

# Lessons from the Manila Strategy Forum

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The bilateral relationship between the United States and the Philippines has experienced a renaissance over the last five years due to significant legwork by the administrations of Presidents Ferdinand “Bongbong” Marcos Jr., in the Philippines, and Joe Biden and Donald Trump in the United States. The alliance has never been stronger, and the momentum is unlikely to slow down. In January 2025, the Philippines’ then-secretary of foreign affairs, Enrique Manalo, **received** the first phone call from U.S. Secretary of State Marco Rubio to any Southeast Asian counterpart. The Philippines was also the first **destination** in Asia for U.S. Secretary of Defense Pete Hegseth, who visited in March 2025 and delivered a speech reiterating the U.S. commitment to the alliance. This activity early in the new U.S. administration culminated in July 2025 when President Marcos became the first Association of Southeast Asian Nations (ASEAN) leader to **visit** the White House during Trump’s second term.

Despite the positive direction of the alliance, both militarily and economically, the Philippines does not receive sufficient attention in Washington. It is the oldest U.S. defense ally in the Indo-Pacific and a key economic partner, yet compared to allies in Europe and Northeast Asia, relatively few U.S. experts and policymakers have experience in the Philippines.

In this spirit, the CSIS Southeast Asia Program **hosted** the inaugural Manila Strategy Forum in September 2025. The forum, keynoted by President Marcos, brought together top thinkers from the United States and the Philippines to discuss key areas of cooperation for the two countries. This white paper draws on those discussions to explore the state of strategic, military, economic, and technological partnership between the two countries. The findings and recommendations are informed by the Manila Strategy Forum, but all opinions are solely those of the authors.

## *Seeking a Modern Defense and Economic Partnership*

The alliance has undergone a remarkable transformation in recent years, particularly since the **unveiling** of a Joint Vision for a 21<sup>st</sup> Century United States-Philippines Partnership during the annual

Bilateral Strategic Dialogue in late 2021. That roadmap for modernizing the alliance led to a proliferation of new agreements, defense engagements, and bureaucratic structures that make the alliance much denser than it was in the decades prior. These included **negotiation** of the first-ever U.S.-Philippines mutual defense guidelines; **conclusion** of a General Security of Military Information Agreement and **10-year** Security Sector Assistance Roadmap; **expansion** of the 2014 Enhanced Defense Cooperation Agreement to increase U.S. rotational presence in the archipelago; and a 1,000 percent **increase** in annual Foreign Military Financing (FMF) to the Philippines between 2021 and 2024. As a result, the security relationship the second Trump administration inherited in 2025 was well on its way to becoming a more modern, equitable alliance, akin to those with Australia, Japan, and South Korea.

The Trump administration has embraced that process. Senior officials in both capitals have expressed their shared commitment to an “ironclad” alliance rooted in the 1951 Mutual Defense Treaty. Secretaries Rubio and Hegseth have repeatedly vowed to defend the Philippines against any aggression, including in the South China Sea. And the administration is putting its money where its mouth is. The Philippines, alongside Taiwan and Ukraine, was one of the first partners to have its FMF **unfrozen** in the early days of the Trump administration’s review of overseas assistance. In the FY 2026 National Defense Authorization Act, the U.S. Congress **authorized** up to \$2.5 billion in FMF and another \$500 million in loans to the Philippine military over the next five years—levels of funding traditionally reserved for a handful of U.S. partners in the Middle East.

On the ground, the U.S. and Philippines militaries conducted hundreds of bilateral and multilateral engagements in 2025. The annual Balikatan military exercises **were** the largest to date, integrating U.S. and Philippine troops alongside smaller contingents from partners like Australia, France, and Japan for land, air, and sea operations. For 2026, the two countries have **approved** more than 500 military-to-military engagements, many of which will include forces from Manila’s growing network of partners, including Canada and New Zealand, which concluded status of forces agreements with the Philippines last year.

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The expanding military relationship is driven in large part by the two countries’ shared commitment to uphold international law and freedom of navigation in the South China Sea, a commitment reiterated by the Trump administration’s **recent** National Defense Strategy. The Philippines remains at the front line of Chinese aggression in the South China Sea. Its law enforcement and commercial vessels **face** increasingly aggressive behavior from the China Coast Guard and militia, particularly around Scarborough Shoal, which saw an **unprecedented surge** in Chinese forces in 2025. U.S. and partner-nation training and assistance with acquisitions is vital to the modernization of the Armed Forces of the Philippines’ **Comprehensive Archipelagic Defense Concept**.

The U.S.-Philippines partnership is rooted in more than just defense. To be sustained over the long term, the economic and technological aspects of the relationship should continue to modernize as well. In 2024, U.S. goods and services trade with the Philippines **totaled** \$36.9 billion, up 5 percent from 2023. That trading relationship **expanded** further in 2025, with \$8.2 billion in U.S. exports to the Philippines and around \$16 billion in U.S. imports from the Philippines. The trade expansion has been facilitated by the Trump administration's exemptions on tariffs for many sectors, which have reduced the effective tariff rate on Philippine goods to well below the 19 percent baseline announced by the White House last year.

The Trump administration has also been uncharacteristically open to economic and development initiatives for the Philippines, reflecting President Trump's personal goodwill toward the country and President Marcos. At a joint press conference during their July meeting at the White House, Trump **remarked** that the Philippines' shift toward China under former President Rodrigo Duterte "was not good for [it]," and it is much **better** now that **Marcos**, a "great leader" and "tough negotiator," is in power.

That same month, the Philippines received the first new development assistance from the Department of State following the U.S. review of overseas aid. Since then, the United States has given the Philippines over \$300 million in development assistance, more than any other foreign partner. The White House has also **recommitted** to support the Luzon Economic Corridor, first **announced** by former President Biden, former Japanese Prime Minister Kishida Fumio, and President Marcos, to improve connectivity between Subic Bay, Clark, Manila, and Batangas. The administration even announced during the Australia-United States Ministerial Consultation in the fall of 2025 that Canberra would **join** the initiative.

To help sustain this positive momentum in the U.S.-Philippines alliance, the inaugural Manila Strategy Forum explored areas ripe for further cooperation. These included adapting to the changing international order, collaborating on critical infrastructure, managing trade tensions, deepening alliance networks, responding to international crises, and partnering on emerging technology.

### *Shifting International Order*

Deep institutional linkages, historical ties, and shared values between the United States and the Philippines have allowed the alliance to weather significant changes in approach from administration to administration on both sides. Despite **threats** to the Visiting Forces Agreement and inflammatory rhetoric against the United States during the Duterte presidency, connective tissue between the two governments, militaries, business communities, and civil society kept the alliance intact and allowed for a rapid build-back. That resiliency should allow the alliance to navigate and adapt to the rapidly changing international order, which is being buffeted in different ways by both the United States and the revanchist coalition of China and Russia.

The U.S.-Philippines alliance plays a key role in stabilizing regional security, deterring aggression, and countering Chinese coercion in the Indo-Pacific. But the mercurial nature of current U.S. foreign policy is driving the Philippines to diversify its partnerships even as it deepens cooperation with the United States. Enhancing bilateral defense cooperation is vital to prepare for potential regional crises, whether in the South China Sea or Taiwan, and to effectively manage nontraditional security threats and natural

disasters. But the Philippines should also continue to deepen cooperation with other like-minded partners, including Australia, Canada, Japan, New Zealand, South Korea, and European partners. None of these can replace the alliance with the United States, but they enhance Philippine security, accelerate defense modernization, and provide alternatives for cooperation, particularly on issues that Washington may no longer prioritize.

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The Philippines has assumed the ASEAN chairmanship for 2026, giving it more power to convene and set the agenda on regional issues of importance. Among Manila's chief priorities is **concluding** a code of conduct in the South China Sea, though doing so this year will require accepting a watered-down political agreement rather than the legally binding pact ASEAN has sought for decades. The Philippines will simultaneously look to leverage this year, being the tenth anniversary of the landmark 2016 South China Sea arbitration ruling that invalidated most of Beijing's claims. And it will look to shore up votes for a nonpermanent seat on the UN Security Council in 2027.

### *Infrastructure*

With a rapidly growing and urbanizing population, the Philippines faces a pressing need to expand electricity production and other critical infrastructure. And as the world's most natural disaster-prone country, it faces the additional challenge of requiring that infrastructure be resilient and built to high safety standards.

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Washington recognizes the need to support resilient infrastructure to advance Philippine economic growth, making it a more capable partner and enhancing popular support for the alliance. The Luzon Economic Corridor is the poster child for such collaboration, and all sides are committed to its success. But 2025 introduced new challenges for U.S.-Philippines cooperation on infrastructure. Even as the Philippines has benefited from new Department of State assistance, the sudden **scuttling** of the United States Agency for International Development (USAID) caused considerable harm to Philippine implementing organizations, and therefore diminished the short- and medium-term ability to shape the private investment environment in infrastructure investment. The U.S. Department of State also lost considerable technical expertise because of the reductions in force during 2025, leaving gaps that will take time to fill. Continued U.S. government commitment to assist the Philippines is encouraging, but it

is still unclear how future development projects will be structured and managed. For instance, the U.S. International Development Finance Corporation, while effective at mobilizing capital, cannot shape the policy reform environment in the way that USAID did.

The Philippines is also suffering from shaken investor confidence and severely contracted public spending due to a damaging corruption scandal. In July 2025, after experiencing a string of natural disasters, the public **learned** that public funding on flood control projects all across the country meant to mitigate damage from typhoons had been pilfered by corrupt contractors and government officials. Hundreds of “ghost projects” were uncovered, wherein work was either incomplete, shoddy, or never begun at all. The Marcos administration responded by **vowing** “zero tolerance,” pausing most public spending on infrastructure in order to assure such corruption cannot be repeated, and introducing new safeguards in the 2026 national budget. Both the executive and Congress established committees to investigate those responsible and recommend charges, including against several current and former legislators. But time is running out for those responsible to be prosecuted to assuage public anger. As a result of the scandals and large public demonstrations, foreign investment **slowed** in the second half of 2025.

## *Trade*

The greatest shift in U.S.-Philippine relations in 2025 was undoubtedly in the rules governing bilateral trade. The Trump administration in April **imposed** a 17 percent tariff rate on most goods from the Philippines, which was increased to 20 percent before again being reduced to 19 percent during President Marcos’s visit to the White House. The actual impact of those tariffs proved far less than feared, in part because of substantial sectoral exemptions that reduced the effective tariff rate on Philippine goods considerably. As a result, Philippine exports to the United States **grew** in 2025, as was the case across Southeast Asia. The country’s GDP **grew** just 4.7 percent year-over-year, well below government targets, but that was due to natural disasters and the reduction of public spending, not the trade war. The symbolic harm of the tariffs probably outweighed their material impact, fueling concerns about U.S. reliability and the sustainability of the global trading system, which has been a major benefit to the Philippines.

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Hopes for a robust free trade agreement between the Philippines and the United States, which saw some **progress** under the first Trump administration, are unrealistic. The Philippines has also taken a more unhurried approach than some of its neighbors toward negotiating a final agreement to lock in its baseline tariff rate with the administration. Instead, much of its energy in 2025 went toward diversifying trade relations, including **accelerating** talks for a free trade agreement with the European Union, **concluding** one with the United Arab Emirates, and **applying** for membership to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Despite this, there remain clear opportunities for economic collaboration under the Trump administration, particularly on a sectoral basis. Shipbuilding, semiconductor manufacturing, and critical minerals mining present prime opportunities.

## *Energy and Associated Industries*

The United States' investment in the Philippines remains robust under the Trump administration, including in the energy sector. The Luzon Economic Corridor is a landmark opportunity to enhance logistics and industrial capacity in the most productive part of the country, including by supporting energy production to enhance key industries like semiconductor manufacturing and the information technology/business process management (ITBPM) industry.

Energy partnership opportunities between the Philippines and the United States under the Biden administration focused significantly on the Philippines' renewable energy future. The Marcos administration aims to **increase** the share of renewable energy in power generation to 50 percent by 2050. The Trump administration, however, has **prioritized** fossil fuel exports. But the area where the two countries' priorities remain aligned is on nuclear energy partnerships. The Trump administration is aggressively **pushing** to reopen nuclear power plants domestically. In a similar vein, the Marcos administration **sees** nuclear power as an important step in securing Philippine energy security. In 2024, the U.S.-Philippines Civil Nuclear Cooperation Agreement, or 123 agreement, **entered** into force, allowing a legal framework under which U.S. nuclear material, equipment, and components can be exported to the Philippines.

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Improving power distribution and transmission is another important area of overlapping interest, as it could help fuel the higher value chain manufacturing that the Philippines has been pursuing under the Marcos administration. Electronics constitute the Philippines' largest export sector, **making** up 53.4 percent of total exports. Nearly 75 percent of those electronics are semiconductors. The Philippines could expand its role in the global semiconductor supply chain, especially in assembly, testing, and packaging. The CHIPS and Science Act, passed under the Biden administration in 2022, **earmarked** \$500 million over five years to advance semiconductor supply chain security in the Philippines. That helped **attract** investments from U.S. companies such as Analog Devices and Texas Instruments, along with firms from allied countries like Samsung. The strong trust between the United States and the Philippines presents openings for further collaboration on emerging technologies such as artificial intelligence and quantum computing.

A more resilient power grid would also offer gains for the ITBPM industry, which **generates** \$38 billion in revenue for the Philippines and employs about 1.82 million workers as of 2024. U.S. firms have established much of their ITBPM services in the Philippines in the last decade, given its largely tech-literate and English-speaking population.

## *Critical Minerals, Shipbuilding, and Defense Industrial Base*

U.S.-Philippine collaboration on critical minerals is one of the most obvious areas for closer collaboration. The Philippines' mineral wealth has largely gone **untapped**, with only 5 percent of its estimated \$1 trillion worth of gold, nickel, zinc, and silver reserves explored. The Trump administration has made securing critical minerals from non-Chinese suppliers a matter of national importance. The Marcos administration has made it a priority to both expand and effectively govern mining in the Philippines. It is no surprise, then, that the Philippines was **among** dozens of countries invited to participate in a Critical Minerals Ministerial meeting in Washington at the start of February 2026. On the sidelines of the event, the Philippines and the United States **signed** a memorandum of agreement to boost critical minerals processing.

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There are also opportunities for collaboration on the Philippines' indigenous shipbuilding and weapons manufacturing industries. The Philippines has long **had** a robust civilian shipbuilding industry, though it **slipped** to fifth in the world in 2024, falling below Vietnam for the first time. Joint investment from the United States and South Korea has **revived** the former Hanjin shipyard in Subic Bay, now dubbed the Agila Subic Shipyard. Hyundai Heavy Industries began commercial shipbuilding operations there in September 2025, and the shipyard is projected to nearly **double** the Philippines' shipbuilding capacity from 1.3 million to 2.5 million deadweight tons. The shipyard is currently only engaged in commercial shipbuilding, but it would make an ideal site for naval repair operations for the United States and its allies. The United States has also **proposed** a new munitions plant in Subic Bay, jumpstarting the Philippines' capacity to produce domestically sourced ammunition and weaponry.

## *Conclusion*

The ironclad alliance between the United States and the Philippines, though on a steady trajectory, requires continued effort, particularly on economic and technological cooperation. The partnership should provide tangible benefits to Filipino and U.S. citizens beyond defense if it is to be insulated from political pressures and sustained for the long term. It also requires a deeper bench of public and private sector stakeholders—officials, experts, and businesspeople with experience in the Philippines and a commitment to the alliance. The Manila Strategy Forum is one attempt to address those needs and to explore new avenues of collaboration to sustain momentum in the alliance beyond the current administrations. ■

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