

How Does the Philippines Fare in Meeting ASEAN Economic Community Vision 2025?

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The ASEAN Community Vision 2025

10-year path towards an integrated, peaceful and stable community with shared prosperity

ASEAN Economic Community (AEC)

A highly integrated and cohesive; competitive, innovative and dynamic; with enhanced connectivity and sectoral cooperation; and a more resilient, inclusive, and people-oriented, people-centered community, integrated with the global economy, by 2025

ASEAN Socio-Cultural Community (ASCC)

A community that engages and benefits the peoples, and is inclusive, sustainable, resilient, and dynamic by 2025

ASEAN Political-Security Community (APSC)

A united, inclusive and resilient community by 2025

Source ASEAN Secretariat (2015); Compilation by the authors.

- Each Pillar has a Blueprint which contains Characteristics and Elements (or Key Result Areas) which refer to specific goals and strategies for Community building

ASEAN Economic Community (AEC) 2025 Characteristics



Objectives of the Study

- To track the Philippines' progress in achieving the characteristics and key result areas outlined in the AEC Blueprint 2025. Specifically,
 - To rank the Philippines' performance vis-à-vis ASEAN neighbors;
 - To examine the Philippines' performance based on alignment between the AEC Vision 2025 Blueprint and the Philippine Development Plan 2017-2022 goals
 - To identify areas for improvement and provide policy recommendations to address bottlenecks

Methodology ⁽¹⁾

- The study uses the indicators identified in the ASEAN Community Progress Monitoring System (ACPMS) Report 2017, particularly, the AEC indicators
 - ACPMS 2017 – a report on the progress made by ASEAN member states (AMS) in ASEAN Community building;
 - Contains 15 Core indicators and several Supporting indicators for elements in each AEC characteristic
- Source of data on the indicators: ACPMS 2017 report's database, ASEAN Secretariat (Database, Yearbook); World Bank (Development indicators, WITS, WB Group Finance, Governance indicators); IMF, UNCTAD, UNESCO, WEF.

Methodology (2)

- PH performance in AEC indicators summarized in terms of:
 - Ranking vs other ASEAN countries
 - Top- the Philippines ranks 1st to 3rd
 - Middle- the Philippines ranks 4th to 6th
 - Bottom- the Philippines ranks 7th to 10th
 - Performance with respect to AEC targets
 - On-Track if improving and directed towards the vision or target;
 - Off-Track if not moving towards the vision or target, or has no progress
- Navigating the AEC 2025 Vision to the PDP
 - Performance in selected indicators of PDP pillars that are aligned with the AEC characteristics
 - Source of information/data: PDP 2017-2022; StatDev2019

AEC Characteristics & Indicators and alignment with PDP Pillars & Indicators⁽¹⁾

AEC Characteristic	AEC Indicators	PDP Pillars	PDP Indicators
1. A Highly Integrated and Cohesive Economy	<p><i>Core Indicators:</i> Value and share/proportion of intra-ASEAN exports and imports in total trade; Value of intra-ASEAN trade in services (exports and imports), total and by category; and, Value of intra-ASEAN inward FDI, total and by sector/industry</p> <p><i>Supporting Indicators:</i> Share of services sector in GDP; Intra-ASEAN Intra-industry Trade Index; Tariffs on intra-ASEAN imports; Trade in Value-Added; Account at a financial institution, income, poorest 40% (% ages 15+); Share of intra-ASEAN Portfolio Investments to Total Portfolio Investments</p>	<p>Inequality-reducing transformation-- Chapter 8: Expand economic opportunities in AFF; Chapter 9: Expand Economic opportunities in I&S</p> <p>Enabling and supportive economic environment-- Chapter 15: Sustain a sound, stable and supportive macroeconomic environment</p>	<p>Ch.8: Growth in the Value of Agriculture and Fishery Exports Increased; Ch.9: Total approved investments increased; Net foreign direct investment; Number of MSMEs participating in global value chains increased; Ch.15: Increase in merchandise, services exports</p>

AEC Characteristics & Indicators and alignment with PDP Pillars & Indicators⁽²⁾

AEC Characteristic	AEC Indicators	PDP Pillars	PDP Indicators
<p>2. A Competitive, Innovative and Dynamic ASEAN</p>	<p><i>Core Indicators:</i> Labor productivity; Research and Development (R&D) expenditures as percentage of GDP; and, Global Competitiveness Index <i>Supporting Indicators:</i> Number of patent and trademark applications by residents; Number of R&D personnel (per million people); Time required to start a business (days); Control of Corruption (Worldwide Governance Index)</p>	<p>Enhancing the social fabric-- Chapter 5: Ensuring people-centered, clean and efficient governance Inequality-reducing transformation-- Chapter 8: Expanding economic opportunities in Agriculture, forestry, and fisheries Chapter 9: Expand economic opportunities in I&S</p>	<p>Ch.5: Percentile ranking in the WGI – Control of Corruption improved; Percentile ranking in the GCI improved; Percentile ranking in the WGI – Government Effectiveness improved; Percentile ranking in the WGI – Voice and Accountability improved Ch.8: Labor productivity in industry sector, in service sector increased Ch.9: Level of consumer awareness increased (%) Ch.14: Leveraging Science, technology and Innovation Total number of Filipino UM Registered; Total Filipino Model registered; R&D expenditure as a proportion of GDP; WEF-Global Competitiveness Report (GCR) Innovation Ranking among ASEAN member countries; Proportion of high-tech agriculture, industry and services value-added in sectoral value-added</p>

AEC Characteristics & Indicators and alignment with PDP Pillars & Indicators⁽³⁾

AEC Characteristic	AEC Indicators	PDP Pillars	PDP Indicators
3. Enhanced Connectivity and Sectoral Cooperation	<p><i>Core Indicators:</i> Intra-ASEAN tourist arrivals; Fixed broadband subscriptions (per 100 people); and, Passengers and freight volume, by mode of transport</p> <p><i>Supporting Indicators:</i> Extra-ASEAN tourist arrivals; Proportion of population covered by mobile network (2G, 3G, 4G); Logistics performance index; Percentage of renewable energy in primary energy supply; Intensity level of primary energy; Mineral rents (% of GDP); Adjusted savings: mineral depletion (% of GNI); Intra-ASEAN trade in minerals; Liner shipping connectivity index; B2C E-commerce Index</p>	Increasing growth potential-- Chapter 19: Infrastructure development	Ch.19: Infrastructure development Air passenger traffic increased, (international and domestic), in number of passengers, Air cargo traffic increased, (international and domestic), in MT, Number of round-trip international flights increased, Number of round-trip domestic flights increased, Water Transport No. of shipcalls increased, No. of passengers transported via sea increased, Cargo shipped increased (international and domestic), in MT

AEC Characteristics & Indicators and alignment with PDP Pillars & Indicators⁽⁴⁾

AEC Characteristic	AEC Indicators	PDP Pillars	PDP Indicators
4. Resilient, Inclusive, People-Oriented and People-Centered ASEAN	<p><i>Core Indicators:</i> Number of MSMEs per 1,000 persons; Ratio between average GDP per capita in ASEAN-6 and CLMV; and, Labor force participation rate for ages 15-24 (youth), total (%)</p> <p><i>Supporting Indicators:</i> ASEAN6: CLMV gap in intra-ASEAN trade; ASEAN6:CLMV gap in inward FDI; Private partnership investment in infrastructure by sector; Domestic credit to the private sector (% of GDP)</p>	<p>Enabling and supportive economic environment Chapter 9: Expand Economic opportunities in I&S Chapter 10: Accelerating Human Capital Development Inequality-reducing transformation</p>	<p>Ch.9: Number of MSMEs participating in global value chains increased Ch.10: Decrease percentage of youth NEET (Not in education, employment and training)</p>

AEC Characteristics & Indicators and alignment with PDP Pillars & Indicators⁽⁵⁾

AEC Characteristic	AEC Indicators	PDP Pillars	PDP Indicators
5. A Global ASEAN	<p><i>Core Indicators:</i> Tariff rates on extra-ASEAN imports and imports from ASEAN FTA partners; Extra-ASEAN Trade; and, FDI flows from ASEAN to the rest of the world, and from the rest of the world to ASEAN</p>	<p>Foundations for sustainable development Chapter 18: Ensuring security, public order and safety Enabling and supportive economic environment Chapter 15: Sustain a sound, stable and supportive macroeconomic environment</p>	<p>Indirect indicators: Increase in merchandise, services exports</p>

Summary of PH Performance **per Characteristic**

Characteristic 1: A Highly Integrated and Cohesive Economy

- Upward trend in trade in goods and services, participation in GVCs, and financial inclusion
- Mostly middle ranking vis-à-vis other ASEAN countries,
 - High rank: e.g. Intra-ASEAN imports, Services sector share in GDP, etc.
 - Low rank: e.g. Intra-ASEAN exports, Intra-ASEAN FDI flows by source country, Account in a financial institution, etc.

Characteristic 2: A Competitive, Innovative and Dynamic ASEAN

- Little progress in most indicators (e.g. R&D expenditure as % of GDP; researchers per million people; control of corruption; etc.)
- Mostly middle ranking vis-à-vis other ASEAN countries,
 - High rank: none
 - Low rank: R&D expenditure as % of GDP; Time Required to Start a Business

Summary of PH Performance **per Characteristic**

Characteristic 3: Enhanced Connectivity and Sectoral Cooperation

- Improvement in most indicators, e.g. tourist arrivals, fixed broadband subscriptions, population covered by 3G, liner shipping connectivity index, etc.; Off-track/Static in Logistics performance index and 4G coverage in recent years
- Middle ranking vis-à-vis other ASEAN countries,
 - High rank: Water transport passengers, Renewable energy %
 - Low rank: intra-ASEAN tourist arrivals, % 3G coverage, etc.

Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN

- Improvement in indicators on private partnership investments in infrastructure (energy, transport, sanitation, but not ICT); Off-track/static in MSME density and Youth labor force participation rate
- Top, middle ranking vis-à-vis other ASEAN countries,
 - High rank: Private partnership investments in infra (transport, water and sanitation)
 - Low rank: MSME density, Youth labor force participation rate

Summary of PH Performance **per Characteristic**

Characteristic 5: A Global ASEAN

- Increasing openness, reduction of tariff rates in FTAs, MFN rates one of the lowest in ASEAN; increasing FDI flows from the rest of the world, but decreasing FDI flows to the ROW
- Vis-à-vis other ASEAN countries, PH ranks one of the top in reduced Tariff Rates on Imports with FTA Partners and with the Rest of the World; but ranks one of the lowest in ratio of trade with ROW to GDP

How the Philippines Performed in Terms of Ranking

AEC Characteristic	No. of Indicators by PH Ranking				Total
	Top	Middle	Bottom	Data not available/ Not country specific	
Characteristic 1: Highly Integrated and Cohesive Economy	3	5	5	3	16
Characteristic 2: Competitive, Innovative and Dynamic ASEAN	0	6	2	0	8
Characteristic 3: Enhanced Connectivity and Sectoral Cooperation	3	13	4	1	21
Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN	2	3	2	3	10
Characteristic 5: A Global ASEAN	2	2	1	0	5
Total	10	29	14	7	60

How the Philippines Performed in the AEC Vision/Targets

AEC Characteristic	No. of Indicators			Total
	On Track	Off Track/Static	Data not available/ Not country specific	
Characteristic 1: Highly Integrated and Cohesive Economy	11	2	3	16
Characteristic 2: Competitive, Innovative and Dynamic ASEAN	4	4	0	8
Characteristic 3: Enhanced Connectivity and Sectoral Cooperation	15	5	1	21
Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN	4	3	3	10
Characteristic 5: A Global ASEAN	3	2	0	5
Total	37	16	7	60

Summary of PH Performance: Navigating AEC characteristics to PDP accomplishments

- Similar trends in PDP accomplishments and performance in achieving the AEC.

PDP goals related to:

AEC Characteristic 1 (Highly Integrated and Cohesive Economy)

- indicate generally high likelihood of achieving targets

AEC Characteristic 2 (Competitive, Innovative and Dynamic ASEAN)

- indicate generally low likelihood of achieving targets, except indicators related to STI utilization (Filipino patents, utility models, industrial designs registered) which indicate moderate to high likelihood.

AEC Characteristic 3 (Enhanced Connectivity and Sectoral Cooperation)

- Infra, transport-related indicators show moderate to high likelihood of achieving target

AEC Characteristic 4 (Resilient, Inclusive, People-Oriented and People-Centered ASEAN)

- generally, moderate likelihood of achieving target

Conclusion and Recommendations ⁽¹⁾

- The Philippines is generally moving towards the AEC goals. But it is showing medium performance in comparison with ASEAN countries and in accomplishing the PDP goals
- As the country is in pursuit of upper-middle income status, it cannot settle at the current standing
- Increasing trade is an indication of an open and globally integrated economy, but the volume of trade can be improved
The industrial strategy (i3S) has to keep supporting and pushing the industries to innovate, and produce competently and sustainably

Conclusion and Recommendations (2)

- Performance in connectivity is weak
There are national projects to improve infrastructure, but one area that also deserves priority is ICT
- Towards a more inclusive society and economy: need more participation
e.g. Push for more entrepreneurs and start-ups; financial inclusion; job opportunities for the youth
- There is room for more FDI, especially in technology & innovation
Enabling environment for business – foreign and domestic alike

Conclusion and Recommendations (3)

- Regional: Updating of the AEC Vision 2025 in view of the COVID-19 pandemic
- Domestic (government, including LGUs): Re-evaluate/update plans and indicators to capture impact of the pandemic, also incorporating some AEC targets



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