

The FTAs of the Philippines

20 June 2008

Outline

- **Mandates**
- **Rationale/Reasons**
- **Gains and Losses**
- **Latest Developments**

Mandate

The Philippine Medium and Long Term Development Plans

- Appropriate international engagements, including Free Trade Agreements (FTAs) and similar arrangements.**
- Such endeavors shall increasingly take place in the context of our membership in the ASEAN**

Executive Orders 133 and 292

- DTI to spearhead such engagements**

Reasons for RP Participation

Rationale

- Means to promote trade and investment flows
- Ensure continued and enhanced market access for ASEAN's exports
- Draw greater and sustained inflows of FDI
- Mutual support on issues of common interest in international fora
- Maintain competitiveness
- Portfolio diversification
- Cross-border industrial complementation
- Advantages of geographic proximity
- Leverage in FTAs

ASEAN Free Trade Area

The Only Full FTA that the Philippines is Party To

Intra-ASEAN Integration

Liberalization

- Common Effective Preferential Tariff (CEPT) and Priority Integration Sectors (PIS)
- ASEAN Framework Agreement on Services
- ASEAN Investment Area

Facilitation

- e-Customs/Single Window; Standardization and Harmonization; multi-modal transport; logistics; e-commerce

Cooperation

- Bridging Development Gaps
- Sub-Regions/Growth Areas

ASEAN Free Trade Area

Integration with Dialogue Partners

- China
- Korea
- Japan
- +3 (PROC, Japan, ROK)
- India
- Australia and New Zealand
- US
- EU
- Canada
- Russia
- Pakistan

The Future: The ASEAN Community

- ASEAN Political Community
- ASEAN Socio-Cultural Community
- ASEAN Economic Community (AEC)
 - AEC Blueprint provides 2015 as the date of realization

Free Trade Areas: Timelines

Free flow of Goods

2008 PIS

2010 CEPT-AFTA

ASEAN-China, flexibility to 2012

ASEAN-Korea, flexibility to 2012 for RP
and Indonesia

2011 ASEAN-India, 2016 for RP

2013 ASEAN-Australia and New Zealand

2018 (or 10 years after entry into force)

ASEAN-Japan

Free Trade Areas: Timelines

Free flow of Services

2010 Healthcare, e-ASEAN, Air Travel, Tourism

2013 Logistics

2015 AFAS for non-Priority Integration Sectors

- Progressive liberalization (for all FTAs with dialogue partners)

Free flow of Investment

2010 AIA (ASEAN investors)

2020 AIA (non-ASEAN investors)

- Being negotiated (for all FTAs with dialogue partners)

Progress Report: ACFTA

Trade in Goods Agreement

- Review to be undertaken in 2008
- Commenced work on elimination of non-tariff barriers
- Rules of Origin

Trade in Services Agreement

- Second round of market access negotiations

Negotiations for the Investment Agreement

- Elements
- Ongoing deliberation on scheduling of commitments (i.e. positive vs. negative approach)

Economic Cooperation Program

- Agreed to the establishment of the ACFTA Working Group on Economic Cooperation (WGEC)

On-going review

Gains : ASEAN-China FTA

Based on the study (Forging Closer ASEAN-China Economic Relations in the 21st Century, 2001)

- create the world's largest FTA of 1.7 billion consumers, regional GDP of about US\$2 trillion, and total trade estimated at US\$1.23 trillion
- lower costs, increase intra-regional trade, increase economic efficiency
- lead to greater specialization in production based on comparative advantage
- intensified competition will increase productivity and economic welfare
- boost regional real income

Progress Report: AJCEP

Modality on Trade in Goods

- Normal Track: 10 years upon entry into force
- Sensitive Track: 0-5% in 10 years
- Cumulative rules of origin

Provisions for possible future negotiations in **services and investment** next year; meantime, commitments in bilateral EPAs and BITS will apply

Final Stages

- All parties have signed as of 12 April 2008
- Will enter into force with respect to ratifying parties two months after IOR is deposited with secretariat

The AJCEPA:

- 10 ASEAN Member States in Concert to Engage Japan in a Regional Trade Agreement
- Raising the Level of Play in the Game of Cross-Border Industrial Complementation
- Companion Agreement and Complement to the JPEPA
 - Neither Is Superior Nor Inferior to the Other
 - A Trade Liberalization Menu of Choices to catch the Exporter's Business Model

AJCEPA and JPEPA Work Hand-in-Hand

- Cumulative Rules of Origin: The True Value-Add of the RTA
 - Counting Each Other's Inputs as ASEAN-Japan Value
 - Complying with Leaders Mandate (12th ASEAN Summit, Mactan Cebu)

AJCEPA and JPEPA Work Hand-in-Hand (cont'n)

- The Philippines' AJCEPA Concessions: Preserving JPEPA Protection
 - Japan Accepts ASEAN's EPA Offers in AJCEP Package
 - Overall, AJCEPA Less Demanding than JPEPA
 - ❖ Year 2006 Base Rate Favors 190 Tariff Lines
 - ❖ More Gentle Staging for Nearly 600 Lines
 - ❖ More Exclusions in RP AJCEPA Offer
- Japan's AJCEPA and JPEPA Offers Essentially Equivalent; But RP Enjoys Exclusivity in JPEPA for Certain Products

Other Trade In Goods Features

On Toxic Waste and Hazardous Substances

- AJCEPA cites international agreements such as the Basel Convention
- Both AJCEPA and JPEPA Anchor on Article XX of GATT 1994

On SPS and TBT

- AJCEP Provisions for Cooperation through Information Exchange, Capacity Building, Technical Assistance and Consultations
- JPEPA Has a Strong MRA Chapter

The Trade in Services and Investments Chapters

In AJCEPA:

- Truncated; One Article of Three Paragraphs per Chapter
- Aspirations and Endeavor Clauses
- No More Liberal than JPEPA

In JPEPA:

- More Obligations than in AJCEPA
- Also More Benefits, e.g. MNP for Nurses and Caregivers

Domestic Consultations

- On Top of JPEPA Consultations, Two Major Tariff Commission Public Hearings
- Comprehensive List of Invitees; Actual Participants Represent Wide Cross Section of Philippine Society
- Constituents Raise Defensive Interests for Issue of Developing Regional ROO

Progress Report: AKFTA

- **Trade in Goods (TIG)**
 - Accession of Thailand in the TIG (i.e. request for additional flexibility as compared to ASEAN-6); protocol to be signed at AEM, Singapore August 2008
- **Trade in Services**
 - Second round of market access negotiations
- **Investment**
 - Ongoing deliberation on the approach on liberalization and Korea's proposal to include an MFN clause in the agreement
- **Economic Cooperation**
 - Consideration of parties project proposals

Gains : ASEAN-Korea FTA

- Korea will unilaterally eliminate tariffs for 70% products in 2007
- For RP
 - Bring about .04% GDP impact with tariff liberalization and .32% when tariff liberalization and capital accumulation are taken into account
 - Growth of RP exports between US\$.5-1B
 - Investments in the power sector, shipbuilding and railway system

Progress Report: AFTA

- **Trade in Goods**
 - Signing of the TIG agreement by the Economic Ministers postponed to August 2008
 - Philippine offer acceptable to India
 - Contentious issues remain
 - MOP-setting with Malaysia and Vietnam
 - Malaysia and Brunei have a petroleum issue
 - Indonesia and Thailand have sticky issues
- **Trade in Services and Investment**
 - Negotiations will commence after the conclusion of TIG

Progress Report: AANZFTA

- Trade in Goods
 - Ongoing deliberations on modality providing for tariff elimination until 2013
 - Rules of origin
- Services
 - Discussions on MFN, domestic regulation, denial of benefits, general exceptions, etc
 - Submission of offers
- Investment
 - Discussions on approaches to scheduling of commitments/reservations
- Economic Cooperation
 - Development of work programs

Progress Report: AANZFTA

- Other issues (TBTs, SPS, customs procedures, intellectual property, competition policy, special and differential treatment, government procurement, labor and environment)
- End-game for the negotiations
 - Brisbane to Bali to Hanoi
 - Single undertaking
 - Goods: 96% for 100%
 - Services: MNP and downgraded offers
 - Investments

Progress Report: ASEAN-EU

- ASEAN perspective
 - greater market access
 - Increased investment flows (FDI)
 - EU is a crucial economic partner; reverse is not true
- EU Perspective
 - gain a foothold in ASEAN.
 - EU keeping an eye on US, China and Japan
 - ASEAN region as one of its priority targets

Progress Report: ASEAN-EU

- RP hosting the 5th ASEAN – EU Joint Committee Meeting on 25-27 June 2008
 - Expert Groups (EGs) on Tariffs and Non-Tariff Barriers; Rules of Origin; Services/Investment; Dispute Settlement Mechanism; Sanitary and Phytosanitary (SPS) Measures; Technical Barriers to Trade; Customs and Trade Facilitation and Intellectual Property Rights established; initial meeting held during the 4th JC Meeting in Bangkok April 2008
 - RP designated as co-chair for Customs and Trade Facilitation Group

Progress Report: ASEAN-EU

- RP hosting the TREATI Seminar Series: Services and Establishment on 23-24 June
 - Soliciting strong private sector participation
- Vietnam to host 6th ASEAN – EU Joint Committee Meeting in October 2008