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Regional Trading Arrangements and Free Trade Agreements: A Philippine Perspective

Submitted by: Philippines



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Agreements and Regional Trade
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Regional Trading Arrangements and Free Trade Agreements: A Philippine Perspective

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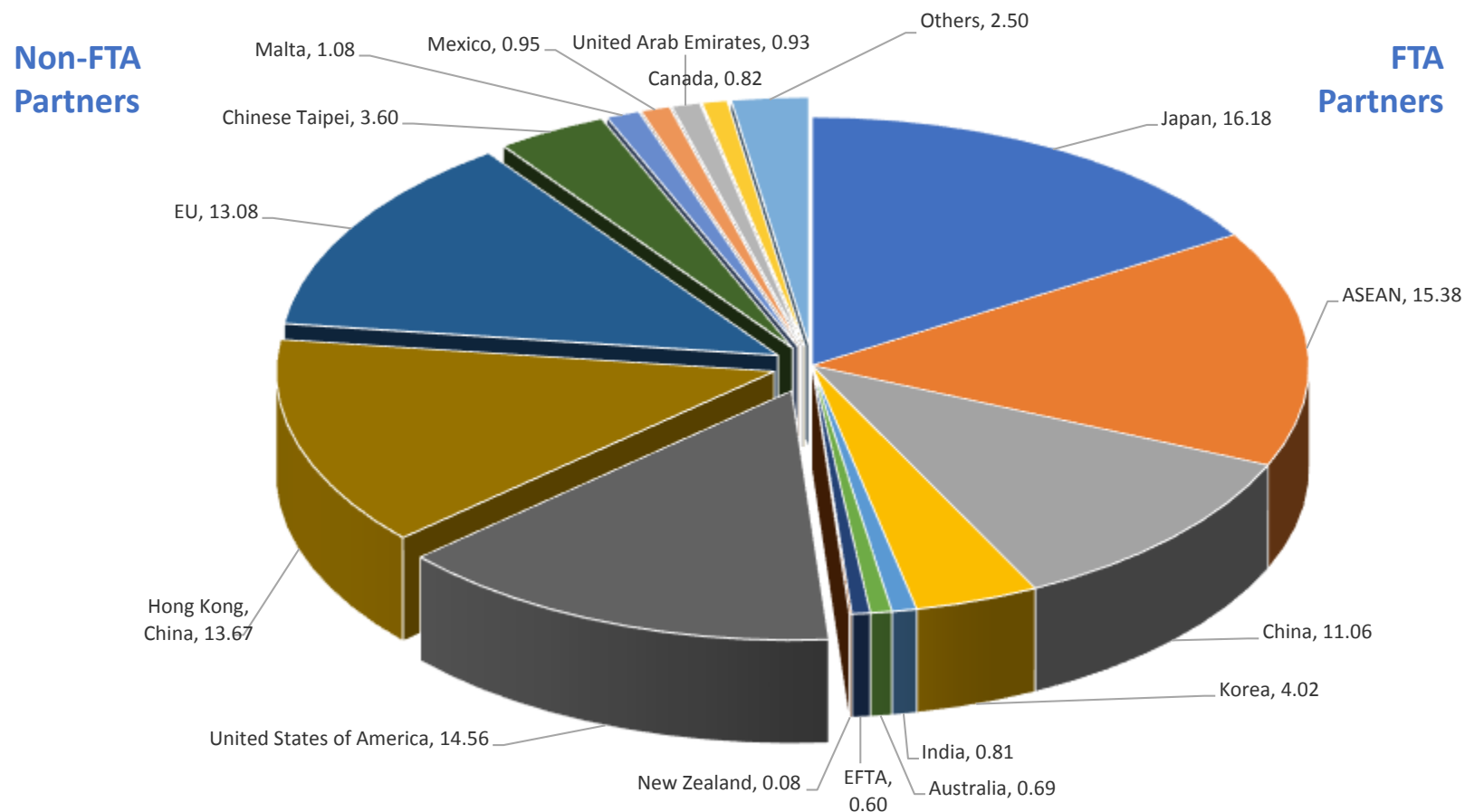
Philippine Trade Negotiation Agenda

A Focused and Pragmatic Trade Strategy: Objectives

- **Multilateral Level:** Conclusion of the Doha Development Agenda (DDA), the WTO as the best option on trade policy and international trade relations
- **Regional Level:** Ensure that the benefits from its participation in the ASEAN and other agreements negotiated in the context of the ASEAN are fully realized
- **Bilateral Level:** Seek to be a party to all trade agreements with its major trading partners to be able to compete aggressively in major markets
- **Domestic Level:** Counter unfair trade practices through trade remedy and defense measures; Enable local producers to comply with international standards; Compel consistent implementation of domestic laws, rules, and regulations; Carry out adjustment measures to assist sectors negatively affected by trade commitments

Philippine Trade Negotiation Agenda

PH Export Markets, 2017



- Strengthening engagement with major trading partners

- 48.81% of PH exports goes to PH FTA partners
- PH benefits from preferential tariffs in EU and US markets through their GSP schemes
- Need to lock in these preferences through FTAs

- Exploring other non-traditional markets

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 (or a standstill on trade measures towards non-members)

* *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 elimination of existing discriminatory measures or 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 tariffs and NTMs

The WTO and RTAs

- Experience to Date:
 - As of July 2018*
 - ✓ 673 RTAs notified to the WTO
 - 214 inactive
 - 459 in force (New RTAs and Accessions)
 - 287 of which are "physical RTAs"
 - Record of compliance with the rules is hard to assess
 - Article XXIV is subject of DDA negotiations under WTO rules

* Source: WTO

RTAs in Force

Category	No. of Notifications
GATT Art. XXIV (FTA)	236
GATT Art. XXIV (CU)	20
Enabling Clause	51
GATS Art. V	152
TOTAL	459

Physical RTAs

Category	No. of Notifications
Goods	142
Services	1
Goods & Services	144
TOTAL	287

The Philippines and RTAs

The Philippines and its FTA Partners



Total Population

3.5 Billion
(47.8% of global population)



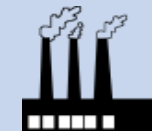
Total Trade

USD 4.6 trillion in imports
(29% of global imports)
USD 5.3 trillion in exports
(33% of global exports)



FDI

USD 378.7 billion in inward FDI
(16.4% of global inward FDI)
USD 503.9 billion in outward FDI
(26.4% of global outward FDI)



Combined GDP

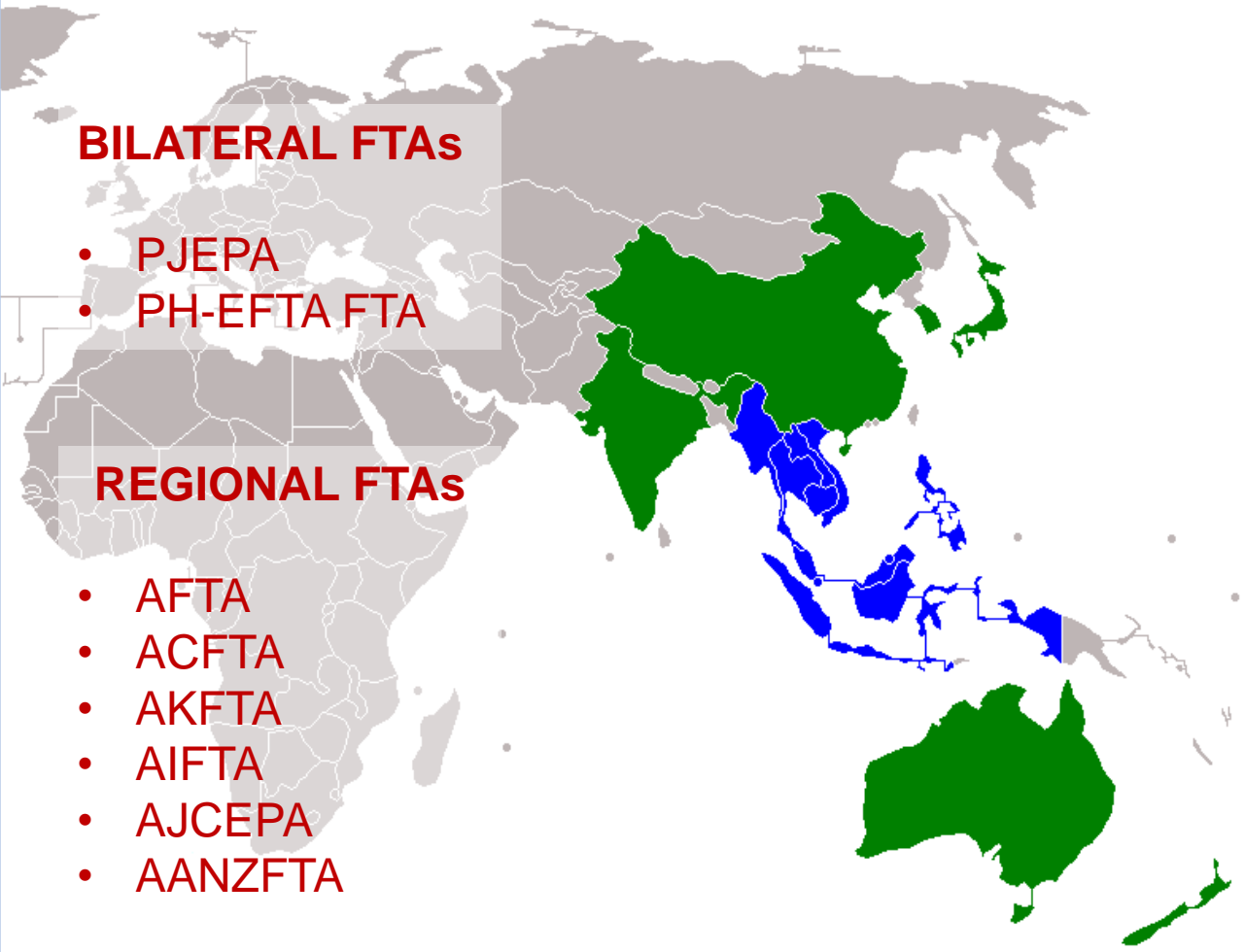
USD 24.8 trillion
(32.7% of global GDP)

BILATERAL FTAs

- PJEPA
- PH-EFTA FTA

REGIONAL FTAs

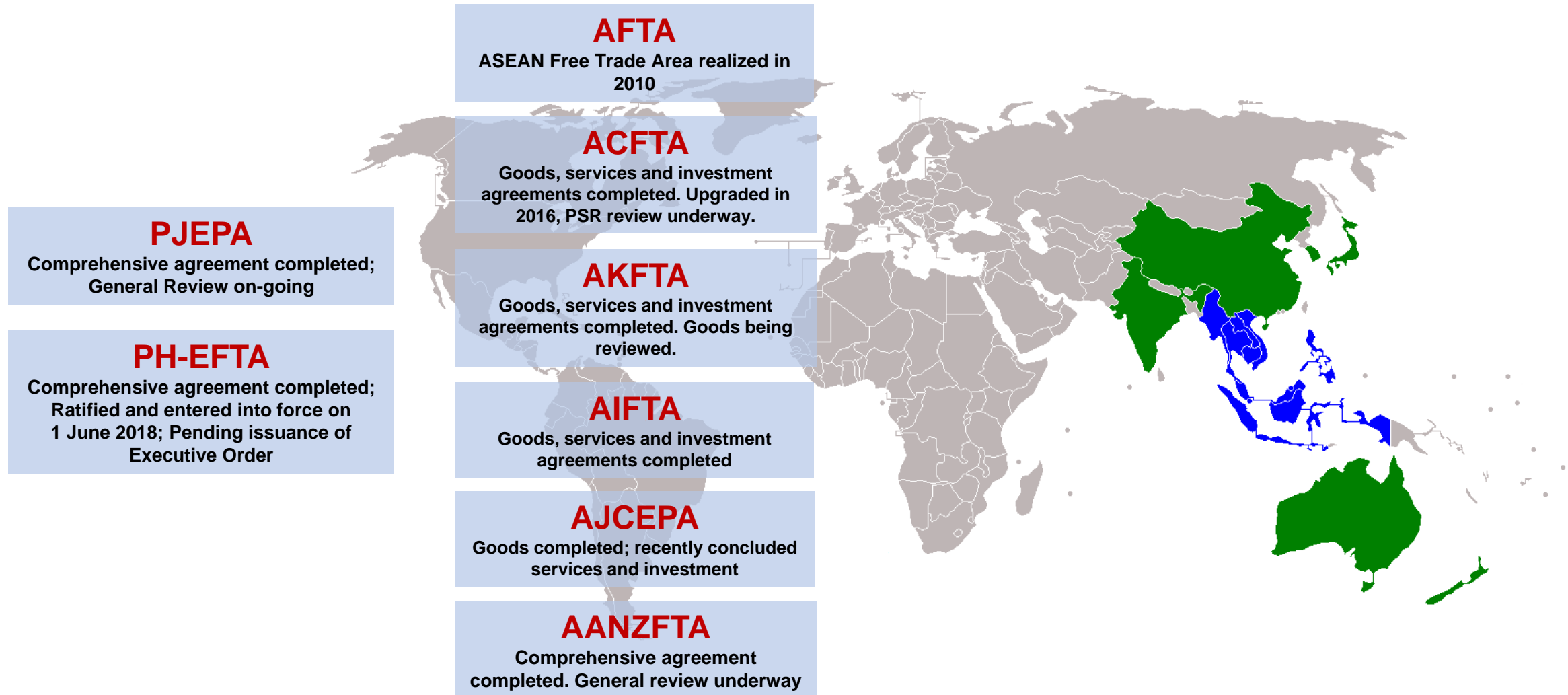
- AFTA
- ACFTA
- AKFTA
- AIFTA
- AJCEPA
- AANZFTA



*2016 figures

Source: ITC Trademap, World Bank

The Philippines' FTA Network



The Philippines and RTAs

Philippines-Japan Economic Partnership Agreement (PJEPA)

- PH's first bilateral FTA
- Implemented in 2008, realization in 2018/2023
- Covers Trade in Goods, Trade in Services, Investment, IP, GP, Improvement of the Business Environment and Cooperation
- General Review on-going, considering new areas:
 - ✓ E-Commerce
 - ✓ MSME
 - ✓ Competition

The Philippines and RTAs

In USD Thousand

Year	PH Export to JP	PH Import from JP	Total Trade with JP	Trade Balance
2001	5,057,443	6,995,947	12,053,390	(1,938,504)
2002	5,295,454	7,926,492	13,221,946	(2,631,038)
2003	5,768,938	8,295,476	14,064,414	(2,526,538)
2004	7,983,390	8,050,849	16,034,239	(67,459)
2005	7,206,100	8,464,166	15,670,266	(1,258,066)
2006	7,918,337	7,676,911	15,595,248	241,426
2007	7,304,148	7,219,107	14,523,255	85,041
2008	7,707,063	7,121,851	14,828,914	585,212
2009	6,208,401	5,764,923	11,973,324	443,478
2010	7,841,291	7,301,840	15,143,131	539,451
2011	8,866,494	7,016,762	15,883,256	1,849,732
2012	9,881,269	6,960,940	16,842,209	2,920,329
2013	12,048,496	5,594,520	17,643,016	6,453,976
2014	13,918,860	5,538,671	19,457,531	8,380,189
2015	12,381,197	6,761,333	19,142,530	5,619,864
2016	11,674,108	10,196,483	21,870,591	1,477,625

PJEPA Benefits: Trade

- Trade balance improved by USD 35.2 billion in favor of the PH

Pre-PJEPA (2001-2008): (7,509,926)

Post-PJEPA (2009-2016): 27,684,644

- Total trade increased by 19%
Pre-PJEPA (2001-2008): 115,991,672
Post-PJEPA (2009-2016): 137,955,588
- JP remains to be PH's top export market

**Based on 8-year average before and after PJEPA EIF*

The Philippines and RTAs

In PHP Millions

Year	Approved Investments from JP
2001	23,021.00
2002	17,053.80
2003	8,840.80
2004	26,596.20
2005	27,548.10
2006	20,065.70
2007	38,587.30
2008	16,115.60
2009	70,737.10
2010	58,333.10
2011	78,321.20
2012	69,037.00
2013	44,784.40
2014	35,659.90
2015	54,711.10
2016	27,058.72

Source: Foreign Investments Reports published by PSA

PJEPA Benefits: Investments

- Investments from JP increased by 146.7%*
- In 2016, Japan was the 4th largest contributor of approved foreign investments to the Philippines.

**Based on 8-year average before and after PJEPA EIF*

The Philippines and RTAs

Philippines-EFTA Free Trade Agreement

- PH's second bilateral FTA
- Entered into force on 01 June 2018 for all parties, except Iceland
- Covers Trade in Goods, Trade in Services, Investment, IP, GP, Competition, Trade and Sustainable Development

The Philippines and RTAs

ASEAN: ASEAN Economic Community

- *ATIGA (Goods)*
 - ✓ Realized in 2010
 - ✓ 99%+ with duty free treatment; very few exceptions (PH: rice, sugar, cassava, sweet potatoes, maize and some meat products)

- *AFAS (Services)*
 - ✓ Includes Mutual Recognition Arrangements for a number of professions
 - ✓ 10th Package being finalized to allow signing of implementing protocol
 - ✓ Positive List Approach
 - ✓ On-going negotiations to upgrade through the ASEAN Trade in Services Agreement (with transition to a negative list)

- With Agreements / Engagement on: Standards and Technical Regulations, SPS, Trade Facilitation, Investment, Consumer Protection, Competition, Good Regulatory Practice, IP, MSMEs, Statistics, E-Commerce, Customs, Transport, Energy, Minerals, Science and Technology, Tourism, and Telecommunications

The Philippines and RTAs

ASEAN + 1 FTAs:

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

- All have Goods, Services, and Investments components (AJCEP has not 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)
- ASEAN – Hong Kong, China negotiations have been completed and Parties are preparing for its implementation, targeted in January 2019
 - Covers Trade in Goods, Customs Procedures and Trade Facilitation, SPS, Standards, Trade Regulations and Conformity Assessment Procedures, Trade Remedies, Trade in Services, Economic and Technical Cooperation, Intellectual Property Rights

Some Observations

• 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 economies, however, are in a better position to determine the substance and the pace of the negotiations. Developing economies have obvious negotiating constraints.
- The WTO remains as the best option (164 Members under one set of rules). S&D being enshrined allows developing economies some degree of success to pursue specific trade interests.
- A mixed effort towards aspirational, cooperative or prescriptive provisions; soft or hard commitments.

• 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.

PH Domestic Programs

1. Doing Business in Free Trade Areas (DBFTA) Program

- Nationwide information campaign on Philippine FTAs
- Increase utilization of FTAs
- DBFTA Handbook; FTA Primer

2. One Country, One Voice (OCOV)

- Institutional consultation mechanism for stakeholders
- Covers all PH trade engagements: Japan, EU, EFTA, ASEAN, WTO

Thank you.

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