



**Asia-Pacific
Economic Cooperation**

2015/SOM3/DIA2/013
Session 1

**Rational and Main Features of Regional Trading
Arrangements and Free Trade Agreements: A
Philippine Perspective**

Submitted by: Philippines



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**Dialogue on Regional Trade Agreements and Free
Trade Agreements
Cebu, Philippines
2 September 2015**

Rationale and Main Features of Regional Trading Arrangements and Free Trade Agreements: A Philippine Perspective

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02 September 2015, Cebu City, Philippines

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The WTO and RTAs



■ GATT Article XXIV

- Allows WTO Members to establish RTAs (i.e. customs unions or FTAs) subject to:
 - Elimination of duties and other restrictive regulations of commerce on “*substantially all trade*”
 - Formation within a “*reasonable period of time*”*
 - Non-members must not face higher restrictions following the formation of the RTA

*To exceed 10 years only in exceptional cases

The WTO and RTAs



■ GATS Article V

- Allows WTO Members to enter into agreements to further liberalize trade in services subject to:
 - Having substantial sectoral coverage*
 - Absence or elimination of substantially all discrimination (National Treatment under GATS Article XVII which requires prohibition of new or more discriminatory measures) either at EIF or on the basis of a reasonable time frame**

* In terms of number of sectors, volume of trade affected, and modes of supply

** With exceptions for GATS Articles XI (Payments and Transfers), XII (BOP), XIV (General Exceptions) and XIV bis (Security exceptions)

The WTO and RTAs



■ The “*Enabling Clause*”

- Allows regional or global arrangements, among developing countries for the mutual reduction or elimination of tariff and NTMS

The WTO and RTAs



■ Experience to Date:

- As of April 2015*
 - 612 RTAs notified to GATT/WTO (goods, services, and accession)
 - 406/612 are currently enforced
 - 449 are physical RTAs (goods, services and accession)
 - 262/449 are in force
 - 426 notified under Article XIV of GATT 1947 or 1994
 - 39 are under the GATT “*Enabling Clause*”
 - 147 notified under GATS Article V
 - Record of compliance with the rules is hard to assess
 - Article XXIV is subject to DDA negotiations under WTO Rules

*Source: WTO

The Philippines and RTAs

PJEPA
Comprehensive agreement completed

AFTA
ASEAN Free Trade Area realized in 2010

ACFTA
Goods, services and investment agreements completed

AKFTA
Goods, services and investment agreements completed

AIFTA
Goods, services and investment agreements completed

AJCEPA
Goods completed; still to conclude services and investment


AANZFTA
Comprehensive agreement completed

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The Philippines and RTAs


- **PJEPA**
 - The country's only bilateral FTA
 - Implemented in 2008; realization in 2018/2023
 - Covers Trade in Goods, Trade in Services, Investment, IP, GP, Competition, Improvement of the Business Environment and Cooperation

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The Philippines and RTAs

- **ASEAN**
 - AFTA/ATIGA (Goods)
 - Realized in 2010
 - Covers 99%+ with very few exceptions (rice, sugar, cassava, sweet potatoes, maize and some meat products)
 - AFAS (Services)
 - 10th Package being finalized
 - Positive List Approach
 - With Investment Agreement, Economic Cooperation, E-Commerce, IP and Competition



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The Philippines and RTAs

- **ASEAN +1 FTAs**

FTA	Implementation	Realization
ASEAN-China	2004	2004/2010/2018
ASEAN-Japan	2009	2018
ASEAN-India	2010	2019/2022
ASEAN-Korea	2007	2010/2016
ASEAN-Australia-New Zealand	2010	2015/2020

- All have Goods, Services, and Investments components (AJCEP has not completed Services and Investments; AFTA recently completed Services and Investments)
- With varying treatments of other topics (e.g., AJCEP with economic cooperation on IP; AANZFTA with a chapter on IP, Competition, and E-Commerce)
- **RCEP negotiations are ongoing to consolidate the ASEAN+1 FTAs**
 - New areas have been introduced (i.e., IP, Competition, E-Commerce)
 - Context is being negotiated (i.e., aspirational, cooperative or prescriptive; soft or hard commitments)

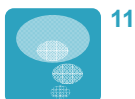


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The Philippines and RTAs

Other Engagements

- PH-EFTA – Negotiations are ongoing
- PH-EU – Scoping is ongoing
- PH has responded positively to other FTA requests
- PH has expressed interest in the TPP
- PH has expressed support for an APEC study on the FTAAP



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Some Observations

Benefits/Insights/Implications of RTAs/FTAs

- A practical way to address “New Issues” relevant to international trade not addressed or inadequately addressed by the present rules. Developed countries/advanced economies, however, are in a better position to determine the substance and the pace of the negotiations. Developing countries have obvious negotiating constraints.
- The WTO remains as the first best option (161 members under one set of rules). S&D being enshrined allows developing countries some degree of success to pursue specific trade interests.
- A mixed effort towards aspirational, cooperative or prescriptive provisions; soft or hard commitments



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Some Observations

■ Recommendations for Future Agenda

- Micro, small and medium enterprises (MSMEs) interests should be placed front and center of all international trade rules.
- International trade rules should be designed to enable MSMEs to be genuinely integrated with exporting firms, multinationals, and business conglomerates, and therefore take part in international trade.
- Challenge is how to achieve this MSME objective within the structure of the existing fora (i.e., multilateral, bilateral or regional negotiations).



Q/A



Thank You



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