



# Navigating a New Era of Reciprocal Tariffs Strategic Implications for the Philippines and Selected ASEAN Economies

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# Global Trade Shift...a fragmenting world

Geopolitical rivalries, national security concerns, economic nationalism

Age of tariffs - US reciprocal tariff regime

GVC reconfiguration - resilience, diversification, geopolitical alignment

PH - challenge and opportunity







# Presentation Outline

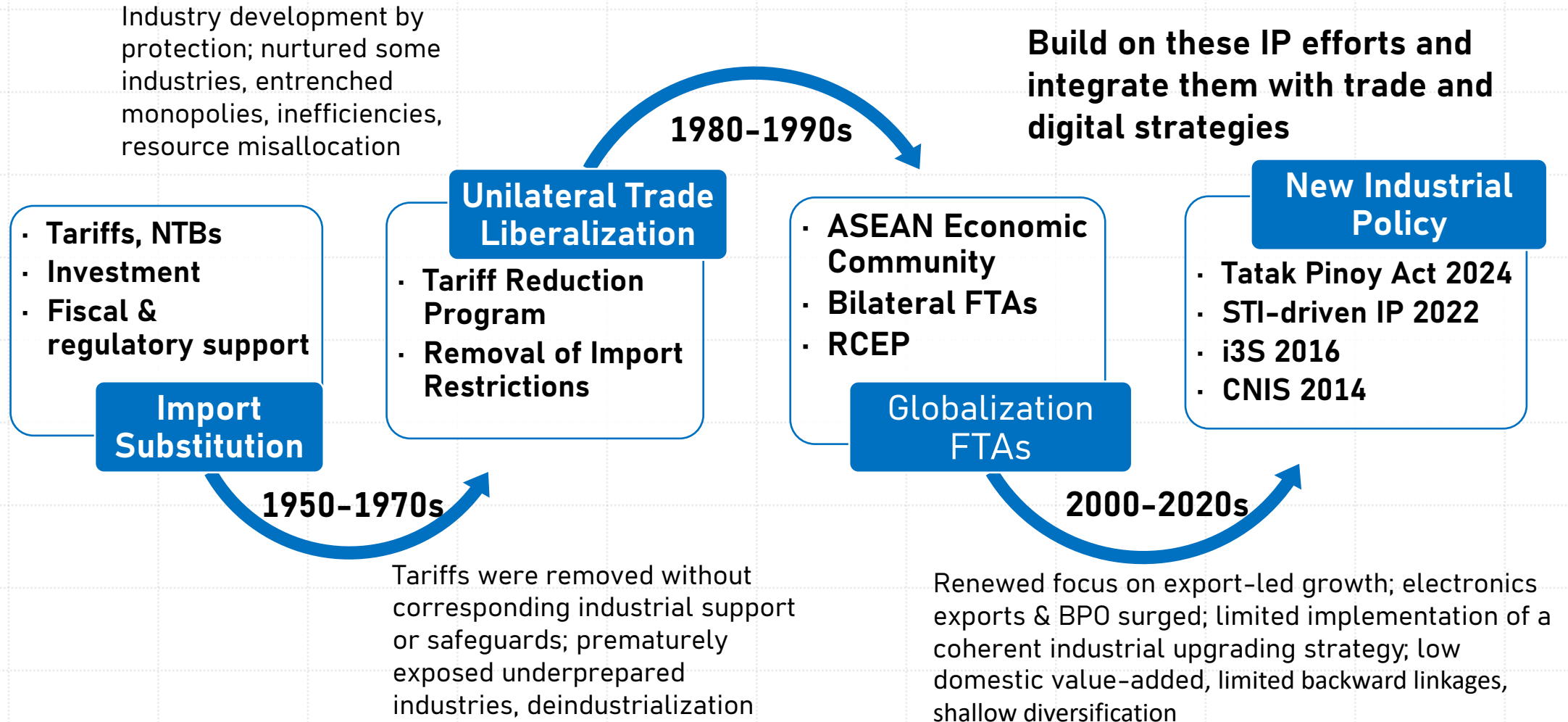
Goal: Design an **integrated industrial strategy that responds to this new global environment**

- Assess vulnerability and strategic positioning of PH, MAL, TH, INDO, VN
- Measure impact using Tariff Exposure Composite Index (TECI)
- Identify export risks and opportunities
- Propose strategic policy responses



# Philippine Industrial Policy Journey

How far have we come, what lessons we've learned along the way







# The U.S. Reciprocal Tariff Regime

Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits

- EO 14257 (Ap 2, 2025): US new trade regime and industrial policy
- Focus on national security and industrial competitiveness
- Reduce dependence on foreign supply chains: defense, semiconductors, pharmaceuticals, agriculture
- 10% baseline tariff on all imports (April 2025)
- Higher tariffs for specific countries: China (125%), Lesotho (50%), Cambodia (49%), Laos (48%), Vietnam (46%), India (26%), Japan (24%), EU (20%), PH (17%)
- Tariffs override many existing trade agreements



# Annex II: Tariff Exemptions

|                                |   |                                       |                                       |                                |   |
|--------------------------------|---|---------------------------------------|---------------------------------------|--------------------------------|---|
| Organic chemicals<br>36%       | Mineral fuels, mineral oils & products 7.3% | Salt, sulphur, earths & stone<br>1.6% | Iron & steel<br>1.3%                  | Zinc and articles thereof 0.6% | Soap, organic surface-active agents 0.3%        |
| Wood & articles of wood 16.4%  | Pharmaceutical products<br>4.5%             | Ores, slag & ash<br>1.6%              | Precious or semi-precious stones 1.2% | Fertilizers<br>0.6%            | Explosives; pyrotechnic products 0.1%           |
| Copper & articles thereof 8.6% | Other base metals 3.9%                      | Electrical machinery & equipment 1.5% | Miscellaneous chemical products 0.8%  | Rubber & articles thereof 0.5% | Paper & paperboard; articles of paper pulp 0.1% |
| Inorganic chemicals<br>8.2%    | Plastics & articles thereof<br>2.3%         | Printed books, newspapers<br>1.4%     | Tanning or dyeing extracts<br>0.6%    | Tin and articles thereof 0.5%  | Nickel and articles thereof 0.1%                |

Computers and semiconductor manufacturing equipment: 8471, 8473.30, 8486

Telecommunications and networking devices: 8517.13.00, 8517.62.00

Storage media and display panels: 8523.51.00, 8524, 8528.52.00

Semiconductor devices and components: 8541.10.00, 8541.21.00, 8541.29.00, 8541.30.00, 8541.49.10, 8541.49.70, 8541.49.95, 8541.51.00, 8541.59.00, 8541.90.00

Integrated Circuits: 8542



# TECI: Concept and Framework

**Tariff Exposure Composite Index (TECI):**  
vulnerability of a country's exports to the new tariff regime

**Quantifies exposure across 5 dimensions:**  
tariff rate severity, tariff burden, exemption coverage, strategic exposure, US export dependence

Risk scoring: 1 (low) to 4 (very high);  
exemption coverage – higher exemption shares reduce exposure

Classifications: Low, Moderate, High, Very High Risk





# TECI Dimensions

1. **Tariff Rate Severity:** reciprocal tariff under EO 14257

2. **Tariff Burden:** share of a country's US exports that are not exempted

3. **Exemption Coverage:** proportion of a country's US exports that are exempted from tariffs

4. **Strategic Exposure:** qualitative judgment on the strategic importance of affected goods to a country's industrial structure

5. **U.S. Export Dependence:** degree to which a country relies on the US market, share of its exports to the US





# ASEAN-5 Export Footprint (2024)



| ASEAN 5's US Export Footprint, 2024 (in USD B) |                   |                      |               |                 |
|--|-------------------|----------------------|---------------|-----------------|
| Country  | Exports to the US | Exports to the World | % Share ASEAN | % Share Country |
| Vietnam  | 142.48            | 405.5                | 46.5          | 35.1            |
| Thailand                                       | 66.01             | 300.5                | 21.5          | 22.0            |
| Malaysia                                       | 53.85             | 329.6                | 17.6          | 16.3            |
| Indonesia                                      | 29.55             | 264.7                | 9.6           | 11.2            |
| Philippines                                    | 14.59             | 73.3                 | 4.8           | 19.9            |

- **Vietnam** leads ASEAN-5 US exports (47%) : data processing machines, communication apparatus, furniture, footwear
- **Thailand** : auto parts, electronics, transmission equipment indicating advanced manufacturing base
- **Malaysia**: high value electronic components like integrated circuits, semiconductor media, ICT accessories reflecting its strategic role in the global electronics supply chain
- **Philippines** : electronics like semiconductor media, storage devices, ICT parts, coconut oil, printing machines indicating limited product diversification & small volume
- **Indonesia**: primary & agro-based like palm oil, rubber, frozen seafood, footwear



# Exempted Products

sectors that are more resilient and likely to be shielded from immediate disruption

**PH, MY, VN, TH:** strong in electronics & ICT products: electronic ICs, processors & controllers, automatic data processing machines & parts, solid-state non-volatile storage devices & other semiconductor media

**MY & PH:** more advanced semiconductor tooling, MY exports machinery for semiconductor devices & IC parts, PH exports chemical used in electronics, better positioned to absorb relocations of high-tech production

**VN:** finished ICT goods like smartphones and monitors

**TH:** more diversified electronics products, raw materials like refined copper tubes, mix of upstream and midstream electronics

**Indonesia:** more low-tech and raw materials like natural rubber, wood products, tin, plywood, crude petroleum; limited presence in electronics (I/O units of ADP machines, data transcription devices)



# Non-Exempted Products

**sectors where each country faces potential cost pressures, competitive disadvantage, or trade reallocation risks in the U.S. market**

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**Philippines:** electrical components, coconut oil, wires, printing machines, rubber tires

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**Vietnam:** furniture, footwear, photovoltaic panels, consumer electronics (headphones, TV cameras), protection in tech assembly but highly vulnerable in labor-intensive price sensitive exports like footwear & furniture, may face demand contraction under tariffs

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**Malaysia:** solar panels, rubber gloves, printing equipment, miscellaneous medical devices, low-end electronics; while its strong semiconductor base is protected, rubber gloves are tariff exposed

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**Indonesia:** palm oil, apparel, footwear, crustaceans, apparel; exempted goods mostly low-tech natural resources, plywood; export structure heavily reliant on primary goods & labor-intensive goods, mostly unprotected; exposure is broad & deep, vulnerable to price competition & trade deflection

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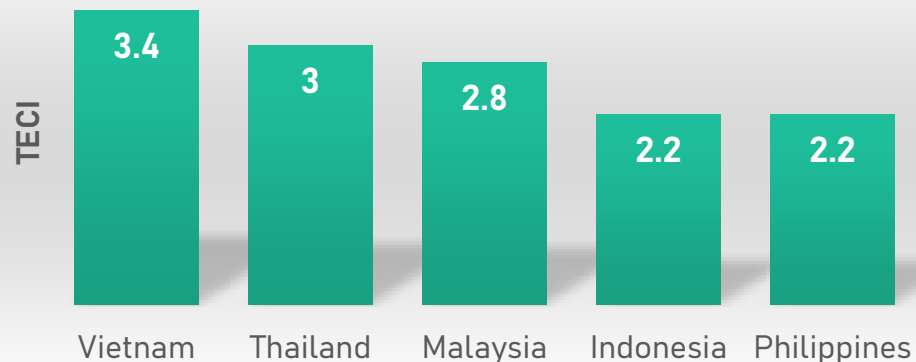
**Thailand:** solar panels, TV cameras, car/bus tires, rice, consumer electronics; while protected in ADP parts, ICs & core electronics, exposed in auto parts, agri-food, and low-to-mid tier electronics



# Tariff Exposure Comparison

| Country   | Exempted Exports US\$B | Non Exempted Exports US\$B | Tariff Cost US\$B | Tariff Rate Severity (%) | Tariff Burden (%) | Exemption Coverage (%) | Export Dependence (%) |
|-----------|------------------------|----------------------------|-------------------|--------------------------|-------------------|------------------------|-----------------------|
| Vietnam   | 41.20                  | 101.28                     | 46.59             | 46                       | 32.69             | 28.91                  | 35.1                  |
| Thailand  | 19.93                  | 46.08                      | 16.59             | 36                       | 25.13             | 30.19                  | 22.0                  |
| Indonesia | 2.92                   | 26.63                      | 8.52              | 32                       | 28.84             | 9.88                   | 11.2                  |
| Phils     | 4.86                   | 9.74                       | 1.66              | 17                       | 11.35             | 33.31                  | 19.9                  |
| Malaysia  | 24.65                  | 29.20                      | 7.01              | 24                       | 13.01             | 45.78                  | 16.3                  |

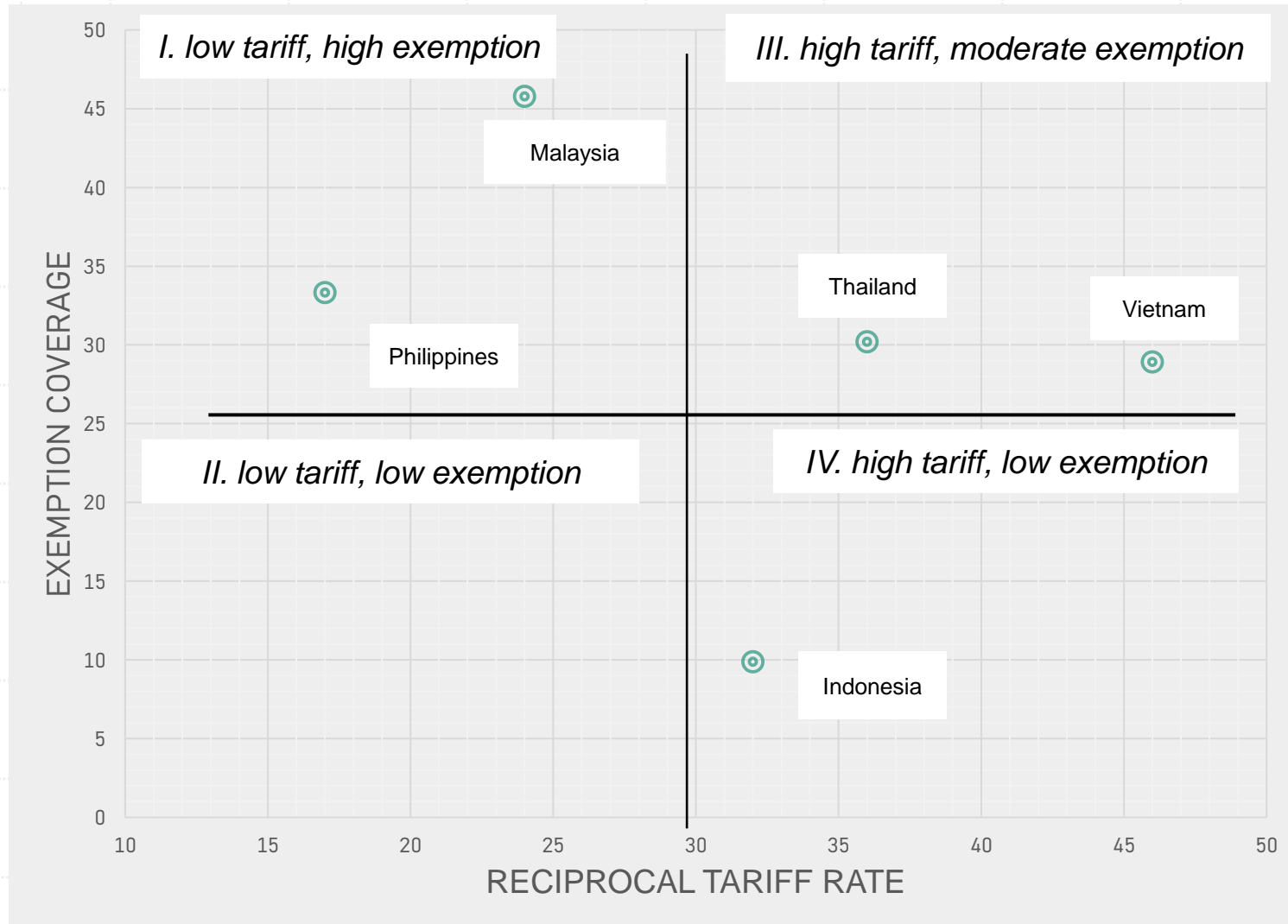
Tariff Exposure Composite Index



- VN: significant dependence, moderate exemption, systemic exposure in consumer electronics, furniture, & footwear
- Thailand: moderate strategic exposure in auto & electronics supply chains, mid-tech goods like tires, electrical converters, auto parts
- Malaysia: Moderate Risk, strong exemptions, modest tariff burden, low dependence
- PH and Indonesia: Moderate Risk



# Tariff Rate vs Exemption Coverage



- Strategic goal: move toward safe tariff-exempt zones
- Malaysia, Philippines: most favorable quadrant
- Vietnam, Thailand: higher risk of trade & production disruption
- Indonesia: most exposed



# China's High Exposure

Tariff rate: 125%; moderate exemption 26.5% (high-tech, high value) – telephone set; smartphones, ADP machines, communication apparatus, machinery, parts, accessories; medicaments, electronic ICs, processors & controllers

91% of exports to US non-exempt (mass market): electric accumulators; lithium-ion, tricycles, scooters, pedal cars & similar wheeled toys, games, video game consoles & machines, plastics, tableware & kitchenware, headphones & earphones, textiles

US-China trade conflict: signals restructuring GVCs, reshaping geography of international trade; **challenges** – import surges, industrial crowding, **opportunities** – relocation of production to lower risk countries

China may redirect exports to alternative locations, ASEAN: proximity, integration through RCEP





# ASEAN Opportunities



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Relocation of production from China; ASEAN-5 can absorb diverted investments

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PH, MY best-positioned in electronics

MY: lithium battery pack assembly

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PH: light electric devices, appliances, footwear, garments, accessories, toy manufacturing

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VN: furniture, garments, footwear, plastic ware

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TH: vehicle parts, household appliances, kitchen tools, furniture

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Indonesia: footwear, tires, consumer plastics

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**Strong Collaboration:** position ASEAN as **strategic beneficiaries** amid global trade restructuring; regional bargaining power, ROO harmonization, trade deflection, industrial crowding mitigation



# Philippines at a strategic inflection point

Lowest US tariff in the region, relatively high exemption coverage, robust base in electronics and semiconductors

- Final assembly and testing of electronics
- Semiconductor packaging and IC backend services
- Production of converters, power supplies, and telecom devices
- Peripheral manufacturing (SSDs, memory cards, printers, data readers)
- Select consumer goods (optical equipment, electrical accessories)

- **Rules of origin compliance:** ensuring sufficient transformation & value addition
- **Infrastructure readiness:** port congestion, energy reliability, logistics bottlenecks
- **Labor market alignment:** Upskill the workforce to meet more complex and precision-oriented manufacturing
- **Limited Industrial Depth:** fewer backward linkages & supporting industries constraining integrated manufacturing and advanced export capabilities



# Aligning Trade and Industry

## A Strategic Imperative in a Fragmenting World

### Industrial Upgrading and Resilience Building

- Transition from **assembly-centric to upstream activities**: semiconductors, AI hardware, IC packaging
- Prioritize **investments in critical sectors**: semiconductors, EV components, textiles, green metals, sustainable electronics
- **Strategically use subsidies and performance-based fiscal incentives** : high-value, innovation-driven, and ESG-compliant production
- Align **technical, vocational, and higher education** programs with 21<sup>st</sup>-century industrial needs: automation, electronics, AI
- Digitize and upgrade **logistics and customs operations, export ecosystems**
- Modernize SEZs with digital and green tech

### Trade Defense and Monitoring Mechanisms

- WTO-consistent **safeguards, anti-dumping, and countervailing duties**
- **Dynamic trade intelligence and early warning system** to track global tariff shifts, supply chain relocations, import surges
- **Adjust incentives responsively**: temporary relocation incentives or transition support
- **Upgrade customs enforcement** with digital post-entry audits, AI-powered anomaly detection, stricter rules-of-origin checks
- **Regulatory streamlining** to help exporters rapidly comply with evolving requirements
- **Trade-Industrial Transformation Council**: integrated trade defense, industrial upgrading, and investment promotion



# Conclusion

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PH is moderately exposed, but well-positioned

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Needs structural reforms to attract reconfiguration

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Digital, skilled, and resilient economy is key

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Seize the window before competitors move ahead

