ASIA MONTHLY

August 2026

Japan Research Institute

This report is the revised English version of the August 2026 issue of the original Japanese version (published on July 29).

Topics *Shift from "Made in China" to "Made by China"*

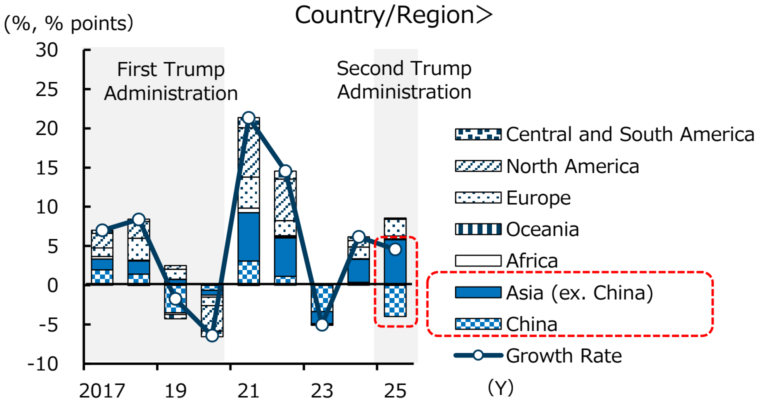
U.S. imports from China have fallen sharply, while imports from Vietnam have increased significantly. Because Vietnam imports raw materials and components from China, the focus of U.S. tariff policy is likely to pivot from "Made in China" to "Made by China."

■ Sources of U.S. imports are shifting from China to other parts of Asia

U.S. import patterns changed markedly in 2025. To show how import sources have changed, U.S. import statistics have been classified by region (see figure). Asia is divided into China and Asia ex. China to illustrate which region has replaced exports from China, which were subject to high reciprocal tariffs.

In 2025, U.S. imports grew by a solid 4.6% year over year (YoY). Looking at contributions by country/territory/region, the contribution of imports from China fell sharply, making China's contribution -4.0 percentage points. Meanwhile, contributions from Europe and Asia ex. China increased, registering +2.1 percentage points and +5.8 percentage points, respectively.

<U.S. Import Growth Rates and Contributions by Country/Region>



Note: Prepared by JRI based on data from U.S. Census Bureau

In the case of Europe, two countries, Ireland and Switzerland, account for 90% of that region's contribution. Ireland's increased contribution reflects higher imports of pharmaceuticals and raw ingredients for them, while Switzerland's reflects higher imports of precious metals. Both rises were driven by front-loaded imports following the announcement of reciprocal tariffs, meaning they are largely unrelated to the decline in imports from China.

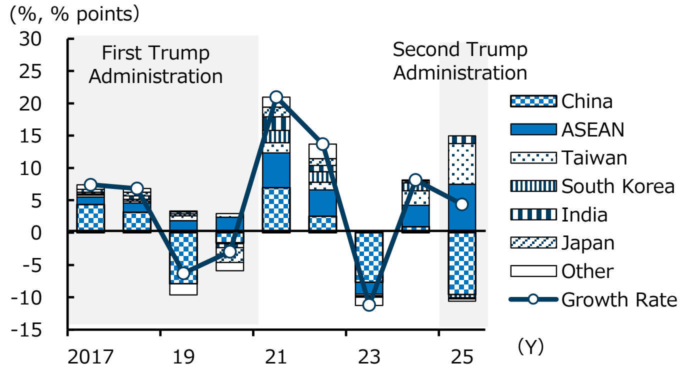
By contrast, the contributions of China and Asia ex. China more or less offset each other. This is the result of exports to the U.S. from Asia ex. China replacing those from China, and indicates that a major supply chain restructuring took place in 2025.

■ Vietnam's exports are being supported behind the scenes by China

Which specific countries make up "Asia ex. China"? U.S. imports from Asia increased 4.4% YoY. Regarding the contributions of China, ASEAN, Taiwan, Korea, India, Japan, and other Asia constituents, ASEAN and Taiwan contributed +7.7 percentage points and +6.3 percentage points, respectively, offsetting China's –9.6 percentage-point contribution and lifting U.S. imports from Asia overall.

The increase in imports from Taiwan reflected a surge in imports of servers resulting from the AI investment boom. Server imports rose an astonishing 164.8% YoY to $163.6 billion in 2025, and they became the largest import item at the U.S. HTS six-digit level. However, China's share of U.S. server imports had already fallen to 2.9% in 2020, and continued declining thereafter, so this was not a case of Taiwan replacing China as a source of servers.

<Growth Rates of U.S. Imports from Asia and Contributions by Country/Territory/Region>



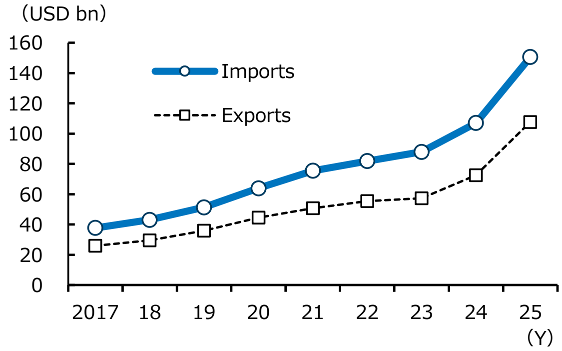
Note: Prepared by JRI based on data from U.S. Census Bureau

The region that increased its exports by replacing exports from China was ASEAN. Within ASEAN, contributions varied widely, with Vietnam's at +4.2 percentage points and Thailand's at +2.1 percentage points. These two countries accounted for 80% of ASEAN's total contribution. Vietnam now supplies 42.7% of U.S. imports from ASEAN, making it ASEAN's largest import source for the U.S.

Vietnam has become the largest supplier, and replaced China, across numerous product categories. For example, looking at U.S. imports of notebook PCs in 2025, Vietnam's share soared to 61.3% from 27.2% the previous year, while China's plunged from 66.1% to 17.8%. Behind this shift is the fact that Taiwanese EMS (electronics manufacturing services) firms have reduced production capacity in China while expanding capacity in Vietnam through direct investment.

However, it must be noted that Vietnam's rapid emergence as a major export hub owes a great deal to it importing large quantities of components from China. Vietnam's imports of computers, electrical products, and components for them have increased in step with the rise in its exports, and China's share of these imports continues to climb, reaching 35.1% in 2025.

<Vietnam's Trade in Computers, Electrical Products, and Components for Them>



Source: Prepared by JRI based on data from CEIC

■ "Blanket threshold" based on value added may be introduced

The structure of U.S. imports has not changed even as of 2026. U.S. imports from China in January–April 2026 amounted to $80.7 billion, registering a YoY decline of 37.0%, while imports from ASEAN rose 33.1% to $178.6 billion, a figure 2.2 times larger than that for imports from China. As a result, the U.S. trade deficit with China in January–April 2026 fell to $43.9 billion, half the level of the same period a year earlier, whereas the trade deficit with ASEAN increased by $33.8 billion to $126.9 billion, 2.9 times the size of the deficit with China.

The Trump administration's tariff policies have succeeded in reducing the bilateral trade deficit with China, but they have not reduced the overall trade deficit, and the extent of the reduction in "dependence on China" has not been as great as country-level import statistics would suggest. For this reason, there is a high likelihood that criticism will re-emerge within the U.S. government that China is expanding "circumventing exports," i.e., exports via third countries, in order to evade tariffs.

Although the Trump administration has strengthened waterfront measures to crack down on falsified certificates of origin and similar practices, Wendy Cutler, former Acting Deputy U.S. Trade Representative (USTR), argued in April 2026 that such measures cannot be sufficiently effective on their own, and that U.S. tariff policy will therefore move toward establishing a "blanket threshold" for the share of Chinese value added in imported goods, with additional tariffs imposed on imports that exceed that threshold.

This suggests that the focus of the Trump administration's tariff policy will shift from combating "Made in China," with the aim of reducing the bilateral trade deficit with China, to tackling "Made by China," with the goal of excluding Chinese firms positioned along global supply chains. If the threshold is set at a low level, it would weigh not only on China but also on the economies of countries that have been replacing China's exports to the U.S., and firms that have used Vietnam as a substitute export base in place of China would be forced to undertake yet another round of supply chain restructuring. For this reason, close attention will need to be paid to how the debate surrounding "circumventing exports" evolves.

(Yuji Miura)

Topics *Will GBA–ASEAN cooperation develop?*

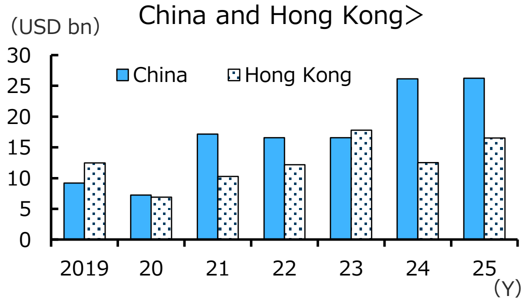
Economic cooperation between the Guangdong–Hong Kong–Macao Greater Bay Area (GBA) and ASEAN is strengthening. However, given differences in corporate competitiveness on each side as well as disparities in systems and stages of development within ASEAN, it is uncertain whether the cooperation will develop in a balanced manner.

■ The GBA and ASEAN are aiming for two-way economic cooperation

There are growing moves to expand the exchange of capital, technology, and human resources between the GBA (which consists of Hong Kong, Macao, and nine cities in Guangdong Province) and ASEAN.

On the Chinese side, issues such as slower economic growth and so-called "involution," manifested in excessive price competition among firms, are becoming more severe, and companies are increasingly seeking new growth opportunities in overseas markets such as ASEAN. Direct investment from mainland China and Hong Kong into ASEAN is also increasing.

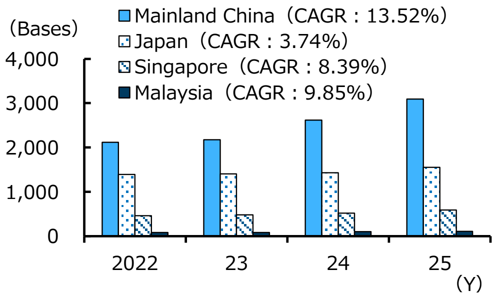
<Direct Investment in ASEAN from China and Hong Kong>



Source: Prepared by JRI based on data from ASEANstats

Meanwhile, on the ASEAN side, not only is investment from Chinese companies being accepted, but efforts are also being made to expand business with China through the export of agricultural products, food, consumer goods, and tourism services to the GBA market, and the securing of local financial and business partners. There is also the aim of upgrading domestic industries by bringing in the GBA's financial resources, manufacturing technology, and R&D capabilities. In particular, if technology transfer and productivity improvements progress in the manufacturing and digital fields, medium- to long-term economic growth potential could be strengthened.

<No. of Foreign Companies with Bases in Hong Kong>



Source: Prepared by JRI based on data from Hong Kong Census and Statistics Department
Note: CAGR figures are average growth rates for 2022–25.

Hong Kong is attempting to play the role of intermediary for this two-way economic cooperation, and the number of ASEAN companies, including ones from Singapore and Malaysia, establishing bases in Hong Kong is increasing alongside the influx of mainland Chinese firms. Hong Kong offers international financial markets, offshore renminbi transactions, and a legal system based on common law, as well as well-developed functions in areas such as arbitration, accounting, taxation, and logistics. For Chinese companies, Hong Kong can provide the financing and professional services necessary for expanding into ASEAN, while for ASEAN companies, it can serve as a gateway for business cooperation with GBA firms and entry into the mainland Chinese market.

■ Two "gaps" will hinder two-way cooperation

However, even if cooperation offers benefits to both sides, the flow of capital, technology, and goods will not necessarily develop in a win-win manner. This reflects two structural barriers: the disparity between GBA and ASEAN companies, and disparities within ASEAN itself.

More specifically, the first barrier is the gap in competitiveness between GBA companies and ASEAN companies. At present, GBA firms have advantages in terms of financial strength, technological capability, supply chains, and experience of overseas expansion, and for the time being, investment and exports in the GBA-to-ASEAN direction are likely to come first. In fact, Chinese companies, which have already honed their competitiveness amid intense price and development competition domestically, are accelerating their moves into ASEAN markets, leveraging their speedy product development capabilities and strong cost leadership to do so. ASEAN's imports from China have increased significantly in recent years, and the gap with exports to China has widened. The inflow of inexpensive and high-quality products will benefit

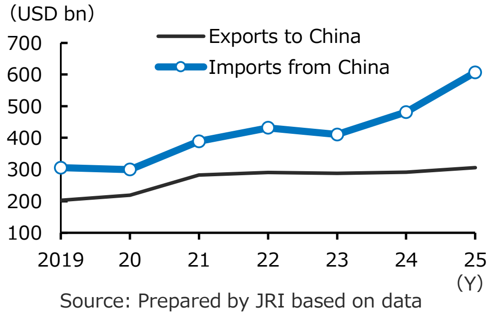
ASEAN consumers, but it is highly likely to put pressure on the profits, capital investment, and employment of local firms.

By contrast, the barriers faced by ASEAN companies when entering the GBA market, and then the mainland Chinese market, are high. In China's consumer market, sales methods involving major e-commerce platforms, social media, and live commerce change rapidly, and product life cycles are short. ASEAN companies lack the means to quickly grasp local preferences and reflect them in product development, production, and sales strategies, making it difficult for them to keep pace amid such a demanding environment.

The second barrier is development gaps within ASEAN. Although ASEAN is attempting to act as a single economic bloc in advancing cooperation with the GBA, there are significant differences among member countries in terms of income levels and industrial structures. Investment from the GBA in high-value-added sectors is likely to be concentrated in a limited number of countries, namely ones with higher income levels, well-developed institutions and infrastructure, or growing manufacturing clusters. For this reason, strengthening cooperation with the GBA carries the risk of further widening and entrenching industrial disparities within ASEAN.

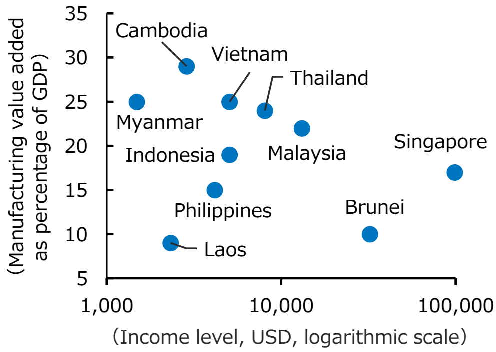
Such differences in stages of development could also disadvantage ASEAN companies in business negotiations with GBA firms. Although ASEAN is working to advance harmonization and mutual recognition of institutions, the degree of progress varies by country and by field, and many issues still need to be addressed before payments, data flows, authentications, and other functions can operate in an integrated manner across the region. Given this situation, if individual countries seek to attract investment from GBA or mainland Chinese companies on their own, competition in terms of tax incentives, subsidies, land provision, and so on could easily arise. This would increase the likelihood of terms favorable to the GBA side being offered, which poses the danger that the position of ASEAN as a whole will be weakened.

<ASEAN's Trade with China>



Source: Prepared by JRI based on data from ASEANstats

<Income levels and manufacturing's share of GDP>



Source: Prepared by JRI based on data from World Bank

■ Policy-driven cooperation comes with risks

In considering the outlook for GBA–ASEAN cooperation, attention also needs to be paid to its policy-driven nature. The GBA is a regional development initiative being promoted by the Chinese government as a national strategy, and the direction of and priority areas for cooperation with ASEAN are greatly influenced by China's industrial and external economic policies. If the Chinese government were to strengthen regulations concerning economic security, data management, advanced technology, or capital movement, joint projects with ASEAN companies conducted via Hong Kong would not be immune to the effects.

This also has implications for ASEAN's diplomatic strategy. ASEAN countries have so far adopted a balanced strategy, maintaining friendly diplomatic relations with both the U.S. and China. However, the more ASEAN deepens cooperation with the GBA, the more likely it becomes that, in exchange for economic rewards, ASEAN will find itself subject to Chinese political pressure to align its positions with China, increasing the risk that relations with the U.S. will deteriorate.

At present, ASEAN's focus is on economic gains and industrial upgrading, and preparations for the kinds of risks described above cannot necessarily be considered sufficient. For cooperation between the GBA and ASEAN to develop further and bring sustained benefits to both regions, it will be necessary to clear such barriers and risks one by one.

(Zijing Wu)