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Strategic Studies Program

For better or worse— understanding the Trump 2.0 Foreign Policy

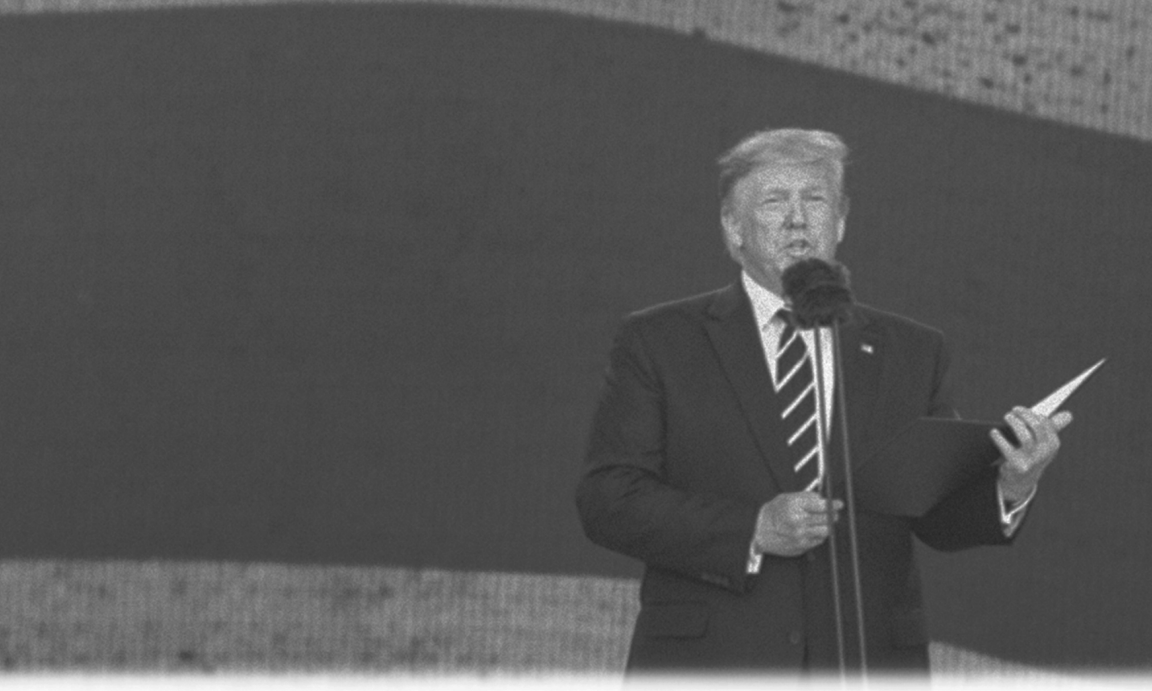
**The Katipunan Dialogue Podcast Season 5
Episode 1**

Maria Almira V. Abril



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Table of Contents

For better or worse - understanding the Trump 2.0 Foreign Policy

The Katipunan Podcast Season 5 Episode 1

1

Maria Almira V. Abril

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PROCEEDINGS

Diplomacy in the Age of Technological Disruption



PROGRAM ON ESCAPING THE MIDDLE - INCOME TRAP: CHAINS FOR CHANGE

TARIFF SHOCK: HOW THE NEW U.S. DUTIES COULD CUT PHILIPPINE EXPORTS BY USD 2.2 BILLION

Annette Balaoing-Pekmans, PhD

EXECUTIVE SUMMARY

On August 7, 2025, the United States imposed a uniform 19 percent tariff on most Philippine exports, pursuant to US Executive Order No. 14257 and subsequent bilateral negotiations. While this tariff excludes some high-value sectors, namely electronics and machinery, it still affects approximately one-third of total Philippine exports to the U.S., particularly labor-intensive goods such as garments, footwear, and tobacco. The new U.S. measure marks a turning point in global trade relations, signaling a preference for bilateral leverage over multilateral discipline.

Using detailed 2024 trade data and product-level elasticities, this policy brief simulates the short-term impact of the new tariff regime. Results suggest a projected fall in Philippine exports to the U.S. from USD 14.4 billion to USD 11.5 billion, leading to a projected trade loss of USD 2.2 billion in the latter half of 2025 alone. While some product lines may benefit from a reduced tariff relative to their previous Most Favored Nation (MFN) rates, these are marginal and do not offset losses in major product categories.

This analysis provides empirical grounding for urgent policy decisions. It also highlights the need for strategic adaptation through domestic procurement reform,

industrial upgrading under the Trade Policy Strategy, and regional coalition-building. This brief is the first in a series. A forthcoming companion note will explore the broader strategic implications of large economies overruling optimal tariff strategies and the risks this poses to global trade stability.

BACKGROUND: A SHIFT IN GLOBAL TRADE STRATEGY REFERENCES

The new U.S. tariff on Philippine exports is part of a broader realignment of American trade policy. US Executive Order No. 14257, issued on April 2, 2025, authorizes "reciprocal tariffs" on selected partners deemed to "benefit" from asymmetric trade relations. While nominally framed as a response to policy misalignment, the measure serves a deeper purpose: realigning trade flows around U.S. investment security priorities and national interest (White House 2025a).

The Philippines is certainly not alone. Laos and Myanmar face tariffs of up to 40 percent under the same framework, while Japan secured sector-specific carve-outs such as a 15 percent ceiling on auto imports. Moreover, OECD has described this as a dual-track strategy: positive tariffs for some and negotiated relief for others, reflecting the U.S. preference for bilateral, interest-based arrangements over multilateral commitments.

POLICY BRIEF

Tariff Shock: How the New U.S. Duties Could Cut Philippine Exports by USD 2.2 Billion

For better or worse – understanding the Trump 2.0 Foreign Policy

The Katipunan Podcast Season 5 Episode 1

Maria Almira V. Abril¹

On January 20, 2025, Donald Trump assumed office. From his campaign trail up to his first day of office, he remained true to his vision of making America great again, focusing on policies that put America first. This vision entailed drastic changes in both domestic and foreign policies of the United States as delivered in President Trump's inaugural speech.²

In less than 100 days in office, the world quickly saw and felt the drastic shifts in the United States' foreign policy. From imposing skyrocketing tariffs to different countries,³ withdrawing humanitarian aid under the USAID,⁴ turning its back on some international treaties and organizations,⁵ to refusing to continue its support to Ukraine,⁶ strongly renegotiating terms of partnership

1 Maria Almira Abril is a former Senior Research Associate of the Strategic Studies Program. She was the producer, director, writer, and editor of the Katipunan Dialogue Podcast from Season 4 to 5.

2 "The Inaugural Address — The White House," *The White House*, January 20, 2025, <https://www.whitehouse.gov/remarks/2025/01/the-inaugural-address/>.

3 "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits," *The White House*, April 2, 2025, <https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/>.

4 Ellen Knickmeyer, Matthew Lee & Mark Sherman, "Trump administration says it's cutting 90% of USAID foreign aid contracts," *AP News*, February 27, 2025, <https://apnews.com/article/trump-usaid-foreign-aid-cuts-6292f48f8d4025bed0bf5c3e9d623c16>.

5 Matthew Daly & Seth Borenstein, "Trump signs executive order directing US withdrawal from the Paris climate agreement again," *AP News*, January 20, 2025, <https://apnews.com/article/trump-paris-agreement-climate-change-788907bb89fe307a964be757313cdfb0> and Betsy Klein, "Trump announces US withdrawal from World Health Organization," *CNN*, January 22, 2025, <https://edition.cnn.com/2025/01/21/politics/trump-executive-action-world-health-organization-withdrawal>.

6 Kevin Liptak, Samantha Waldenberg & Oren Liebermann, "Trump pauses military aid to Ukraine after Oval Office argument with Zelensky, White House official says," *CNN*, March 3, 2025, <https://edition.cnn.com/2025/03/03/politics/trump-administration-ukraine-aid/index.html>.

among countries like Japan,⁷ and even in NATO,⁸ and strategic pivoting of military forces to the Indo-Pacific Region.⁹

The first episode of the fifth season of the Katipunan Dialogue Podcast focused the discussion on how the U.S. domestic situation and the changing world order affect Trump's foreign policies and diplomatic approach.

This episode's resource person was Asst. Prof. Edcel John Ibarra of the UP Diliman Department of Political Science. Asst. Prof. Ibarra is a noted scholar in the field of Strategic Studies. He is currently the Managing Editor of the Philippine Political Science Journal. He previously served as the office-in-charge of the Strategic, Territorial, and Maritime Issues section of the Center for International Relations and Strategic Studies (CIRSS) of the Foreign Service Institute, the think tank of the Philippine Department of Foreign Affairs.¹⁰

The episode started with a discussion on the United States' domestic affairs. Citing survey results released before and after the re-election of Donald Trump, Asst. Prof. Ibarra pointed out three key concerns of the American people: immigration, rise in crime rates, and inflation.¹¹ He also mentioned Americans' concern about the government's budget deficit and the issue of homelessness. However, amid these perceived economic problems of the people, hard data tells us otherwise. In 2024, the United States recorded annual gross domestic product (GDP) growth of 2.8 percent driven by higher consumer spending

7 Keita Nakamura, "FOCUS: Trump pressure to boost Japan defense spending could strain alliance," *Kyodo News*, February 9, 2025, <https://english.kyodonews.net/news/2025/02/c04ae6f2d859-focus-trump-pressure-to-boost-japan-defense-spending-could-strain-alliance.html>.

8 S. Hendrix, "Trump's Five percent doctrine and NATO Defense Spending," *Peterson Institute for International Economics*, February 5, 2025, <https://www.piie.com/blogs/realtime-economics/2025/trumps-five-percent-doctrine-and-nato-defense-spending>.

9 Zane Kheir, "The US Pivot to Asia Reborn: Old Grand Strategies, New Challenges," *The Diplomat*, January 10, 2025, <https://thediplomat.com/2025/01/the-us-pivot-to-asia-reborn-old-grand-strategies-new-challenges/>.

10 Asst. Prof. Ibarra's bionote was lifted from the UP Diliman Department of Political Science website. <https://polisci.upd.edu.ph/faculty/ibarra/>.

11 Lydia Saad, "Inflation, Immigration Rank Among Top U.S. Issue concerns," *Gallup News*, March 29, 2024, <https://news.gallup.com/poll/642887/inflation-immigration-rank-among-top-issue-concerns.aspx>.

in the fourth quarter of the year.¹² For Asst. Prof. Ibarra, this makes the U.S. economy “quite strong for an advanced industrial economy.” He pointed out that the disconnect between the recorded data and what is felt by the people is due to the real problem of falling real wages.

“Their wages are increasing, but because of the high prices, people are not feeling it. So, there's this disconnect between the real performance of the economy and their perception that the economy is not functioning.”

According to Asst. Prof. Ibarra, it was only Donald Trump and the Republican Party who have been able to present themselves as the solution to the perceived key problems of the American people, and this led to the re-election of Trump in November 2024. For Asst. Prof. Ibarra, Trump 2.0 is bolder and, this time around, “he’s doing things on his own, like a proper strongman.”

“I think in part because he knows how it works. He has already been a president. The second part of it is that he has been persecuted politically, legally by many of his enemies. And so, he is now bolder to do things, he knows what he needs to do, he knows whom to target.”

In his first 100 days in office, Trump is on a blitzkrieg. Based on the overwhelming Executive Orders he signed as he took over, Asst. Prof. Ibarra agrees that Trump 2.0 is becoming more isolationist.

“If we look at the history of U.S. foreign policy, it has always swung between interventionism/internationalism and isolationism... And Trump, to a certain degree, fits that pattern of the U.S. being isolationist at one point in time and then being interventionist, internationalist in another.”

However, for him, what makes Trump different is his transactionalism. For Trump, it is more important to score points even in exchange for values or the very foundation of U.S. power.

12 Paul Wiseman, “The U.S. economy grew 2.8% in 2024,” CBC, January 30, 2025, <https://www.cbc.ca/news/business/us-gdp-2024-1.7445758>.

“Even though the United States was isolationist at certain periods in time, they did support international institutions and, as you mentioned, they created the milieu of international organizations that we have right now. They are partly responsible for it, in part because they believed in multilateralism. But even that is under threat under Trump because he does not believe in the value of internationalism.”

Asked about the skyrocketing tariffs imposed by the United States, Asst. Prof. Ibarra thinks that U.S. economic influence may wane because of this. In his opinion, a country cannot become a superpower without incurring trade deficits, meaning it must import more than it exports. For the United States, imposing higher tariffs may mean that foreign direct investments no longer become an economic leverage. This may have long term effects on American economic influence, especially in the Southeast Asia region. For Asst. Prof. Ibarra, this is not tenable, and if not reversed, he thinks this might trigger the downfall of the United States. However, given Trump’s erratic behavior, Asst. Prof. Ibarra thinks it is too early to tell.

On a different note, as much as the U.S. dominance is challenged, Asst. Prof. Ibarra thinks that no other country is ready to undertake the responsibility of a superpower.

“Love or hate the United States, there’s another aspect of why it’s impossible for you to become a superpower without incurring deficits, [it’s] because you have to provide for public goods; you have to send aid to countries. Nobody else would do it... even other countries, China is not taking on global leadership roles. The European Union is not. They are not prepared to spend the way the United States has spent in preserving or in delivering these global public goods, so to speak. So, if you really want to become a superpower, you have to pay, and America does not want to pay right now. And I think that will hurt its chances of maintaining its superpower status. In the long run, I think that’s the effect.”

The discussion moved towards the implications of the Trump 2.0 policies for the country. The Philippines is no stranger to the new tariffs imposed by the United States, as we were given a 17 percent tariff. Asst. Prof. Ibarra thinks that the government responded well to such imposition by downplaying it. As much as we were imposed with a higher tariff, it is lower compared to our neighbors. For Asst. Prof. Ibarra, this is partly because of our economic inefficiency, especially during the trade war launched by the first Trump administration against China.

"The first Trump administration launched a trade war against China and American companies in China; they called it 'friend-shoring.' So, they moved to countries that are friendly to America, they moved to Vietnam, Thailand, Malaysia, not the Philippines, because even though the Philippines is a treaty ally of the United States, the Philippines does not have a friendly investment climate."

Economically, the U.S. did not see the Philippine economy as attractive and competitive enough to "friend-shore." For Asst. Prof. Ibarra, ironically, this inefficiency then made us resilient now.

"That's why the tariff imposed on us is relatively low, because we didn't benefit from the first trade war. Compare the situation with Vietnam, for example. Many American companies moved to Vietnam, and because they moved to Vietnam, they manufactured there. Vietnam now has tons of imports, tons of exports to America. And that means that the U.S. has a huge trade deficit with Vietnam. That's why Vietnam is imposed, I think, about or more than 50%."

While negotiating with the United States on the tariff imposition, Asst. Prof. Ibarra believes that our security cooperation under Trump 2.0 will be maintained, following the positive outcomes during the first Trump administration. These outcomes include the definitive guarantee of the U.S. to invoke the Mutual Defense Treaty in case of escalation in the South China Sea (including paramilitary attacks), abandonment of the position of neutrality on the maritime aspect, application of the UNCLOS in the South China Sea, explicit recognition of the arbitral award to the Philippines, and the assertion of freedom of navigation. All of these are on top of the continued security and military aid from the U.S.

However, Asst. Prof. Ibarra took notice of the bifurcation in the U.S. foreign policy. According to him, it would be unfair to infer Trump's foreign policy in the Pacific based on his approach in Europe, since the U.S. treats them differently.

"What this means is that I think the United States now is carrying a different foreign policy towards Europe and the "West" than towards the Pacific... They're confronting Europe, "spend more on your militaries before the United States will help you." But in this part of the world, it's different. The messaging is different. The messaging of the United States is that in the Philippines and Taiwan, specifically, we will help you. We will help you counter the threat posed by China."

Furthermore, Asst. Prof. Ibarra also pointed out the bifurcation of the U.S. foreign policy within the Pacific. The U.S. approaches to Japan, South Korea, and even Australia are different compared to that with the Philippines and Taiwan. For Asst. Prof. Ibarra, the United States' recognition that we need more help than other allied countries in the Indo-Pacific puts us in a good position in terms of security and military cooperation.

To wrap the episode, Asst. Prof. Ibarra believes that in a hypothetical situation where the U.S. decides to minimize its support to the Philippines, we will still be doing fine.

"I say this because the government in recent years has really become serious in undertaking defense modernization. And if you look at where the Philippines procures its defense modernization assets, some of it yes, are from the United States, but some of the big players are South Korea, for instance. For the ships and aircraft, we buy from South Korea. For the missiles, we're buying from India. So, we are not that reliant defensively in our defense modernization effort on the United States."

Aside from being not too reliant on the U.S. in terms of defense modernization, Asst. Prof. Ibarra also highlighted the country's effort to expand its strategic partnerships with Japan, Vietnam, South Korea, and Australia, and the status of visiting forces agreements with Japan, Australia, and New Zealand. There are other Status of Visiting Forces Agreement (SOVFA) in negotiation with Canada and France. He said that our efforts to close partnerships with other countries show how we are reducing our security reliance on the U.S.

Asst. Prof. Ibarra ended the episode on a positive note, leaving a compliment to the Philippine government efforts, "We are not without agency in world affairs."

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Established in 1985 by University of the Philippines (UP) President Edgardo J. Angara, the UP Center for Integrative and Development Studies (UP CIDS) is the policy research unit of the University that connects disciplines and scholars across the several units of the UP System. It is mandated to encourage collaborative and rigorous research addressing issues of national significance by supporting scholars and securing funding, enabling them to produce outputs and recommendations for public policy.

The UP CIDS currently has twelve research programs that are clustered under the areas of education and capacity building, development, and social, political, and cultural studies. It publishes policy briefs, monographs, webinar/conference/forum proceedings, and the Philippine Journal for Public Policy, all of which can be downloaded free from the UP CIDS website.

The Program

The Strategic Studies Program (SSP) aims to promote interest and discourse on significant changes in the Philippine foreign policy and develop capacity building for strategic studies in the country. It views the country's latest engagement with the great powers and multilateral cooperation with other states in the Asia-Pacific as a catalyst for further collaboration and multidisciplinary research among the intellectual communities in the region.

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