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Estimating the Effects of the Trump Tariff on Philippine Exports: A Policy Brief

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I. Introduction

On April 2, 2025, the United States announced key details regarding its new "reciprocal" tariff policy. According to recent calculations by Goldman Sachs Economic Research[2] (GSER), the overall trade-weighted tariff increase is expected to reach 18.7% (see Table 1). The largest increases are observed in China (47.5%) and Vietnam (46.7%), followed by Thailand (30.1%), Indonesia (28.5%), and Taiwan (27.8%). The tariff increase for the Philippines is 13.2%.

The "reciprocal" tariff policy is composed of two main components: (a) a 10% baseline tariff on all U.S. imports, excluding those from Canada and Mexico, which will take effect on April 5; and (b) additional tariffs on most U.S. trading partners, excluding Canada and Mexico, based on half of the ratio of the U.S. bilateral trade deficit with the partner divided by U.S. imports from that partner (GSER). This second component will take effect on April 9.

Although the 10% baseline tariff outlined in component (a) is unlikely to be subject to negotiations for reduction, the additional tariffs in component (b) may be negotiated on a case-by-case basis with individual trading partners (GSER).

The U.S. market is a major export destination for many countries, including the Philippines, which sends approximately 16% of its exports to the United States. Given the size and significance of this market, the U.S. "reciprocal" tariff policy is expected to have a considerable impact on the global economy. This policy note aims to quantify the potential effects of the U.S. administration's new tariff policy on world exports in general and on Philippine exports in particular. The analysis presented here is based on calculations derived from a global computable general equilibrium (CGE) model, which has been calibrated using the most recent GTAP database.[3]

II. The Impact on Exports

The highly integrated nature of the global economy means that the United States, as the world's largest economy, wields significant influence over international trade. The implementation of a "reciprocal" tariff policy by the United States would trigger substantial ripple effects, leading to an overall decline of US$238.3 billion in world exports (see Table 2). The European Union (E.U.) would face the most significant loss, with exports dropping by US$63.8 billion. Given the strong interdependence between U.S. exports and imports, the United States itself would also

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[2] Goldman Sachs Economic Research. (2025, April 2). USA: President Trump announces 'reciprocal tariffs.'
[3] GTAP is Global Trade Analysis Project. The GTAP database used is version 11.

experience a notable negative impact, with a decline of US$38.6 billion in exports. China would similarly see a sharp reduction, with its exports falling by US$34.2 billion. Other countries, including Japan, South Korea, and India, would also be affected, with export losses of US$9.2 billion, US$6.7 billion, and US$5.2 billion, respectively. In contrast, the Philippines would experience a relatively modest decline, with exports decreasing by just US$1.2 billion, despite the fact that the U.S. market accounts for approximately 16% of Philippine exports.

The export effects across various sectors in the Philippines vary significantly (see Table 3). The electronics sector, which includes semiconductors and represents the country's largest export, is expected to experience the most substantial decline, with a drop of US$502 million. This is followed by the services sector, which will see a reduction of US$230.8 million. Other sectors facing notable export declines include metals (US$81.2 million), chemicals and related products (US$52 million), transport equipment (US$48 million), and minerals and related products (US$48.1 million). In contrast, the agricultural sector will generally see minimal export effects, with the exception of vegetables and nuts, which will experience a decline of US$34.3 million.

III. Insights

The results presented in this policy note account solely for the tariff changes in the United States and do not include the potential countermeasures from major U.S. trading partners, such as China, the European Union, Mexico, Canada, and Japan. Should a trade war escalate, the negative impacts on global trade would be far more significant. The effects on the Philippines, in particular, would be substantially magnified. The cumulative disruption could be severe, especially if the trade conflict persists until 2028, the end of the current U.S. administration's term.

One possible solution would be for countries to form economic partnerships and alliances that exclude the United States. This approach could lead to trade diversion from the United States to these new partnerships, as well as trade creation effects within the alliance members.

It is crucial for the Philippines to actively engage in forming trade partnerships and diversify its export markets beyond the United States. This strategy would help mitigate the risks associated with the U.S.'s tariff policy and ensure greater resilience in the face of potential trade disruptions.

Table 1
U.S. Tariff Announcements

Trading Partners of the U.S.	2024 U.S. Imports($bn) from trading partners	2024 Effective Tariff Rate (%)	Total Tariff Increase Announced as of 04.02.2025(pp*)
Philippines	14	1.5	13.2
Indonesia	28	5.1	28.5
Singapore	43	0.3	5.3
Thailand	63	1.8	30.1
Malaysia	53	0.8	16.4
Viet Nam	137	4.1	46.7
Canada	413	0.3	5.5
Mexico	506	0.5	7.3
Brazil	42	1.5	8.6
Taiwan	116	1.1	27.8
India	87	2.6	19.5
South Korea	132	0.4	15.6
Japan	148	1.7	20
China	439	10.9	47.5
EU	606	1.4	13.5
Latin America FTAs	76	0.4	12.3
Africa**			10
Rest of the World**			10
Total	3267	2.5	

Source: White House, Department of Commerce, U.S. International Trade Commission, Goldman Sachs Global Investment Research
* pp is percentage points
** Only total tariff increase is available

Table 2
Total Value Change in Country/Region Export (US$ million)

Countries/Regions	Value
Philippines	-1,230
Indonesia	-2,411
Singapore	-3,060
Thailand	-3,412
Malaysia	-2,554
Viet Nam	-4,112
Canada	-2,154
Mexico	-1,201
Brazil	-2,320
Taiwan	-3,644
India	-5,177
Korea	-6,723
United States of America	-38,612
Japan	-9,228
China	-34,155
EU27	-63,754
Latin America	-5,369
Africa	-6,579
Rest of the World	-42,652
World	-238,348

Source: Author’s calculation

Table 3

Value Change in Philippine Sectoral Exports (US$ million)

Sectors	Value
Cereals	-0.3
Vegetables, fruit, nuts	-34.3
Oil seeds	0.0
Sugar	-3.0
Other Agriculture	-2.0
Fishing	-4.1
Minerals and related products	-48.1
Meat and products	-0.5
Vegetable oils and fats	-22.0
Dairy products	-0.4
Food products nec	-38.5
Textiles	-5.1
Wearing apparel	-5.9
Leather products	-2.2
Wood products	-16.6
Paper products publishing	-4.1
Petroleum coal products	-8.8
Chemical and related products	-52.0
Metals	-81.2
Transport equipment	-48.3
Electronic equipment	-502.0
Machinery and equipment nec	-35.7
Manufactures nec	-16.0
Utilities	-0.1
Construction	-4.2
Trade	-26.0
Transport	-37.9
Other services	-230.8
Total	-1,229.9

Source: Author’s calculation