued a multilateral strategy aimed at isolating China from the global technology supply chain.

During recent presidential campaign, Trump initially promised a 60 percent tariff on Chinese goods. However, he has since softened his stance, stating that he would "rather not" impose such high tariffs on China, and instead proposed a 10 percent tariff (CNA, 2025). As many experts have predicted, Trump is likely to use tariffs as a tool to pressure nations into negotiations, aiming to secure deals favorable to the U.S. But the threat of tariffs remains imminent; hence, it is likely that the market will continue to *engineer* alternative supply chains to bypass U.S. tariffs on Chinese companies. Southeast Asia stands at the forefront of this trend,

offering a large domestic market, competitive labor costs, and a relatively stable geopolitical landscape (excluding Myanmar).

Southeast Asian countries like Malaysia, Vietnam, and Thailand have become major beneficiaries of the “Southeast Asia-washing” phenomenon by positioning themselves as competitive alternatives for companies seeking to bypass U.S. tariffs. Under the Biden administration, market forces and government incentives have driven significant foreign investment into the region. For example, Intel is investing \$7 billion in Malaysia, alongside AI and cloud computing investments from Nvidia, Google, and Microsoft (Ruehl, 2024; Abuza, 2024). Vietnam has attracted \$460 million in data center investments following recent legal reforms allowing full foreign ownership (Crawford, 2024), while Thailand’s National Board of Investment approved \$2 billion in new projects, including Google’s \$1 billion hyperscale data center (Browne, 2024). However, Trump’s return could severely disrupt these dynamics, reshaping Southeast Asia’s role in global supply chains.

On the other hand, Southeast Asian countries have also generally welcomed Chinese digital investments in the region. Companies like Huawei, Alibaba, and Tencent maintain a significant presence in Southeast Asia’s e-commerce and digital infrastructure sectors. In Indonesia, Chinese companies have also made substantial investments in the country’s electric vehicle (EV) projects. Southeast Asian countries have managed to secure investments from both sides by staying neutral and, to an extent, staying out of the U.S.-China conflict.

Recent developments may offer a glimpse into the future of Southeast Asia’s tech ecosystem. On December 2, 2024, the Bureau of Industry and Security (BIS) introduced a new Foreign-Produced Direct Product Rule (FPDR)¹, adding Singaporean and Malaysian chip companies to its Entity List² (CSIS, 2024). Moreover, all Southeast Asian countries, except Cambodia and Myanmar, are now subject to a U.S.-designed “global licensing” system, which allows the U.S. to impose caps and restrictions on these nations’ access to U.S.-made chips. It also limits their ability to export products with advanced computing capabilities (BIS, 2025).

These export controls will likely result in reduced profitability and competitiveness for Southeast Asia’s semiconductor industry. The complex legal processes will significantly increase

¹ The FPDR is a provision that allows the United States government to place controls on the transfer of certain items made abroad, given that the good was produced using American technology or inputs (NARA, 2025).

² The Entity List is a trade restriction list published by the Department of Commerce that consists of foreign persons, entities, or governments. Entities on the List are subject to U.S.’ license requirements for the export of certain items (BIS, 2024).

operational and compliance costs, while restrictions on the legally permitted use of U.S.-made chips could severely diminish the incentives for major chip producers, such as Intel and AMD, to engage in R&D collaborations with their Southeast Asian counterparts. Additionally, the Trump administration is likely to leverage the threat of tariffs to enforce compliance or, at the very least, negotiate terms that favors or brings more value to the U.S.

Over the past decade, some Southeast Asian countries have capitalized on the U.S.-China tech war by positioning themselves as “neutral havens”, attracting both Western and Chinese investments. However, in the second Trump administration, they may face significantly greater challenges than during the first Trump term or the Biden administration. To attract more investments, Southeast Asian countries must focus on establishing their competitive advantages and carving out niches in high-tech industries. Additionally, the country that can most effectively negotiate with the U.S. to secure favorable terms, such as temporary exemptions from export restrictions or R&D collaborations is likely to gain a significant competitive edge over its regional counterparts.

Short Bio

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