



U.S. Tariff Update: What Do the Busan and KL Tariff Deals Mean for ASEAN Exporters?

Executive Summary

The United States has taken two important, and somewhat contrasting, tariff steps this week:

1. With China (Busan, 30 Oct 2025): President Donald Trump announced that the effective U.S. tariff burden on Chinese goods will be reduced “from about 57% to about 47%” following his meeting with President Xi Jinping in Busan. This reduction is achieved mainly by cutting the fentanyl-related surcharge from 20% to 10% and by pausing certain escalation measures that had been threatened for 1 November. This is a de-escalation but not a rollback to pre-2025 levels. It is based on the President’s public statement and press reporting, not yet a consolidated CBP/USTR tariff table.
2. With ASEAN (KL, 26–28 Oct 2025): On the margins of the 47th ASEAN Summit in Kuala Lumpur, the U.S. confirmed or initialed a set of “reciprocal tariff frameworks” with several ASEAN members — notably Malaysia, Cambodia, Thailand and Vietnam — broadly aligning them with the 19–20% U.S. reciprocal tariff band that has applied since the July 31 / 7 Aug 2025 tariff modification. These frameworks give exporters in those countries predictability and open the door to sectoral carve-outs (e.g. Vietnam coffee, Malaysia aerospace/pharma, critical minerals cooperation).

For DFDL clients exporting to the U.S. or routing goods with China-origin components through ASEAN, this is a good moment to re-check origin, routing, and HS-line exposure. The new arrangements buy time, but they do not remove the core “reciprocal” architecture the Trump Administration has been building through 2025.

1. The Busan Trump–Xi Meeting: What Actually Changed?

What was announced?

- President Trump said U.S. tariffs on China would “fall to about 47% from 57%” after his talks with Xi. The reported reason: the fentanyl-linked tariff on Chinese goods will be cut from 20% to 10%.
- China, in return, agreed to delay for one year its planned export controls on rare earths and critical minerals, a major concern for U.S. manufacturers.
- China also signaled resumption of agricultural purchases from the U.S. (soybeans and related lines), which the U.S. has been demanding.

What this figure is — and is not

- The “57% → 47%” is a presidential/political figure repeated by Reuters and the Guardian, reflecting stacked measures on China at that point in time (reciprocal baseline + fentanyl measure + earlier China-specific actions). It is not yet a single, line-by-line tariff schedule published by CBP/USTR.
- Until a Federal Register notice or CBP Cargo Systems Messaging Service (CSMS) message is issued, importers should continue to classify and enter at the actual rate that applies to their HTS line.

What was paused?

- Ahead of Busan, Washington had been threatening tariffs of up to 100% on Chinese imports if no deal was reached by 1 November; that escalation is now paused under the “framework” agreed. This lowers immediate risk but keeps leverage in place.

Why it matters to ASEAN clients

- Many ASEAN exporters ship goods that embed PRC content and some are even “transshipped” through such countries. U.S. authorities have been actively using transshipment/China-evasion tools (the 40% penalty that has appeared in several 2025 client alerts) — and those tools will remain relevant even after Busan. So the China truce reduces the top-end shock, but does not weaken U.S. scrutiny of ASEAN supply chains.

2. Kuala Lumpur ASEAN Meetings: What Did ASEAN Get?

Dates & context: 26–28 October 2025, Kuala Lumpur, 47th ASEAN Summit and related meetings.

Key U.S.–ASEAN tariff signals:

1. Confirmation of the 19–20% band

- Malaysia, Thailand, Cambodia and the Philippines all appear in U.S. briefings in the 19% band; Vietnam stays at 20% but now has a coffee carve-out announced by Trump on 27 October.
- These figures align with what we have been tracking since the July 31 (effective 7 Aug) tariff modification, so KL is best seen as a locking-in and political endorsement rather than a brand-new rate.

2. Selective carve-outs / sectoral doors

- Vietnam coffee: Trump said the 20% U.S. tariff on Vietnamese coffee will be lifted under the new U.S.–Vietnam deal. Details, including HS coverage and rules-of-origin tests, still have to be published — so treat this as “announced but not yet operational.”
- Malaysia: Reporting from KL suggests Malaysia secured improved treatment for aerospace, pharmaceuticals and certain commodities in exchange for trade-facilitation and alignment on critical-minerals policy.
- Critical minerals / rare earths: Several ASEAN states signaled willingness not to impose export bans to the U.S., reinforcing Washington’s effort to diversify away from China. This mirrors the Chinese one-year pause, but from a different angle.

3. Why ASEAN agreed

- The U.S. is now using the same template across multiple partners: accept a U.S. “reciprocal” rate in the high-teens/20% area → get predictability + targeted U.S. market access + political upgrade.
- For ASEAN states who fear being swept into the China tariff dragnet, this is a pragmatic outcome.

3. What Stays in Force (and Still Hurts)

1. Transshipment / China-origin penalties

- The U.S. has repeatedly warned that goods routed through Vietnam (and, in practice, through Thailand or Malaysia) that are actually of Chinese origin or substantially Chinese can be hit with penalty rates up to 40%. Nothing in Busan or KL softens that. This should remain a red-flag point in every origin review and in every long-term supply agreement.

2. Sectoral U.S. actions continue

- Separately from the Busan and KL announcements, Trump's October 17 order imposing 25% on imported medium-/heavy-duty trucks and 10% on buses (effective 1 November) is still moving ahead. That can stack on top of the ASEAN/China country rate when the goods fall in those HS lines.

3. De-minimis tightening

- The July–August 2025 orders that curtailed / effectively ended the USD 800 de-minimis route for most China/Asia e-commerce parcels remain an important practical issue for consumer-goods exporters in ASEAN. KL did not reopen this.

4. Action Points for DFDL Clients

1. Update customs broker instructions (U.S.)

- Tell U.S. brokers to watch for the implementing notice of the Busan China reduction (20% → 10% fentanyl tariff). Until CBP publishes, enter at the existing rate.

2. Refresh origin / routing documentation

- For Vietnam, Thailand, Malaysia and Cambodia suppliers: update supplier declarations to show legitimate non-China origin and, where relevant, substantial transformation in ASEAN. This is your best defense against the 40% transshipment penalty. Continue to be wary of supply sources that might raise a UFLA review.

3. Model landed cost scenarios

- Run two scenarios for PRC goods:
 - if the U.S. reduction to "about 47%" is fully implemented, and
 - if talks falter and the threatened higher China rate returns in Q1 2026.
- This will help in contract negotiations and price-review clauses.

4. Contractual clauses for 2026 deliveries

- Insert tariff-change and origin-challenge clauses in supply and distribution contracts. Link them to: (i) modifications to reciprocal tariffs; (ii) U.S. transshipment findings; (iii) re-escalation with China.

5. Monitor USTR/CBP, not just press

- Because the “57% → 47%” is a political number, in-house teams should keep checking:
 - USTR announcements;
 - CBP CSMS; and
 - Federal Register.
- DFDL can help clients bridge the gap between what was said in Busan/KL and what can actually be claimed at the time of entry.

Annex A – Garments, Textiles & Apparel

1. U.S. Tariff Exposure (as of 31 Oct 2025)

Origin	Tariff Band	Notes
China	~47 % (effective rate after Busan truce)	High due to stacked Section 301 + reciprocal surcharges; apparel remains politically sensitive.
Vietnam	20 %	No change from Aug 7 order. Coffee carve-out only; textiles still covered.
Cambodia / Thailand / Myanmar	19 % (reciprocal)	Confirmed under KL framework.
Indonesia / Philippines / Malaysia	19 %	Stable.

2. Opportunities

- Predictability: 19–20 % locked in for 2026 contracts.
- ASEAN sourcing advantage: 20 % vs. China’s 47 % makes ASEAN sourcing more attractive for U.S. brands.

3. Compliance Risks

- Transshipment (40 %): Chinese fabrics or cut-and-sew in VN/TH flagged as PRC origin.
- Country-of-origin labeling: Must show substantial transformation (yarn-forward or assembly-forward).
- De-minimis closure: Direct-to-consumer shipments > USD 800 → full tariff now applies.

Annex B – Electronics, Semiconductors & ICT Devices

1. U.S. Tariff Exposure

Origin	Tariff Band	Key Details
China	~47 %	Busan truce prevents 100 % tariff; high-tech (AI chips, blacklisted items) remain restricted.
Malaysia / Thailand / Philippines	19 %	KL deals confirmed reciprocal rate; U.S. investment incentives for domestic assembly announced.
Vietnam	20 %	Remains under reciprocal framework.
Singapore	10 % baseline	No reciprocal rate imposed due to high-tech treaty alignment.

2. Opportunities

- “Friend-shoring” drive: U.S. OEMs actively shifting final assembly to MY, TH, VN to bypass PRC tariffs.
- Critical-minerals clause: ASEAN commitments to keep export channels open favor local component suppliers.

3. Compliance Risks

- PRC components: PCBs, wafers, or sub-assemblies of Chinese origin → Section 301 liability.
- Technology transfer controls: Dual-use electronics → ITAR/EAR scrutiny; coordinate with U.S. export-control counsel.
- Rules-of-origin: Minimum 35 % ASEAN value-addition advisable to sustain non-China classification.

Annex C – Food, Agriculture & Beverages

1. U.S. Tariff Exposure

Origin	Tariff Band	Notable Updates
China	~47 %	Agricultural goods excluded only for U.S. imports into China, not the reverse.
Vietnam	20 % (coffee exemption pending)	Trump announced coffee tariff removal Oct 27 – awaiting Federal Register notice.
Thailand / Malaysia / Indonesia	19 %	Stable reciprocal rates.
Cambodia / Laos / Myanmar	19–25 %	Some agricultural-health certification issues may trigger higher rate.

2. Opportunities

- Vietnam coffee: Once exemption formalized, zero % entry → major boon to VN exporters, ASEAN roasters.
- Palm oil, rubber, cocoa: Malaysia’s deal protects exports via sectoral carve-outs.
- U.S. importers: Likely to favor ASEAN suppliers as Chinese agri-tariffs remain high.

3. Compliance Risks

- Country-of-origin marking for processed foods with PRC ingredients.
- U.S. FDA registration required even if tariff reduction applies.
- Rules-of-origin for blended products (e.g., instant coffee mixes).

Annex D – Automotive & Transport Equipment

1. U.S. Tariff Exposure

Origin	Tariff Band	Additional Measures
China	~47 % + possible 232 actions	Threat of 100 % deferred; certain EV & battery lines face 232 national-security review.
ASEAN (MY, TH, PH, VN)	19–20 %	Confirmed reciprocal frameworks – KL sign-offs.
Global (all origins)	+25 % (medium/heavy trucks) + 10 % (buses)	Sectoral tariffs effective 1 Nov 2025; cumulative with reciprocal country rates.

2. Opportunities

- Localization credits: 3.75 % U.S. production credit for domestically assembled vehicles → supply-chain incentives.
- Thailand & Malaysia: Positioned as U.S.-friendly assembly bases; potential for joint ventures.

3. Compliance Risks

- Stacking of tariffs: ASEAN 19 % + 25 % truck tariff = 44 % effective.
- Component traceability: PRC batteries → full Section 301 exposure even if final assembly in ASEAN.
- Certification: Ensure Form A/ROO certificates align with reciprocal frameworks to avoid 40 % transshipment penalty.

Key Contact



David Doran

Founding Partner,
Head of Trade and Tariffs Practice

david.doran@dfd.com