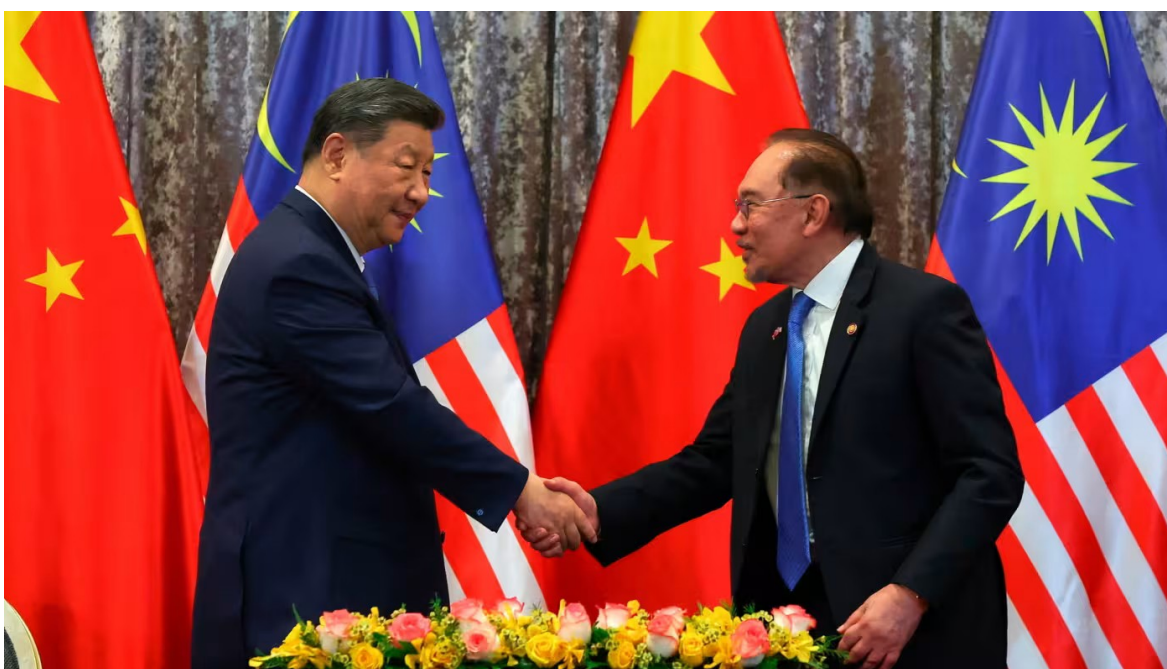


## US-China trade dispute

# US-China trade war is pushing Asian nations to pick sides, ministers warn

Malaysia and Singapore find harder to maintain neutrality as geopolitical tensions grow



China's President Xi Jinping, left, with Malaysia's Prime Minister Anwar Ibrahim. The tariff war between Beijing and Washington is causing deep concern in south-east Asia © Fazry Ismail/Pool/AFP/Getty Images

**Owen Walker** in Singapore

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The trade war between the US and China is putting south-east Asian countries under increasing pressure to pick sides between the world's two biggest economies, government ministers have warned.

"China is looking and watching," Malaysian trade minister Zafrul Aziz, who is leading tariff negotiations with Washington on behalf of the Association of Southeast Asian Nations, told the Financial Times.

"They are saying, 'Whatever you give to the US, we want the same because whatever you give to the US is at our expense,'" Zafrul said.

Zafrul's comments, echoed on Thursday by a warning from [Singapore's](#) trade minister that neutrality in the region was becoming harder to maintain, highlight the rising tensions between Washington and Beijing since US President Donald Trump unveiled a [package of tariffs](#) last month.

Zafrul said the economic decoupling of the US and China was putting pressure on countries in south-east Asia — many of which are important hubs in supply chains linking the two economic superpowers — to pick one side over the other.

"We have to balance it by not choosing a side and by understanding each side's concerns," Zafrul added. "All countries in the region are having to navigate that

concerns, Zafrul added. All countries [in the region] are having to navigate that. It is tough.”



Malaysian trade minister Zafrul Aziz said nations in the region were having a ‘tough’ time navigating US-China trade tensions © Kim Hong-Ji/Reuters

Gan Kim Yong, Singapore’s trade minister and deputy prime minister, said the city-state had avoided neutrality as its international policy, but was [finding it harder to maintain ties](#) with both the US and China as the divide between them grew.

“If you try to be neutral and walk the middle road, the road is getting narrower and narrower, eventually it will be a knife edge and you won’t be able to stand up,” Gan told a UBS conference on Thursday. “The key is we have to take sides, we have to take positions, we have to really do so based on principles.”

But he said the approach taken by Singapore — which plays a critical role linking China to the west — was to adopt positions on contentious geopolitical issues based on its own national concerns, rather than to side with one country over another.

South-east Asian countries were among the worst-hit by the package of “reciprocal” tariffs announced by Trump last month, with some, such as Vietnam and Cambodia facing levies of more than 40 per cent because of their large trade surpluses with the US.

Soon after the tariffs were unveiled, Chinese President Xi Jinping [embarked on a tour](#) of Vietnam, Malaysia and Cambodia, seeking to strengthen ties and secure its influence in the region.

Beijing has [criticised a deal](#) struck between the US and the UK this month, which it believes could be used to squeeze Chinese products out of British supply chains.

Washington has granted a 90-day reprieve to provide affected countries a window to negotiate. Zafrul has since been in talks with US commerce secretary Howard Lutnick and trade representative Jamieson Greer, including at an Asia-Pacific Economic Cooperation gathering in South Korea last week.

“They seem to understand [our position],” said Zafrul. “But the caveat is, they still need to convince the boss. This still depends on Trump.”

He added that if Washington were to implement tariffs specifically targeting the chipmaking industry, it would [have a “big impact”](#) on his own country’s economy since semiconductors account for more than 60 per cent of Malaysia’s exports to the US.

“This is an ecosystem that has been built over 60 years,” he said. “For each multinational that is present in Malaysia doing this business, there are at least a few hundred Malaysian companies supporting it.”

Heads of state and government from Asean and the Gulf Cooperation Council countries will gather in Kuala Lumpur next week to try to build a broad trade agreement between the two blocs against the backdrop of a collapse in the world trading system. Chinese Premier Li Qiang will also attend.

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