

Philippine-United States Trade Relations: Looking Back and a Way Forward

By Dr. Marissa Maricosa A. Paderon

The United States and the Philippines have enjoyed 75 years of diplomatic relations since President Harry S. Truman proclaimed the Philippines as an independent republic in 1975. The depth and quality of this relationship are evident in the robust commercial relationship between the two nations.

Over the past four decades, total Philippine trade with the United States has grown from \$532 million in 1962 to \$16.8 billion in 2020. Currently, goods trade between the Philippines and the United States is intensive. According to UN COMTRADE data in 2020, the United States ranks as the second-largest market for Philippine exports and the third-largest market for imports.

Circa 2010, economic integration within Asia accelerated—through the Association of Southeast Asian Nations (ASEAN) Trade in Goods Agreement (ATIGA) and ASEAN bilateral Free Trade Agreements (FTAs) with China, Japan, and Hong Kong, and South Korea. These agreements diverted trade toward the Philippines' Asian neighbors and contributed to a decline in the US share of Philippine exports and imports. As a result, between 2000 and 2010, exports to the United States slid from 30 to 15 percent while imports from the United States dropped from 18 to 11 percent. However, despite the change in trade flows, the value of Philippine-US trade still increased in absolute terms over the same period.

In 2019, the top product in Philippine-US trade was integrated circuits, part of the semiconductor supply chain. Integrated circuits were both the Philippines' top export to and top import from the United States. [A US congressional report on the semiconductor industry](#) helped explain this interesting trade dynamic. The Philippines imports chips and wafers, components of integrated circuits, from the United States and exports finished integrated circuits to the United States, which are used in electronic goods. Including integrated circuits, eight of the top ten goods exported to the United States from the Philippines fell into two categories, either electrical equipment and parts or machinery and mechanical appliances. The two remaining exports were coconut oil and aircraft parts. Similarly, the top ten goods the Philippines imported from the United States fell into three categories, electronic equipment and machinery; farm products (Soybean products, cereals, dairy products, and other consumables); and aircraft and aircraft parts.

Substantial Philippine-US trade in electronics hints at the long history between the two countries in this sector. In the 1970s, US multinationals, including Texas Instruments, Intel, and Fairchild, [set up assembly plants in the Philippines](#). These companies were the trailblazers of the thriving electronics industry that exists in the Philippines today. According to [Electronic Engineering Times Asia](#), in 2018, the electronics sector accounted for more than half of Philippine exports by value. The largest segment of this sector is semiconductor manufacturing services.

According to [data from the US Department of Agriculture \(USDA\)](#), in 2021, the Philippines was the eighth-largest destination for US agricultural exports amounting to \$3.6 billion. Currently, US food and beverage brands hold 21 percent of the Philippine market. [USDA officials](#) credited the demand for exports to strong preferences for US foods and beverages among Philippine consumers and increased sales in the food industry following the country's economic reopening

Dr. Marissa Maricosa A. Paderon, Associate Professor of the Department of Economics at the Ateneo de Manila University and current Commissioner at the Philippine Tariff Commission, explains how the two nations have forged relationships across many sectors of trade, especially electronics and agriculture, and discusses the importance of the Trade and Investment Framework Agreement (TIFA) and US Generalized System of Preferences (GSP) in Philippine-US economic relations.

Trade and Investment Framework Agreement (TIFA) and US Generalized System of Preferences (GSP)

For the past three decades, TIFA and GSP have served as vital tools for strengthening Philippine-US economic relations. The United States concluded a bilateral TIFA with the Philippines on November 9, 1989 to discuss outstanding bilateral issues and coordinate bilateral, regional, and multilateral issues. Under the TIFA, the Philippines and the US have signed agreements on implementing minimum access commitments by the Philippines in 1998; cooperative efforts to stop illegal transshipments of textiles and apparel in 2006; and customs administration and trade facilitation in 2010. The TIFA has also served as a mechanism for resolving various other issues, particularly in agriculture (e.g., special rice treatment, food safety concerns, poultry tariffs, and reference pricing). Via TIFA meetings, the United States and the Philippines are continuing their close collaboration on intellectual property rights protection and other areas.

First authorized in 1974, the GSP is a key special trade preference program that allows the Philippines, and other developing countries, to increase and diversify trade with the United States. Under the US GSP, the Philippines enjoys duty-free treatment for products covered by 3,500 US tariff lines. Philippine utilization of US GSP is steady at an average rate of 74 percent, estimated at \$1.3 billion on average from 2005 to 2020. In terms of total claimed US GSP value, the Philippines ranked 5th globally among the beneficiary developing countries, behind Thailand, Indonesia, Brazil, and Cambodia, [according to the Philippine Department of Trade and Industry](#).

In statements made after [the US renewal of GSP in 2015](#) and [again in 2018](#), Philippine officials asserted that GSP benefits micro, small and medium enterprises, is a driver of job growth, and boosts the competitiveness of Philippine products, which allows these goods to better compete with their Chinese counterparts. Moreover, GSP makes the Philippines a more advantageous location for manufacturers looking to diversify their supply chains. To this point, this past May, a [bipartisan group of 54 members of the US House of Representatives called for GSP updates to be included in a proposed China competition bill](#).

Despite the program's importance, the GSP authorizing statute expired in December 2020. However, GSP is a valuable tool in strengthening Philippine-US trade and should be renewed. [According to the Coalition for GSP](#), American companies importing Philippine goods paid \$121 million in extra tariffs on \$1.9 billion of GSP-eligible imports since the program's expiration. For example, in 2010, Triad Magnetic, a manufacturer of transformers and inductors based in Perris, California, moved its manufacturing line from China to the Philippines to take advantage of GSP. Since the program's expiration, [Triad Magnetic has paid \\$200,000 in extra tariffs](#).

The renewal of GSP is currently being debated in the US Congress. Some stakeholders have raised concerns about human rights and labor rights, and a petition was filed with USTR to review the Philippines' compliance with worker rights criteria. To date, several bills have been filed in the 117th US congress (2021–2023) to reauthorize the program as well as introduce new eligibility criteria like provisions on human rights, environment, and good governance. The bill is also expected to have a provision for tariff reimbursements on eligible products that entered the United States following the expiration of GSP but prior to reauthorization.

In summation, Philippine-US trade relations remain strong after more than fifty years. The two nations have forged relationships across many sectors of trade. Looking forward, [the Philippines and United States are set to address issues of mutual economic concern](#), such as supply chain resiliency, clean energy, decarbonization, infrastructure, and trade in technology and digital economy through the [Indo-Pacific Economic Framework](#).

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