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How the U.S. Can Support Free Trade in the Philippines

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The Save Our Industries (SAVE) Act, introduced by Representative Jim McDermott (D–WA) and supported by 20 cosponsors in the House and by Senator Daniel Inouye (D–HI) and three cosponsors in the Senate, would grant duty-free treatment to apparel assembled in the Philippines from American-made fabrics. It is a win-win for the U.S.–Philippines Alliance.

Free Trade by Any Means. There are some easy ways for the U.S. to support its treaty alliances in Asia. Promoting free trade through as many different venues and mechanisms as possible is a major one. Free trade, in fact, is a perfect solution in that it benefits all parties concerned—including the U.S.

The U.S. would ideally have free trade agreements (FTAs) with all of its security allies, as it now has with South Korea and Australia. The Trans-Pacific Partnership (TPP)—an agreement currently being negotiated by nine nations (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the U.S., and Vietnam) and hopefully soon Japan, has been in the works since late in the Bush Administration. It could be expanded to include other U.S. allies in Asia. Of course, success in the current round of World Trade Organization negotiations would be helpful, and the TPP may help push negotiators toward that end.

The truth, however, is that as attractive as these options are, the bar to entry is high. Not all of America's allies are ready to negotiate a bilateral FTA or to be part of broader initiatives such as the TPP. U.S. failure to reach an FTA with Thailand is a stark reminder of this problem, as is Thailand's continuing reluctance to the join the TPP.

The Philippines, likewise, is not ready for an FTA or TPP.

"Free trade by any means," as Heritage President Edwin Feulner, PhD, called for in 2004, means meeting some countries halfway. The U.S. can do that by being flexible on the scope of its approach. Some nations—U.S. allies in particular—might have to be met more than halfway.

Broad Bipartisan Support. The SAVE Act has major bipartisan support. Senate Majority Leader Harry Reid (D–NV) and Senator Roy Blunt (R–MO)—a member of the Senate's Republican leadership—are both original cosponsors of the Senate bill. Cosponsors in the House are nearly evenly divided between the parties. The SAVE Act is also supported by the last eight U.S. ambassadors to the Philippines who served in both Republican and Democratic Administrations.

Of course, the Philippines expects the initiative to lead a recovery in its ailing textile industry. But there is also direct benefit to the U.S. economy. A 50-fold increase in textile exports to the Philippines, and the 2,300 jobs that these new exports would directly support, could be expected.

However, the Congressional Budget Office (CBO) does not recognize the benefit of this economic activity to the U.S. Treasury. It calculates only the static costs associated with lowering U.S. tariffs, not the increased revenues associated with the increase in production for export.

Heritage has long argued for the dynamic scoring of revenues in public policy debates. CBO's static

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scoring dogma should not stand in the way of a bill that even on a static basis would cost only $536 million over seven years. For an ally, that is not very much, and enabling greater economic activity by removing barriers to trade should always trump foreign aid.

Tied at the Hip. The U.S. has a long, special relationship with the Philippines. It fought wars there at the turn of 20th century and again to liberate it from Imperial Japan. The Philippines, after all, was once a Commonwealth of the United States. So while it might not be quite as topical today—its current impasse with China just off its coast notwithstanding—history has tied the U.S. and the Philippines at the hip. America should do whatever it can to support it—especially when it can do so by supporting free trade.

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