

The Philippines

Growing Prosperity as a U.S. Pacific Partner



A former U.S. colony and long-time foreign aid recipient, the Philippines is a valuable U.S. trade and geopolitical partner today. Despite decades of high expectations and sometimes disappointing results, GDP growth now averages close to 6% annually, a trend forecast by the World Bank to continue through 2021.

Aid has fluctuated greatly since the U.S. granted the Philippines independence in 1946, from a high of \$1.9 billion in 1949 to a low of \$58 million in 1997. Each wave of spending has provided support for Philippine democracy, human rights, and economic growth, as well as U.S. strategic interests in the region.

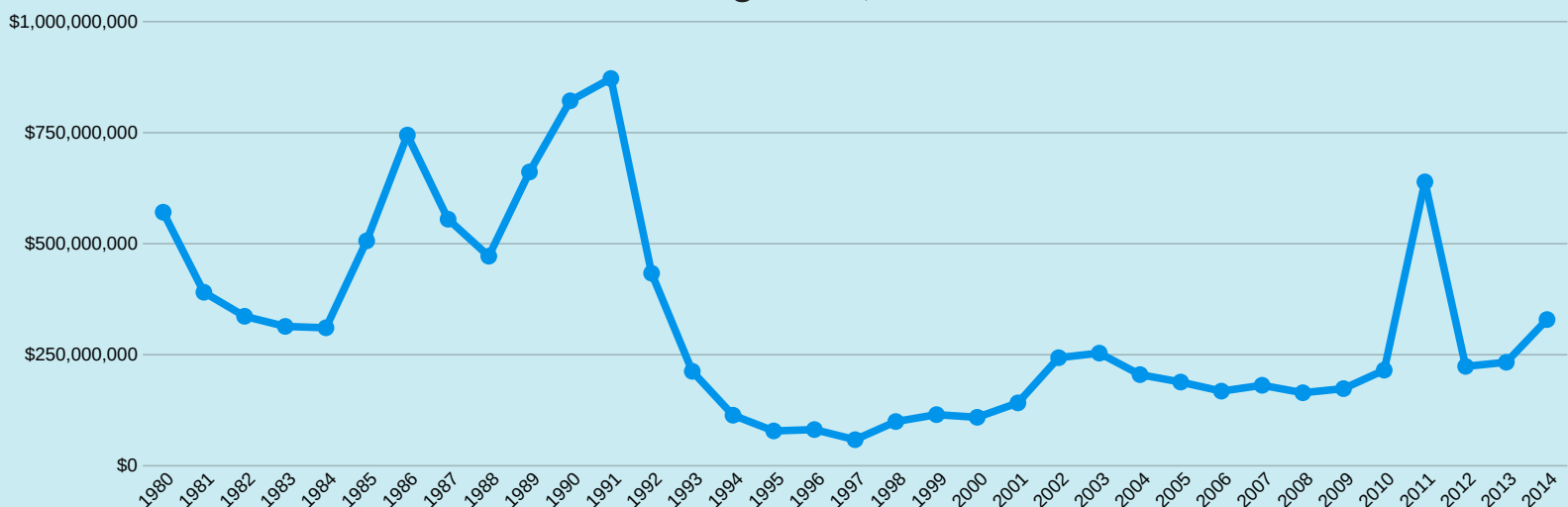
The country's 1949 peak funding of \$1.9 billion was largely in the form of post-World War II "rehabilitation" funds for the new, war-ravaged state. As the Philippine government stabilized, U.S. aid decreased to a low of \$154 million in 1954. By the 1970s, the level of U.S. assistance had increased once more to below \$500 million.

Much of this assistance went towards military support against communist uprisings and basic economic and food assistance. The 21-year reign of dictator Ferdinand Marcos ended with his ouster in 1986, accomplished in large measure with the help of Sen. Richard Lugar, who persuaded President Reagan to end support for Marcos after a flawed election. Democracy was restored to the Philippines, but Marcos' legacy included a high national debt, public corruption, a historic recession, and general instability: at the time of his departure, GDP per capita in the Philippines was only \$2077.

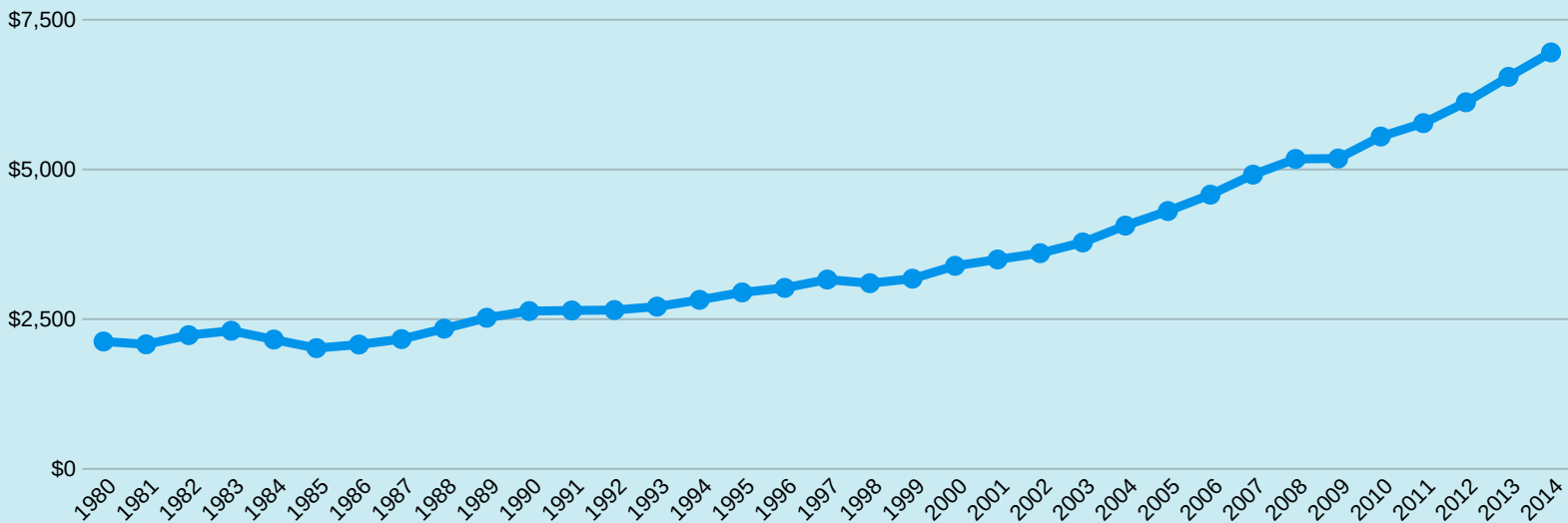
U.S. aid increased to address these persistent issues, which continued to hold the nation back economically, and to support the fragile democracy under President Corazon Aquino. Aid levels reached \$555 million in 1986 and remained at this level through 1991, when aid surpassed \$872 million with over \$500 million in Department of Defense partnership funding. This defense spending began to supplant food and economic aid in the 1990s and was emblematic of positive trends in Philippine development. By the following year aid would decrease to less than \$260 million, a level the United States would sustain for the next two decades.

Throughout the 2000s, under Presidents Aquino and Ramos, the country became more industrialized and trade-oriented, with the economy growing an average of 4% each year from 2000 to 2009.

U.S. Aid Obligations, 1980-2014



GDP per capita, Philippines, 1980-2014



U.S. aid remained low for this period, and with the achievement of sufficient scorecard levels, the country was approved to enter into a five-year, \$434 million compact with the Millennium Challenge Corporation in 2011.

Although some parts of the Philippines continue to struggle with poverty, the country's quick pace of industrialization is promising, with a GDP per capita of \$6953 in 2014. Exports include manufactured goods, such as electronics, machinery, and agricultural products. Yearly trade between the United States and the Philippines totals over \$20 billion, and the Philippines today represents rising levels of human development, a growing middle class, and substantial infrastructure investments. In addition, it continues its history of positive relations with the United States - both as a trade partner and a defense partner in the region. It is a major non-NATO ally, and under President Benigno Aquino III, Corazon's son, it signed an agreement in 2014 to host rotating U.S. troops at five joint bases. By aiding in the development of Philippine democracy and economic growth over the years, the United States has supported the country in its transition to a valuable partner in East Asia.

Philippines in 1980

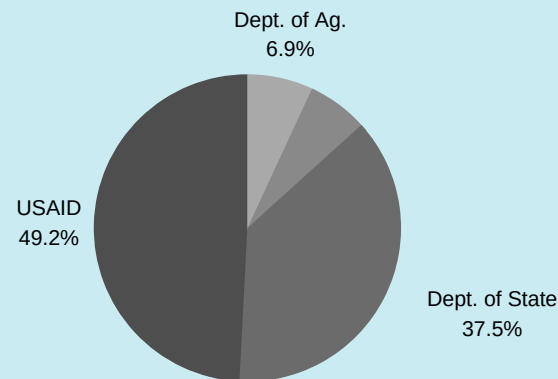
GNI per capita:	\$700
US Trade Value:	\$3.5 billion
IGO Membership:	UN, ASEAN

Philippines Today

GNI per capita:	\$3660
US Trade Value:	\$21.3 billion
IGO Membership:	G20, APEC, WTO, "Next Eleven"

U.S. Aid Obligation Breakdown

(2014)



Note that 2014 numbers are inflated due to out-of-ordinary emergency relief following Typhoon Haiyan / Yolanda, totaling \$145 million, about 40% of the total for that year, \$372 million.

Sources:

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 "Trade Value" measure is taken from this source and is calculated by adding the value of exports to the U.S. to the value of imports from the U.S. for the year 2018.



July 2019