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Deliberating a Philippine-US Free Trade Agreement: Issues, Challenges and Prospects

Erlinda M. Medalla and Jenny D. Balboa [**]

Abstract

As a result of changing conditions in the world market and increasing global competition, trade and integration arrangements have become a part of economic and development strategies of countries. Bilateral economic partnerships or Free Trade Agreements are seen as an option in creating a stable economy and in creating an environment attractive for investment. However, while there are benefits to gain from an FTA, it should be recognized that FTAs are not a panacea to cure the sluggish economy. It is a strategy that should be carefully crafted, negotiated and implemented. It comes with both benefits and costs. The question then is how to make an FTA work for the country. This paper integrates the findings of the studies which explore the various issues concerning the potential Free Trade Agreement between the Philippines and the United States. It examines the gains, the challenges as well as the opportunities for the Philippines in entering into a bilateral economic partnership with the United States.

Key words: free trade agreement, competitive liberalization, economic partnership, global trading environment, market access, services trade, investment, intellectual property rights, development goals, development framework

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Introduction

Tremendous technological developments and changing conditions in the world market have led to the increasing regional and global integration, whether as a natural convergence of markets (*de facto* regional integration) or as a consequence of national strategies of countries to formally forge closer economic partnerships (*de jure* regional integration). Indeed, forming Free Trade Agreements (FTAs) and bilateral economic partnerships has become an important policy option for many countries. It is becoming a major instrument for attracting and competing for foreign investments, possibly even more than a mechanism for gaining additional market access. The capital inflows secured from these investments is envisioned not only to generate additional employment, but also to bring about improvements in technologies and management skills, free resources to finance development reforms and, in general, fuel economic growth. Moreover, an FTA is also envisaged by many countries to spur much needed reforms in domestic markets.

It behooves the Philippines to at least consider the option of forming such trading arrangements. Outside the ASEAN, its first formal attempt is its ongoing negotiation with Japan for an economic partnership agreement. Currently, the Philippines has other prospective partners, perhaps none more important than the United States. The main questions to ask are: What is the potential impact of a Philippine-US FTA? What are the major issues and concerns that we need to know and consider? Should the Philippines enter into a bilateral FTA with the US?

Along these lines, PIDS-PASCN has embarked on the RP-US FTA Research Project which would look into the desirability of a Philippine-US FTA, especially with respect to the potential impacts on the economy as a whole and on key sectors, and the major issues and challenges.[1] This paper provides the overview and summary of the main recommendations and findings of the project and suggests possible next steps that would need to be taken.

Broad Perspective on the US FTA Policy: A Brief Background

Forging Free Trade Agreements is part of the "competitive liberalization" strategy of the US designed to push forward trade liberalization simultaneously on bilateral, regional and multilateral fronts. It is meant to spur bilateral trade negotiations with countries willing to join FTAs, and to pressure other countries to negotiate multilaterally.[2] This is why the

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[1] The Department of Trade and Industry has provided financial support and invaluable help in the Steering Committee for the Project which it Chairs through Senior Undersecretary Thomas Aquino.

[2] US Congressional Research Service [hereinafter CRS].

prerequisites for any country which wants to have an FTA with the US are membership in the WTO and a Trade and Investment Framework Agreement (TIFA) with the US.[3]

Currently, the United States has free trade agreements in force with the following: North American FTA (Canada, Mexico), Central American FTA (El Salvador, Nicaragua, Costa Rica, Guatemala) Andean FTA (Peru, Ecuador, Colombia), Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, Swaziland) Australia, Bahrain, Chile, Israel, Jordan, Morocco, Panama, and Singapore.

Among the ASEAN countries, Singapore was first to sign an FTA with the US on May 6, 2003 following President Bush' announcement for an Enterprise for ASEAN Initiative (EAI).[4] Thereafter, other ASEAN countries also prepared to negotiate for an FTA with the US. Thailand is currently conducting negotiations with the US. Indonesia and the Philippines are eyed to be next.

Senator Richard Lugar of the United States Congress presented Senate Bill 2004 on March 11, 2002, authorizing the American President to negotiate and conclude an FTA with the Philippines[5]. The Bill even came ahead of Bush' announcement for an EAI which will pave the way for US to pursue a Free Trade Agreement with individual ASEAN countries.

Following the launching of the EAI, negotiations for FTA with the Philippines have been proposed by the 107th US Congress.[6] Likewise, initial steps are undertaken by the US-Philippines Trade and Investment Council to realize the possible US-Philippines FTA by identifying key areas for cooperation.

Status of RP-US Economic Relations

The United States has been a long and steady major trading and economic partner of the Philippines. Although the US share in Philippine trade has declined somewhat over the years, it still accounts for at least eighteen per cent (18%) of Philippine exports (valued at US $7 million) and nineteen per cent (19 %) of Philippine imports (valued at US $8 million) in 2004 (Table 1). The US is the main exporter of electrical machinery and equipment, nuclear reactors, boilers and machinery and other instruments and heavy equipment to the Philippines (Table 2). Meanwhile, a substantial number of Philippine products enjoy high import share in the US market, with basketwork manufactures, animal and vegetable oils and food preparations as main imports (Table 3).

[3] Of the ten ASEAN Countries, seven are members of WTO and only three have TIFAs including Thailand and Indonesia.
[4] The Agreement officially came into force on January 1, 2004.
[5] De Castro, Rene and Castaños, Maria. The Politico Strategic Dimension of the US' Proposal for an FTA.
[6] Free Trade Agreements: Impact on US Trade and Implications for US Trade Policy. April 9, 2002. CRS.

Table 1. Value of US-Philippines Trade 1989-2004 (US$)			
	Exports	Imports	Balance
1989	1,979,273.00	2,945,612.00	(966,339.00)
1990	2,365,532.00	3,094,588.00	(729,056.00)
1991	2,462,278.00	3,143,653.00	(681,375.00)
1992	2,620,204.00	3,831,548.00	(1,211,344.00)
1993	3,522,267.00	4,371,159.00	(848,892.00)
1994	3,941,268.00	5,143,260.00	(1,201,992.00)
1995	5,014,293.00	6,159,655.00	(1,145,362.00)
1996	6,965,613.00	6,362,319.00	603,294.00
1997	8,814,602.00	7,154,028.00	1,660,574.00
1998	10,097,860.00	6,560,209.00	3,537,651.00
1999	10,445,464.00	6,365,149.00	4,080,315.00
2000	11,365,314.00	6,411,214.00	4,954,100.00
2001	8,979,610.00	6,410,716.00	2,568,894.00
2002	8,683,343.00	9,345,871.00	(662,528.00)
2003	7,262,950.00	8,988,894.00	(1,725,944.00)
2004	7,087,855.00	8,270,235.00	(1,182,380.00)
Source: Philippine Statistical Yearbook 1999, 2003, 2005			

Table 2. Principal US Commodity exports to the Philippines, 2000-01 (in millions of dollars)

	The Philippines	2000	2001	Per cent of total
1	85. Elecrical machinery and equipment	5,281.50	4,799.60	64.7
2	84. Nuclear reactors, boilers, machinery	635.8	457.9	6.2
3	10. Cereals	299.6	278	3.7
4	90. Optical and precision instruments	373.3	260.1	3.5
5	98. Special classification provisions, NESOI	196.1	181	2.4
6	23. Residues and prepared animal feed	196.4	161.9	2.2
7	39. Plastics and articles thereof	201	133.5	1.8
8	87. Vehicles, other than railway	92.9	70.9	1
9	12. Oil seeds and oleaginous fruits	91.6	62.5	0.8
10	73. Articles of iron or steel	52.8	61.4	0.8
Source: US Intenational Trade Commission, http://dataweb.usitc.gov				

Table 3.

List of product groups where Philippines is a top 20 exporter to USA, 1997-2001 (share >1%)

HS Code	Product	% Share					Import Value in '000 US$
		1997	*1998*	*1999*	*2000*	*2001*	2001
46	Manufactures of plaiting material, basketwork, etc.	17.17	14.96	13.69	13.23	12.2	48,631
15	Animal,vegetable fats and oils, cleavage products, etc	17.89	18.58	12.24	12.43	11.45	171,410
20	Vegetable, fruit, nut, etc food preparations	6.18	6.01	5.9	6.28	6.34	184,045
42	Articles of leather, animal gut, harness, travel goods	4.21	5.08	5.01	5	4.8	363,253
91	Clocks and watches and parts thereof	5.66	5.24	4.57	4.02	4.19	131,532
62	Articles of apparel, accessories, not knit or crochet	3.76	3.77	3.74	3.65	3.74	1,232,145
16	Meat, fish and seafood food preparations nes	5.42	5.71	4.11	2.83	3.09	74,889
85	Electrical, electronic equipment	3.92	4.08	3.85	3.69	3.02	4,746,958
13	Lac, gums, resins, vegetable saps and extracts nes	2.21	1.73	2.43	2.49	2.86	14,709
61	Articles of apparel, accessories, knit or crochet	3.32	3.17	3.05	2.66	2.64	737,127
17	Sugars and sugar confectionery	5.87	5.23	4.19	2.42	2.5	41,148
53	Vegetable textile fibres nes, paper yarn, woven fabric	4.54	2.95	3.23	4.78	2.37	3,616
65	Headgear and parts thereof	3.42	2.59	2.28	2.03	1.77	24,126
84	Nuclear reactors, boilers, machinery, etc	1.18	1.55	1.52	1.47	1.48	2,446,774
94	Furniture, lighting, signs, prefabricated buildings	1.77	1.72	1.62	1.53	1.33	335,818
14	Vegetable plaiting materials, vegetable products nes	1.54	2.2	1.22	1.37	1.29	970
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	1.86	1.6	1.46	1.38	1.24	11,827
54	Manmade filaments	0.92	1.35	1.88	2.03	1.15	22,234
55	Manmade staple fibres	0.31	1.06	2.12	0.95	1.14	13,037

Source: PCTAS

The Philippines is recipient to 3.6 billion pesos of FDI from the United States. Prior to 2002, US was the top foreign direct investor in the country. It still belongs in the top three, with Japan and Taiwan occupying the top two places.

The US is a leading destination of Overseas Filipino Workers (OFW). From 1998-2002, some 18,854 OFWs were documented to have worked in the US. Remittances amounting to US$ 4.18 billion was recorded in 2003 alone[7]. The past two years, however, OFWs destined to US declined at –9.7% due to more restrictive entry of foreigners in the US soil.

The Philippine economy, along with the rest of the ASEAN economy, is complementary with the US in a way that trading patterns between countries follow the traditional comparative advantage theory. The relatively human-capital and physical-capital abundant US tends to export advanced-technology and capital-intensive goods to the

[7] Although remittances from other countries coursed though the formal financial system end up in US banks, and are therefore part of the total.

Philippines. In turn, relatively labor abundant countries, such as the Philippines, export labor-intensive goods and other light manufactures to the United States.[8]

Given this trading potential, and given that both countries have demonstrated a high capacity to work together, the prospects for a Free Trade Agreement (FTA) would be worth exploring.

Initial Assessment of the impacts of a prospective RP-US FTA

A Computable General Equilibrium (CGE) Analysis conducted by Cororaton shows a small but net positive gains for the economy with a US FTA (0.1% increase in GDP, see Table 4). That the impact is small is not surprising, considering that the average rate of duty is already quite low[9]. What is a good sign is that the net effect is positive. This is very significant because the CGE model assumes everything else being equal, meaning, using the same total factor endowments-- that is, the same total level of capital and labor which are allocated across sectors. Hence, in effect, with the tariff reform and the FTA, more output is derived from same total capital resources, hence a better resource allocation on the whole. This highlights the primary benefit from trade liberalization—the better allocation of resources that it encourages. By sector, the CGE analysis estimates an incremental 0.5% increase for industry, compared to non-food manufacturing estimated to expand more by an incremental rate (arising from the FTA) of around 1.1%. Both the tariff reform and the FTA are also estimated to benefit unskilled agricultural labor more than skilled labor. (See Table 5)

Table 4. Net impact with US FTA

Change in Prices, %:	
Import prices in local currency	-1.5
Consumer prices	-0.1
Local cost of production	0.1
Real exchange rate change, %	0.1
Change in import volume, %	1.5
Change in export volume, %	1.1
Change in domestic production for local sales, %	-0.1
Change in consumption (composite) goods, %	0.2
Change in overall output, %	**0.1**

[8] Schott, Jeffrey. (2004). Free Trade Agreements, US Strategies and Priorities. Institute for International Economics. 1750 Mass. Avenue, NW. Washington D.C.

[9] Current Average Tariff Rate is at 6.82 per cent, with 55 per cent of Philippine tariff lines clustered around 0-3 tariff levels, and 29 percent in 5-10 percent tariff levels. For a more detailed discussion, see Aldaba, Rafaelita. "Policy Reversals, Lobby Groups and Economic Distortions". PIDS Discussion Paper Series No. 2005-04..

Table 5. Sectoral Effects		
	Share	Intensity
Agriculture	6.40%	0.08%
Industry	59.90%	0.21%
Non-food mfg	48.00%	0.35%
Services	33.70%	0.14%
Sectoral Output Effects		
	Impact of Past Tariff Reform* Without FTA	Incremental impact of FTA
Industry	1.90%	0.5%
Non-food mfg	4.20%	1.1%
Agriculture	-0.90%	1.9%
Skilled agri labor	-0.20%	0.7%
Unskilled agri labor	1.20%	0.7%
Skilled non-agri labor	1.20%	0.7%
Unskilled non-agri labor	2.60%	1.1%
Cororaton, 2004		

refers to tariff reform during the past decade*

Even more important to look at is the impact of the FTA on poverty reduction. Improvement in factor incomes and reduction in consumer prices has an impact in reducing poverty. The CGE analysis shows that a US FTA is would reduce poverty incidence, especially in NCR where industries are based. On the whole, the reduction in poverty, using all three indices, across categories, is more than 1 percent—1.1% for head count, 1.3 % for poverty gap and 1.6 % for poverty severity. (Table 6) The reduction however is highest for the NCR and lowest for the rural sector.

Table 6. Changes in Poverty indices, with US FTA

A: All Philippines							
Index	**all**	**tot_fem**	**fem_l**	**fem_h**	**tot_mal**	**mal_l**	**mal_h**
pov_hdcnt	-1.1%	-1.4%	-1.4%	-1.7%	-1.1%	-1.1%	-1.4%
pov_gap	-1.3%	-1.3%	-1.3%	-1.5%	-1.3%	-1.3%	-1.5%
pov_sev	-1.6%	-1.5%	-1.5%	-1.5%	-1.6%	-1.6%	-1.7%
B: National Capital Region (NCR)							
pov_hdcnt	-4.1%	-2.1%	-2.9%	0.0%	-4.4%	-4.0%	-4.8%
pov_gap	-3.5%	-3.2%	-3.5%	-1.8%	-3.5%	-4.2%	-2.8%
pov_sev	-4.0%	-3.0%	-3.6%	-2.1%	-4.0%	-4.6%	-3.2%
C: All Urban							
pov_hdcnt	-1.6%	-3.1%	-3.0%	-3.8%	-2.2%	-1.4%	-1.3%
pov_gap	-1.4%	-1.5%	-1.4%	-2.1%	-1.3%	-1.4%	-1.6%
pov_sev	-1.6%	-1.8%	-1.7%	-1.8%	-1.6%	-1.6%	-1.7%
D: All Rural							
pov_hdcnt	-0.8%	-0.5%	-0.5%	0.0%	-0.8%	-0.8%	-0.8%
pov_gap	-1.2%	-1.1%	-1.1%	-1.1%	-1.3%	-1.2%	-1.3%
pov_sev	-1.5%	-1.3%	-1.3%	-1.3%	-1.5%	-1.5%	-1.6%

Cororaton, 2004

While on the whole, the CGE analysis shows net potential gains for the Philippines, the impact will vary across sectors. There is a need to look at the more micro effects of a RP-US FTA.

Among the special interests of the Philippines in the RP-US FTA is greater market access for agricultural goods (e.g. sugar, fresh and canned fruits, etc.). An FTA is seen as an opportunity to eliminate tariffs and quantitative controls, and freedom from US farm programs which have distorting effects on prices. [10]

An FTA is expected to pave the way for preferential access for exports to the US market for garments and textile products, especially that it has to face growing competition from China's similar exports.[11] Furthermore, bilateral economic partnerships are expected to spur "forced efficiency" effect that will induce efficiency and productivity gains and to restructure the economy to improve the domestic supply chain. (Naya, 2005:5).

A USFTA is likewise an opportunity to further enhance the competitiveness of thriving industries in the country.

[10] Cabanilla, Liborio. Agricultural Trade Between the Philippines and the US: Status, Issues and Prospects (unpublished).2004. Study conducted for the RP-US FTA Research Project.
[11] Exhaustive discussion done in Cherry Lyn Rodolfo's "Assessment of the Readiness and Logistics Infrastructure of the Philippine Garments Industry".

For the electronics industry, elimination of tariff on products which are not enjoying zero tariff is an opportunity to further improve efficiency and competitiveness, and hence increase the attractiveness of the country as location for US-GPN-related FDI. The Philippines can also benefit from technical assistance from the US on the new requirements of trade and security and also in terms of technological training and capacity building to improve the capability of the labor force in the electronics industry.[12]

Similarly, it is an opportunity to expand Business Process Outsourcing (BPO) by seeking Most Favoured Nation treatment (by treating Philippine BPOs in the same manner it treats its most favoured third party partner), greater market access, national treatment for BPO professionals and mutual recognition of standards and certification.[13]

Related to this, an FTA with the US is anticipated to help address the important issues pertaining to the movement of natural persons such as clarification of procedures and requirements for non-immigrant visa applicants, and the corresponding obligations, especially for professionals and businessmen on temporary assignment. It is hoped to pave the way for similar provisions included in FTAs negotiated by the US with other countries that would ease the entry of business visitors and professionals. In the same manner, it may address the need to have mutual recognition on qualifications and other requirements for Filipinos educated in the Philippines who are seeking temporary employment in the US.[14]

Beyond trade gains, the Philippines expects that an FTA will achieve the following:

- Strengthen channels and linkages with the American business sector;
- Improve employment opportunities;
- Help improve dispute settlement on investments which will encourage investors arising from more explicit rules;
- Advance reforms in domestic economic policies that affect economic efficiency, economic welfare and growth;
- Improve the economic image of the Philippines;
- Create more responsive agencies in terms of trade and investment activities;
- Help identify products of interest to the US and its impediments;
- Become an instrument for technology transfer;
- Develop linkages with SMEs;
- Enhance trade and investment; and
- Create rational and clearer policies on the movement of people.

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[12] Austria, Myrna. Enhancing and Deepening of the Competitiveness of the Philippine Electronics Industry Under a Bilateral Setting. (unpublished).2004. Study conducted for the RP-US FTA Research Project.
[13] Rodolfo, Ceferino. Expanding and Sustaining RP-US Linkages in Business Process Outsourcing (BPO). (unpublished).2004. Study conducted for the RP-US FTA Research Project.
[14] Tullao, Tereso. Issues and Prospects on the Movement of Natural Persons in the Philippines. (unpublished).2004. Study conducted for the RP-US FTA Research Project.

Issues and challenges at the domestic front

Despite the potential for economic gains, there are a lot of areas that should be considered in an FTA with the US. It is important to stress that with an FTA, there could be short-run adjustment costs, particularly in terms of possible displacement of some local industries which are unable to compete and restructure. Furthermore, the government has to contend with strong anti-US sentiments in some sectors that see no merit in strengthening economic ties with the US.

Given these considerations, it is expedient that careful cost-benefit analysis be done before embarking on an FTA. The government should especially work on leveling the playing field to cushion the possible negative impact to affected sectors. Outstanding issues affecting the country should be identified and resources and institutions organized to assess the effects of entering into an FTA with the US.

Initially, two things should be considered:

1) Sorting the technical areas – How much do we stand to gain? How much do we stand to lose? What are our negotiating points (e.g. guidelines for negotiating subjects such as subsidies, taxation, IPR, investment, services, NTB and safeguards, etc.), what areas should be guarded, what issues should be included and excluded and how do we choose the technical team to oversee the preparations?

3) Gathering a mass base – This is especially important since FTAs have a wide-ranging effect in society. It is necessary that stakeholders from all the public, private and civil society sectors be involved in both the preparation and negotiations phase.

While there is a strong case for an FTA between the two countries given the potential benefits that can be derived, it is necessary that careful preparation still should be undertaken. The Philippines should thoroughly study the issues before engaging in formal talks since there are sensitive issues involved that can cause strain in the relationship of the two countries.

Particularly for the Philippines, the major issues, among others, include :

1) *On Market Access.* There are US non-tariff barriers that pose structural, legal and political impediments in enhancing market access, especially in sensitive agricultural and textile and garment products. While reforming US agricultural policy cannot be hoped for in forging this FTA, one suggestion that has merit is to use the FTA as an opportunity to ask for as much special and differential treatment as possible, not only in terms of longer implementation period but also more exceptions on sensitive products. Being able to negotiate in these areas would be an important

and concrete gain that would be visible and which would make the agreement more politically acceptable.

2) *On Services*. The services sector is where potentially the Philippines has a lot to gain, as shown by the dynamism in a number of ICT and ICT-enabled sectors. However, there is a need to understand more fully the impediments and constraints affecting the sector and bring this out in the negotiating table. The movement of natural persons (mode 4 of supply) is definitely a huge concern. Then, there are key services areas where the Philippines is perceived to be weaker, e. g. the financial sector. Possibly, the Philippines could push to offer only minimum commitments and negotiate for removing impediments to sectors with potential like business process outsourcing (where we appear to have comparative advantage) and hopefully establishing opportunities for Filipinos to work in the US. In relation to this, there is need to align the services commitments to a broader national services plan or strategic framework which is endorsed by the concerned sector.[15] The Philippines could also feasibly adopt a more cautious approach (especially from the political point of view) and push for a positive list approach.

3) *On Investment.* The issue of national treatment is a sensitive area for the Philippines. Negotiators would prefer that particular attention should be given to exclusion of pre-establishment rights of investors (by excluding "those who seek to invest" as part of the definition of an investor), exclusion of portfolio investment and credit, and exclusion of "indirect expropriation" (or losses resulting from government regulation or policy) since investors claiming to have suffered from losses due to expropriation within this broad definition can take up cases against the host government for compensation. In the end, what is important is that the chapter on investments should be supportive of the investment and development policies of the country, which calls for more transparent, consistent and stable investment rules and measures.

4) *On Intellectual Property Rights*. This is a key issue for the United States. On the other hand, the Philippine negotiators are mindful that the IPR provision on the FTA should make sure that it does not include TRIPS-plus provisions since there are already strict IP rules that developing countries have to comply with in the WTO as well as the WIPO. Particularly, there should be no restrictions on the ground of compulsory licenses, extended protection for patents and copyright, or restrictions on the rights that developing countries already have in the WTO.

[15] A services coalition project is currently being undertaken by the Department of Foreign Affairs under the leadership of Undersecretary Edsel Custodio. Results of the project could prove useful.

These issues and concern all the more highlight the need to come up with a national development framework and over-all development strategy that would advance the concerns of key sectors. Making sure that FTA policies are harmonized and the key provisions complementary is important to avoid the "spaghetti bowl effect" and to make sure that the policy contributes to the development goals of the country.

Related to this, it would also be worthy to examine the applicability of the JPEPA framework to the US FTA. Bringing in some of the issues, concerns and lessons from the JPEPA experience would be helpful in drawing the overall FTA framework.

Concluding Remarks

The RP-US FTA is a potentially controversial development policy option for the Philippines. Beyond the advancement of the economic agenda, it is an exercise in political economy, with serious non-economic ramification. Careful preparation is therefore necessary before embarking in this challenge.

As such, there is a need to continue conducting in-depth studies on identified sectors and areas for negotiations. Stakeholders and affected sectors should actively take part in the preparations. It would also be best if the participation of the private sector and the civil society are drawn in. In this regard, it is suggested that a coalition which will oversee preparations and negotiations for an RP-US FTA be formed.

It is also necessary to keep watch of other FTA developments. Based on the US-Thailand FTA negotiations experience, the US appears to be adopting a hard line on using the US-Singapore FTA template. It is expected that similar demands will be brought in should the Philippines decide to pursue an FTA with the US. As such, there is a need to further study the applicability of the US-Singapore FTA, specifically how acceptable and relevant the provisions are for the country.

The US is known to be an adept negotiator in advancing its interest. For this FTA, a tough and carefully selected panel of negotiators is needed who will advance our agenda in the negotiating table.

There is potentially a lot to gain in establishing an economic partnership with the US. Macroeconomic studies conducted on the impact of a US-Philippines FTA support this. At the sectoral level, several studies also reveal that an FTA could be used as a platform to advance policies that would enhance competitiveness of local industries. However, it should be reiterated that there are challenges that should be dealt with, particularly with respect to the possible short-run dislocations that could result, the strong anti-US sentiment from certain groups and our negotiating capacity. Necessary preparations should be done by the government. Gaining the support of the people, as much as possible, in the major phases of preparation and negotiation is crucial.

Finally, it should be emphasized that a FTA with the US, or any other country, is not an end in itself, but a means towards achieving our development goals and towards integrating the economy in the global trading environment.

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RP-US Free Trade Agreement Research Project

Project	Proponent
1. Overall Framework and Integrative Report	Dr. Erlinda M. Medalla
2. RP-US FTA Research Project:A CGE Analysis	Dr. Cesar Cororaton
3. The Politico Strategic Dimension of the US' Proposal for an FTA	Dr. Renato de Castro and Ms. Maria Castanos
4. Implications of the RP US Free Trade Agreements on the Philippine Financial Services Industry	Dr. Leila Calderon-Kabigting
5. Issues and Prospects on the Movement of Natural Persons in the Philippine-American Economic Relations	Dr. Tereso Tullao Jr
6. Assessing the Competitiveness of the Philippine Electronics Industry	Dr. Myrna S. Austria
7. Assessing Logistics: Readiness of the Philippine Garments Industry	Dr. Emilio Antonio and Ms. Cherry Lyn Rodolfo
8. Expanding RP-US Linkages in IT Related Industries: BPOs, Medical Transcription, Contact Centers, Software and Animation	Mr. Ceferino Rodolfo
9. Intellectual Property Rights Protection: Prospects and Issues	Atty. Delia Tantuico
10. Agricultural Trade Between the Philippines and the US: Status, Issues and Prospects	Dr. Liborio Cabanilla
11. Impact of a Philippines-US FTA: The Case of the Philippine Agriculture	Mr. U-Primo Rodriguez and Dr. Liborio Cabanilla
12. An Analysis of Existing and Potential US FTAs and Defining the Philippine Strategy for Negotiation	Atty. Sedfrey Candelaria and Atty. Anthony Abad
13. Specific Legal and Trade Related Issue on the Proposed Philippine-US FTA: Politico Legislative Perspective	Atty. Sedfrey Candelaria and Dr. Victor Venida
14. WTO Related Concerns: Government Procurement, Competition Policy and Trade Remedies	Atty. Jeremy Gatdula