The U.S.-Philippines Trading Relationship

COSTS & LESSONS

The Philippines has remained a U.S.-dependent state (economically, diplomatically, militarily) after the formal end of colonialism. The trading relationship—which could in plain view be said to be ***neo****colonial—has come at what costs? What has been traded away, in human rights? In environmental justice?*

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Since 1989, U.S.-Philippines trade has been governed by a Trade and Investment Framework Agreement (TIFA). Its agreement with the Philippines is one more of more than 50 TIFAs the U.S. is engaged in across the world. A TIFA is bona fide international law, though short of a Free Trade Agreement (FTA) in comprehensiveness. As talk increases that these two countries might negotiate and institute a full bilateral FTA, it's key to examine the reality today. **Free trade between these countries has, in short, concentrated gains in the elite (on both sides of the border) and placed acute cost on workers and the planet.**

This document is about cases and facts lending support to this stance. Our stance is further summed up in what Shane Larson, legislative director for the Communications Workers of America (CWA), said to Congress (in testimony given March 26, 2019) on the matter of whether a such a new FTA is good policy for the United States:

"Absolutely not. We believe it would be a mistake.... **Until conditions on the ground there improve... in human rights... there should not be any... conversations or negotiations with the Philippines [toward an FTA].**"

As background, selected Philippine political history:

Spanish colonial rule	1521-1898
The Spanish-American War `	1898
U.S. occupation	1898-1942
Japanese occupation	1942-1945
Postcolonial	1945-present
Martial law under Marcos	1972-1981
Martial law under Duterte (in Mindanao)	2017-present

This fact sheet was prepared by OREGON FAIR TRADE CAMPAIGN

Who gains?
Total U.S.-Philippines trade was worth $29.6 billion in 2017. The U.S. is the deficit country, by $6.7 billion. The top exports to the U.S. by industry are: electrical/electronics, machinery, vegetable and animal oil, and apparel. U.S. investment in the Philippines by sector is led by manufacturing, followed by the trade business itself (wholesale trade), followed by professional services. These are the transnational interests with the most at stake in the TIFA relationship. Meanwhile, to look at just one of the sectors, the dominance of electronics production in the Philippines incentivizes a large e-waste economy. In e-waste, disposability of the product meets disposability of the population—in, for instance, incineration of toxics, which squarely puts the cost of business on the atmosphere, community, and worker.

The labor draw to operating in the Philippines
The Philippines is a low-wage labor sink—attracting those looking for abundant labor, including English-speaking labor. Workforce costs expectedly stay favorable to industry in a country in which one in five people live in extreme poverty (less than $2/day), and more than 40% of those living in poverty (less than $5.50/day) are employed.

Forbes **on the investment boom:**
March 2018

"After more than a decade of sustained macroeconomic reform… the Philippines seems to be on its way to establishing itself as the darling of international investors. The bulk of investments last year came from traditional trading partners such as the U.S., Japan, and the Netherlands…"

"And the reason is largely structural… Investors are interested in tapping into the vast potentials of a… labor force."

Looking more deeply at "professional services"
Workers in the U.S. see their jobs go overseas in the race to the bottom. The Philippines is the "call center capital of the world" with more than a million Filipinos in the industry, serving mostly U.S. companies. It is commonplace that whole workforces are kept in perpetual misclassification—as contract workers—enabling myriad illegal abuses. This prompts the CWA (which represents call center workers in the States) to decry outsourcing yet demand better conditions for their fellow workers.

The Duterte regime
Talk of a stronger economic relationship with the Philippines occurs as the military relationship has already deepened. Rodrigo Duterte's presidency—backed by U.S. military aid—has been lawless, with a declared War on Drugs and roughly 30,000 extrajudicial killings. These policies have an international trade dimension: The violence is heightened in mineral-rich Mindanao (where Duterte has declared martial law), such that when poor and indigenous people are driven off their land, it is thus cleared for ease of taking by extractive industry. The Duterte regime's open use of rights violations has earned the Philippines a designation—given by the International Trade Union Confederation—as one of the ten "worst countries in the world for workers."

What is the alternative? What trade policy is an effective turn from this dependence/exploitation story?

We are for trade agreements only insofar as they are simultaneously human rights, labor rights, *and* climate agreements—with enforcement. This is a re-understanding of whom our international commercial arrangements should serve, with the demand that it be, at last, communities prioritized over profits. We also recommend reading CASER (the Comprehensive Agreement on Socio-Economic Reforms). CASER was developed by Philippine civil society and has sweeping implications for trade and, broadly, a roadmap for genuine democracy in the Philippines.