

The Future of Free Trade Agreements in the Asia-Pacific: A Philippine Perspective

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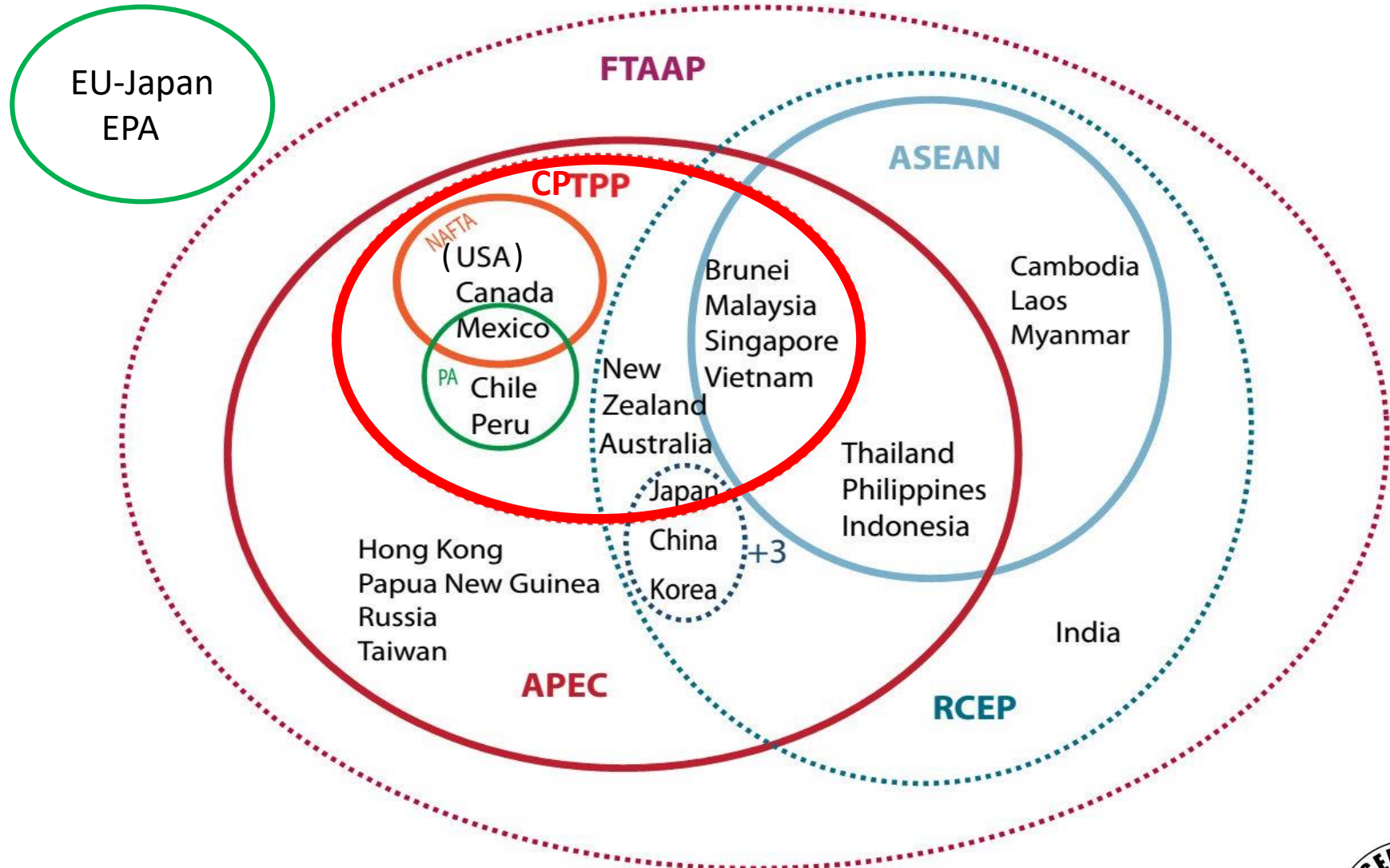


Outline

- I. An Overview of FTAs in Asia-Pacific
- II. Politics of FTAs: Major Actors and Dynamics
- III. The Future of Asian FTAs amid Uncertainty
- IV. Projections and Actual Involvement: The Philippine Context
- V. Policy Considerations for the Philippine Government



I. An Overview of FTAs in Asia-Pacific



Source: Peterson Institute for International Economics (July 2016)



I. An Overview of FTAs in Asia-Pacific

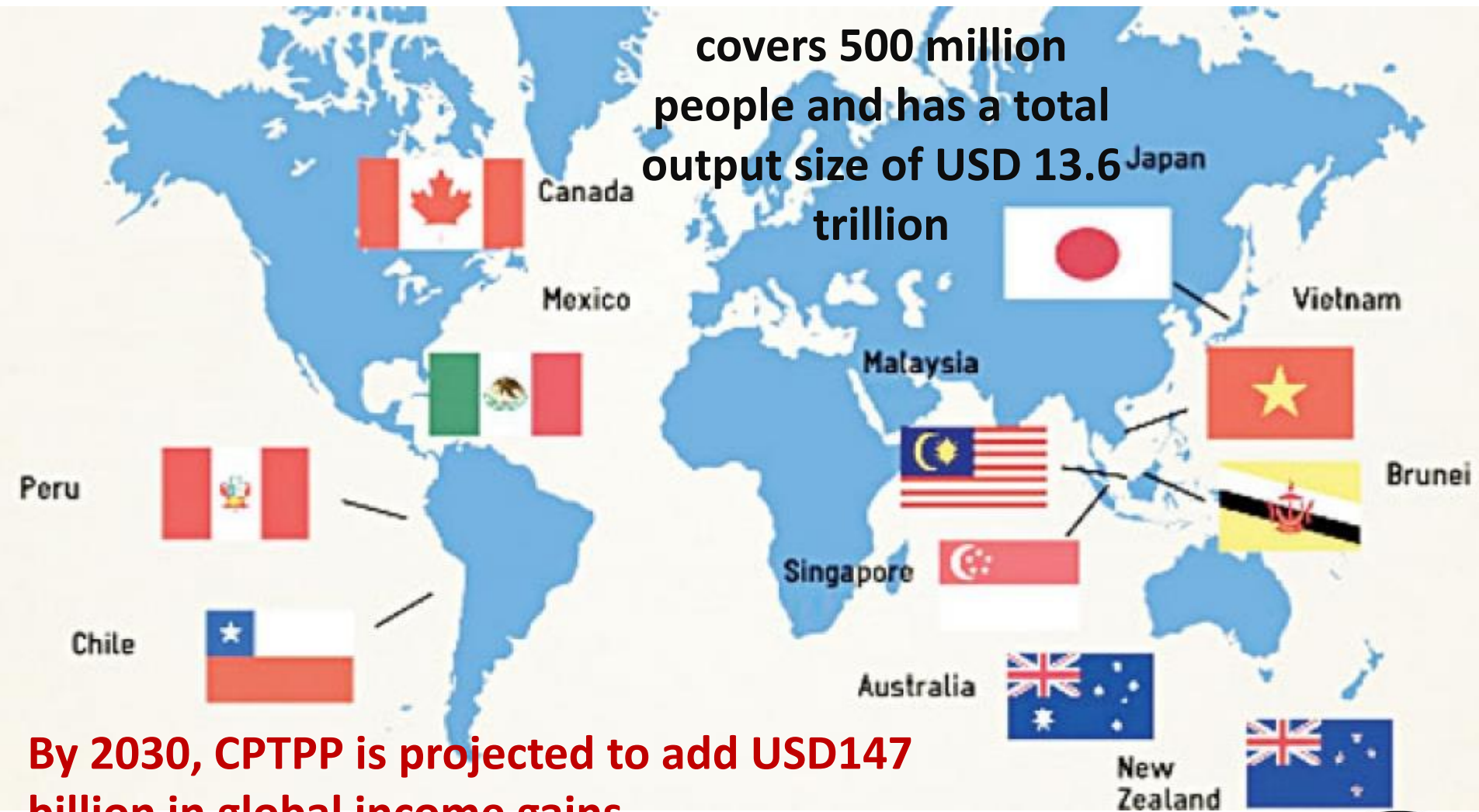


Sources: Google Images; Peter Petri and Michael Plummer, The case for RCEP as Asia's next trade agreement, 6 November 2018. Retrieved 30 March 2019 from <https://www.brookings.edu/blog/order-from-chaos/2018/11/06/the-case-for-rcep-as-asias-next-trade-agreement/>



I. An Overview of FTAs in Asia-Pacific

covers 500 million people and has a total output size of USD 13.6 trillion



By 2030, CPTPP is projected to add USD147 billion in global income gains

Source: Google Images; Peter Petri and Michael Plummer, "China Should Join the New Trans-Pacific Partnership", *PIIE Policy Brief 19-1*, January 2019. Taken from:

<https://piie.com/system/files/documents/pb19-1.pdf> (accessed 25 March 2019).

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II. Politics of FTAs: Major Actors and Dynamics

- CPTPP and RCEP: Rival trade agreements? The exit of US government squashed that question
- Japan as leading proponent of the CPTPP – A signal to greater Asian leadership in world trade
- RCEP as an ASEAN-led, China-backed trade pact – Role of regional organization alongside a more visible regional player (China)
- Philippines was at a unique position: APEC 2015 Chair and ASEAN 2017 Chair



III. The Future of Asian FTAs amid Uncertainty

- Mega-FTAs encompass ‘next-generation’ 21st century issues such as the environment, state-owned enterprises, intellectual property, e-commerce, competition policy, and dispute settlement
- Two noteworthy observations: (1) mandate to undertake (major) domestic reforms for parties and interested countries; and (2) Asia’s march toward greater liberalization
- Caveat: Political leadership at the domestic level; Rise of another “Trump” among Asia-Pacific countries?

III. The Future of Asian FTAs amidst Uncertainty

- Membership arrangements of FTAs – More or less?
- FTAs vis-à-vis the multilateral trading system: FTAs as the “new normal”, amid WTO negotiations deadlock
- Will they serve as pathways toward a Free Trade Area of the Asia Pacific (FTAAP)? APEC and/or China as possible drivers



IV. Projections and Actual Involvement: The Philippine Context

- Cororaton (2016) finds that the RCEP has an overall positive impact on the country within the period 2014-2023; Major winners are industries such as construction, transport and machinery equipment, and services; while rice and textile industries will experience contraction during the ten-year period.
- Commodity prices will decline, real household incomes will rise, and USD 2.4 billion worth of foreign direct investment (FDI) will be poured into the Philippine market
- Poverty indicators as well as the GINI coefficient will likewise decrease and RCEP will bring in an additional welfare gains of USD 4.5 billion

Source: Caesar Cororaton, "Potential Effects of the Regional Comprehensive Economic Partnership on the Philippine Economy", *PIDS Discussion Paper Series No. 2016-30*, August 2016, Taken from: <http://dirp3.pids.gov.ph/websitecms/CDN/PUBLICATIONS/pidsdps1630.pdf> (accessed 29 December 2016).

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IV. Projections and Actual Involvement: The Philippine Context

- Estimates by Petri and Plummer (2019) show that non-participation of the Philippines in the CPTPP would bring no change in the country's real income and exports by 2030
- However, its accession to the CPTPP along with Indonesia, South Korea, Taiwan, and Thailand (hence CPTPP16), will lead to a USD13 billion increase in the country's real income by 2030. This figure may rise to USD20 billion upon the realization of CPTPP16+China.
- On exports, an additional USD29 billion can be reaped by 2030 if CPTPP16 materializes. China joining the CPTPP16 then augments the cited projection to USD51 billion.

Source: Peter Petri and Michael Plummer, "China Should Join the New Trans-Pacific Partnership", *PIEE Policy Brief 19-1*, January 2019. Taken from: <https://piie.com/system/files/documents/pb19-1.pdf> (accessed 25 March 2019).



IV. Projections and Actual Involvement: The Philippine Context

- List of enforced regional and bilateral FTAs:
 - ASEAN Free Trade Area (1992; 1999);
 - ATIGA (2009; 2010);
 - ASEAN FTAs with China, South Korea, Japan, India, Australia, and New Zealand
 - PJEPA (2008); and
 - PH-EFTA FTA (2016; 2018).

- FTAs in the pipeline:
 - RCEP
 - PH-EU FTA

*APEC BAC Philippines has urged the government to partake in the CPTPP and Pacific Alliance; Government poised to explore more strategic trade partnerships



V. Policy Considerations for the Philippine Government

- Undertake and effectively implement domestic reforms (enablers of trade) needed to maximize the benefits of FTAs (e.g., TF and trade logistics, provision of ICT-related infrastructure, EODB and PCA)
- Extend assistance to firms, especially MSMEs, to ensure higher utilization of FTA preferences; DBFTA as a good starting point; other policy options include SME clustering and greater access to finance and technology
- Incorporate FTA-related principles into national and local development planning and strategies (i.e., MFN and NT, export orientation, higher competitiveness of firms)



V. Policy Considerations for the Philippine Government

- Navigate the Asia-Pacific's FTA landscape in the near-term without the leadership of the US (as exemplified in its absence in mega-trade deals)
- Advance a rules-based, liberal international trading order while also fostering deeper regional integration through ASEAN and APEC



Thank you!

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