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

*Francis Mark A. Quimba, Maureen Ane D. Rosellon,  
and Jean Clarisse T. Carlos*



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

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## **Abstract**

In November 2015, the *ASEAN Community* composed of three (3) pillars: the ASEAN Economic Community (AEC), the ASEAN Socio-Cultural Community (ASCC), and the ASEAN Political-Security Community (APSC) was established as a response by the ASEAN Member states to the need to develop a Post-2015 Vision of a cohesive, economically integrated, socially responsible and a truly people oriented, people -centered and rules-based ASEAN. Each pillar corresponds to a blueprint, and are part of the general master plan called *ASEAN Community Vision 2025* with the theme “*ASEAN 2025: Forging Ahead Together*”.

This study focuses on the AEC Blueprint 2025 and its characteristics and elements. After five years upon establishment, there is a need to assess how the Philippines has fared in achieving the key result areas in the AEC Blueprint 2025.

By comparing the baseline with the most recent data, this study found that the Philippines is among the middle of the pack (ranking from 4<sup>th</sup> to 6<sup>th</sup>) among the ASEAN countries. In terms of AEC vision and goals, the Philippines performance suggests that the country is generally on track and is progressing in the right direction.

**Keywords:** ASEAN Economic Community, AEC, AEC Blueprint, ASEAN 2025

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### 1. Introduction

The countries comprising the Association of Southeast Asian Nations (ASEAN), adopted the ASEAN Economic Community (AEC) Blueprint 2025 on 22 November 2015 at the 27<sup>th</sup> ASEAN Summit in Kuala Lumpur, Malaysia. The AEC Blueprint 2025 consists of five (5) interrelated and mutually reinforcing characteristics, namely: (a) a highly integrated and cohesive economy; (b) a competitive, innovative, and dynamic ASEAN; (c) enhanced connectivity and sectoral cooperation; (d) a resilient, inclusive, people-oriented, and people-centered ASEAN; and (e) a global ASEAN. The operationalization of the blueprint lies on the work plans and implementation of various sectoral bodies in ASEAN (ASEAN 2020).

The history of AEC's conceptualization and establishment can be traced 23 years back when the Asian financial crisis struck the region (Table 1). The crisis pushed ASEAN to a general rethinking toward deepening regional economic cooperation—the need to develop the capacity for coordinated macroeconomic response to avert future crises (Menon and Lee 2019).

Table 1: Timeline of the Establishment of AEC Blueprint 2020

| Date             | Event   |
|------------------|---|
| 1997 July 23     | ASEAN adopts the ASEAN Vision 2020  |
| 1998 December 15 | ASEAN adopts the Hanoi Plan of Action which have paved the way for a level of cooperation beyond what is involved in the Vision 2020                              |
| 2003 October 07  | Signing of the Declaration of ASEAN Concord II, which establishes the goal of creating an ASEAN Economic Community by 2020 (under the goals of ASEAN Vision 2020) |
| 2007 January 13  | Signing of the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015  |
| 2007 November 20 | Adoption of the ASEAN Economic Blueprint (the master plan for the establishment of the AEC)   |
| 2015 November 23 | Official launch of the AEC Blueprint 2025   |

Source: Abe and Abonyi (2016)

Before the launch of AEC Blueprint 2025, the region has already experienced benefits from the signing of the AEC in 2007. According to Lehmarcker (2016), from 2007 to 2014, ASEAN trade increased by a value of nearly USD1 Trillion. Most of that (24%) was trade within the region, followed by trade with China (14%), Europe (10%), Japan (9%) and the United States (8%). During the same period, foreign direct investment (FDI) rose from USD85 Billion to USD136 Billion, and share to the world increased from 5 percent to 11 percent.

Despite these achievements, there remains large potential for further growth. With 622 million people, ASEAN is the world's third largest market; and behind China and India, it has the third largest labor force. In 2014, ASEAN was the seventh largest economic power in the world and

the third largest economy in Asia, with a combined GDP of USD2.6 Trillion (Lehmarcher 2016).

The ASEAN aims to maximize this potential for further growth through the formation of the ASEAN Community. The AEC Blueprint has come up with sector plans that lay out the targets for key sectors. The sectoral plans shall be reviewed and updated periodically to ensure its relevance and effectiveness. It is important that partnerships with the private sector, industry associations and the wider community at the regional and national levels is actively sought and fostered to ensure inclusivity, and among others.

In support of the Philippine goals, this study provides updated data for each indicator under the AEC Blueprint 2025 gathered from various databases and reports from international organizations, official documents from ASEAN economies, and mostly from the ASEAN Secretariat's reports and database.

The authors also highlight how the Philippines fared from 2015 to 2020 in AEC: what is the progress of the Philippines per characteristic and indicator; how does it perform compared to other ASEAN economies; and in which areas should the Philippines need to improve?

To further assess how the Philippines fared in AEC, the authors also present a discussion on the Philippine Development Plan (PDP) 2017-2022 and mapping of interrelated indicators with AEC. Presented as well is an overview of the Philippines' performance and likelihood to achieve the PDP goals that correspond to AEC characteristic/indicator to track where the focus of the stakeholders and policy makers should be.

With this, the repository of AEC data per characteristic, key result areas, and indicators aims to guide the stakeholders to have informed decisions that will contribute to the achievement of the AEC 2025 Blueprint as well as the PDP 2017-2022. The repository also abled the authors to come up with recommendations based on the best practices from other countries that could be applied in the Philippines to address the bottlenecks.

### *1.1. Significance of the Study*

The data and analysis will equip AEC stakeholders including policy makers, private sector, and civil society organizations with information that may influence plans of action to address gaps in the socio-economic planning and implementation processes that may have hindered the country from achieving specific goals in the AEC.

Moreover, as the Philippines' progress in the AEC can be linked with the country's goals under the PDP and AmBisyon Natin 2040, an analysis of the country's performance is helpful in drawing a clear picture of where the Philippines stand on both national and regional visions.

The study also supports raising awareness of Filipinos on ASEAN including how the Philippines contributes to the AEC. In their research, Albert et. al. (2017) concluded that the overall awareness of Filipinos of ASEAN is moderate and that there is a need for a "*more vigorous communication and outreach activities to increase awareness of ASEAN and promote a deeper understanding of how it is working for the benefit of ASEAN peoples*". Despite ASEAN having achievements as an economic community, Filipinos still do not have enough information about how the Philippines has performed.



The citizens are one of the most important partners of the country in addressing socio-economic gaps and achieving progress in the AEC. Therefore, it is essential to keep them informed and updated, through dissemination of data/statistics and reports or articles, in order for them to better comprehend the progress and challenges of the Philippines' participation in the AEC.

Moreover, with the awareness that they are part of the Community, people can also be encouraged to participate and even take concrete actions to contribute to Community-building. It also presents an opportunity to identify the best practices of the Philippines that could be shared to the public as well as other ASEAN countries.

## 1.2. Organization of the paper

The rest of the paper is organized as follows: Section 2 presents an overview of the AEC Community Vision 2025. Section 3 presents the framework used in this paper followed by the presentation of the indicators of the AEC in Section 4. Section 5 presents an analysis for the Philippines. Section 6 concludes and provides policy recommendations.

## 2. Overview of the ASEAN Economic Community Vision 2025

The ASEAN Economic Community (AEC) is one of the three pillars of the ASEAN Community – the other two being, the ASEAN Socio-Cultural Community (ASCC), and the ASEAN Political-Security Community (APSC). The ASEAN Community was formally established in November 2015 during the 27<sup>th</sup> ASEAN Summit held in Kuala Lumpur, Malaysia. It follows the ASEAN motto of ‘One Vision, One Identity, One Community’ through a rules-based, people-oriented and people-centered community (ASEAN Secretariat 2018). In the same Summit, the ASEAN Leaders pledged their continuous commitment to achieve regional prosperity and peace, and adopted the ASEAN Community Vision 2025– a 10-year community-building strategy composed of the AEC, ASCC and APSC 2025 Blueprints (Table 2). The AEC 2025 Blueprint, in particular, envisions a community that is highly integrated regionally and globally; competitive and innovative, and more connected, resilient and inclusive.

Table 2: ASEAN Community Vision 2025

| ASEAN Community Vision 2025<br><i>10-year path towards an integrated, peaceful and stable community with shared prosperity</i>  |  |   |
|---|--|---|
| ASEAN Economic Community (AEC)<br><br><i>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</i> | ASEAN Socio-Cultural Community (ASCC)<br><br><i>A community that engages and benefits the peoples, and is inclusive, sustainable, resilient, and dynamic by 2025</i> | ASEAN Political-Security Community (APSC)<br><br><i>A united, inclusive and resilient community by 2025</i> |

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

Each Blueprint comprises “characteristics” of the envisioned community, while each characteristic is composed of “elements” or key result areas with strategies to achieve the community goals. The AEC 2025 Blueprint has five (5) key characteristics with various elements, namely:<sup>1</sup>

- A Highly Integrated and Cohesive Economy

This characteristic aims to facilitate the seamless movement of goods, services, investment, capital, and skilled labor within ASEAN in order to enhance ASEAN’s trade and production networks, as well as to establish a more unified market for its firms and consumers.

Elements: (i) trade in goods; (ii) trade in services; (iii) investment environment; (iv) financial integration, financial inclusion, and financial stability; (v) facilitating movement of skilled labor and business visitors; (vi) enhancing participation in global value chains.

- A Competitive, Innovative and Dynamic ASEAN

This characteristic focuses on elements that contribute to increasing the region’s competitiveness and productivity by: (i) engendering a level playing for all firms through effective competition policy; (ii) fostering the creation and protection of knowledge; (iii) deepening ASEAN participation in GVCs; and (iv) strengthening related regulatory frameworks and overall regulatory practice and coherence at the regional level.

Elements: (i) effective competition policy (ii) consumer protection; (iii) strengthening Intellectual Property Rights cooperation; (iv) productivity-driven growth, innovation, Research and Development, and technology commercialization; (v) taxation cooperation; (vi) good governance; (vii) effective, efficient, coherent and responsive regulations, and good regulatory practice; (viii) sustainable economic development; (ix) global megatrends and emerging trade-related issues.

- Enhanced Connectivity and Sectoral Cooperation

This characteristic seeks to enhance economic connectivity in various sectors, namely, transport, telecommunication and energy, and to further integrate and cooperate in key sectors that complement existing efforts towards creating an integrated and sustainable economic region, with improved overall competitiveness and strengthened soft and hard networks.

Elements: (i) transport; (ii) Information and Communication Technology; (iii) e-Commerce; (iv) energy; (v) food, agriculture and forestry; (vi) tourism; (vii) healthcare; (viii) minerals; (ix) Science and Technology.

- A Resilient, Inclusive, People-oriented and People-Centered ASEAN

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<sup>1</sup> This section quotes heavily from ASEAN Secretariat (2015).

This characteristic aims to enhance equitable economic development in the region, such as through the development of micro, small and medium enterprises (MSMEs), increasing participation of the private sector in community building, and accelerating the economic integration of less developed ASEAN member states to ensure shared benefits of integration to all sectors of the society and economy, and to all countries in the region.

Elements: (i) strengthening the role of MSMEs; (ii) strengthening the role of the private sector; (iii) public-private partnership; (iv) narrowing the development gap; (v) contribution of stakeholders in regional integration efforts.

- A Global ASEAN

This characteristic seeks to further integrate the AEC into the global economy through trade agreements that strengthen the ASEAN's position as an open and inclusive economic region and promote complementarities and mutual benefits for the region.

Elements: (i) develop a more strategic and coherent approach towards external economic relations; (ii) continue to review and improve ASEAN free trade agreements (FTAs) and comprehensive economic partnerships (CEPs); (ii) enhance economic partnerships with non-FTA Dialogue Partners; (iv) engage with regional and global partners to explore strategic engagement; (v) continue to strongly support the multilateral trading system and actively participate in regional fora; and (vi) continue to promote engagement with global and regional institutions.

## 2.1. *Monitoring Progress in the ASEAN Economic Community (AEC)*

Monitoring tools are important to keep track of and assess the regional integration process and progress towards the attainment of the ASEAN Community aspirations. To document the progress being made, the ASEAN Secretariat published the ASEAN Community Progress Monitoring System (ACPMS) Reports. The first ACPMS Report was released in 2007 to provide statistics on integration outcomes under the AEC and ASCC, as well as indicators on global development goals (ASEAN Secretariat 2017b). It complemented other monitoring efforts in ASEAN such as the Community Scorecards and sector-specific surveillance tools. The second ACPMS Report was released five years later (2012).

The ACPMS Reports in 2007 and 2012 presented the AEC and ASCC indicators of progress towards the formation of the ASEAN Community 2015. The 2007 report examined 47 indicators (21 for AEC), while the 2012 report presented 57 indicators (26 for AEC). Both reports revealed that the ASEAN had considerable accomplishments in the areas of trade, sectoral objectives, and socio-economic goals. Under the AEC, much progress has been made in liberalizing the market for goods and services with the elimination of tariffs and reduced business restrictions; increased participation in global value chains (GVCs) through the ratification of FTAs; reduced trade cost with cross-border trade facilitation; and enhanced connectivity and cross-border movement of people (ASEAN Secretariat 2017b). There is also recognition of the challenge to achieving regional integration posed by the varying levels of development, cultures and systems across ASEAN members states.

The third and latest ACPMS report was released in 2017, two years after establishment of the ASEAN Community. The 2017 Report differs from the two previous reports as it was targeted

at measuring the progress in realizing the ASEAN Community Vision 2025, with the AEC and ASCC 2025 Blueprints as reference. The report contained 30 indicators in total, 15 for AEC and 15 for ASCC. The 15 indicators in the AEC 2025 Blueprint showed that in the decade leading to the establishment of the ASEAN Community, specifically the period 2005-2015, the region has undertaken significant economic achievements towards greater integration, innovation, connectivity, and a narrowing of the development divide within the Community, among others.

### 3. Conceptual Framework

Two major documents guide this research: the AEC Blueprint 2025 and the Philippine Development Plan (PDP)2017-2022. Both documents provide the key elements that should be monitored for the achievement of their respective vision.

With the AEC Blueprint 2025 as guide, the study particularly looks at the indicators outlined in the 2017 ACPMS Report in assessing the performance of the Philippines in key result areas (elements) and characteristics of the AEC (Table 3). The ACPMS Report identified 15 core indicators related to the 5 characteristics articulated in the AEC Blueprint 2025. Selected supplementary indicators identified in the said report are also analyzed.

Table 3: AEC Characteristics, Key Result Areas, and Indicators

| AEC Characteristic                           | Key Result Areas<br>(Elements)   | Indicators   |
|--|--|--|
| A highly integrated and cohesive economy     | (1) trade in goods; (2) trade in services; (3) investment environment; (4) financial integration, financial inclusion, and financial stability; (5) facilitating movement of skilled labor and business visitors; (6) enhancing participation in global value chains   | 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. |
| A competitive, innovative and dynamic ASEAN, | (1) Effective Competition Policy (2) Consumer Protection; (3) Strengthening Intellectual Property Rights Cooperation; (4) Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialization; (5) Taxation Cooperation; (6) Good Governance; (7) Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice; (8) Sustainable Economic Development; (9) Global | Labor productivity, by sector; Research and Development (R&D) expenditures, as percentage of GDP; and, Global Competitiveness Index.   |

|   | Megatrends and Emerging Trade-Related Issue   |   |
|---|---|---|
| Enhanced Connectivity and Sectoral cooperation                  | (1) Transport; (2) Information and Communication Technology; (3) E-Commerce; (4) Energy; (5) Food, Agriculture and Forestry; (6) Tourism; (7) Healthcare; (8) Minerals; (9) Science and Technology.   | Intra-ASEAN tourist arrivals; Fixed broadband subscriptions (per 100 people); and, Passengers and freight volume, by mode of transport.   |
| Resilient, Inclusive, People-Oriented and People-Centered ASEAN | (1) Strengthening the Role of Micro, Small, and Medium Enterprises; (2) Strengthening the Role of the Private Sector; (3) Public-Private Partnership; (4) Narrowing the Development Gap; (5) Contribution of Stakeholders on Regional Integration Efforts.  | 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 (%).                     |
| A Global ASEAN  | (1) Develop a more strategic and coherent approach towards external economic relations; (2) Continue to review and improve ASEAN FTAs and CEPs; (3) Enhance economic partnerships with non-FTA Dialogue Partners; (4) Engage with regional and global partners to explore strategic engagement; (5) Continue strongly supporting the multilateral trading system and actively participating in regional fora; and (6) Continue to promote engagement with global and regional institutions. | 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 |

Source: AEC 2025 Blueprint; ASEAN Secretariat (2017b)

Because the Philippine commitment to the ASEAN Community is also expected to result to domestic improvements, this study highlights the Philippine context in relation to the goals outlined in the PDP 2017-2022. This study also situates the Philippine performance with the other ASEAN member states, cites achievements and identifies implications on policy.

Furthermore, in examining policy implications, the study includes insights related to the PDP 2017-2022 and AmBisyon Natin 2040 (see Box 1), as there is complementarity between the PDP pillars and the AEC characteristics. This is also revealed in Table 4 which presents a mapping of the PDP pillars (and indicators) with the AEC characteristics.

**Box 1. Philippine development strategy: Key strategies and goals of the Philippine Development Plan (PDP) 2017-2022 and AmBisyon Natin 2040**

The PDP 2017-2022 outlines the Philippine development strategy towards the achievement of the 25-year long term vision, AmBisyon Natin 2040. Approved and adopted in October 2016, AmBisyon Natin 2040 guides development planning (NEDA 2017), envisioning that:

*"In 2040, we [Filipinos] will all enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children's future. Our family lives together in a place of our own, and we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government." (NEDA 2017: Annex 1, p.49)*

AmBisyon Natin 2040 has four (4) areas for strategic policies, programs, and projects over the next 25 years. These areas are: (a) Building a prosperous, predominantly middle-class society where no one is poor; (b) Promoting a long and healthy life; (c) Becoming smarter and more innovative; and (d) Building a high-trust society (NEDA, 2017).

AmBisyon Natin 2040 guided the crafting of the PDP 2017-2022 to make the vision of Filipinos strategically happen. The PDP is consistent with the priorities of the 0 to 10-pt socioeconomic agenda of the government, addresses the concerns of multi-stakeholders (Social Development Initiative Summit), and is in tune with other international commitments such as Sustainable Development Goals (SDGs), among others (Sombilla, n.d.).

The overall strategic framework of the PDP 2017-2022 is composed of three (3) pillars supported by an enabling economic environment. This framework intersects with some of the AEC characteristics. NEDA (2017) described each pillar as:

**Pillar 1:** Enhancing the social fabric (*Malasakit*): There will be greater trust in public institutions and across all of society. Government will be people-centered, clean, and efficient. Administration of justice will be swift and fair. There will be greater awareness about and respect for the diversity of our cultures.

**Pillar 2:** Inequality-reducing transformation (*Pagbabago*): There will be greater economic opportunities, coming from the domestic market and the rest of the world. Access to these opportunities will be made easier. Special attention will be given to the disadvantaged subsectors and people groups.

**Pillar 3:** Increasing growth potential (*Patuloy na Pag-unlad*): Many more will adopt modern technology, especially for production. Innovation will be further encouraged, especially in keeping with the harmonized research and development agenda. And in order to accelerate economic growth even more in the succeeding Plan periods, interventions to manage population growth will be implemented and investments for human capital development will be increased.

**Enabling and supportive economic environment:** There will be macroeconomic stability, supported by strategic trade and fiscal policies. A strong and credible competition policy will level the playing field and encourage more investments.

Note: This Box quotes heavily from NEDA (2017). The diagram of the PDP 2017-2025 Overall Strategic Framework is presented in Appendix A.

Table 4: Mapping of Philippine Development Plan (PDP) Pillars with ASEAN Economic Community (AEC) Characteristics

| AEC Characteristic                           | Key Result Areas (Elements)  | Indicators   | PDP Pillars   | PDP Indicators   |
|--|--|--|---|--|
| A highly integrated and cohesive economy     | (1) trade in goods; (2) trade in services; (3) investment environment; (4) financial integration, financial inclusion, and financial stability; (5) facilitating movement of skilled labor and business visitors; (6) enhancing participation in global value chains         | 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>Inequality-reducing transformation</p> <ul style="list-style-type: none"> <li>• Expand economic opportunities in AFF (Chapter 8)</li> <li>• Expand Economic opportunities in I&amp;S (Chapter 9)</li> </ul> <p>Enabling and supportive economic environment</p> <ul style="list-style-type: none"> <li>• Chapter 15: Sustain a sound, stable and supportive macroeconomic environment</li> </ul> | <p>Chapter 8: Growth in the Value of Agriculture and Fishery Exports Increased</p> <p>Chapter 9:</p> <ul style="list-style-type: none"> <li>• Total approved investments increased;</li> <li>• Net foreign direct investment</li> <li>• Number of MSMEs participating in global value chains increased</li> </ul> <p>Chapter 15: Increase in merchandise, services exports</p> |
| A competitive, innovative and dynamic ASEAN, | (1) Effective Competition Policy (2) Consumer Protection; (3) Strengthening Intellectual Property Rights Cooperation; (4) Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialization; (5) Taxation Cooperation; (6) Good Governance; | Labor productivity, by sector; Research and Development (R&D) expenditures, as percentage of GDP; and, Global Competitiveness Index.   | <p>Enhancing the social fabric, Chapter 5: Ensuring people-centered, clean and efficient governance</p> <p>Inequality-reducing transformation</p> <ul style="list-style-type: none"> <li>• Chapter 8: Expanding economic opportunities</li> </ul>   | <p>Chapter 5:</p> <ul style="list-style-type: none"> <li>• Percentile ranking in the WGI – Control of Corruption improved</li> <li>• Percentile ranking in the GCI improved</li> <li>• Percentile ranking in the WGI – Government Effectiveness improved</li> </ul>  |

|  |  |  |  |   |
|--|--|--|--|---|
|  | <p>(7) Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice; (8) Sustainable Economic Development; (9) Global Megatrends and Emerging Trade-Related Issue</p> |  | <p>in Agriculture, forestry, and fisheries</p> <ul style="list-style-type: none"> <li>• Chapter 9: Expand economic opportunities in I&amp;S</li> </ul> <p>Increasing growth potential</p> <ul style="list-style-type: none"> <li>• Chapter 14: Leveraging science, technology, and innovation</li> </ul> | <ul style="list-style-type: none"> <li>• Percentile ranking in the WGI – Voice and Accountability improved</li> </ul> <p>Chapter 8: Expanding economic opportunities in agriculture, forestry and fisheries</p> <ul style="list-style-type: none"> <li>• Labor productivity in industry sector increased</li> <li>• Labor productivity in service sector increased</li> </ul> <p>Chapter 9: Expand economic opportunities in I&amp;S</p> <ul style="list-style-type: none"> <li>• Level of consumer awareness increased (%)</li> </ul> <p>Chapter 14: Leveraging Science, technology and Innovation</p> <ul style="list-style-type: none"> <li>• Total number of Filipino UM Registered; Total Filipino Model registered</li> <li>• R&amp;D expenditure as a proportion of GDP</li> <li>• WEF-Global Competitiveness Report (GCR) Innovation Ranking</li> </ul> |
|--|--|--|--|---|



|   |   |   |   |  |
|---|---|---|---|--|
|   |   |   |   | among ASEAN member countries <ul style="list-style-type: none"> <li>• Proportion of high-tech agriculture, industry and services value-added in sectoral value-added</li> </ul>  |
| Enhanced Connectivity and Sectoral cooperation                  | (1) Transport; (2) Information and Communication Technology; (3) E-Commerce; (4) Energy; (5) Food, Agriculture and Forestry; (6) Tourism; (7) Healthcare; (8) Minerals; (9) Science and Technology. | Intra-ASEAN tourist arrivals; Fixed broadband subscriptions (per 100 people); and, Passengers and freight volume, by mode of transport. | Increasing growth potential<br>Chapter 19: Infrastructure development | Chapter 19: Infrastructure development <ul style="list-style-type: none"> <li>• Air passenger traffic increased, (international and domestic),</li> <li>• in number of passengers, Air cargo traffic increased, (international and domestic), in MT,</li> <li>• Number of round-trip international flights increased, Number of round-trip domestic flights increased, Water Transport</li> <li>• No. of shipcalls increased, No. of passengers transported via sea increased,</li> <li>• Cargo shipped increased (international and domestic), in MT</li> </ul> |
| Resilient, Inclusive, People-Oriented and People-Centered ASEAN | (1) Strengthening the Role of Micro, Small, and Medium Enterprises; (2) Strengthening the Role of the   | Number of MSMEs per 1,000 persons;  | Enabling and supportive economic environment                          | Chapter 10: <ul style="list-style-type: none"> <li>• Decrease percentage of youth NEET (Not in</li> </ul>  |

|                |   |   |  |   |
|----------------|---|---|--|---|
|                | Private Sector; (3) Public-Private Partnership; (4) Narrowing the Development Gap; (5) Contribution of Stakeholders on Regional Integration Efforts.  | Ratio between average GDP per capita in ASEAN-6 and CLMV; and, Labor force participation rate for ages 15-24 (youth), total (%).  | <ul style="list-style-type: none"> <li>• Chapter 10: Accelerating Human Capital Development</li> <li>• Inequality-reducing transformation</li> <li>• Expand Economic opportunities in I&amp;S (Chapter 9)</li> </ul>   | <p>education, employment and training)</p> <p>Chapter 9:</p> <ul style="list-style-type: none"> <li>• Number of MSMEs participating in global value chains increased</li> </ul> |
| A Global ASEAN | (1) Develop a more strategic and coherent approach towards external economic relations; (2) Continue to review and improve ASEAN FTAs and CEPs; (3) Enhance economic partnerships with non-FTA Dialogue Partners; (4) Engage with regional and global partners to explore strategic engagement; (5) Continue strongly supporting the multilateral trading system and actively participating in regional fora; and (6) Continue to promote engagement with global and regional institutions. | 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>Foundations for sustainable development</p> <ul style="list-style-type: none"> <li>• Chapter 18: Ensuring security, public order and safety</li> </ul> <p>Enabling and supportive economic environment</p> <ul style="list-style-type: none"> <li>• Chapter 15: Sustain a sound, stable and supportive macroeconomic environment</li> </ul> | Indirect indicators: Increase in merchandise, services exports  |

Source: AEC 2025 Blueprint and PDP 2017-2022; Compilation by the authors.

## 4. AEC Through the Years: How Does the Philippines Fare?

This section discusses the performance of the Philippines and its ASEAN neighbors in each AEC characteristic, using the 15 AEC core indicators and supporting indicators in the ACPMS 2017. The latest available data on these indicators were collected and presented here to show how the Philippines has performed in the AEC key results areas and strategies.

### 4.1. *Characteristic 1: Highly Integrated and Cohesive Economy*

This AEC Characteristic has six (6) elements/key result areas: (1) Trade in Goods, (2) Trade in Services, (3) Investment Environment, (4) Financial Integration, Financial Inclusion, and Financial Stability, (5) Facilitating Movement of Skilled Labor and Business Visitors, and (6) Enhancing Participation in Global Value Chains.

#### 4.1.1. *Core Indicator One (1): Intra-ASEAN exports and imports, in terms of (a) value and (b) share/proportion in total trade*

Core Indicator One for Characteristic One looks at (a) value of goods trade originating from and going to ASEAN member countries; and (b) ratio of (a) to the sum of all total exports and imports. The rationale behind this indicator is to be able to describe the evolution of trade within the region as the restrictions (tariffs, behind-the-border regulatory barriers and non-tariff barriers) are reduced because of ASEAN integration (ASEAN Secretariat 2017b).

All the ASEAN countries showed substantial increases in their export values (Table 5). Singapore consistently led the region through the years, from 2005 to 2019. The highest export value the Philippines reached was in 2018 but only ranking sixth among the 10 ASEAN countries. As for ratio of exports to total trade, the Philippines ranked eighth in the latest year (2019).

In terms of imports value, Singapore consistently ranked the highest through the years while the Philippines ranked sixth consistently among 10 ASEAN countries (Table 6). As a ratio of total trade, Cambodia's imports ranked highest consistently; while the Philippines ranked second throughout the period 2005-2019.

Table 5: Intra-ASEAN Exports in USD Millions

| Country           | Exports (in USD million) |       |            |       |            |       |            |       |            |       |            |       |
|-------------------|--------------------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|
|                   | Ratio to                 |       | Ratio to   |       | Ratio to   |       | Ratio to   |       | Ratio to   |       | Ratio to   |       |
|                   | Value                    | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   |
|                   | 2005                     |       | 2015       |       | 2016       |       | 2017       |       | 2018       |       | 2019       |       |
| Brunei Darussalam | 1,529.01                 | 67.43 | 1,239.50   | 46.86 | 1,492.70   | 53.63 | 1,794.92   | 57.41 | 1,847.31   | 57.85 | 2,486.85   | 60.30 |
| Cambodia          | 144.45                   | 12.33 | 689.50     | 12.85 | 870.16     | 15.87 | 1,122.62   | 16.89 | 954.68     | 11.96 | 1,360.20   | 15.20 |
| Indonesia         | 15,823.72                | 47.73 | 33,572.26  | 46.32 | 33,830.31  | 49.28 | 39,323.69  | 49.98 | 41,913.23  | 45.53 | 41,593.99  | 51.26 |
| Lao PDR           | 147.62                   | 28.95 | 1,578.00   | 36.22 | 2,724.85   | 45.13 | 3,128.30   | 50.53 | 1,775.80   | 31.73 | 3,512.71   | 49.98 |
| Malaysia          | 36,633.64                | 55.68 | 56,169.12  | 54.61 | 55,745.35  | 57.38 | 63,231.78  | 55.84 | 71,132.56  | 56.09 | 68,557.13  | 58.05 |
| Myanmar           | 1,559.71                 | 97.71 | 4,289.50   | 37.98 | 3,511.37   | 37.23 | 3,892.06   | 33.81 | 4,201.89   | 32.62 | 4,283.50   | 34.63 |
| Philippines       | 7,149.95                 | 44.62 | 8,536.88   | 33.37 | 8,400.63   | 27.19 | 10,127.78  | 27.57 | 11,181.06  | 27.17 | 10,815.67  | 26.10 |
| Singapore         | 72,513.05                | 58.08 | 107,802.94 | 62.43 | 99,374.90  | 61.30 | 108,088.92 | 60.37 | 121,903.48 | 60.82 | 112,026.58 | 58.81 |
| Thailand          | 23,866.97                | 52.55 | 55,165.01  | 57.32 | 54,656.99  | 57.99 | 59,663.86  | 57.13 | 64,962.27  | 63.55 | 62,885.12  | 56.28 |
| Viet Nam          | 5,030.06                 | 36.01 | 18,063.71  | 43.12 | 17,289.06  | 42.01 | 21,508.63  | 43.40 | 24,634.24  | 43.64 | 24,919.57  | 43.69 |
| <b>ASEAN</b>      | 164,398.18               | 53.95 | 287,106.42 | 53.63 | 277,896.32 | 53.65 | 311,882.56 | 52.94 | 344,506.52 | 53.10 | 332,441.32 | 52.57 |

Note: X – exports; M- imports. Ratios in percent.

Source: ASEANstats Database (2020)

Table 6: Intra-ASEAN Imports in USD Millions

| Country           | Imports (in USD million) |       |            |       |            |       |            |       |            |       |            |       |
|-------------------|--------------------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|------------|-------|
|                   | Ratio to                 |       | Ratio to   |       | Ratio to   |       | Ratio to   |       | Ratio to   |       | Ratio to   |       |
|                   | Value                    | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   | Value      | X+M   |
|                   | 2005                     |       | 2015       |       | 2016       |       | 2017       |       | 2018       |       | 2019       |       |
| Brunei Darussalam | 738.48                   | 32.57 | 1,405.44   | 53.14 | 1,290.43   | 46.37 | 1,331.49   | 42.59 | 1,346.21   | 42.15 | 1,637.49   | 39.70 |
| Cambodia          | 1,026.82                 | 87.67 | 4,677.33   | 87.15 | 4,613.56   | 84.13 | 5,524.91   | 83.11 | 7,030.84   | 88.04 | 7,589.69   | 84.80 |
| Indonesia         | 17,329.46                | 52.27 | 38,912.70  | 53.68 | 34,817.28  | 50.72 | 39,362.99  | 50.02 | 50,145.21  | 54.47 | 39,551.91  | 48.74 |
| Lao PDR           | 362.37                   | 71.05 | 2,778.85   | 63.78 | 3,313.40   | 54.87 | 3,062.44   | 49.47 | 3,820.75   | 68.27 | 3,514.93   | 50.02 |
| Malaysia          | 29,163.99                | 44.32 | 46,678.65  | 45.39 | 41,404.53  | 42.62 | 50,009.96  | 44.16 | 55,691.73  | 43.91 | 49,538.10  | 41.95 |
| Myanmar           | 36.63                    | 2.29  | 7,005.29   | 62.02 | 5,919.19   | 62.77 | 7,619.92   | 66.19 | 8,678.37   | 67.38 | 8,086.46   | 65.37 |
| Philippines       | 8,874.27                 | 55.38 | 17,041.97  | 66.63 | 22,494.82  | 72.81 | 26,607.30  | 72.43 | 29,966.77  | 72.83 | 30,619.09  | 73.90 |
| Singapore         | 52,330.49                | 41.92 | 64,874.52  | 37.57 | 62,733.15  | 38.70 | 70,946.98  | 39.63 | 78,525.73  | 39.18 | 78,449.86  | 41.19 |
| Thailand          | 21,552.41                | 47.45 | 41,071.82  | 42.68 | 39,601.64  | 42.01 | 44,773.04  | 42.87 | 37,259.97  | 36.45 | 48,857.68  | 43.72 |
| Viet Nam          | 8,937.67                 | 63.99 | 23,827.40  | 56.88 | 23,870.06  | 57.99 | 28,052.39  | 56.60 | 31,813.26  | 56.36 | 32,111.15  | 56.31 |
| <b>ASEAN</b>      | 140,352.59               | 46.05 | 248,273.97 | 46.37 | 240,058.06 | 46.35 | 277,291.42 | 47.06 | 304,278.84 | 46.90 | 299,956.36 | 47.43 |

Note: X – exports; M- imports. Ratios in percent.

Source: ASEANstats Database (2020)

#### 4.1.2. Core Indicator Two (2): "Intra-ASEAN trade in services, by sector"

To describe the performance of the region as a whole in terms of broadening and deepening integration in cross-border services, intra-ASEAN trade in services indicator was selected. This indicator presents the value of total trade (exports and imports) in services broken down by sector.

Table 7: Intra-ASEAN trade in services, by sector, exports in USD Million

| Sector   | Exports (in USD million) |                  |                  |                  |                  |                  |
|--|--------------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2010                     | 2015             | 2016             | 2017             | 2018             | 2019             |
| <b>Manufacturing services on physical inputs owned by others</b> | 165.57                   | 114.23           | 1,257.37         | 1,025.50         | 2,267.06         | 2,410.33         |
| <b>Maintenance and repair services n.i.e.</b>                    | 890.71                   | 796.72           | 772.77           | 473.86           | 518.45           | 707.05           |
| <b>Transport</b>   | 7,088.79                 | 7,504.38         | 7,238.45         | 7,290.01         | 10,034.24        | 10,495.75        |
| <b>Travel</b>  | 22,891.12                | 26,763.03        | 28,971.58        | 29,988.41        | 28,764.06        | 29,455.10        |
| <b>Construction</b>  | 768.04                   | 1,344.11         | 1,020.12         | 999.34           | 1,249.81         | 1,132.31         |
| <b>Insurance and pension services</b>                            | 569.93                   | 1,426.30         | 1,498.00         | 1,601.27         | 1,838.97         | 1,968.33         |
| <b>Financial Services</b>  | 1,156.85                 | 1,498.41         | 1,708.10         | 1,974.39         | 2,286.56         | 2,401.66         |
| <b>Charges for the use of intellectual property n.i.e</b>        | 410.97                   | 556.84           | 501.35           | 637.95           | 951.93           | 832.92           |
| <b>Telecommunications, computer, and information services</b>    | 1,621.60                 | 2,926.92         | 3,112.27         | 3,451.68         | 3,413.48         | 3,635.67         |
| <b>Other business services</b>                                   | 6,079.38                 | 9,232.61         | 10,685.38        | 11,738.32        | 13,636.16        | 14,302.90        |
| <b>Personal, cultural, and recreational services</b>             | 115.44                   | 282.89           | 347.66           | 301.99           | 316.77           | 411.18           |
| <b>Government goods and services, n.i.e.</b>                     | 302.00                   | 214.45           | 137.36           | 202.41           | 137.56           | 144.12           |
| <b>TOTAL</b>   | <b>42,060.39</b>         | <b>52,660.88</b> | <b>57,250.39</b> | <b>59,685.13</b> | <b>65,415.05</b> | <b>67,897.32</b> |

Source: ASEANstats Database (2020)

Travel ranked the highest in intra-ASEAN export in services by sector consistently reaching USD29.45 Billion in 2019. Other business services follow as a distant second at USD14.3 Billion and Transport is at third with value of about USD10.5 Billion in 2019. The lowest in exports has consistently been government goods and services, and personal, cultural, and recreational services.

Table 8: Intra-ASEAN trade in services, by sector, imports in USD Million

| Sector   | Imports (in USD million) |                  |                  |                  |                  |                  |
|--|--------------------------|------------------|------------------|------------------|------------------|------------------|
|  | 2010                     | 2015             | 2016             | 2017             | 2018             | 2019             |
| <b>Manufacturing services on physical inputs owned by others</b> | 667.51                   | 847.78           | 1,018.91         | 1,021.42         | 1,009.05         | 1,131.10         |
| <b>Maintenance and repair services n.i.e.</b>                    | 128.13                   | 363.11           | 294.50           | 271.80           | 276.70           | 384.32           |
| <b>Transport</b>   | 9,705.91                 | 10,582.13        | 9,557.25         | 10,828.22        | 12,199.95        | 11,509.29        |
| <b>Travel</b>  | 17,023.06                | 23,424.90        | 21,786.89        | 23,150.11        | 19,805.65        | 20,266.03        |
| <b>Construction</b>  | 523.80                   | 929.86           | 791.78           | 507.43           | 962.21           | 1,075.58         |
| <b>Insurance and pension services</b>                            | 1,290.24                 | 1,778.97         | 1,682.50         | 1,942.94         | 2,103.62         | 2,570.62         |
| <b>Financial Services</b>  | 564.94                   | 607.95           | 680.36           | 719.39           | 881.90           | 1,262.20         |
| <b>Charges for the use of intellectual property n.i.e</b>        | 499.33                   | 785.68           | 809.96           | 715.87           | 1,163.69         | 1,210.80         |
| <b>Telecommunications, computer, and information services</b>    | 1,816.34                 | 2,851.34         | 2,824.72         | 3,098.01         | 3,461.44         | 3,684.55         |
| <b>Other business services</b>                                   | 6,762.35                 | 10,427.02        | 11,314.94        | 11,591.67        | 13,118.66        | 13,672.08        |
| <b>Personal, cultural, and recreational services</b>             | 154.90                   | 249.70           | 207.77           | 350.91           | 477.00           | 418.91           |
| <b>Government goods and services, n.i.e.</b>                     | 141.20                   | 119.34           | 207.79           | 257.05           | 257.25           | 304.19           |
| <b>TOTAL</b>   | <b>39,277.70</b>         | <b>52,967.76</b> | <b>51,177.36</b> | <b>54,454.82</b> | <b>55,717.13</b> | <b>57,489.67</b> |

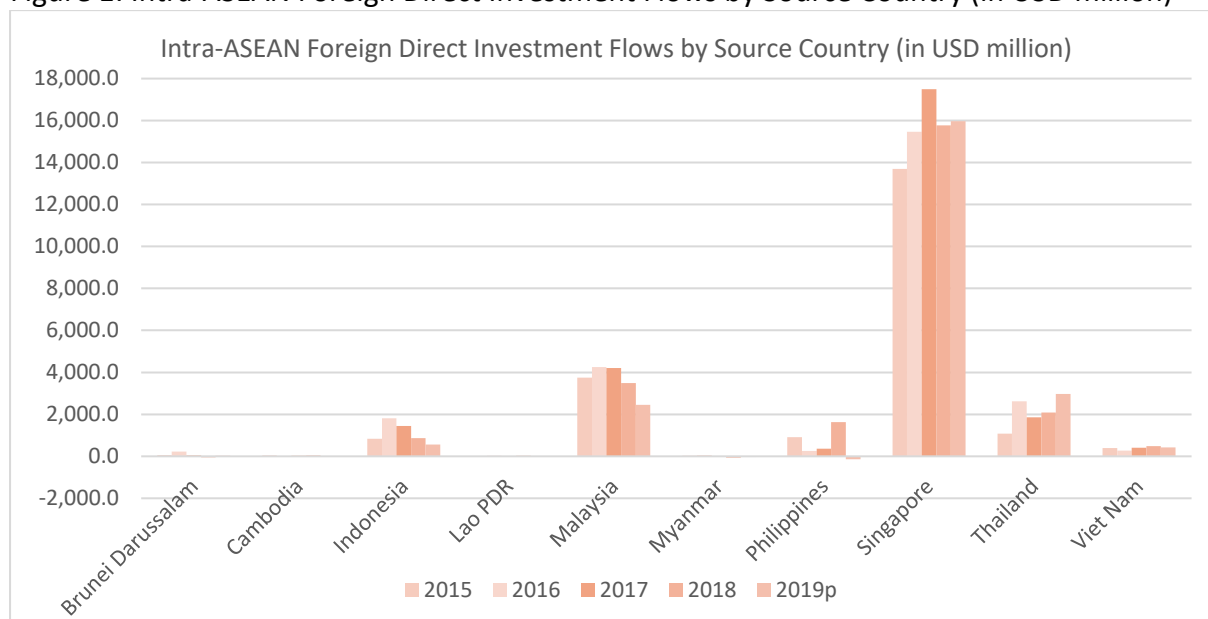
Source: ASEANstats Database (2020)

Understandably, Travel also consistently ranked the highest in terms of intra-ASEAN import services by sector; it was also followed by other business services and transport. Meanwhile, the sectors with the lowest services imports are Maintenance and repair services, Government goods and services, and Personal, cultural, and recreational services.

#### 4.1.3. Core Three (3) Indicator: Intra-ASEAN inward FDI, by sector

Intra-ASEAN inward FDI may be used to describe the investment environment in the region. The flow of FDI to and from ASEAN member states (AMS) is an indication of the receptiveness of the AMS' environment for investments. Intra-ASEAN inward FDI is defined as the total value of foreign direct investment flows from and to ASEAN member countries across various sectors.

Figure 1: Intra-ASEAN Foreign Direct Investment Flows by Source Country (in USD million)

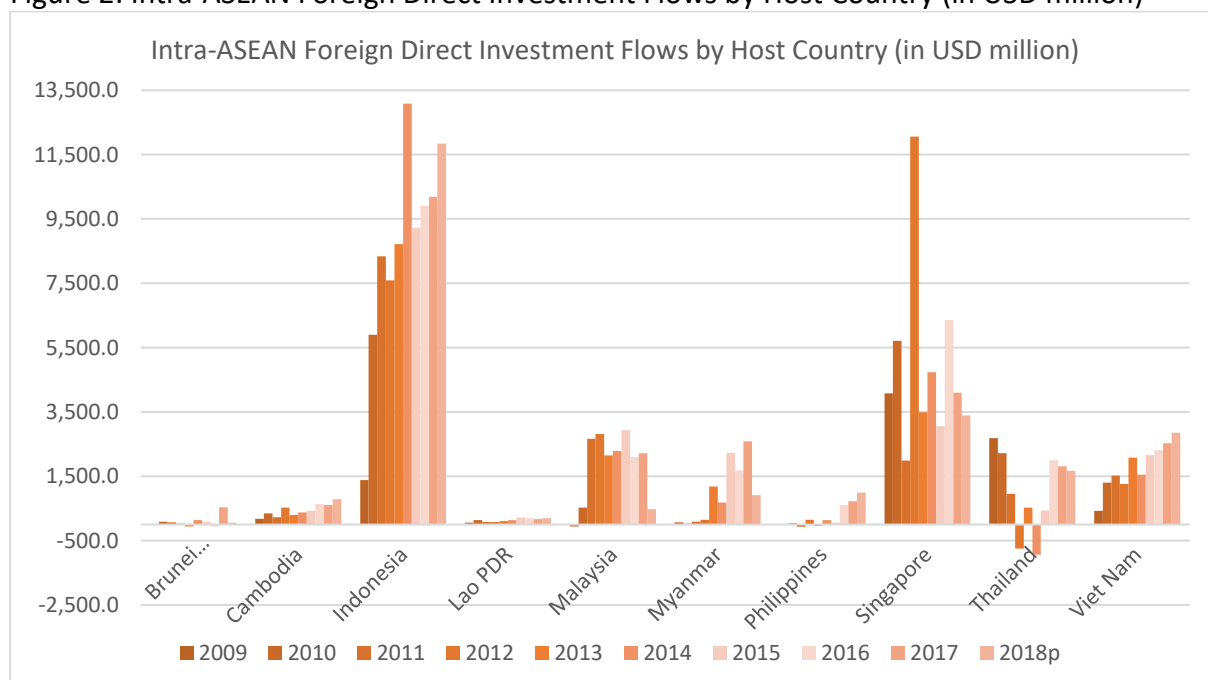


Note: <sup>p</sup> = Preliminary

Source: ASEANstats Database (2020), ASEAN Statistical Yearbook (2019), and ASEAN Statistical Yearbook (2012)

From 2015 to 2019, Singapore has injected the most investments in the ASEAN region. The Philippines has also brought FDI to the region but is inconsistent throughout the period. The most recent data shows that the country is lowest compared to the ASEAN5 member countries (Indonesia, Malaysia, Singapore, Thailand).

Figure 2: Intra-ASEAN Foreign Direct Investment Flows by Host Country (in USD million)



Note: <sup>p</sup> = Preliminary

Source: ASEANstats Database (2020), ASEAN Statistical Yearbook (2019), and ASEAN Statistical Yearbook (2012)



Indonesia recorded the highest Intra-ASEAN FDI flows by host country in 2014. It also led the region through the years except for 2009 and 2012 when Singapore ranked the highest. The Philippines' performance through the years has been wanting when compared to neighboring economies ranking sixth in the latest year. Receiving relatively lesser FDI coming from ASEAN, the Philippines has steadily improved but the magnitude remains low as intra-ASEAN FDI is still below USD1 Billion even in the latest year.

Table 9: Intra-ASEAN Foreign Direct Investment by Sector (in USD million)

| Sector  | Intra-ASEAN Foreign Direct Investment (in USD million) |          |          |          |          |          |          |                   |
|---|--|----------|----------|----------|----------|----------|----------|-------------------|
|   | 2012   | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     | 2019 <sup>P</sup> |
| Agriculture, forestry, and fishing                                    | 1,293.11   | 1,599.22 | 4,101.39 | 4,126.25 | 2,752.58 | 3,824.96 | 3,768.64 | 1,707.15          |
| Mining and quarrying  | 551.40   | 331.00   | 1,289.81 | 1,190.99 | 1,216.60 | 665.58   | -800.47  | 899.06            |
| Manufacturing   | 5,397.12   | 6,275.80 | 5,924.03 | 4,404.86 | 6,634.65 | 7,426.51 | 8,173.08 | 8,247.28          |
| Electricity, gas, steam and air conditioning supply                   | 16.08  | 242.00   | -50.77   | 471.69   | 113.78   | 921.01   | 240.36   | 1,130.63          |
| Water supply; sewerage, waste management and remediation              | 0.88   | 24.74    | 8.89     | 28.49    | 88.85    | 40.27    | 28.96    | 325.10            |
| Construction  | 169.85   | -45.41   | 166.81   | 281.03   | 113.12   | 608.88   | 470.84   | -48.51            |
| Wholesale and retail trade; repair of motor vehicles and motor cycles | -1,120.20  | 449.56   | 1,400.70 | 1,247.49 | 1,736.13 | 3,129.45 | 3,712.38 | 1,357.70          |
| Transportation and storage  | 589.01   | 246.56   | 300.04   | 426.10   | 221.40   | 190.13   | 14.24    | 44.03             |
| Accommodation and food service  | 74.56  | 9.50     | -27.25   | 42.40    | 227.18   | 106.49   | 96.04    | 53.77             |
| Information and communication   | 636.14   | 54.24    | 219.68   | 771.28   | 231.70   | 1,323.98 | 455.23   | -30.77            |
| Financial and Insurance   | 10,778.28  | 2,234.02 | 4,879.55 | 2,530.78 | 4,626.98 | 2,720.36 | 5,027.70 | 4,781.08          |
| Real estate   | 3,912.91   | 4,662.90 | 4,654.52 | 2,980.22 | 3,491.67 | 3,151.84 | 1,847.03 | 1,505.29          |
| Professional, scientific and technical                                | 155.35   | 39.51    | 41.26    | -24.77   | 139.18   | 163.86   | 146.02   | 239.26            |
| Administrative and support service                                    | 92.14  | 97.10    | 49.10    | 20.65    | 50.97    | 38.13    | 133.53   | 166.33            |
| Public administration and defence; compulsory social security         | -  | -        | -        | -        | 6.35     | 0.24     | -0.38    | -1.24             |
| Education   | 0.30   | 14.36    | 8.80     | 5.20     | 16.71    | 14.48    | 13.36    | 12.93             |

|                                    |                  |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Human health and social work       | -0.90            | 16.90            | 40.38            | 24.94            | 56.00            | 113.57           | 100.28           | 112.56           |
| Arts, entertainment and recreation | 31.71            | -0.53            | 0.03             | -18.55           | 11.04            | 3.04             | 91.02            | -4.45            |
| Other services.                    | 879.09           | 921.33           | -1,568.15        | 186.88           | 1,229.61         | 1,445.78         | 831.29           | 420.84           |
| Unspecified                        | 443.96           | 1,291.41         | 742.07           | 2,123.36         | 2,024.28         | 0.04             | -                | 1,442.03         |
| <b>Total Activities</b>            | <b>23,900.78</b> | <b>18,464.21</b> | <b>22,180.88</b> | <b>20,819.28</b> | <b>24,988.79</b> | <b>25,888.59</b> | <b>24,349.16</b> | <b>22,360.06</b> |

Note: P = Preliminary

Source: ASEANstats Database (2020), ASEAN Statistical Yearbook (2019), and ASEAN Statistical Yearbook (2012)

In 2012, Financial and Insurance ranked the highest in intra-ASEAN inward FDI but it has dramatically decreased by 2015. Manufacturing ranked the highest from 2015 to 2019. The next in rank has been different through the years. In 2015, the next highest were Agriculture, Forestry and Fishing followed by Real Estate; while, Financial and Insurance, and Real Estate were next highest in 2016. Agriculture, Forestry and Fishing, and Real Estate became the sectors in the second and third spot in 2017, respectively; while, Financial and Insurance and Agriculture, Forestry and Fishing have been the second and third highest, respectively, in both 2018 and 2019. It is clear that these same sectors have been the major sources of intra-ASEAN FDI since 2012. Interestingly, services (Human health and social work, other services, Education) have been performing very poorly as sources of intra-ASEAN FDI.

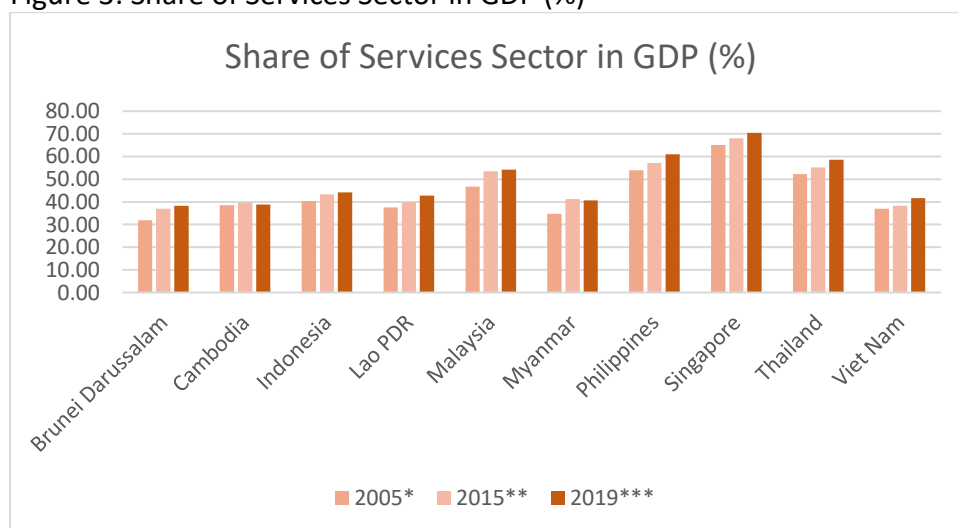
#### 4.1.4. Supporting Indicators

Supporting indicators supplement the core indicators in measuring the progress of AEC key result areas/elements in each sub-pillar. This section discusses supporting indicators related to performance and progress in the areas of trade, investment and finance within ASEAN.

##### 4.1.4.1. Supporting Indicator #1: Share of services sector in GDP

Services value-added as percentage of GDP presents the relative importance of the services sector the AMS.

Figure 3: Share of Services Sector in GDP (%)



Notes: \*2010 for Brunei Darussalam and Viet Nam; \*\*2014 for Lao PDR; \*\*\*2018 for Myanmar.

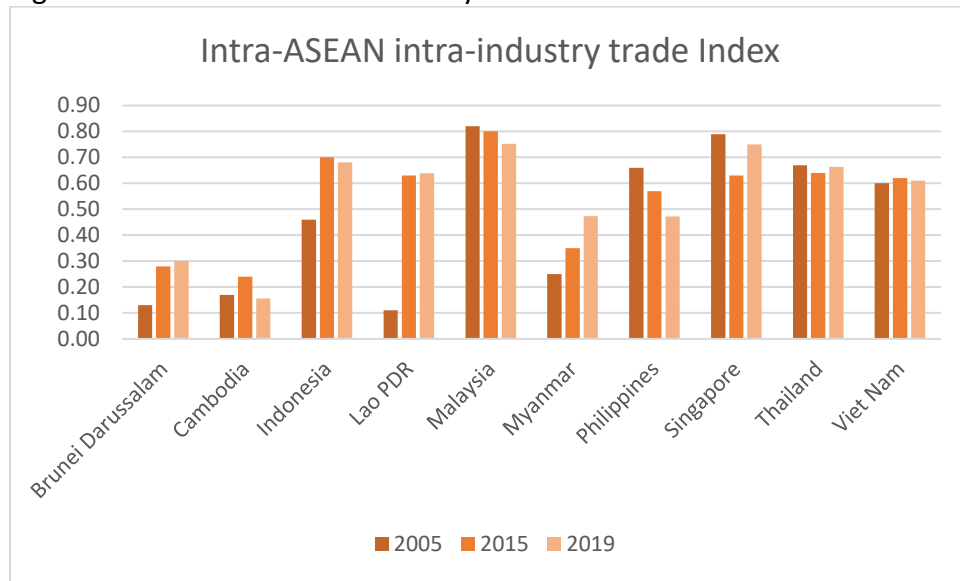
Source: Various NSOs submitted data (2020) and <sup>b</sup> World Bank DataBank (2020)

Data indicate that the share of services value-added in GDP is generally increasing in ASEAN from 2005 to 2019. Singapore consistently ranked at the top, with the highest share at 70.4 percent in 2019. It is followed by the Philippines then Thailand.

#### 4.1.4.2. Supporting Indicator #2: Intra-ASEAN Intra-industry Trade Index

This supporting indicator measures the degree of exchange of similar products within the same industry between an ASEAN country and the rest of the ASEAN countries. The intra-industry index is calculated by adopting the Grubel-Lloyd index, which is the most commonly used measure for intra-industry trade.<sup>2</sup>

Figure 4: Intra-ASEAN Intra-industry Trade Index



Source: Score in Grubel-Lloyd Index; ASEAN data used (ACPMS 2017)

Malaysia constantly led the region in intra-ASEAN intra-industry trade (IIT) index followed by Singapore, indicating relatively high within-industry integration of the two countries with ASEAN countries. The Philippines ranked fourth in 2005, and seventh in 2015 and 2019. Increasing IIT is observed in Myanmar, and an upsurge in IIT in Lao PDR from 2005 to 2015.

<sup>2</sup> The intra-industry trade (IIT) index is measured using the value of imports and exports between one ASEAN country and the rest of the ASEAN countries. The formula for the Grubel-Lloyd index is adopted to compute the IIT index between a particular country  $c$  and the rest of ASEAN:

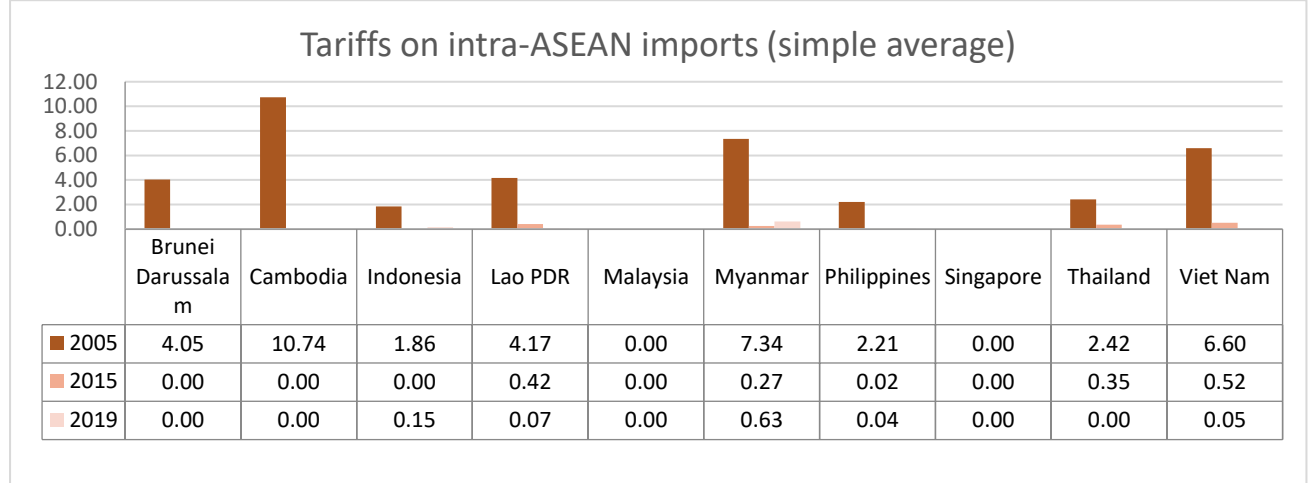
$$IIT_{cA} = 1 - \frac{\sum_i |X_{icA} - M_{icA}|}{\sum_i |X_{icA} + M_{icA}|}$$

where  $A$  denotes the rest of ASEAN countries excluding country  $c$ ,  $i$  denotes the industry defined as a 2-digit HS Code, and  $X_{icA}$  and  $M_{icA}$  are values of exports and imports under industry  $i$ , respectively. By definition,  $0 \leq IIT_{cA} \leq 1$ . (Source: ASEAN Secretariat 2017b, p. 27). If  $IIT=1$ , trade between country  $c$  and  $A$  is all intra-industry (exports equal imports for country  $c$ ). If  $IIT=0$  there is no intra-industry trade (country  $c$  either exports only or imports only). IIT between 0 and 1 indicates overlap between exports and imports in the same industries.

#### 4.1.4.3. Supporting Indicator #3: Tariffs on intra-ASEAN imports

The Simple average preferential tariff rates describe the relative openness of trade in goods among the AMS brought about by the integration.

Figure 5: Tariffs on intra-ASEAN imports (simple average)



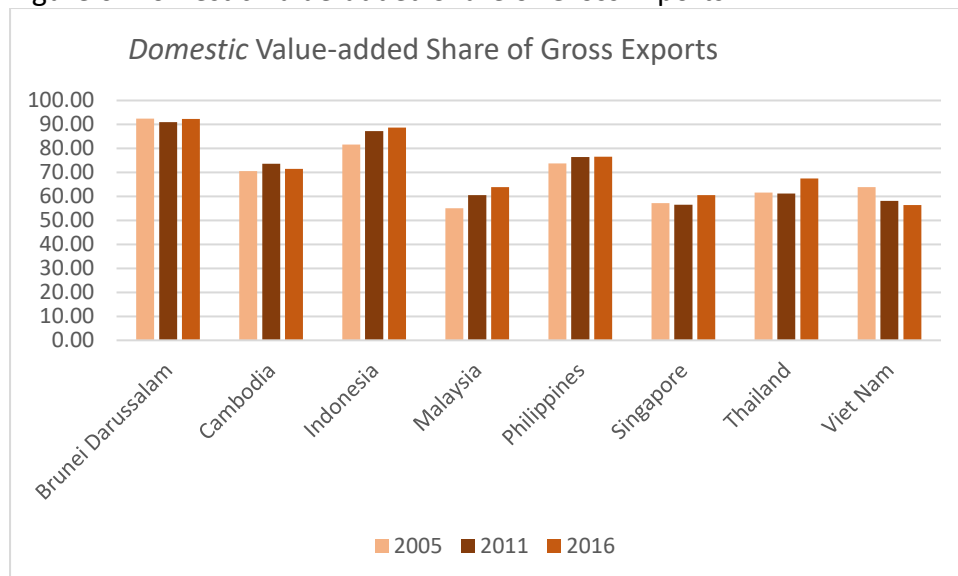
Source: World Bank's World Integrated Trade Solution [WITS] (2020)

Based on data from WITS, Tariffs on intra-ASEAN imports have indeed declined over the years, reaching close to zero percent for Lao PDR, Philippines and Viet Nam, and eliminated completely in Brunei Darussalam, Cambodia, Malaysia, Singapore and Thailand.

#### 4.1.4.4. Supporting Indicator # 4: Trade in Value-Added

As an indicator of the AMS' participation in Global Value Chains, this supporting indicator looks both at the domestic value added as percentage of gross exports; and foreign value added as percentage of gross exports.

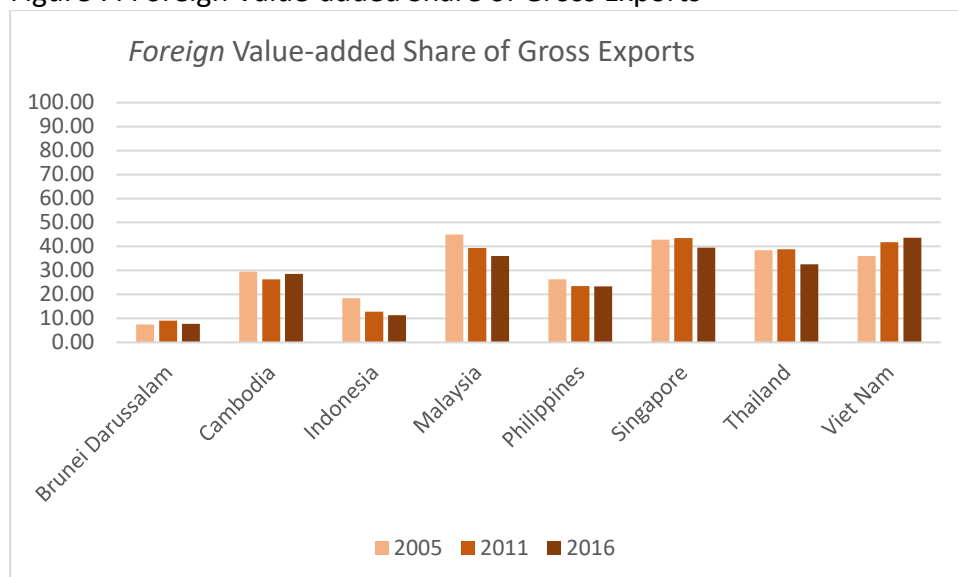
Figure 6: Domestic Value-added Share of Gross Exports



Note: Data not available for Lao PDR and Myanmar

Source: OECDstat Database (2020)

Figure 7: Foreign Value-added Share of Gross Exports



Note: Data not available for Lao PDR and Myanmar

Source: OECDstat Database (2020)

Brunei Darussalam consistently ranked the highest from 2005 to 2016 in terms of share of domestic value-added in gross exports, followed by Indonesia. The Philippines consistently ranked third out of the eight ASEAN countries. Moreover, changes were minimal, if any, in the performance of the ASEAN countries. Viet Nam was the only ASEAN economy which displayed a decline (Figure 7).

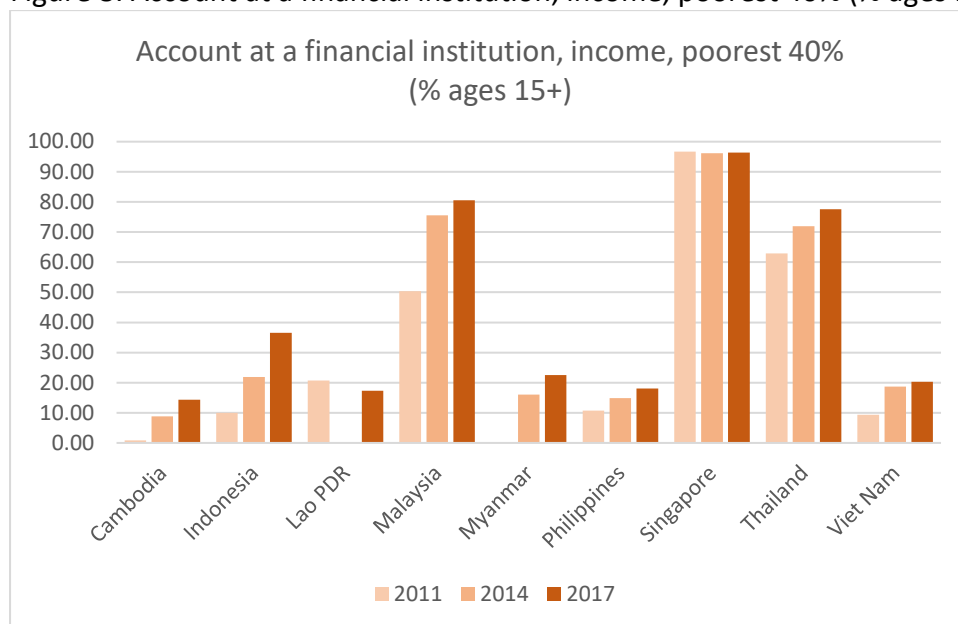
Conversely, in 2005, 2011 and 2016, Viet Nam had the highest share of foreign value-added content in gross exports (an average of 40.49%) and the only AMS where the share was increasing. Singapore, Malaysia and Thailand follow in rank. Performance of the Philippines placed it sixth out of eight countries Figure 8 that have updated data.

#### 4.1.4.5. *Supporting Indicator #5: Account at a financial institution, income, poorest 40% (% ages 15+)*

As an indicator of financial inclusion and readiness to participate in the formal economy, the proportion of the 40 percent poorest population that reports having an account (by themselves or together with someone else) at a bank or another type of financial institution (e.g., cooperative, microfinance institution) was selected. This indicator is based on a survey conducted in the AMS by Gallup, Inc. as part of its Gallup World Poll and released publicly as part of the Global Financial Inclusion (Global Findex).<sup>3</sup>

<sup>3</sup> Source: [https://asean.org/storage/2012/05/ASEAN\\_MDG\\_2017.pdf](https://asean.org/storage/2012/05/ASEAN_MDG_2017.pdf), Annex 5, page 112

Figure 8: Account at a financial institution, income, poorest 40% (% ages 15+)



Note: Data not available for Lao PDR, 2014; Myanmar, 2011; Brunei Darussalam for all 3 years  
Source: World Bank DataBank (2020)

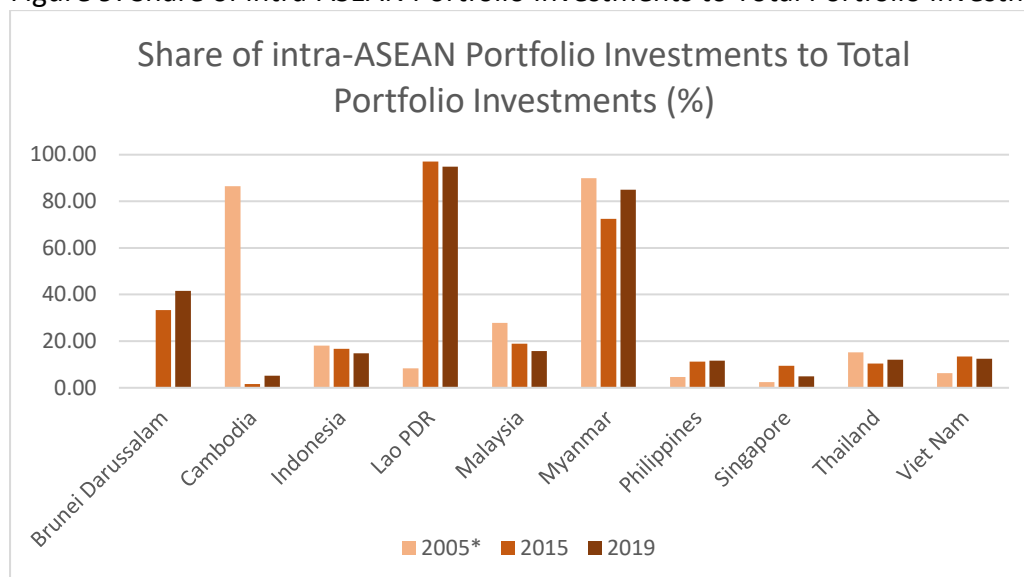
Singapore consistently ranked the highest among ASEAN countries in the percentage of adults in the poorest 40% with an account in a bank or any financial institution, which is an indicator of financial inclusion. The Philippines ranked fifth in 2011, and seventh in 2014 and 2017, with percentages less than 20 percent.

There were significant increases in almost all economies except for Lao PDR and Singapore which showed slight decrease (although Singapore remains highly ranked). However, performances from most countries still need improvement with majority of the AMS having proportions below 50 percent.

#### 4.1.4.6. Supporting Indicator #6: Share of intra-ASEAN Portfolio Investments to Total Portfolio Investments

The indicator measures how much of portfolio investments in each ASEAN country originated from countries within the ASEAN region (intra-ASEAN). Data indicate that share of ASEAN portfolio investments were highest in Cambodia and Myanmar in 2005; however, while both experienced a decrease in 2015, the drop was huge for Cambodia. Meanwhile, Lao PDR had the highest share, followed by Myanmar, in 2015 and 2019. It suggests that the ASEAN neighbors had contributed largely to boosting capital in Lao PDR and Myanmar consistently in the last five years, though figures appeared to be decreasing. The Philippines ranked seventh in 2005, and eighth in 2019.

Figure 9: Share of intra-ASEAN Portfolio Investments to Total Portfolio Investments (%)



Note: \* 2006 for Lao PDR.

Source: International Monetary Fund (2020)

#### 4.1.5. Summary and Discussion: Characteristic 1

The characteristic *Highly Integrated and Cohesive Economy* aims to eliminate barriers to movement of goods, services, capital and labor within ASEAN in pursuit of a more unified market for the region. For most of the indicators, the Philippines overall ranked around the lower middle (highest is fourth rank), vis-à-vis other ASEAN countries; but as far as achieving the targets of the AEC Vision 2025, the country is experiencing upward trends particularly in the areas of trade in goods and services, participation in global value chains (GVCs), and financial inclusion.

The Philippines registered increasing trends in intra-ASEAN exports and imports of goods from 2005 to 2019, but faring relatively poorly vis-à-vis ASEAN neighbors. Import values increased by 245 percent from 2005 to 2019. Despite its ranking being lowest among ASEAN5<sup>4</sup>; ratio to total intra-ASEAN trade is one of the highest. Meanwhile, exports increased by over 50 percent during the period. However, compared with the rest of ASEAN, the country's export values fared below the regional average consistently during this period. Exports to ASEAN was only 30 percent of ASEAN (simple) average. The data indicate that while the Philippines has increasing participation in the ASEAN production network through imports, there is room for more growth in terms of exporting to the region, as well as in intra-industry trade.

As for participation in GVCs, the data suggests that the Philippine domestic industry has been contributing substantially to the value of gross exports (76% annual average, 2005-2016). The country ranked third highest consistently in Domestic Value-added Share of Gross Exports, and showed a 3.95 percent increase from 2005 to 2016. Meanwhile, the Philippines ranked sixth in Foreign Value-added Share of Gross Exports, with shares on a declining trend.

<sup>4</sup> ASEAN5 refers to the first/founding members of the ASEAN namely, Indonesia, Malaysia, Philippines, Singapore and Thailand.

Moreover, following the commitments under the ASEAN Trade in Goods Agreement (ATIGA), the Philippines has reduced tariffs applied to imports from ASEAN to 0.04 in 2019. It is noted, however, that non-tariff measures (NTMs) impact on trade even if tariffs are already low or eliminated. The study by Quimba and Calizo (2018) on Philippine NTMs suggested that the procedural and documentary requirements, costs associated with compliance to technical standards, and non-technical measures (e.g. price control measures, finance measures) imposed by the Philippines on its imports are obstacles to trade.

The country is among the highest in share of services to GDP, second only to Singapore. It may be attributed to the contribution of the back-office services in the country. ASEAN continuously endeavors to reduce restrictions in the services sectors in the region, through the ASEAN Framework Agreement on Services (AFAS) commitments, and ASEAN Trade in Services Agreement (ATISA) agenda in the AEC Blueprint 2025. The performance of the Philippines indicates high and sustained domestic economic activity in the services sector, however, the country is also observed to have restrictive policy measures in the area of Services.

The Philippines placed around the median set of countries with regard to ownership of account at a financial institution (by income, poorest 40% [% Ages 15+]). From 2011 to 2017, the country ranked lowest among the ASEAN5; and lower than Viet Nam particularly in 2017. On a positive note, there was a 7.2 percentage points increase in account ownership from 2011 to 2017. Financial inclusion is being pursued in the AEC 2025 Blueprint, and in this area, the Philippines needs to perform better.

In terms of intra-ASEAN FDI flows, the Philippines's outward investments to ASEAN has not been consistent and would need to catch up with the rest of ASEAN5, as revealed by data in 2015-2019. Meanwhile, inward flows to the Philippines though increasing is one of the lowest among ASEAN countries. Not only is FDI low, there is also relatively low share of ASEAN portfolio investment in total portfolio investment in the country. The AEC Blueprint continues to pursue deepening of financial integration through a free, open and transparent investment environment in ASEAN, which was initially committed under the ASEAN Comprehensive Investment Agreement (ACIA). In this area, economists and industry experts have not only observed the relatively low FDI flows to the Philippines, but have also prescribed reforms towards a more liberalized, less restrictive and more transparent investment regulations. Examples of such reforms would include further reducing foreign equity restrictions and opening up more sectors (there were also calls for reviewing the foreign equity prohibition in land ownership); formulating rules and guidelines that are clear and well thought-out so as to avoid misinterpretations and frequent revisions; interoperability in systems of government agencies that are involved in the permitting process (application for licenses, permits, certifications, etc.).

#### *4.2. Characteristic 2: Competitive, Innovative and Dynamic ASEAN*

The second AEC Characteristic's strategies are summarized into nine (9) elements/key result areas: (1) Effective Competition Policy, (2) Consumer Protection, (3) Strengthening Intellectual Property Rights Cooperation, (4) Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialization, (5) Taxation Cooperation, (6) Good Governance, (7) Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice, (8) Sustainable Economic Development, (9) Global Megatrends and Emerging Trade-Related Issue.



#### 4.2.1. Core Indicator One (1): Labor productivity

Labor productivity describes the quality of labor supply in the region. A highly productive labor sector would drive the achievement of key result area (4): productivity-driven growth, innovation, R&D and technology commercialization. This indicator is calculated as the total gross value added in PPP international \$ divided by total full-time employment in each year.

Table 10: Output per Worker

| Country           | Year 1     |        | Year 2     |        | Year 3 (Latest) |        |
|-------------------|------------|--------|------------|--------|-----------------|--------|
| Brunei Darussalam | 138,442.04 | (2014) | 138,528.73 | (2017) | 128,431.06      | (2018) |
| Cambodia          | 5,582.48   | (2010) | 5,795.73   | (2011) | 6,356.40        | (2012) |
| Indonesia         | 23,261.83  | (2016) | 23,913.97  | (2017) | 24,545.33       | (2018) |
| Lao PDR           |            |        | 10,032.29  | (2010) | 12,642.78       | (2015) |
| Malaysia          | 55,348.35  | (2016) | 57,262.86  | (2017) | 58,765.40       | (2018) |
| Myanmar           | 10,319.29  | (2015) | 12,713.22  | (2017) | 13,049.45       | (2018) |
| Philippines       | 26,435.06  | (2016) | 28,856.53  | (2017) | 30,922.57       | (2018) |
| Singapore         | 235,839.24 | (2016) | 244,935.53 | (2017) | 250,103.07      | (2018) |
| Thailand          | 29,789.89  | (2016) | 35,950.80  | (2017) | 36,914.69       | (2018) |
| Viet Nam          | 11,889.39  | (2016) | 12,604.59  | (2017) | 13,360.63       | (2018) |

Notes: Computed as GDP at PPP (constant 2017 international \$) divided by total employment in each year, Source: Authors' computation using data from World Bank databank (2020) and ASEAN Statistical Yearbook (2019)

Singapore recorded the highest input per worker and followed by Brunei Darussalam through the years. While the Philippines' labor productivity is improving since 2016, the values are still smaller than Malaysia and Thailand.

#### 4.2.2. Core Indicator Two (2): R&D Expenditures, as percentage of GDP

Support for innovation and R&D is reflected in this indicator. Because innovation has been viewed as the driver for sustained economic growth in the Fourth Industrial Revolution (UNECE 2018), it is important that this indicator is monitored. Total R&D expenditures includes R&D expenditure of both private and public sectors, expressed as a percentage of GDP.

Table 11: R&D Expenditures, as percentage of GDP (%)

| Country           | Year 1 |        |              | Year 2 (Latest) |        |              |
|-------------------|--------|--------|--------------|-----------------|--------|--------------|
| Brunei Darussalam | ...    |        |              | 0.28            | (2018) | <sup>b</sup> |
| Cambodia          | ...    |        |              | 0.12            | (2015) | <sup>b</sup> |
| Indonesia         | 0.08   | (2009) | <sup>b</sup> | 0.23            | (2018) | <sup>b</sup> |
| Lao PDR           | ...    |        |              | 0.04            | (2002) | <sup>b</sup> |
| Malaysia          | 0.64   | (2006) |              | 1.44            | (2016) | <sup>b</sup> |
| Myanmar           | ...    |        |              | 0.03            | (2017) | <sup>b</sup> |
| Philippines       | 0.12   | (2005) |              | 0.16            | (2015) | <sup>b</sup> |

|           |      |        |  |      |        |              |
|-----------|------|--------|--|------|--------|--------------|
| Singapore | 2.20 | (2005) |  | 1.94 | (2017) | <sup>b</sup> |
| Thailand  | 0.23 | (2005) |  | 1.00 | (2017) | <sup>b</sup> |
| Viet Nam  | ...  |        |  | 0.53 | (2017) | <sup>b</sup> |

Notes: “...”= no data available

Sources: Various NSOs submitted data (2020) and <sup>b</sup> World Bank DataBank (2020)

Singapore had the highest R&D Expenditure as percentage of GDP among ASEAN countries with 2.2 percent in 2005 and 1.94 percent in 2017. All economies showed increases on their expenditures except for Singapore (but still ranked the highest).

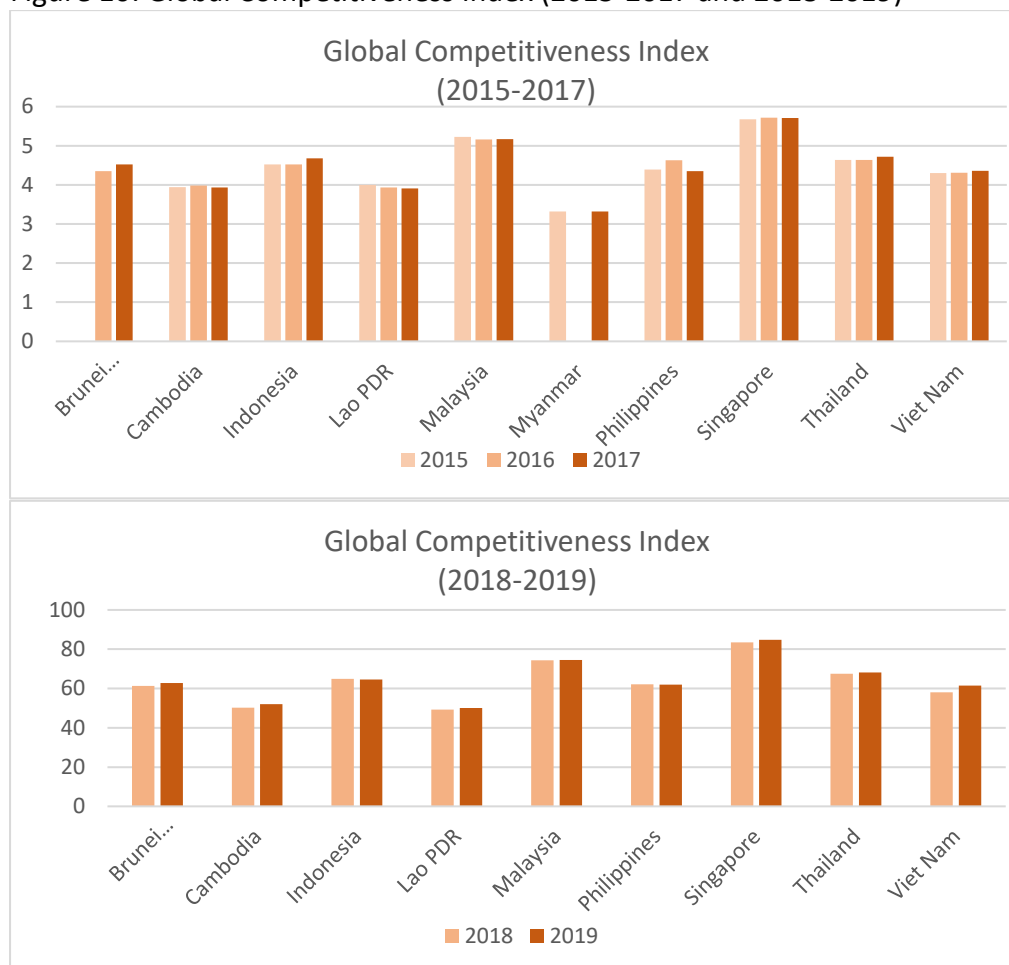
The Philippines ranked fourth among five (5) economies in 2005 with 0.12 percent, and seventh out of 10 economies in 2015 with 0.16 percent. Despite slight improvements to the 2015 figure, R&D Expenditures in the Philippines is still far below the UNESCO benchmark of 1 percent of GDP.

#### *4.2.3. Core Indicator Three (3): Global Competitiveness Index*

The Global Competitiveness index is an index calculated by the WEF to assess the competitiveness environment of more than 130 economies by looking at both the macroeconomic and microeconomic aspects of competitiveness. This indicator is composed of more than 110 variables, combining WEFs Executive opinion survey and data on the countries from publicly available sources. Because of a change in methodology, the 2018 GCI is not directly comparable to the previous GCI. Figure 10 is presented to show the performance of countries prior to the change in methodology. Figure 11 presents the current ranking of countries in GCI.

Singapore consistently led the region in the global competitiveness index. Singapore also ranked the highest in the recent years (2018-2019). Ranking next to Singapore, Malaysia also displayed great performance in terms of competitiveness. In 2019, The Philippines has a GCI score above 60 similar with Brunei Darussalam, Indonesia, Thailand and Viet Nam.

Figure 10: Global Competitiveness Index (2015-2017 and 2018-2019)



Source: Schwab, K. (2018) and Schwab, K. (2019)

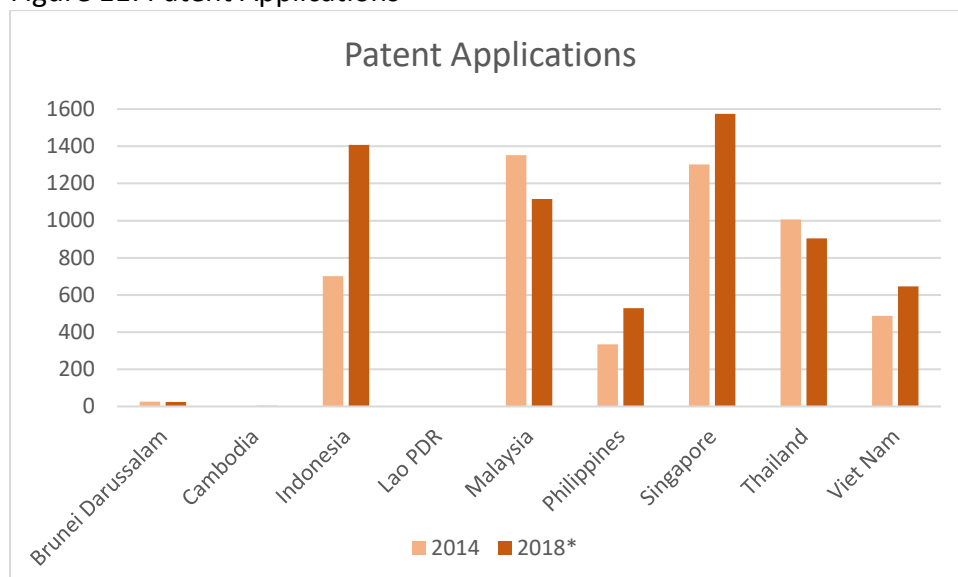
#### 4.2.4. Supporting Indicators

The supporting indicators in this section are the following: 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). These indicators provide a more detailed picture of the competitiveness of the region by looking at various aspects of the economy.

##### 4.2.4.1. Supporting Indicator #1: Number of patent and trademark applications by residents

Total number of patent applications filed by the residents of ASEAN countries and Total number of trademark applications filed by the residents of ASEAN countries are indicators related to innovation. In particular, patent applications and trademarks are means of protecting the intellectual property embedded in the innovation.

Figure 11: Patent Applications

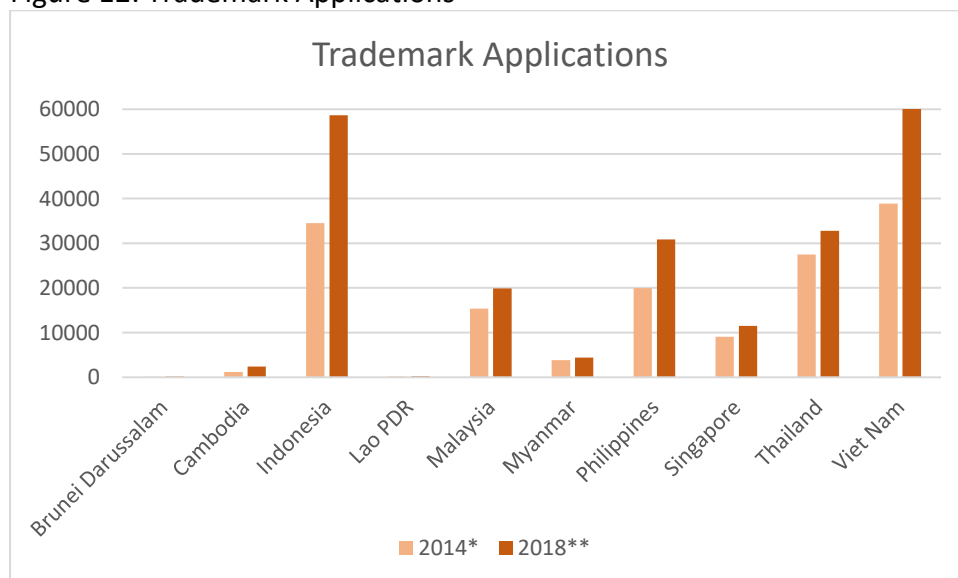


Note: \*For Cambodia, 2016

Sources: Various NSOs Submitted Data (2020) and World Bank DataBank (2020)

Malaysia had the highest patent applications in 2014 and Singapore in the most recent year. The Philippines had 529 patent applications in 2018 displaying a notable increase from the 2014 figure of 334 patent applications. Except for Brunei Darussalam, Cambodia and Lao PDR, other AMS have patent applications greater than 600 in 2018.

Figure 12: Trademark Applications



Notes: \*For Brunei Darussalam, 2012; and Myanmar, 2010; \*\*For Myanmar, 2012

Sources: Various NSOs Submitted Data (2020) and World Bank DataBank (2020)

Viet Nam recorded the highest trademark applications both in baseline and recent data with Indonesia coming at a close second. The Philippines displayed notable increase from its 2014 value of 19,995 to 2018 at 30,853. It also ranked fourth among the ASEAN countries on the said years.

#### 4.2.4.2. Supporting Indicator #2: Number of R&D personnel (per million people)

R&D personnel pertains to all persons-employed directly on R&D, as well as those providing direct services such as R&D managers, administrators and clerical staff during a given year. The indicator is expressed as a proportion of a population of one million.

Table 12: Researchers per 1,000,000 people

| Country           | Year 1 |        | Year 2 (Latest) |        |
|-------------------|--------|--------|-----------------|--------|
| Brunei Darussalam | ...    | ...    | ...             | ...    |
| Cambodia          | ...    | ...    | 30              | (2015) |
| Indonesia         | 179    | (2016) | 216             | (2018) |
| Lao PDR           | ...    | ...    | ...             | ...    |
| Malaysia          | 2,054  | (2014) | 2,397           | (2016) |
| Myanmar           | ...    | ...    | 29              | (2017) |
| Philippines       | 187    | (2013) | 106             | (2015) |
| Singapore         | 7,007  | (2015) | 6,803           | (2017) |
| Thailand          | 865    | (2015) | 1,350           | (2017) |
| Viet Nam          | 679    | (2015) | 708             | (2017) |

Notes: “...” data not available

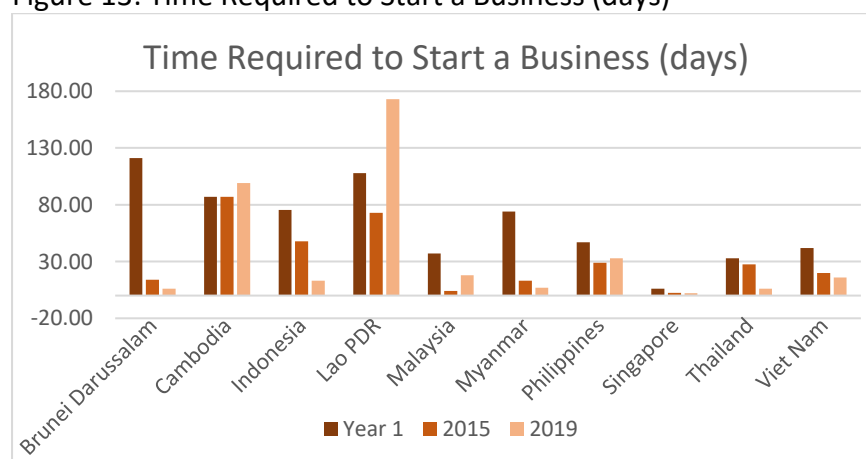
Source: UNESCO Institute of Statistics (2020)

Singapore recorded the highest number of researchers per million people on both years. Increases has been observed for Indonesia, Malaysia, Thailand, and Vietnam. The Philippines displayed decrease from 2013 at 187 to 2017 at 106.

#### 4.2.4.3. Supporting Indicator #3: Time required to start a business (days)

Another indicator related to the business environment is the “Time required to start a business”. This is measured in terms of the number of calendar days needed to complete the procedures to legally operate a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.

Figure 13: Time Required to Start a Business (days)



Notes: Year 1: 2005, except Brunei Darussalam-2006, Indonesia-2013, Myanmar-2012.

Source: World Bank DataBank (2020)

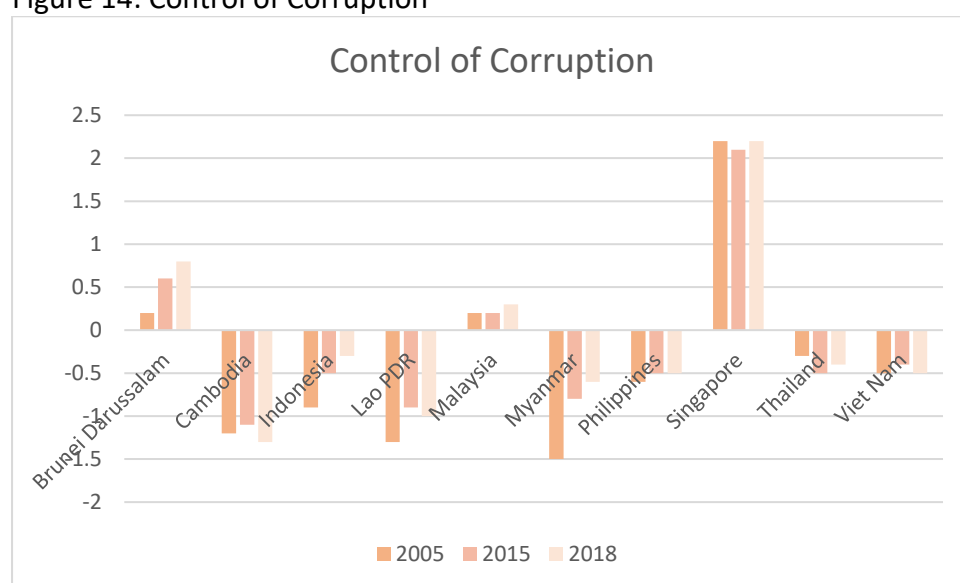
Except for Cambodia and Lao PDR, almost all ASEAN countries showed a reduction of the number of days required to start a business. Brunei Darussalam and Myanmar displayed dramatic drop on theirs. For the Philippines, there was a slight reduction from 47 days in 2005 to 33 days in 2019, reflecting a slight increase from the 2015 figure of only 29 days.

Singapore consistently had the shortest days to open a business at 2 days in 2019. For the baseline data, Singapore was followed by Thailand which has 27-day difference. In 2015, Singapore was followed by Malaysia with 1.50-day difference; and in 2019, it was followed by Thailand and Brunei Darussalam with 4-day difference. The Philippines ranked fifth in year one (2005) and eighth in the latest year (2019), ahead of Cambodia and Lao PDR.

#### 4.2.4.4. Supporting Indicator #4: Control of Corruption (Worldwide Governance Index)

The Worldwide Governance Index is a composite index consisting of six key dimensions of governance (Voice & Accountability, Political Stability and Lack of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption) that measure the quality of governance in over 200 countries, based on close to 40 data sources produced by over 30 organizations worldwide. In particular, the Control of corruption indicator captures the perception of the degree at which government authority is used to obtain personal or private benefit.

Figure 14: Control of Corruption



Source: Worldwide Governance Index (2020)

Singapore had the most control over corruption followed by Malaysia and Brunei Darussalam consistently. These were the only economies in ASEAN that received positive values. The Philippines ranked sixth in 2005 and 2018, and fifth together with Indonesia and Thailand in 2015.

The top three (3) ASEAN countries which showed most improvement are Brunei Darussalam, Indonesia, and Malaysia. The Philippines had little improvement and had a consistent rating of -0.5 from 2015 to 2018.

#### 4.2.5. *Summary and Discussion: Characteristic 2*

On the characteristic, *Competitive, Innovative and Dynamic ASEAN*, the Philippines performed poorly relative to its ASEAN neighbors, as evidenced by little progress in most of the indicators.

On labor productivity, output per worker is increasing in the Philippines, which suggests that the country is on track towards the AEC 2025 vision of a community with productivity-driven growth. Ranking-wise, the country fared in the middle of the pack with values similar to Indonesia, Thailand and Viet Nam.

In the area of innovation, one indicator is R&D Expenditures as percentage of GDP, wherein the Philippines ranked as one of the lowest among ASEAN countries, with 0.16 percent in 2015. There was an increase of only 0.04 percentage points from 2005 to 2015, indicating that the country is moving towards the PDP target of 0.20 by 2017.<sup>5</sup> Another indicator is Researchers per million people, wherein the Philippines ranked among the bottom five (5) ASEAN countries and displayed a decrease from 2013 to 2015.

The AEC also strives for improvements in Intellectual Property Rights protection to support the creation and protection of knowledge in the region. In the Philippines, the number of patent and trademark applications by residents increased by 58.38 percent and 54.30 percent, respectively, from 2014 to 2018. In comparison to other ASEAN countries, the number of patent and trademark applications for the Philippines are still below the median.

In the area of competitiveness, particularly looking at the indicator Global Competitiveness Index, the Philippines ranked among the bottom middle among ASEAN countries. It ranked lowest among ASEAN5, and had decreasing composite index values from 2015 to 2019.

The AEC envisions strengthened regulatory frameworks and practices in the region, with an enabling environment for businesses to be competitive and innovative. Data indicate that the Philippines has one of the longest periods required to open a business. It has been attributed to the numerous permits that needed to be acquired from different government offices. A lot of laws and policies have been implemented to ease the process, but it is still not at par with the best performing countries. Moreover, the Philippines performed poorly on Control of Corruption (Worldwide Governance Index). It ranked among the bottom five (5) ASEAN countries, and only displayed 0.1 improvement in index value from 2005 to 2018. The worst year for the Philippines was in 2010 with -0.80 rating. Through the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, it is expected that procedural delays and irregularities will be addressed.

#### 4.3. *Characteristic 3: Enhanced Connectivity and Sectoral Cooperation*

The third AEC Characteristic is directed towards progressing in nine (9) elements/key result areas: (1) Transport, (2) Information and Communication Technology, (3) E-Commerce, (4) Energy, (5) Food, Agriculture and Forestry, (6) Tourism, (7) Healthcare, (8) Minerals, (9) Science and Technology.

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<sup>5</sup> <https://www.neda.gov.ph/pdp-results-matrices/2017-2022/>.

#### 4.3.1. Core Indicator One (1): Intra-ASEAN tourist arrivals

Increasing number of tourist arrivals from the region as measured by the Tourist arrivals in ASEAN with other ASEAN countries as the points of origin is an indicator of the improvements in transport and facilitating the movement of people in the region.

Figure 15: Intra-ASEAN Tourist Arrivals (Thousands)



Source: ASEANstats Database (2020)

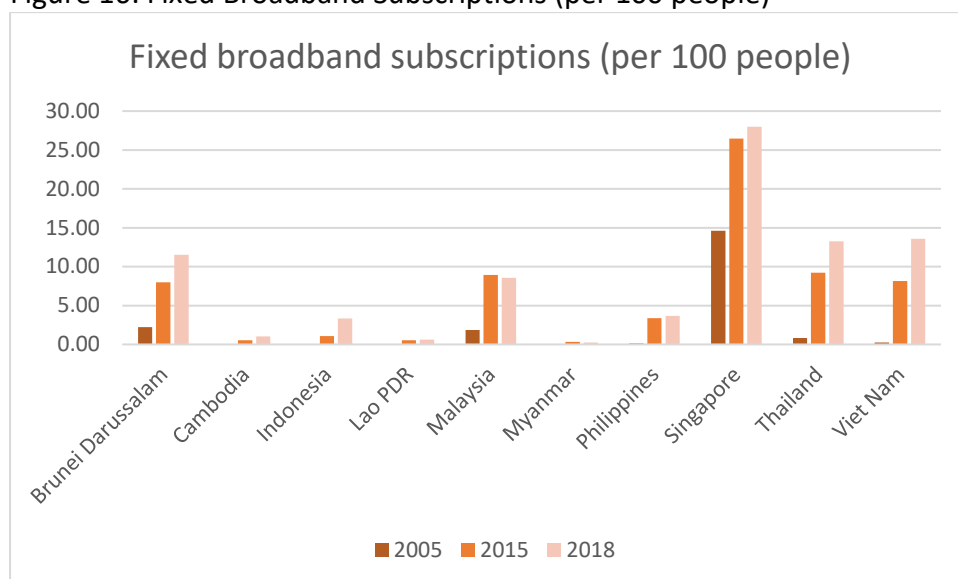
Malaysia consistently led the intra-ASEAN tourism in 2005, 2015, and 2018. The Philippines ranked eighth in 2005, and ninth in 2015 and 2018. All ASEAN countries showed improvements in intra-ASEAN tourism indicator; some better than others. The significant improvements are shown by Indonesia, Malaysia, Singapore, and Thailand.

#### 4.3.2. Core Indicator Two (2): Fixed broadband subscriptions (per 100 people)

To describe the Information and Communications Technology (ICT) infrastructure in the region, this indicator was selected as it is able to cover the availability of connectivity to the internet as well as the foundation for providing E-Commerce services. This indicator is defined as the number of fixed subscriptions to high-speed access to the Internet, at downstream speeds equal to, or greater than, 256 kbit/s (per 100 people in population). This would include various types of connection such as cable model, DSL, fiber-to-the-home/building and other fixed broadband subscriptions (ASEAN Secretariat 2017b).



Figure 16: Fixed Broadband Subscriptions (per 100 people)



Source: World Bank DataBank (2020)

Singapore consistently led the region in number of people having fixed broadband subscriptions. The Philippines consistently ranked sixth through the years.

All ASEAN countries showed development in having more people with fixed broadband subscriptions. The increase from 2005 to 2015 are notable in Brunei Darussalam, Malaysia, Singapore, Thailand and Vietnam.

Further improvements from 2015 to 2018 are visible from all ASEAN economies except for Malaysia (from 8.95 to 8.55) and Myanmar (from 0.35 to 0.24) where their subscriptions dropped.

#### 4.3.3. Core Indicator Three (3): Passengers and freight volume, by mode of transport

To further support the flow of goods and services among countries in the region, there is a need to monitor the development of transportation infrastructure across AMS. This indicator covers movement of both goods (freight) and people (passengers) through air, sea and rail transport.

Table 13: Air Transportation, Passengers (thousand people) and Freight Carried (thousand tons)

| Air Transportation |                               |        |        |                                 |      |      |
|--------------------|-------------------------------|--------|--------|---------------------------------|------|------|
| Country            | Passengers (Thousand Persons) |        |        | Freight Carried (Thousand Tons) |      |      |
|                    | 2005                          | 2015   | 2018   | 2005                            | 2015 | 2018 |
| Brunei Darussalam  | 1,261                         | 1,717  | 1,774  | 14                              | 1    | 1    |
| Cambodia           | 1,769                         | 5,606  | 9,376  | 6                               | 18   | 30   |
| Indonesia          | 3,364                         | 25,212 | 36,326 | 55                              | 195  | 249  |
| Lao PDR            | 255                           | 1,073  | 2,306  | 1                               | 0    | 3    |
| Malaysia           | 16,583                        | 40,017 | 52,247 | 424                             | 374  | 361  |

|             |        |        |        |     |     |     |
|-------------|--------|--------|--------|-----|-----|-----|
| Myanmar     | 733    | 3,428  | 4,466  | 5   | 8   | 25  |
| Philippines | 9,757  | 21,280 | 28,915 | 176 | 25  | 234 |
| Singapore   | 30,720 | 54,836 | 64,889 | 942 | 838 | 990 |
| Thailand    | 28,077 | 62,513 | 83,158 | 647 | 711 | 858 |
| Viet Nam    | 6,428  | 17,696 | 34,534 | 88  | 322 | 486 |

Note: Data for each indicator: For air passenger - international air passenger traffic; For air freight - international freight cargo loaded.

Sources: ASEANstats Database (2020) and <sup>b</sup> ASEAN-Japan Transport Partnership Information Center (2020)

For air transport, Singapore was the highest in terms of transport of passengers per thousand persons in 2005. In 2015, Thailand has overtaken Singapore in international air passenger traffic until 2018. The Philippines ranked fourth in 2005, fifth in 2015, and sixth in 2018. In terms of freight carried via air transportation, Singapore has consistently led the region in terms of freight carried. The Philippines fared fourth in 2005, and sixth in 2015 and 2018.

Table 14: Rail Transportation, Passengers (thousand people) and Freight Carried (thousand tons)

| Rail Transportation |                              |      |      |                                 |         |         |
|---------------------|------------------------------|------|------|---------------------------------|---------|---------|
| Country             | Passengers (Million Persons) |      |      | Freight Carried (Thousand Tons) |         |         |
|                     | 2005                         | 2015 | 2018 | 2005                            | 2015    | 2018    |
| Brunei Darussalam   | ...                          | ...  | ...  | ...                             | ...     | ...     |
| Cambodia            | 0.05                         | ...  | 552  | 268                             | 538,345 | 256,726 |
| Indonesia           | 151                          | 328  | 422  | 17                              | 30      | 45      |
| Lao PDR             | ...                          | 0    | 0    | ...                             | ...     | ...     |
| Malaysia            | 3.675                        | 2    | 4    | 4,072                           | 6,205   | 5,944   |
| Myanmar             | 65                           | 43   | 44   | 2,894                           | 2,094   | 1,895   |
| Philippines         | 278                          | 341  | 296  | ...                             | ...     | ...     |
| Singapore           | 507 **                       | 3    | 4 ** | ...                             | ...     | ...     |
| Thailand            | 49                           | 35   | 432  | 11,760                          | 11,388  | 10,232  |
| Viet Nam            | 13                           | 11   | 9    | 8,787                           | 6,707   | 5,735   |

Note: Data for each indicator: For rail passenger, total number of rail passengers; For rail freight, "Freight" in AJTP Information Center statistics.

\*\*For verification by AJTP Information Center

Sources: ASEANstats Database (2020) and <sup>b</sup> ASEAN-Japan Transport Partnership (AJTP) Information Center (2020)

Singapore had the most passengers in terms of rail transportation in 2005 followed by the Philippines. The Philippines took first place in 2015, while Cambodia topped the ranking in 2018. The Philippines ranked second in 2005 and fourth in 2018.

In terms of freight carried through rail transportation, Cambodia consistently had the highest data. The Philippines does not have available data on freight transported via railway.

Table 15: Water Transportation, Passengers (thousand people) and Freight Carried (thousand tons)

| Water Transportation |                               |       |       |                                 |         |         |
|----------------------|-------------------------------|-------|-------|---------------------------------|---------|---------|
| Country              | Passengers (Thousand Persons) |       |       | Freight Carried (Thousand Tons) |         |         |
|                      | 2005                          | 2015  | 2018  | 2005                            | 2015    | 2018    |
| Brunei Darussalam    | ...                           | 208   | 210   | 1,769                           | 1,931   | 1,350   |
| Cambodia             | 4                             | 44    | 41    | 1,381                           | 3,763   | 5,328   |
| Indonesia            | 1,735                         | ...   | ...   | 492,970                         | ...     | ...     |
| Lao PDR              | ...                           | ...   | ...   | ...                             | ...     | ...     |
| Malaysia             | 2,459                         | 1,965 | 7,269 | 127,211                         | 570,401 | 570,701 |
| Myanmar              | 3                             | 34    | 8     | 10,181                          | 28,415  | 34,745  |
| Philippines          | 18                            | 92    | 482   | 75,832                          | 134,620 | 169,966 |
| Singapore            | ...                           | ...   | ...   | 423,268                         | 575,845 | 630,125 |
| Thailand             | 241                           | 451   | 644   | 119,569                         | 208,427 | 231,884 |
| Viet Nam             | ...                           | ...   | ...   | 96,472                          | 231,918 | 316,940 |

Note: Data for each indicator: For water passenger - international sea passenger traffic; For water freight carried - International sea cargo throughput.

Sources: ASEANstats Database (2020) and <sup>b</sup> ASEAN-Japan Transport Partnership Information Center (2020)

In number of passengers (thousand persons) via water transportation, Malaysia led consistently through the years. The Philippines fared fourth among six (6) ASEAN countries (for which data are available) in 2005 and 2015 and third in 2018. The figures of the Philippines show a steady increase from 2005 to 2018 but the number of passengers transported via water transport in 2018 are still very low relative to Indonesia or Thailand.

In terms of freight carried via water transportation, Indonesia led in 2005, and Singapore had the highest volume in 2015 and 2018. The Philippines fared sixth out of nine (9) ASEAN countries in 2005, and fifth out of eight (8) ASEAN countries in 2015 and 2018.

#### 4.3.4. Supporting Indicators

The supporting indicators for Characteristic C include (1) Extra-ASEAN tourist arrivals, (2) Proportion of population covered by mobile network, (3) Logistics performance index, (4) Percentage of renewable energy in primary energy supply, (5) Intensity level of primary energy, (6) Adjusted savings: mineral depletion, (7) Mineral rents, (8) Intra-ASEAN trade in minerals, (9) Liner shipping connectivity index, (10) B2C E-commerce Index. These indicators cover the key result areas of Characteristic C.

##### 4.3.4.1. Supporting Indicator #1: Extra-ASEAN tourist arrivals

Complementing the indicators on intra-ASEAN tourist arrivals is the indicator on extra-ASEAN tourist arrivals. These count the Tourist arrivals in ASEAN with non-ASEAN countries as the points of origin.

Figure 17: Extra-ASEAN Tourist Arrivals (Thousands)



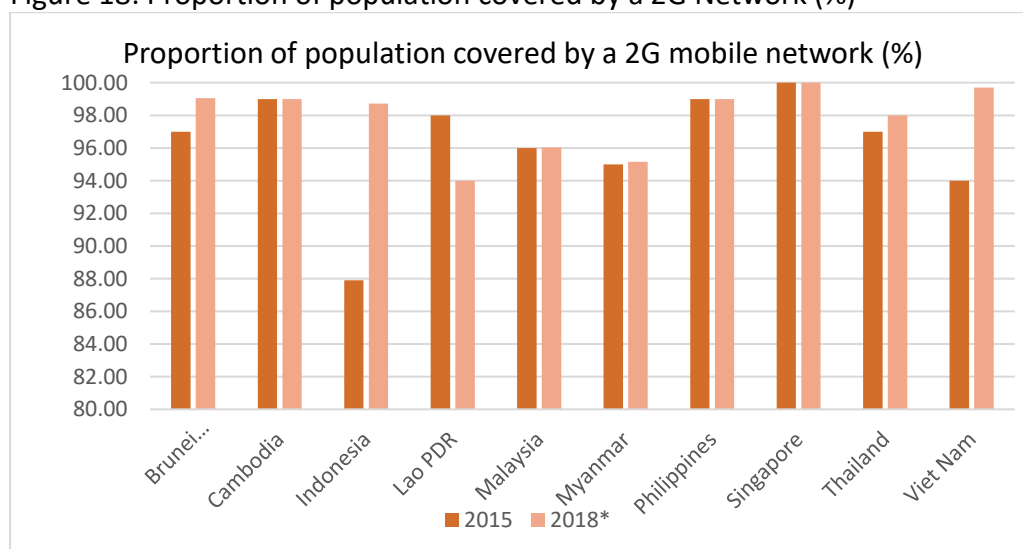
Source: ASEANstats Database (2020)

Thailand has led the region in terms of extra-ASEAN tourist arrivals through the years. The Philippines has consistently ranked sixth despite increasing tourist arrivals relative to the baseline. The total extra-ASEAN tourist arrivals increased from 2015 (62,912) to 2018 (85,577).

#### 4.3.4.2. Supporting Indicator #2: Proportion of population covered by mobile network

This indicator is included as a supporting indicator to provide a detailed description of the access to ICT to allow the possibility to subscribe and use mobile phone services not only to communicate but also to conduct a wide array of transactions and activities. The indicator refers to the proportion of the population covered by a mobile network, according to technology (2G, 3G or 4G).

Figure 18: Proportion of population covered by a 2G Network (%)

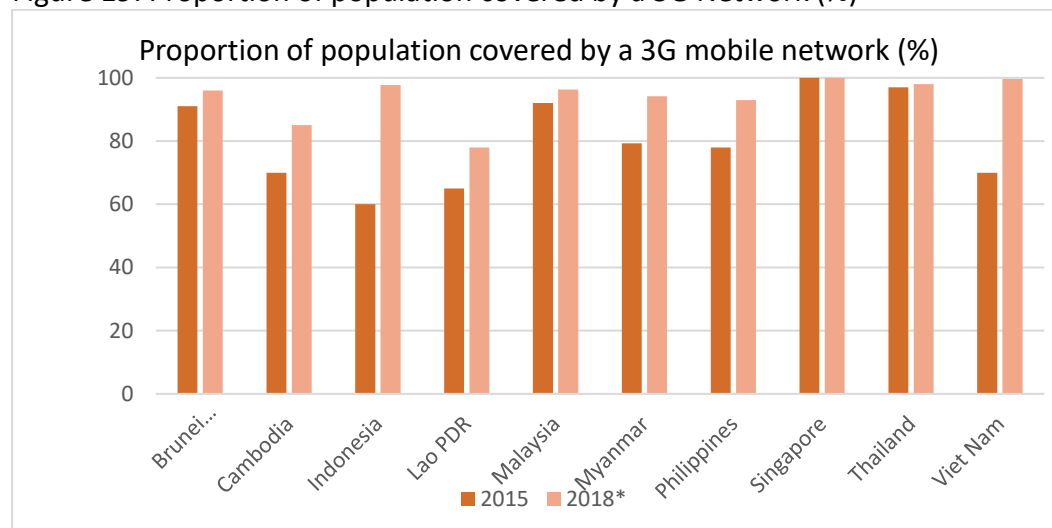


Note: \*For Philippines, 2017

Source: Various NSOs submitted data (2020) and UN SDG Database (2020)

Singapore has been successful in providing all its citizens access to 2G Network. The Philippines, with a proportion of 99 percent, ranked second in 2015; the country ranked fourth in 2017 (tied with Cambodia) as it was overtaken by Brunei Darussalam and Viet Nam. Data for 2018 for the Philippines is not yet available.

Figure 19: Proportion of population covered by a 3G Network (%)

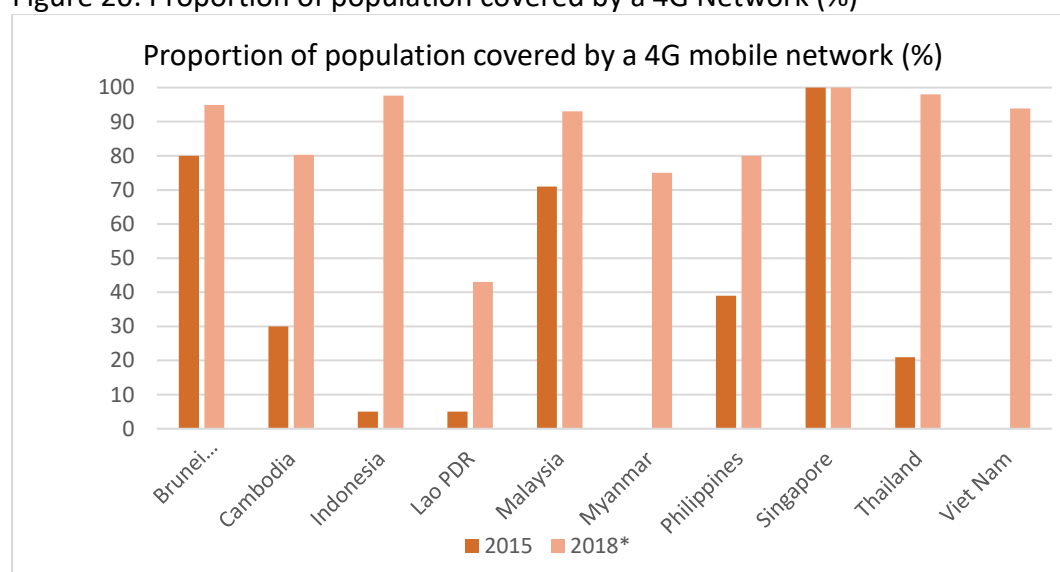


Note: \*For Philippines, 2017

Source: Various NSOs submitted data (2020) and UN SDG Database (2020)

The 3G population coverage refers to inhabitants that are within the range of at least a 3G mobile-cellular signal, irrespective of whether or not they are subscribers. This excludes people covered only by GPRS, EDGE or CDMA 1xRTT. Singapore has been successful in providing all its citizens' access to 3G Network since 2015. The Philippines ranked sixth in 2015 and eighth in 2017 despite a marked increase from 78 percent in 2015 to 93 percent in 2017. All ASEAN countries displayed an improvement from the 2015 statistic.

Figure 20: Proportion of population covered by a 4G Network (%)



Note: 0% in Myanmar and Viet Nam in 2015; \*For Philippines, 2017

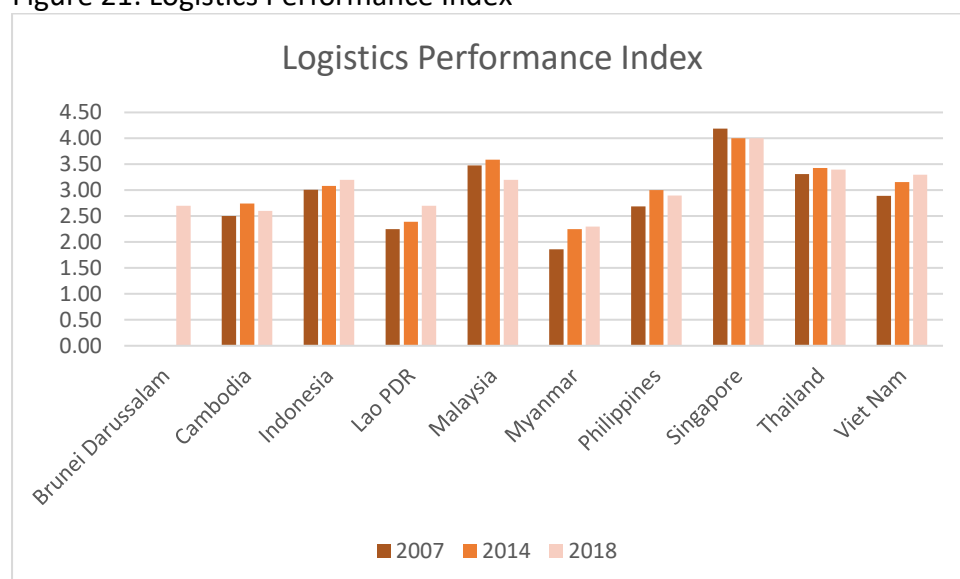
Source: Various NSOs submitted data (2020) and <sup>b</sup> UN SDG Database (2020)

Singapore has been successful in providing all its citizens' access to 4G Network from 2015 onwards. Coverage for the Philippines has improved significantly from barely 40 percent in 2015 to 80 percent in 2017. All ASEAN countries displayed significant increases from 2015 to 2018. The Philippines is among the four (4) ASEAN countries that have barely reached a 90 percent coverage of a 4G mobile network in the latest year. The other countries are Cambodia, Lao PDR and Myanmar.

#### 4.3.4.3. Supporting Indicator #3: Logistics Performance Index (Overall Score)

To describe the performance of the region in terms of connectivity, the Logistics Performance Index of the World Bank is included as a supporting indicator. The Logistics Performance Index [LPI] (overall score; 1=low to 5=high) reflects how a country's logistics services is perceived by the respondents. The LPI looks at the “efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time” (ASEAN 2017b p: 42).

Figure 21: Logistics Performance Index



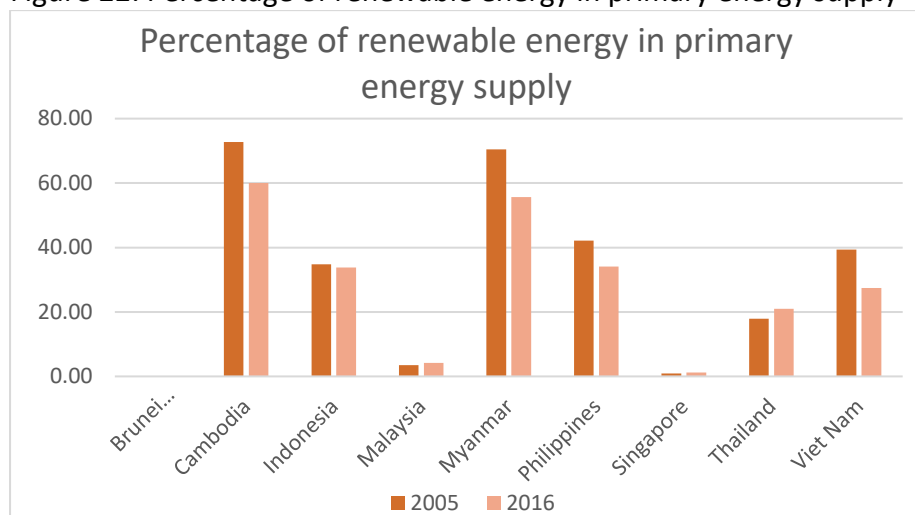
Source: World Bank DataBank (2020)

Singapore consistently ranked the highest in the Logistics Performance Index. The Philippines consistently ranked sixth in 2007, 2014, and 2018, ahead of Cambodia, Lao PDR and Myanmar.

#### 4.3.4.4. Supporting Indicator #4: Percentage of renewable energy in primary energy supply

One of the aspirational targets for the region as stipulated in the ASEAN Plan of Action for Energy cooperation (APAEC) 2016-2025 is to increase the component of renewable energy in the ASEAN energy mix to 23 percent. This indicator is a means of monitoring the progress in the achievement of this goal.

Figure 22: Percentage of renewable energy in primary energy supply



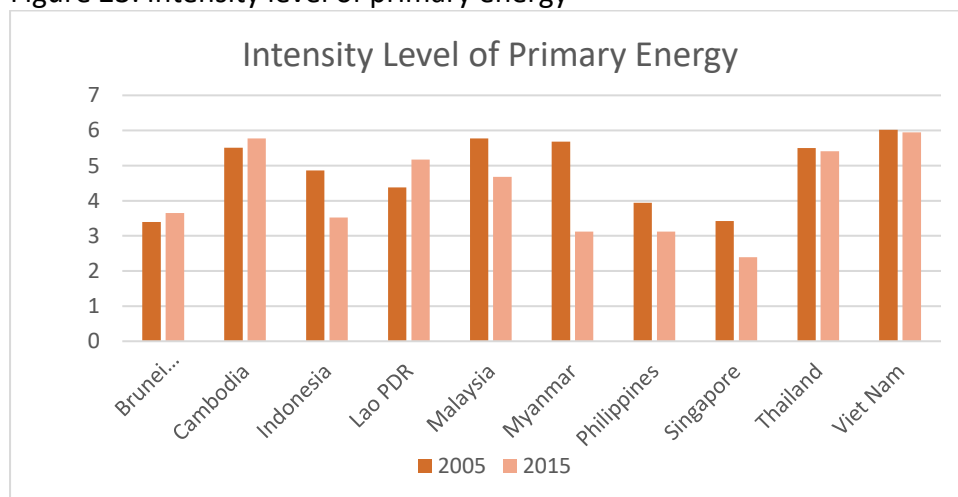
Source: OECDstat Database (2020)

Cambodia ranked the highest in percentage of renewable energy in primary energy supply both in 2005 and 2016. However, the proportion has declined significantly from the 2005 baseline figure. The Philippines ranked third on both years. Similar to Cambodia, Myanmar and Vietnam, the Philippine performance is declining with the ratio around 42.19 percent in 2005 to 34.05 percent in 2016. On the other hand, Malaysia, Thailand and Singapore were able to improve their performance with regard to renewable energy as primary energy supply. It is also worth noting that the proportion for Malaysia and Singapore are below 10 percent, significantly lower than the rest of the AMS.

#### 4.3.4.5. Supporting Indicator #5: Intensity level of primary energy

Another aspirational target for the region mentioned in the APAEC is the reduction of the intensity level of primary energy in ASEAN by 20 percent in 2020. Energy intensity level of primary energy is the ratio between energy supply and gross domestic product measured at purchasing power parity. Energy intensity is an indication of how much energy is used to produce one unit of economic output. Lower ratio indicates that less energy is used to produce one unit of output.

Figure 23: Intensity level of primary energy



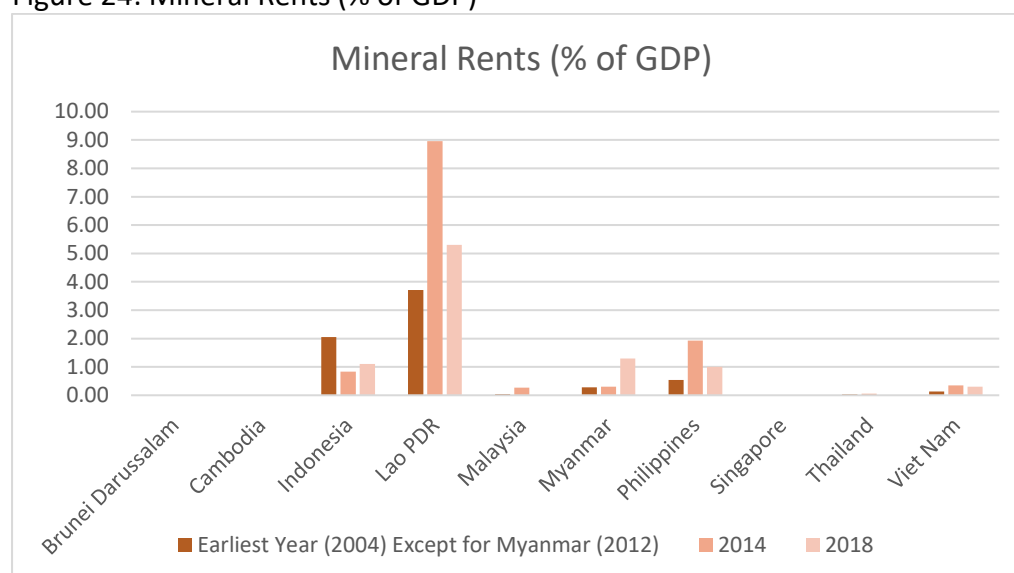
Source: World Bank Databank (2020)

For 2005 and 2015, Viet Nam led the region in having the highest intensity level of primary energy. Energy intensity for the Philippines has been one of the lowest (8<sup>th</sup>) in the region in 2005. While most of the AMS are able to reduce intensity level from the 2005 baseline, Brunei Darussalam, Cambodia and Lao PDR have registered an increase in intensity level.

#### 4.3.4.6. Supporting Indicator #6: Mineral rents (% of GDP)

The mineral sector is a key source of inputs to a number of industries in the region: manufacturing, construction and infrastructure development. Recognizing the importance of the mineral sector development to the growth of the region, supporting indicator #6 related to mineral rent was monitored. Mineral rents refer to the difference between the value of production for a stock of minerals at world prices and their total costs of production. Minerals included in the calculation are tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate.

Figure 24: Mineral Rents (% of GDP)



Notes: Close to zero values for Thailand. Zero values for Brunei Darussalam, Cambodia, Singapore.

Source: World Bank DataBank (2020)

Lao PDR had the highest mineral rents across the ASEAN region consistently. The Philippines ranked third in 2005 and 2014, and fourth in 2018, having been overtaken by Indonesia. Lao PDR, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam showed increases from earliest year to 2014. Furthermore, Indonesia and Myanmar showed rise from 2014 to 2018.

Lao PDR, Malaysia, the Philippines, Thailand, and Viet Nam reflected decreases from 2014 to 2018.

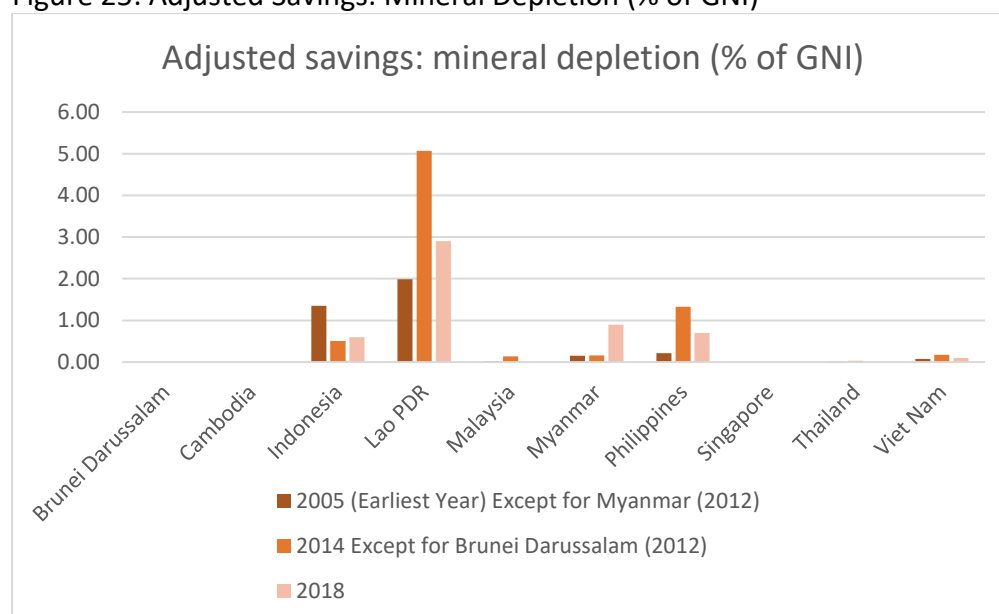
#### 4.3.4.7. Supporting Indicator #7: Adjusted savings: mineral depletion (% of GNI)

Recognizing the need for a sustainable mineral sector development, it is not sufficient to monitor mineral rents alone but there is also a need to monitor mineral depletion. It is an indication of the rapid extraction and use of mineral resources which may affect the sustainability of the sector. The indicator is calculated as the ratio of the value of the stock of



mineral resources to the remaining reserve lifetime (capped at 25 years). It covers tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate.

Figure 25: Adjusted Savings: Mineral Depletion (% of GNI)



Notes: Close to zero values for Thailand. Zero values for Brunei Darussalam, Cambodia, Singapore

Source: World Bank DataBank (2020)

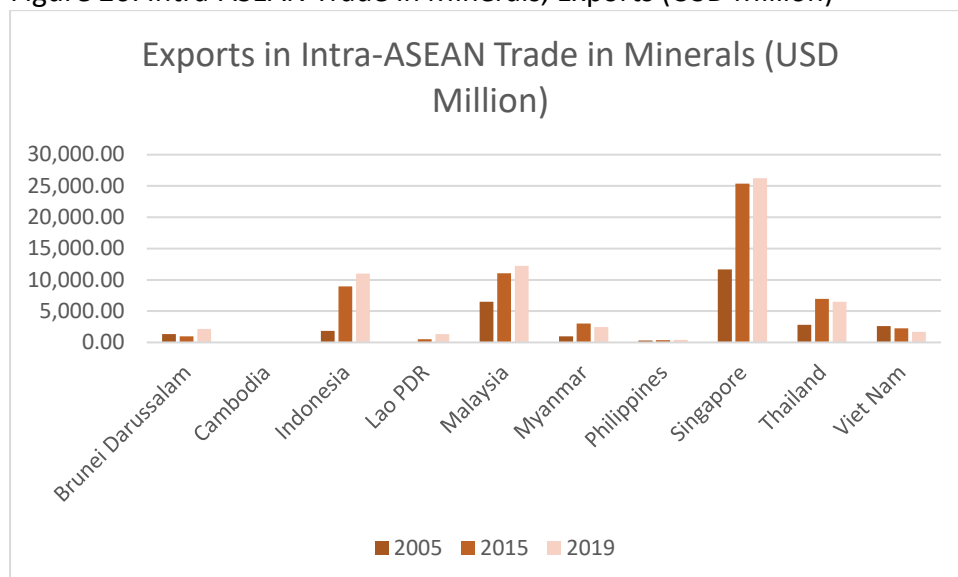
Lao PDR reported the highest mineral depletion across ASEAN countries consistently. The Philippines ranked third in 2005 following Indonesia which ranked second. The latest figure (2018) shows the Philippines ranking third again, this time following Myanmar.

Lao PDR, Malaysia, Myanmar, the Philippines, Thailand, and Viet Nam showed increases from earliest year to 2014. Furthermore, Indonesia is the only economy which showed increase from 2014 to 2018. Similar to Lao PDR, the Philippines showed decrease from 2014 (1.33) to 2018 (0.7).

#### 4.3.4.8. Supporting Indicator #8: Intra-ASEAN trade in minerals

Part of the development of the mineral sector would be the export and import of mineral products within the region. Supporting Indicator #8 presents the value of minerals trade originating from and going to ASEAN member countries.

Figure 26: Intra-ASEAN Trade in Minerals, Exports (USD Million)



Source: ASEANstats Database (2020)

Almost all ASEAN countries displayed increases in their intra-ASEAN mineral exports from 2005 to 2015 except for Brunei Darussalam (USD1.35 billion to USD973.19 billion) and Viet Nam (2.59 to 2.23 in billion USD). Furthermore, Myanmar, Thailand, and Vietnam were the only countries that reported decreases from 2015 to 2019.

Singapore consistently led the intra-ASEAN exports in minerals, followed by Malaysia. The Philippines showed very minimal growth from 2005 with USD313.26 million, 2015 with USD368.1 million to 2019 with USD407.84 million, and ranked eighth in 2005, and ninth in 2015 and 2019.

Figure 27: Intra-ASEAN Trade in Minerals, Imports (USD Million)



Source: ASEANstats Database (2020)

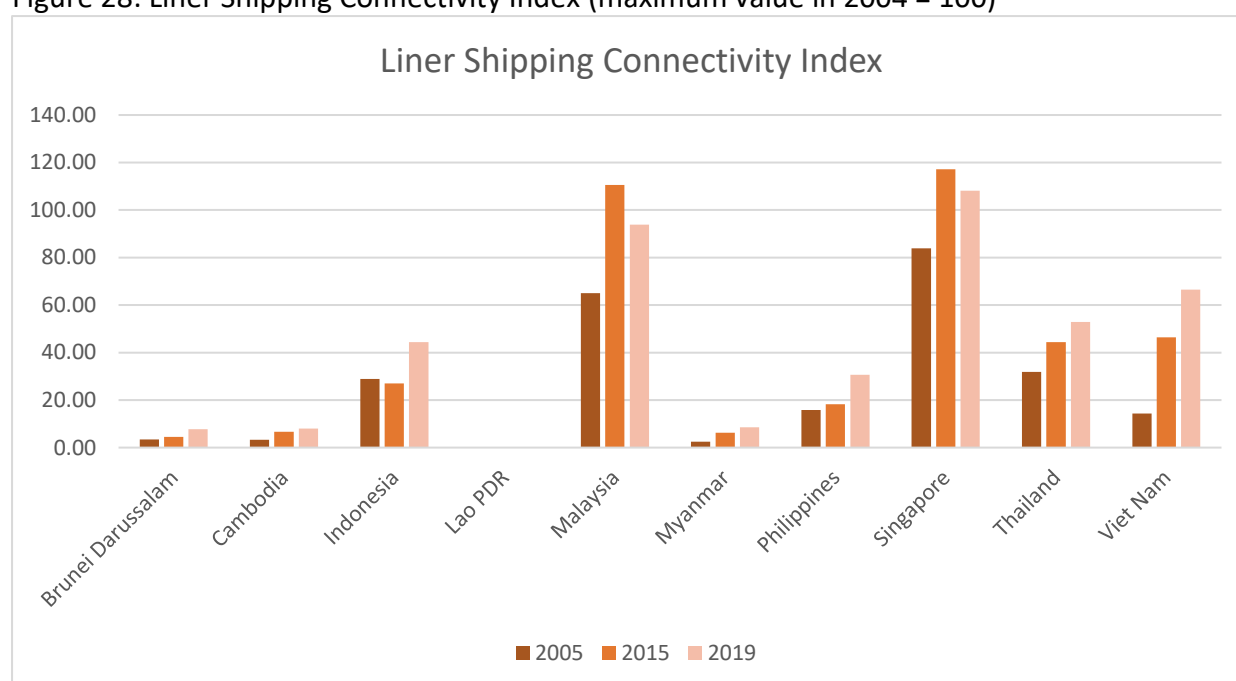
Indonesia reported the highest intra-ASEAN imports in minerals in 2005; while Singapore ranked the highest in 2019. The Philippines consistently ranked sixth in 2005, 2015 and 2019.

All ASEAN economies reported increases from 2005 to 2015. They also all displayed improvements from 2015 to 2019 except for Indonesia which reported decrease from 2015 (USD12.83 billion) to 2019 (USD10.52 billion). The Philippines doubled its imports from 2015 with USD1.98 billion to 2019 with USD4.17 billion.

#### 4.3.4.9. Supporting Indicator #9: Liner shipping connectivity index

Supporting the Logistics Performance Index is the Liner shipping connectivity index which focuses on the maritime transport. The indicator is computed by the United Nations Conference on Trade and Development (UNCTAD) based on five components of the maritime transport sector: number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports. Altogether, these components effectively describe the performance of the maritime transport in the region.

Figure 28: Liner Shipping Connectivity Index (maximum value in 2004 = 100)



Source: World Bank DataBank (2020)

Singapore and Malaysia have consistently ranked the highest across ASEAN countries in Liner Shipping Connectivity Index.

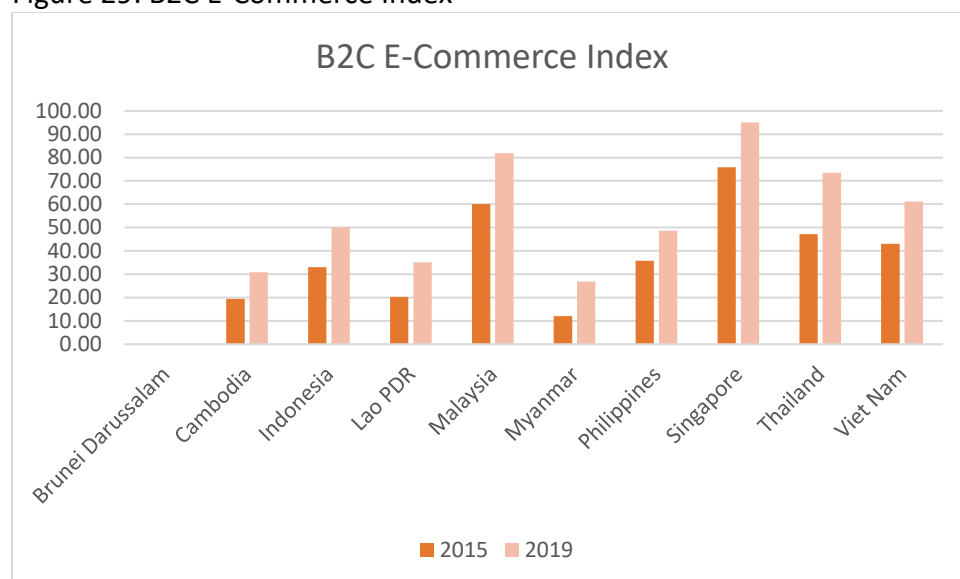
From 2015 to 2019, Viet Nam displayed the most improvement (46.38 to 66.50). The Philippines score increased slightly from 2015 with 18.27 to 2019 with 30.60. Despite improvements in the score, the Philippines ranking has gone down from fifth in 2005, to sixth in 2019.

#### 4.3.4.10. Supporting Indicator #10: B2C E-commerce Index

The rapid developments in technology and the improvements in the efficiency of transport and logistics services have highlighted the possibility of doing business electronically. E-commerce has since been recognized as an important sector for regional integration as transactions, goods and investment increasingly flow across countries. The Business-to-consumer e-commerce index of UNCTAD is a composite index that measures an economy's readiness for e-commerce

and online shopping. The index is a composite of indicators which are: account ownership at a financial institution, individuals using the internet, postal reliability score and secure internet servers.

Figure 29: B2C E-Commerce Index



Notes: \*2015 for Myanmar and Philippines. Data not available for Brunei Darussalam.  
Source: UNCTADStat (2020)

All economies displayed improvements (except for Brunei Darussalam which does not have available data). Singapore consistently ranked the highest in B2C E-Commerce Index with a score of 75.80 in 2015 and 95.10 in 2019. The Philippines ranked fifth in 2015 and sixth in 2019 despite an increase in the score from 35.70 (2015) to 48.60 in 2019.

#### 4.3.5. Summary and Discussion: Characteristic 3

The characteristic *Enhanced Connectivity and Sectoral Cooperation* aims for integrated and sustainable key sectors through enhanced connectivity and strengthened hard and soft networks. The Philippines ranked in the middle/bottom middle across ASEAN region on the key result areas under this characteristic. Overall, Singapore fared the highest in almost all indicators.

The ASEAN region formulated ASEAN Tourism Strategic Plan 2016-2025 aimed at improving the tourism sector, and the countries are on track towards this objective as intra-ASEAN and extra-ASEAN tourism is increasing over the years, from 2005 to 2018. Malaysia led the region in intra-ASEAN tourism and Thailand led the region in attracting tourists from outside ASEAN (extra-ASEAN). In the Philippines, tourists arriving from ASEAN increased by 196 percent from 2005 to 2018, and tourists from outside ASEAN increased by 170 percent in the same period. In terms of number of arrivals, however, the country ranked behind its neighbors in intra-ASEAN tourism, and fared among the median countries in extra-ASEAN tourism. Meanwhile, the tourism sector is one of the hardest hit sectors during the Covid-19 pandemic in 2020, hence will impact on the progress being made by the sector. While there already is a strategic plan for the region, there is a need to rethink and re-strategize on how to move forward from the crisis in 2020.

The AEC also highlights the importance of connectivity in the ICT sector. It is important in view of the Fourth Industrial Revolution (FIRe). Furthermore, the Covid-19 pandemic in 2020 has hastened the need for digitalization as economies have been forced to limit the movement of people and employees have been asked to work from home. Fixed internet subscription (per 100 people) is used as one of the indicators for digital connectivity. The Philippines increased from 0.14 subscriptions in 2005 to 3.40 in 2015. There was also a minimal improvement from 2015 to 2018 with 3.68. Compared to other ASEAN countries, the country ranked among the bottom 50%, as subscriptions in 2018 is only 13.16 percent of subscriptions in the best performer – Singapore.

In terms of mobile data access, the Philippines showed significant improvements in network coverage from 2015 to 2017: 3G increased from 78 percent to 93 percent, and 4G increased from 39 percent to 80 percent (2G coverage is 99% during the period). However, further improvements would be needed for 4G coverage to catch up with the rest of ASEAN5 which already have over 90 percent coverage. Singapore again performed impressively as it has provided all its citizens access to 2G, 3G, and 4G.

E-commerce is essential to economic integration in ASEAN. It is vital to the competitiveness and sustainability of businesses especially MSMEs, while also dependent on connectivity (e.g. ICT and logistics). The Philippines registered an increase in the B2C E-Commerce Index from 2015 to 2019, but ranked among the bottom 50% among ASEAN countries and ranking lowest among ASEAN5.

The AEC 2025 also envisions greater connectivity in the areas of transport to facilitate intra- and extra- ASEAN movement of passengers and cargoes. In the air transportation sector, the Philippines fared relatively well in terms of freight carried but poorly terms of passengers. As for rail transportation, the Philippines ranked amongst the top/upper middle in terms of passengers. In the area of water transportation, the Philippines also ranked amongst the top in passengers, and in the middle in freight carried. The Philippines performed the best in water transportation per passengers.

The Logistics Performance Index of the World Bank reflects perceptions of quality of transport infrastructure and logistics services, efficiency in customs clearance process, among others. The Philippines consistently ranked below average in this indicator. If this will be improved, it could possibly have positive ripple effect on the performance of the country in the other AEC indicators such as those related to trade. Meanwhile, the Philippines ranked only sixth in Liner Shipping Connectivity Index (LSCI); but on a positive note, the index score for the country increased nearly twice as much from 2005 to 2019.

ASEAN considers energy as a significant sector in the AEC, hence the formulation of the ASEAN Plan of Action for Energy Cooperation (APAEC) 2016-2025 to achieve energy security, accessibility, affordability and sustainability for all (ASEAN Secretariat 2017b). The APAEC aspires to reduce energy intensity in ASEAN by 20 percent in 2020 based on 2005 levels, and to increase the share of renewable energy to total energy mix in ASEAN to 23 percent by 2025. The Philippines consistently ranked high in the percentage of renewable energy in primary energy supply among the ASEAN countries, and is right on target placing the country at a 34 percent renewable energy mix in 2016. In terms of intensity level of primary energy, the Philippines ranked third in reducing intensity at 20.86 percent reduction from 2005 to 2015, which is also an indication that the country is moving towards the APAEC target albeit on a country level.

Enhancing trade and investment in the mineral sector in an environmentally and socially sustainable approach is also one of the objectives of the AEC. The sector is linked to various industries such as construction and manufacturing (ASEAN Secretariat 2017b). There are two indicators on mineral sector cooperation identified in the ACPMS 2017: mineral rent which is a representation of the abundance of minerals and potential for trade and investment in the sector; and mineral depletion (as percentage of Gross National Income [GNI]) which is indicative of sectoral activity in the use of mineral resources. The Philippines is one of the countries in ASEAN that has high mineral rents, but it also has one of the highest mineral depletion rates, both indicating the abundance of mineral resources, potential for trade and investment, and the extent of use of mineral resources in the country. Meanwhile, the Philippines ranked one of the lowest in intra-ASEAN exports and imports of minerals. These data indicate that the Philippines performed weakly in managing its mineral resources and tapping them sustainably for trade.

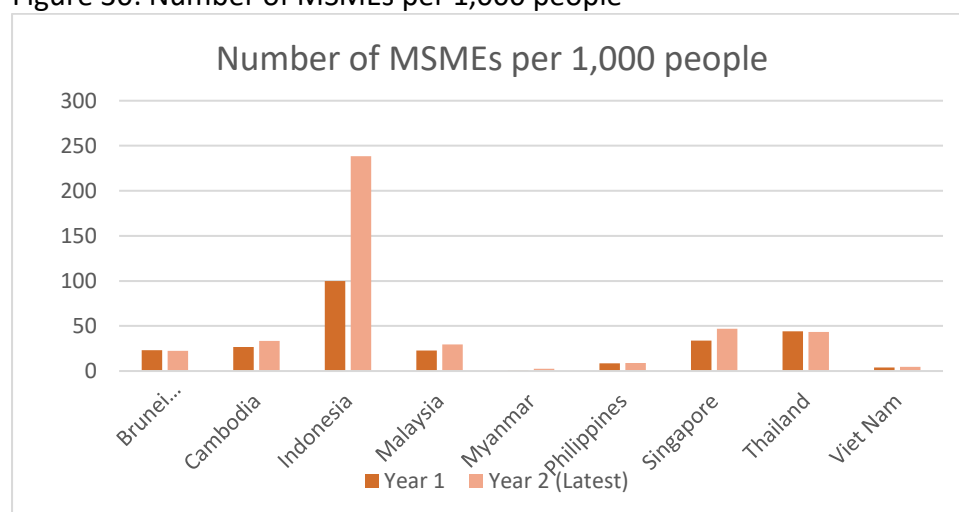
#### 4.4. *Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN*

The fourth AEC Characteristic's goals are categorized into five (5) elements/key result areas: (1) Strengthening the Role of Micro, Small, and Medium Enterprises, (2) Strengthening the Role of the Private Sector, (3) Public-Private Partnership, (4) Narrowing the Development Gap, (5) Contribution of Stakeholders on Regional Integration Efforts.

##### 4.4.1. *Core Indicator One (1): Number of MSMEs per 1,000 persons*

As strengthening the role of MSMEs is one of the key result areas (KRAs) of Characteristic 4, this indicator describes the potential of MSMEs to contribute to the development of the economy by measuring the density of MSMEs. MSMEs are defined in terms of number of employees: micro enterprise (1-9 employees), small enterprise (10-49 employees) and medium enterprise (50- 249 employees)<sup>6</sup>. For AMS where this definition is not available, variables such as the number of employees differentiated by industry, annual turnover, and investment may have been used.

Figure 30: Number of MSMEs per 1,000 people



Notes: Year 1 & 2: Brunei Darussalam-2008 & 2009; Cambodia-2009 & 2014; Indonesia-2008 & 2017;

<sup>6</sup> Source: ASEAN Community Progress Monitoring System, page 170

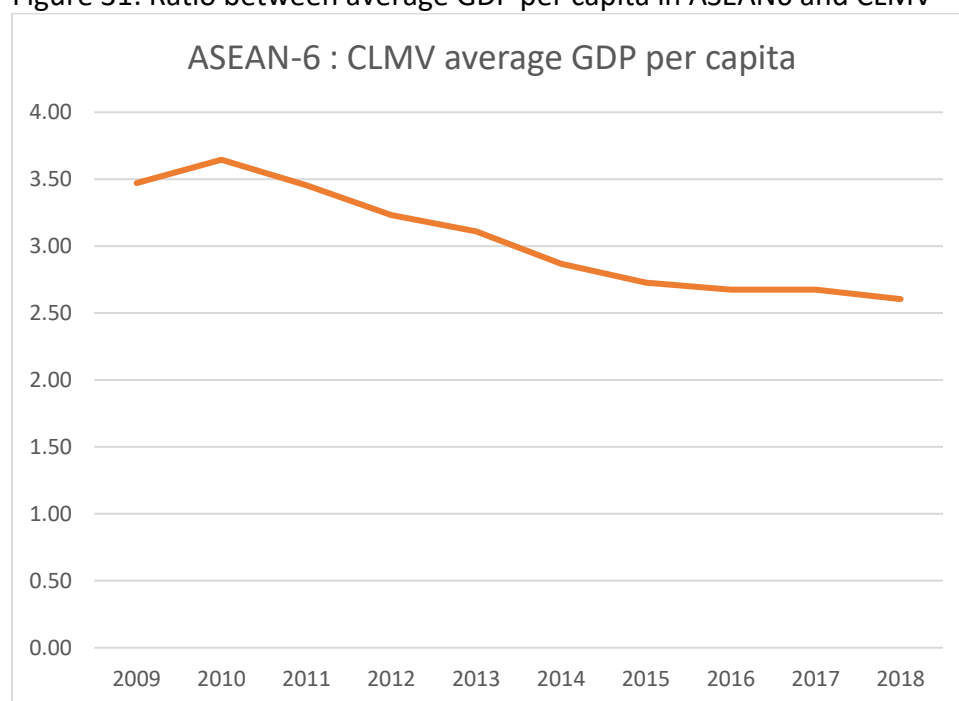
Lao PDR-2006 & 2013; Malaysia-2010 & 2015; Myanmar-2004 & 2009; Philippines-2011 & 2016; Singapore-2012 & 2018; Thailand-2010 & 2016; Viet Nam-2012 & 2015.  
Sources: Various NSOs submitted data (2020) and International Finance Corporation (2020)

Indonesia had the highest number of MSMEs per thousand persons. Comparatively with other ASEAN countries, the increase in number in Indonesia was also significantly higher. The Philippines has one of the lowest densities of MSMEs across the region, with 8.60 in 2011 and 8.82 in 2016.

#### 4.4.2. Core Indicator Two (2): Ratio between average GDP per capita in ASEAN-6 and CLMV

Recognizing the differences in the level of development among the AMS, it has been agreed upon that gap in GDP per capita of the ASEAN6 and CLMV be monitored. This gap represents the income inequality among AMS. The indicator is defined as the population-weighted averages of GDP per capita of ASEAN6 countries divided by that of CLMV countries.

Figure 31: Ratio between average GDP per capita in ASEAN6 and CLMV



Source: ASEANStats Database; ACPMS 2017; Authors' computation.

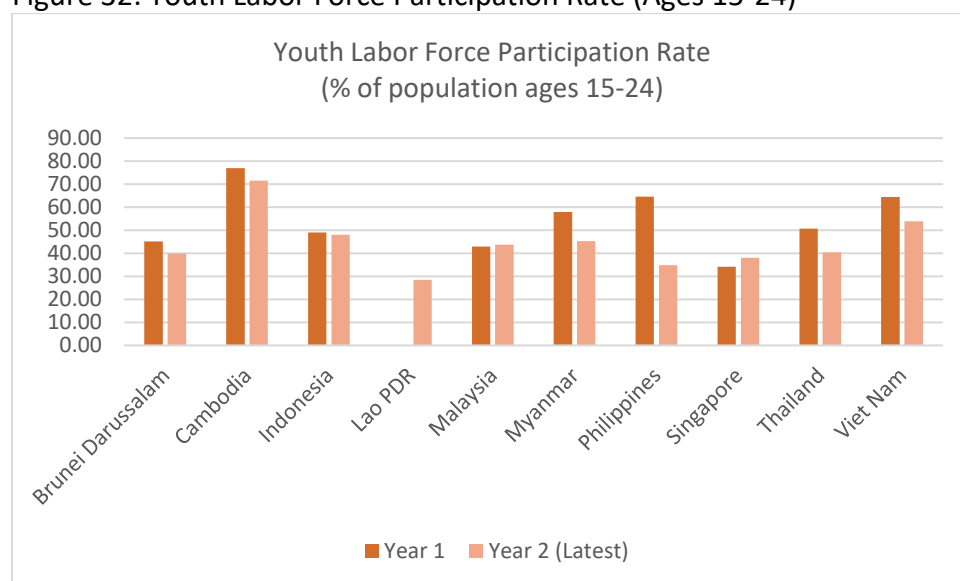
The annual trend in ratios indicate that the inequality in economic development in ASEAN, measured here in terms of disparity in GDP per capita, is narrowing in the last ten years. Substantial narrowing of ratios was observed in 2010 to 2015, and gradual tapering onwards to 2018.

#### 4.4.3. Core Indicator Three (3): Labor force participation rate for ages 15-24 (youth), total (%)

This indicator describes the capacity of labor markets in the AMS to absorb the younger segments of the population. The indicator is calculated as the proportion of population ages 15 to 24 that is economically active (i.e. included in the supply of labor for production of goods

and services). A more economically active youth sector increases the resilience and inclusiveness of the economy.

Figure 32: Youth Labor Force Participation Rate (Ages 15-24)



Notes: Year 1: 2005, except Cambodia-2007. Year 2: 2019, except 2017 for Cambodia, 2018 for Malaysia and Singapore. Year 2 only: Lao PDR-2017.

Sources: Various NSOs submitted data (2020) and World Bank DataBank (2020)

Cambodia consistently had the highest youth labor force participation rate (77.00 in 2007 and 71.60 in 2017). The Philippines ranked second in Year 1 (2005) with 64.60 but went down significantly, ranking ninth in Year 2 (2019) with 34.80. There is an observable declining trend in youth labor force participation for a number of AMS (Brunei Darussalam, Cambodia, Indonesia, Myanmar, Philippines, Thailand and Viet Nam) which may be explained by improvements in the availability and delivery of tertiary education in these countries. Malaysia and Singapore saw an increase in youth labor force participation which may indicate a more economically active youth in these countries.

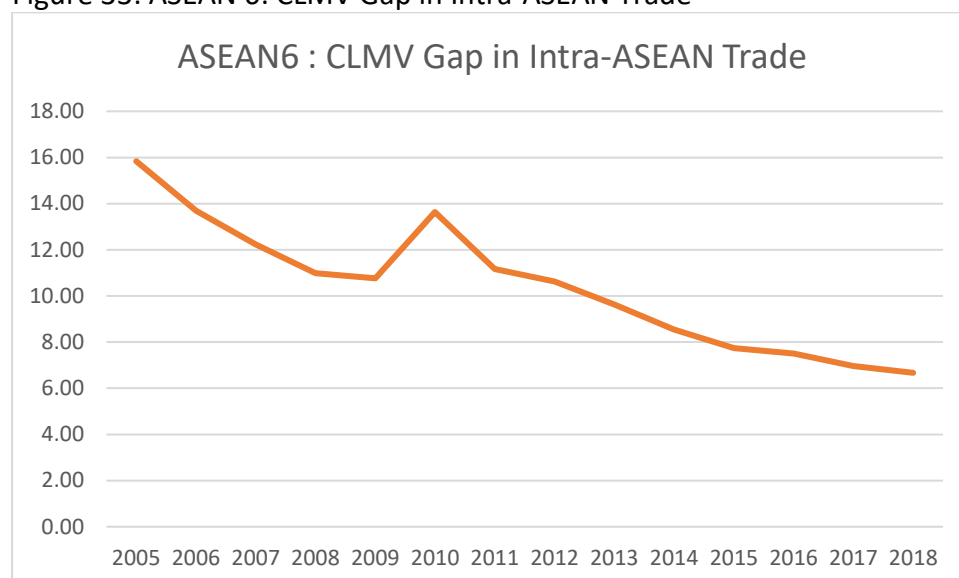
#### 4.4.4. Supporting Indicators

##### 4.4.4.1. Supporting Indicator #1: ASEAN6: CLMV gap in intra-ASEAN trade

Another supporting indicator that monitors the development gap between ASEAN6 and CLMV is related to intra-ASEAN trade. This indicator looks at the ratio between total intra-ASEAN trade (exports and imports) in ASEAN6 and the CLMV.



Figure 33: ASEAN 6: CLMV Gap in Intra-ASEAN Trade



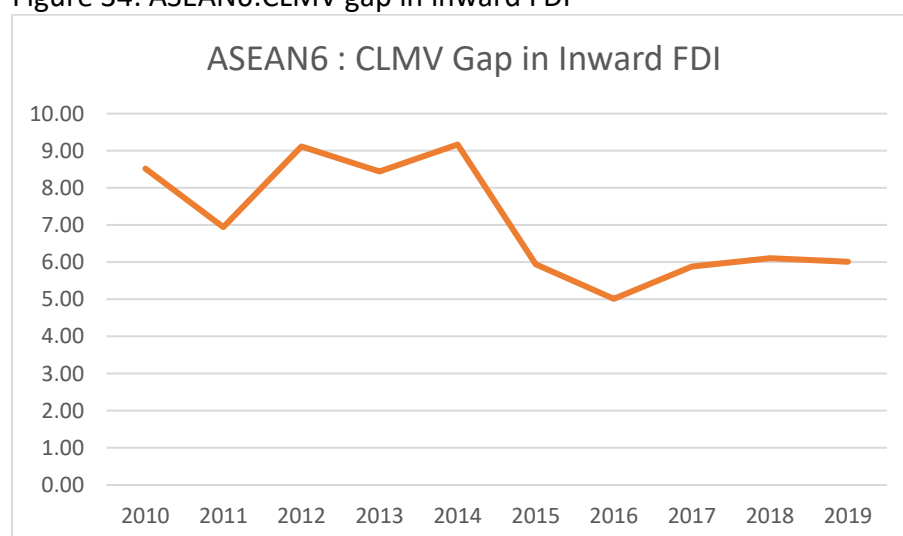
Source: Computed data from ASEANstats Database (2020)

Data on ASEAN6-CLMV gap in intra-ASEAN trade display a smooth drop from 2005 to early 2008; despite a slight uptick in mid-2010; then continuous drop until 2018. The trend suggests that CLMV is gradually catching up with the ASEAN6 countries in the area of intra-regional trade, hence, narrowing the gap between the two groups.

#### 4.4.4.2. Supporting Indicator #2: ASEAN6-CLMV gap in inward FDI

Supporting indicator #2 measures the gap between the ASEAN6 and the CLMV in terms of attracting FDI. This is calculated by taking the ratio of inward FDI to the ASEAN6 to FDI to the CLMV.

Figure 34: ASEAN6:CLMV gap in inward FDI



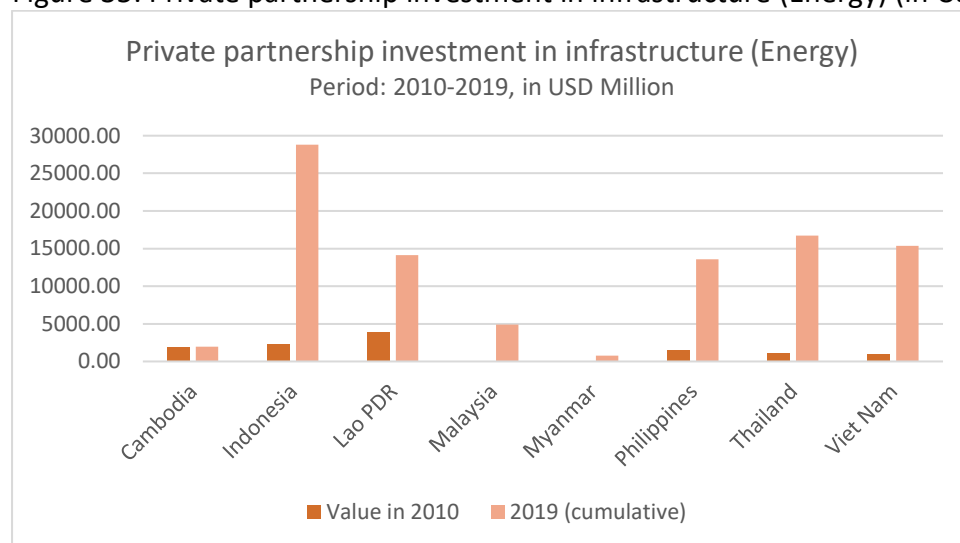
Source: Computed data from ASEANstats Database (2020)

The data on ASEAN6-CLMV gap in inward FDI follows a downward trend from early 2014 to mid-2016. The gap rose from 2016 to mid-2017, and since then, it has been steady. The lowest gap was reported in mid-2016, the highest were in early 2012 and early 2014.

#### 4.4.4.3. Supporting Indicator #3: Private partnership (investment) in infrastructure (by sector)

Supporting indicator #3 looks at the degree of private partnerships with the public sector in energy, ICT, transport, and water and sanitation. Partnering with the private sector in these sectors allows the AMS to reduce risk and gain access to other sources of financial resources.

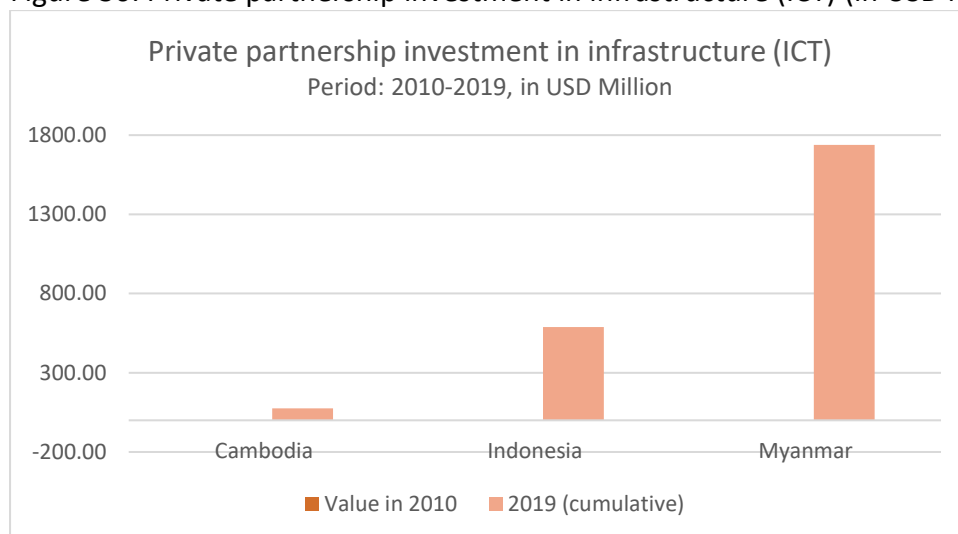
Figure 35: Private partnership investment in infrastructure (Energy) (in USD Million)



Source: World Bank Private Partnership Infrastructure Database (2020)

Indonesia led the region having the highest private partnership investment in energy infrastructure in 2019 amounting to USD28.80 billion). The Philippines also displayed significant public private investment in 2019 of about USD13.58 billion). Despite this, the country still ranked fourth in 2019, trailing behind Indonesia, Thailand and Viet Nam.

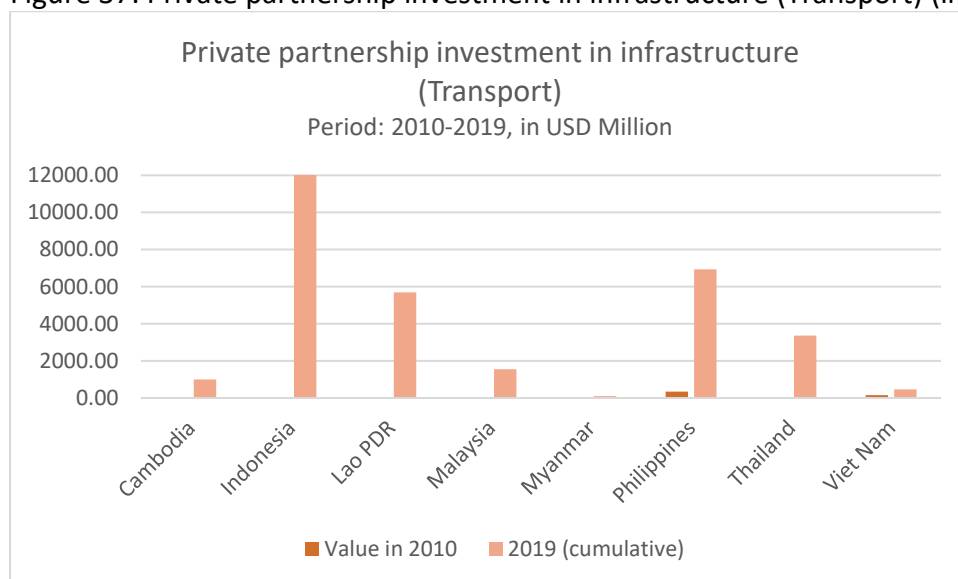
Figure 36: Private partnership investment in infrastructure (ICT) (in USD Million)



Source: World Bank Private Partnership Infrastructure Database (2020)

In terms of private partnership investment in infrastructure on ICT, Myanmar recorded the highest value followed by Indonesia and Cambodia. There are no data for other ASEAN countries.

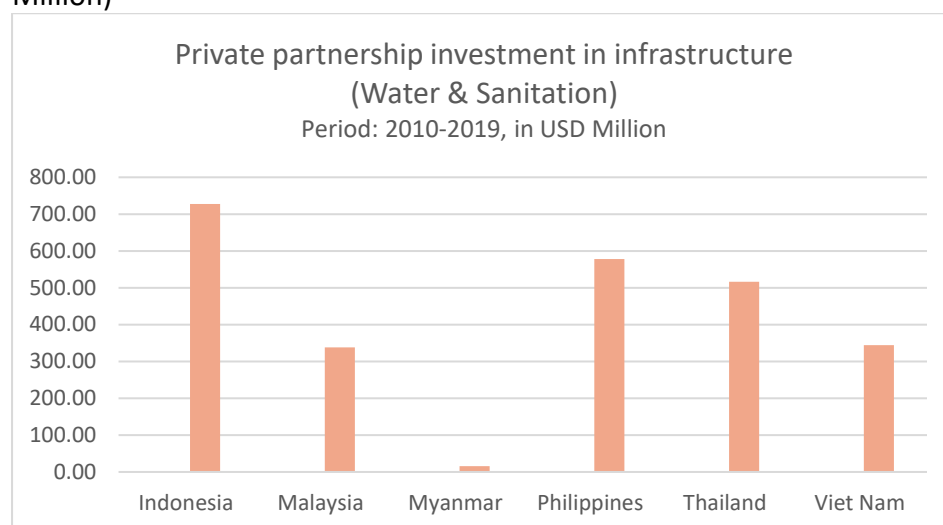
Figure 37: Private partnership investment in infrastructure (Transport) (in USD Million)



Source: World Bank Private Partnership Infrastructure Database (2020)

In terms of private partnership investment in infrastructure on transport from 2010 to 2019, Indonesia displayed the highest investment at USD12.03 billion (cumulative). Meanwhile, in the same period, the Philippines ranked a distant second with private partnership investment amounting to about USD6.93 billion (cumulative) from 2010 to 2019.

Figure 38: Private partnership investment in infrastructure (Water and Sanitation) (in USD Million)



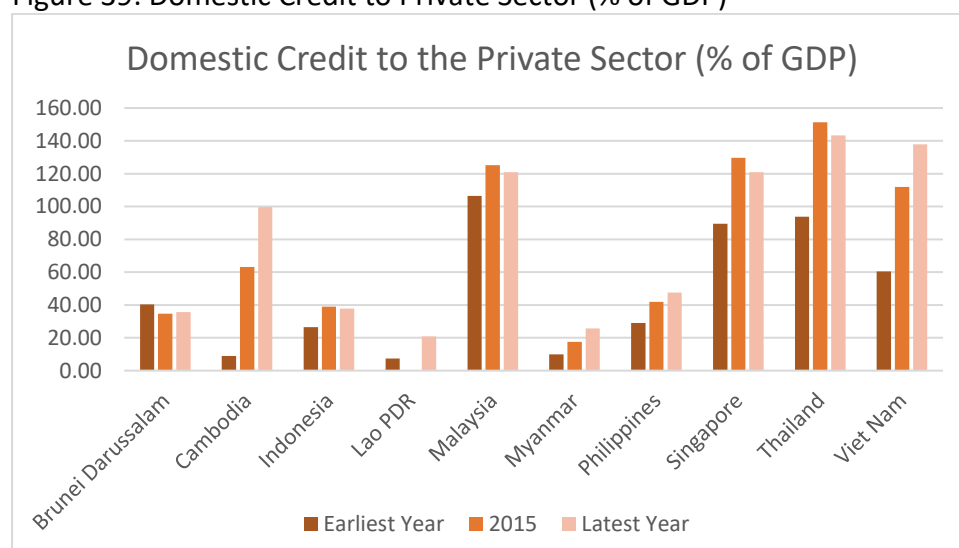
Source: World Bank Private Partnership Infrastructure Database (2020)

In terms of private partnership in infrastructure on water and sanitation for the period 2010-2019, Indonesia again displayed the most investments with USD728 million followed by the Philippines with USD578 million.

#### 4.4.4.4. Supporting Indicator #4: Domestic credit to the private sector (% of GDP)

Domestic financing of capital to support the private sector is a means of fueling the economy and increasing private sector participation in the economy. An indicator of support to the private sector is the domestic credit to the private sector which is reported as percentage of GDP.

Figure 39: Domestic Credit to Private Sector (% of GDP)



Note: Earliest Year: 2005, except 2012 for Myanmar. Latest Year: 2019, except 2010 for Lao PDR, 2018 for Cambodia and Philippines.

Source: World Bank DataBank (2020)

Malaysia ranked the highest in domestic credit to the private sector (as % of GDP) in the earliest year with 106.52. In 2015, Thailand had 151.26 percent of GDP loaned to the Private sector—the highest among the AMS. This figure has decreased slightly and in the latest year with 143.3 percent. The Philippines consistently ranked sixth in the earliest year (29.07%), in 2015 (41.88%), and in latest year (47.60%).

#### *4.4.5. Summary and Discussion: Characteristic 4*

The characteristic *A Resilient, Inclusive, People-oriented and People-Centered ASEAN* aims for equitable economic development in the region, where there is development and increased participation of MSMEs in economic activities, increased participation of the private sector in community building, and narrowing of the development gap between less developed and developing/developed economies in the region, among others.

Overall, the Philippines performed relatively well under Characteristic 4 relative to the other ASEAN countries. One area where the country needs to improve is in terms of the number of MSMEs per thousand people, the country has one of the lowest densities of MSMEs.

Participation of the private sector, through public-private partnerships (PPP), is enhanced in an inclusive ASEAN. The ACPMS 2017 indicators looked at private partnership investment in infrastructure in key sectors such as ICT, transport, and water and sanitation. In the area of energy, the Philippines placed in the middle in the period 2010 to 2019. In terms of ICT, there is no indication of private partnership investment within the period. As for transport, and water and sanitation, the Philippines ranked one of the highest among ASEAN countries. Within the period 2010-2019, the Philippines is observed as one of the countries with most fruitful private partnerships for infrastructure investments.

Domestic financial resources can be used by the private sector to engage in PPP investments and other activities that stimulate economic growth. Providing access to credit especially to MSMEs will help the economy especially in the time of a pandemic. The Philippines registered an increase in domestic credit to private sector (as a % of GDP) by 18.53 percentage points from 2005 to 2018, but even with this increase, the rating of the Philippines with 47.60 in 2018 is below the ASEAN average of 79.02 in the latest year.

The Philippines in previous years, 2005 with 64.60 and 2015 with 63.70, ranked high in youth labor force participation (ages 15-24), another indicator of inclusive and equitable economic participation and development. It is noted that in all ASEAN countries, except Malaysia and Singapore, the rate dropped in the most recent years (2017-2019), and the biggest drop was observed in the Philippines. The drop in rate in the Philippines (2019) was nearly half of the previous rate (2005). Whether it points towards improvements in school participation needs further exploration which is beyond the scope of this review.

#### *4.5. Characteristic 5: A Global ASEAN*

The fifth AEC Characteristic aims towards progress in six (6) elements/key result areas: (1) Enhance global engagements and external relations, (2) Review and improve existing ASEAN FTAs and CEPs, (3) Enhance economic partnerships with non-FTA DPs, (4) Engage with regional and global partners, (5) Support to the multilateral trading system, (6) Engagements with regional and global institutions.

#### 4.5.1. Core Indicator One (1): Tariff rates on imports from (a) FTA partners of ASEAN; (b) the rest of the world

Integration through the flow of goods and services is easily facilitated by the lowering of tariff rates on imports with trade partners of AMS. This indicator provides (a) Import volume-weighted average preferential rates at the 6-digit Harmonized (HS) Code; (b) Import weighted average Most Favoured Nation (MFN) rates at the 6-digit HS Code.

Table 16: Tariff Rates on Imports (import-weighted averages)

| Tariff Rates on Imports (import-weighted averages) |               |        |                 |        |                     |        |                 |        |
|--|---------------|--------|-----------------|--------|---------------------|--------|-----------------|--------|
| Country  | FTA Partners* |        |                 |        | Rest of the World** |        |                 |        |
|  | Year 1        |        | Year 2 (Latest) |        | Year 1              |        | Year 2 (Latest) |        |
| Brunei Darussalam                                  | 8.84          | (2007) | 0.03            | (2019) | 4.19                | (2005) | 0.02            | (2019) |
| Cambodia   | 12.54         | (2007) | 2.30            | (2014) | 10.94               | (2005) | 9.67            | (2016) |
| Indonesia  | 6.86          | (2007) | 0.79            | (2019) | 3.34                | (2005) | 4.17            | (2019) |
| Lao PDR  | 37.85         | (2005) | 0.27            | (2019) | 8.83                | (2005) | 5.82            | (2019) |
| Malaysia   | 8.90          | (2007) | 1.26            | (2014) | 3.12                | (2005) | 2.34            | (2016) |
| Myanmar  | 8.19          | (2007) | 0.94            | (2019) | 2.99                | (2005) | 4.88            | (2019) |
| Philippines  | 5.89          | (2007) | 0.65            | (2019) | 2.59                | (2005) | 3.16            | (2019) |
| Singapore  | 0.01          | (2005) | 0.00            | (2019) | 0.02                | (2005) | 0.00            | (2019) |
| Thailand   | 7.08          | (2005) | 1.99            | (2015) | 4.08                | (2005) | 6.52            | (2015) |
| Viet Nam   | 11.69         | (2005) | 1.03            | (2019) | 11.42               | (2005) | 3.92            | (2019) |

Notes: "..." - no data available; \* - Preferential tariff is used for FTA partners (Australia, New Zealand, China, India, Japan, and Korea); \*\* - MFN rate is used for extra-ASEAN (rest of the world)

Source: World Integrated Trade Solution (2020)

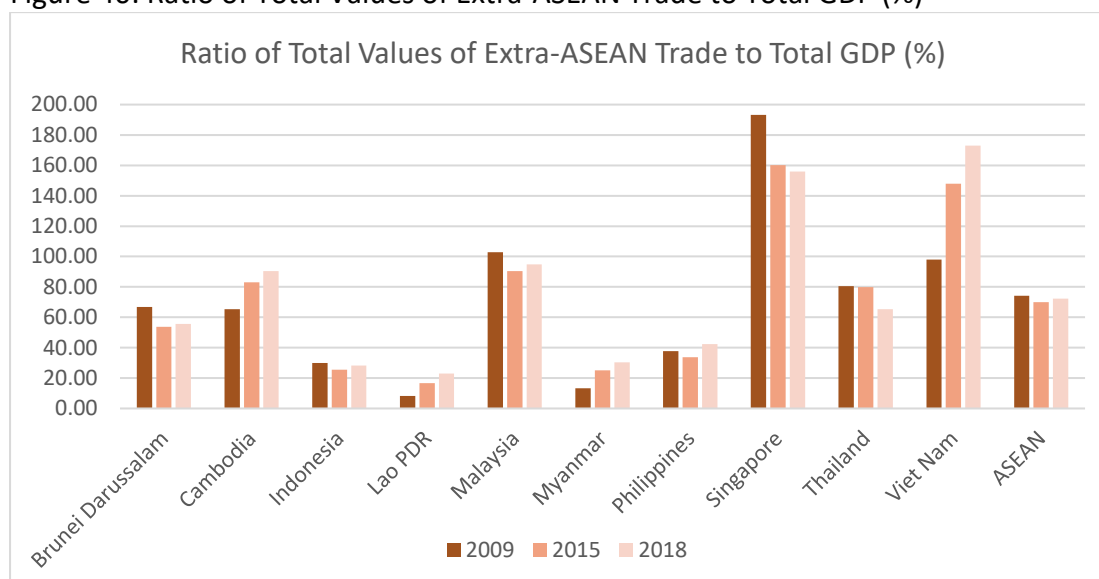
In tariff rates on imports (import-weighted averages) with FTA Partners, Lao PDR had the highest and Singapore lowest in earliest data and latest year. The Philippines ranked second lowest (average tariff at 5.89%) in the earliest year and third lowest in the latest year (average tariff at 0.64%).

In tariff rates on imports (import-weighted averages) with the rest of the world, Viet Nam imposed the highest in the baseline year (11.42% average tariff) but reduced substantially in 2019 (with an average tariff of 3.92%). Meanwhile tariffs in Cambodia remained high in both baseline and latest year. The Philippines ranked second to Singapore having the lowest tariff in the earliest year (2005) and third lowest in the latest year (2019).

#### 4.5.2. Core Indicator Two (2): Trade with the rest of the world

A global ASEAN is reflected in the openness of the AMS to trade with the rest of the world. This indicator is calculated by taking the ratio between total values of trade (import to ASEAN from the rest of the world plus export from ASEAN to the rest of the world) to total GDP for each AMS.

Figure 40: Ratio of Total Values of Extra-ASEAN Trade to Total GDP (%)



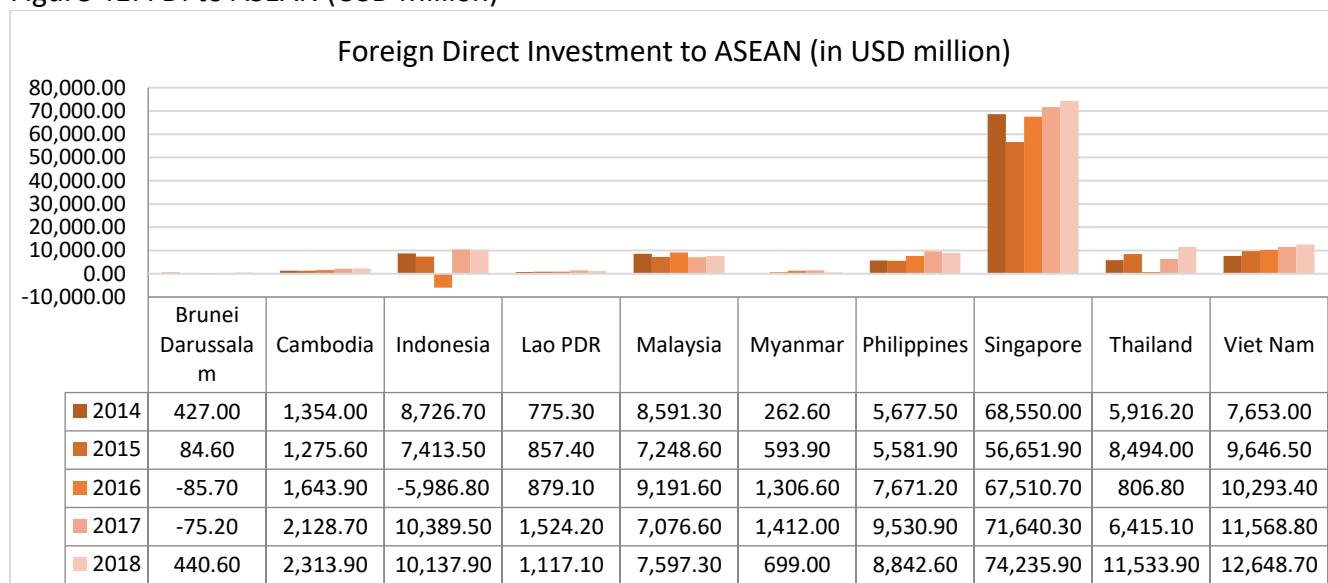
Sources: Data is calculated from ASEAN Statistical Yearbook 2019 (value of extra-ASEAN exports and imports) and World Bank's World Development Indicators.

Ratio of extra-ASEAN trade to GDP for the region is 73 percent on average in the last 10 years (2009-2018). Singapore, followed by Viet Nam and Malaysia, led with the highest ratios, though a declining trend is observed in Singapore and Malaysia. For the Philippines, the trend in ratios indicate that trade with countries outside of ASEAN is increasing, but it has one of the lower ratios, ranking eight in the region.

#### 4.5.3. Core Indicator Three A (3A): FDI flows to ASEAN from the rest of the world

Integration of ASEAN with the global economy is reflected in the flow of investment from the rest of the world to the region, and from the region to the rest of the world. This indicator also indicates the perception that the region has a sound investment environment and there is potential for rapid growth. This indicator has two components: Core indicator 3A presents the total value of inward FDI from countries outside ASEAN to the countries in the region, while Core indicator 3B presents the total value of FDI from ASEAN to the rest of the world.

Figure 41: FDI to ASEAN (USD Million)



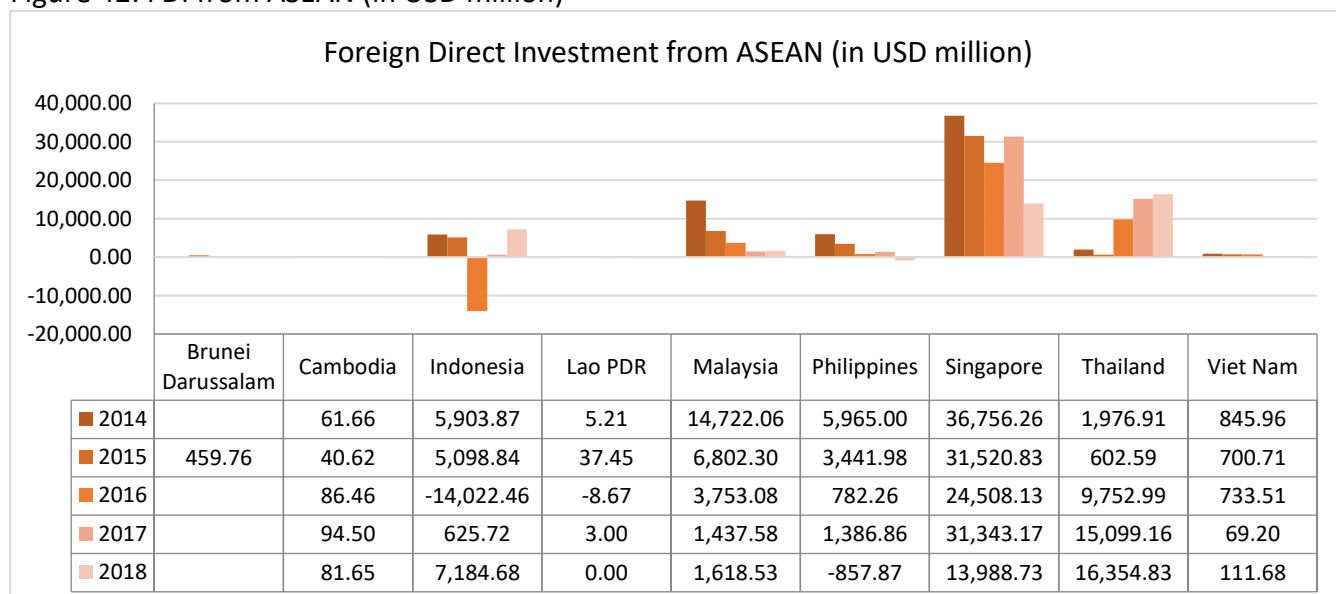
Source: ASEANstats Database (2020)

In the period 2014-2018, Singapore consistently and significantly led the region in receiving the highest FDI to ASEAN, followed by Viet Nam. Generally, there is increasing FDI inflows to the region. The Philippines ranked sixth in 2014 and 15, moved up to fourth place in 2016 and 2017, and ranked fifth in 2018.

#### 4.5.4. Core Indicator Three B (3B): FDI flows from ASEAN to the rest of the world

The other component, Core Indicator 3B, is the total value of foreign direct investment flows from AMS to other countries, an indication of how much outbound investment has crossed the borders of AMS and entered the global market.

Figure 42: FDI from ASEAN (in USD million)



Note: Data not available for Myanmar, and Brunei Darussalam in some years.

Sources: ASEANstats Database (2020) and UNCTADstat Database (2020)



From 2014-2018, Singapore also significantly led the region in investing outside ASEAN (FDI to the rest of the world), but is decreasing over the period. Meanwhile, Thailand displayed the highest level in 2018 and trend is increasing over time. As for the Philippines, FDI to countries outside ASEAN is decreasing over the period, and on average ranked fourth across the region.

#### 4.5.5. Summary and Discussion: Characteristic 5

The characteristic, *A Global ASEAN*, aims for a globally integrated and open economic community strengthened through trade agreements. On one hand, the Philippines is increasing openness to the world through trade, as barriers in the form of tariff rates are gradually being brought down in FTAs; and MFN rates being one of the lowest in ASEAN.

On the other hand, FDI flows to the Philippines from the rest of the world is increasing but values can be pushed up further, closer to the level of Indonesia, Malaysia, Thailand and Viet Nam. The Philippines has also injected investments in other parts of the world (FDI flows to the rest of the world) but it has been decreasing from 2014-2018.

## 5. Analysis of Philippines' Performance

### 5.1. Accomplishments in the AEC Vision 2025

The data presented in the previous discussion clearly showed that Singapore leads the region on almost all indicators. Its strong performance placed it as the highest-ranking country in ASEAN. This leads to the question, where does the Philippine fall in terms of ranking across the participating economies in the AEC?

Table 17: How the Philippines Performed in Terms of Ranking (Core Indicators)

| AEC Characteristic  | No. of Indicators by PH Ranking |           |          |   | Total     |
|---|---------------------------------|-----------|----------|---|-----------|
|   | Top                             | Middle    | Bottom   | Data not available/<br>Not country specific |           |
| Characteristic 1: Highly Integrated and Cohesive Economy                          | 1                               | 3         | 2        | 3   | 9         |
| Characteristic 2: Competitive, Innovative and Dynamic ASEAN                       | 0                               | 2         | 1        | -   | 3         |
| Characteristic 3: Enhanced Connectivity and Sectoral Cooperation                  | 1                               | 5         | 1        | 1   | 8         |
| Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN | 0                               | 0         | 2        | 1   | 3         |
| Characteristic 5: A Global ASEAN  | 2                               | 2         | 1        | -   | 5         |
| <b>Total</b>  | <b>4</b>                        | <b>12</b> | <b>7</b> | <b>5</b>                                    | <b>28</b> |

Notes: Top- the Philippines ranking 1<sup>st</sup> to 3<sup>rd</sup> across ASEAN countries;

Middle- the Philippines ranking 4<sup>th</sup> to 6<sup>th</sup> across ASEAN countries;

Bottom- the Philippines ranking 7<sup>th</sup> to 10<sup>th</sup> across ASEAN countries;

Total number of indicators may not add up to 15 (3 per characteristic) as some indicators have multiple representations;

Detailed table with list of indicators is in Appendix B.

Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

**Table 18: How the Philippines Performed in Terms of Ranking (Supporting Indicators)**

| AEC Characteristic  | No. of Indicators by PH Ranking |           |          |   | Total     |
|---|---------------------------------|-----------|----------|---|-----------|
|   | Top                             | Middle    | Bottom   | Data not available/<br>Not country specific |           |
| Characteristic 1: Highly Integrated and Cohesive Economy                          | 2                               | 2         | 3        | -   | 7         |
| Characteristic 2: Competitive, Innovative and Dynamic ASEAN                       | 0                               | 4         | 1        | -   | 5         |
| Characteristic 3: Enhanced Connectivity and Sectoral Cooperation                  | 2                               | 8         | 3        | -   | 13        |
| Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN | 2                               | 3         | 0        | 2   | 7         |
| Characteristic 5: A Global ASEAN  | -                               | -         | -        | -   | -         |
| <b>Total</b>  | <b>6</b>                        | <b>17</b> | <b>7</b> | <b>2</b>                                    | <b>32</b> |

Notes: Top- the Philippines ranking 1<sup>st</sup> to 3<sup>rd</sup> across ASEAN countries;

Middle- the Philippines ranking 4<sup>th</sup> to 6<sup>th</sup> across ASEAN countries;

Bottom- the Philippines ranking 7<sup>th</sup> to 10<sup>th</sup> across ASEAN countries;

No supporting indicators under Characteristic 5;

Detailed table with list of indicators is in Appendix C.

Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

Tables 17 and 18 summarize the rankings of the Philippines across AEC indicators (both core and supporting) for which data is available for later years. For the core indicators, 28 in total, the Philippines performed around the average (ranking from 4<sup>th</sup> to 6<sup>th</sup>). For the supporting indicators, 32 in total, the Philippines also performed mostly around the average (ranking from 4<sup>th</sup> to 6<sup>th</sup>).

Of the 60 available indicators, the Philippines mostly placed at the middle with 29 counts, followed by ranking at the bottom (7<sup>th</sup> to 10<sup>th</sup>) with 13 counts, and only 10 instances for which the country placed among the top 3.<sup>7</sup> These results show that the Philippines is among the middle of the pack (ranking from 4<sup>th</sup> to 6<sup>th</sup>).

The Philippines ranked one of the highest on the following indicators:

- Characteristic One (1)- Intra-ASEAN Imports (X+M Ratio), Share of Services Sector in GDP, and Domestic Value-Added Share of Gross Exports;
- Characteristic Two (2)- none;
- Characteristic Three (3)- Passengers (Water Transportation), and Percentage of Renewable Energy in Primary Energy Supply, Intensity Level of Primary Energy;

<sup>7</sup> There were eight (8) indicators in which data are not disaggregated by country or were not complete.

- Characteristic Four (4)- Private Partnership Investments in Infrastructure both in Transport, and Water and Sanitation; and
- Characteristic Five (5)- Tariff Rates on Imports (Import-Weighted Averages) with FTA Partners, and Tariff Rates on Imports (Import-Weighted Averages) with the Rest of the World.

Meanwhile, it ranked among the lowest in the following indicators:

- Characteristic One (1)- Intra-ASEAN Exports (X+M Ratio), Intra-ASEAN FDI Flows by Source Country, Intra-ASEAN Industry Trade Index, Account at a Financial Institution, Income, Poorest 40% (% ages 15+), and Share of Intra-ASEAN Portfolio Investments;
- Characteristic Two (2)- R&D Expenditures as % of GDP, and Time Required to Start a Business;
- Characteristic Three (3)- Intra-ASEAN Tourist Arrivals, Proportion of Population Covered by a 3G Mobile Network, Adjusted Savings: Mineral Depletion as % of GNI, and Intra-ASEAN Trade in Minerals (Exports);
- Characteristic Four (4)- Number of MSMEs per 1,000 People, and Youth Labor Force Participation Rate; and
- Characteristic Five (5)- Ratio of Total Values of Extra-ASEAN to Total GDP (%).

Per characteristic, Table 19 and 20 present a tally of the number of indicators, core and supporting, respectively, based on trends in performance of the Philippines (see Appendix B and C for detailed tables with list of indicators). Performance can be on track, or improving and directed towards the AEC vision or target; off track, or not moving towards the AEC vision or target or has no significant progress, based on the latest data collected. For instance, increasing intra-ASEAN exports and imports are on track as to the AEC goal of seamless flow of goods in the region; while, a decline in Global Competitiveness Index deviates from the AEC goals of strengthening competitiveness. Meanwhile, there are indicators that are ASEAN level (or combination of countries) or where data is not available, hence not included in the first two classifications as the performance of the Philippines may not be clearly and directly identified.

Table 19: How the Philippines Performed in the AEC Vision/Targets (Core Indicators)

| AEC Characteristic  | No. of Core Indicators |                      |   | Total     |
|---|------------------------|----------------------|---|-----------|
|   | On Track               | Off Track/<br>Static | Data not available/<br>Not country specific |           |
| Characteristic 1: Highly Integrated and Cohesive Economy                          | 5                      | 1                    | 3   | 9         |
| Characteristic 2: Competitive, Innovative and Dynamic ASEAN                       | 2                      | 1                    | -   | 3         |
| Characteristic 3: Enhanced Connectivity and Sectoral Cooperation                  | 7                      | 0                    | 1   | 8         |
| Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN | 0                      | 2                    | 1   | 3         |
| Characteristic 5: A Global ASEAN  | 3                      | 2                    | -   | 5         |
| <b>Total</b>  | <b>17</b>              | <b>6</b>             | <b>5</b>                                    | <b>28</b> |

Notes: On Track if improving and directed towards the AEC vision/target; Off Track/Static if not moving towards the vision/target or has no progress;

Total number of indicators may not add up to 15 (3 per characteristic) as some indicators have multiple representations; Detailed table with list of indicators is in Appendix B.

Source: Authors' compilation based on the latest data gathered

Table 20: How the Philippines Performed in the AEC Vision/Targets (Supporting Indicators)

| AEC Characteristic  | No. of Supporting Indicators |                      |   | Total     |
|---|------------------------------|----------------------|---|-----------|
|   | On Track                     | Off Track/<br>Static | Data not<br>available/<br>Not country<br>specific |           |
| Characteristic 1: Highly Integrated and Cohesive Economy                          | 6                            | 1                    | -   | 7         |
| Characteristic 2: Competitive, Innovative and Dynamic ASEAN                       | 2                            | 3                    | -   | 5         |
| Characteristic 3: Enhanced Connectivity and Sectoral Cooperation                  | 8                            | 5                    | -   | 13        |
| Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN | 4                            | 1                    | 2   | 7         |
| Characteristic 5: A Global ASEAN  | -                            | -                    | -   | -         |
| <b>Total</b>  | <b>20</b>                    | <b>10</b>            | <b>2</b>  | <b>32</b> |

Notes: On Track if improving and directed towards the AEC vision/target; Off Track/Static if not moving towards the vision/target or has no progress;

No supporting indicators under Characteristic 5; Detailed table with list of indicators is in Appendix C.

Source: Authors' compilation based on the latest data gathered

The tallying of Philippine performance, based on the latest data, suggests that the country is generally on track and is progressing in the right direction towards the AEC vision and goals. There is indication of an open and globally integrated economy, and progress in terms of connectivity and sectoral activities. The data also imply that the country needs more improvement in the area of competitiveness, innovation, and inclusive participation.

Tying together the summary of rankings and performances indicate that while the country is generally moving towards the achievement of AEC goals, its performance certainly can be further improved. Within ASEAN, its ranking is somewhere in the middle, placing for most of the indicators around fourth to sixth (4<sup>th</sup>-6<sup>th</sup>). But as the country is bound to become an upper-middle income country, it cannot settle at the current standing and should do more work to step up the progress being made.

Given these results, policy makers can look at where the Philippines performed the best and look at the practices and policies that made these possible. Also, examine where the Philippines performed the poorest and strengthen mechanisms to catch-up with its neighboring countries. The Philippines can actually leverage the AEC to pursue the goals outlined in the Philippine development plan, as the PDP 2017-2022 and AEC have overlapping goals. Where do these two (2) blueprints intersect and how is the Philippine performing in its local goals?

## 5.2. Navigating the AEC Vision to the Philippine Development Plan (PDP)

The overall strategic framework of the PDP 2017-2022 is composed of three pillars supported by an enabling economic environment. This framework intersects with some of the AEC characteristics (please refer to Table 4). The National Economic and Development Authority [NEDA] (2017) described each pillar as: Enhancing the social fabric (*Malasakit*); Inequality-reducing transformation (*Pagbabago*); Increasing growth potential (*Patuloy na Pag-unlad*); and Enabling and supportive economic environment.

Table 21 presents the PDP accomplishments in comparison with their targets for indicators closely related to the AEC. Clearly, the Philippine performance in achieving the AEC targets and the PDP performance are showing similar trends. In some instances, the indicators are totally the same (e.g. passenger and cargo transported via mode of transport, youth unemployment).

Table 21: PDP Accomplishments versus Targets (as of 2019) for selected indicators

| AEC Char.                                   | PDP Objectives/ Results   | PDP Indicator  | Baseline <sup>a/</sup> | Latest data | Plan Target <sup>b/</sup> | Likelihood of Achieving the PDP target |
|---|---|--|------------------------|-------------|---------------------------|--|
| A highly integrated and cohesive economy    | Economic opportunities in agriculture, forestry, and fisheries expanded | Growth in the value of agriculture and fishery exports increased (% FOB value, cumulative)                             | -21.60                 | 9.14        | 9.00                      | High                                   |
|   |   |  | 2015                   | 2018-2019   | 2022                      |  |
|   | Local and foreign investments increased                                 | Total approved investments increased (PHP million)   | 729,000                | 1,309,099   | 6,195,000                 | High                                   |
|   |   |  | 2016                   | 2019        | 2022                      |  |
|   | Strategic external trade policy regime achieved                         | Exports of goods increased (US\$ billion, cumulative) <sup>k/</sup>  | 43.4                   | 53.4        | 61 to 62.2                | High                                   |
|   |   |  | 2016                   | 2019        | 2022                      |  |
|   |   | Exports of services increased (US\$ billion, cumulative) <sup>k/</sup>   | 31.3                   | 41.0        | 61 to 68.6                | Moderate                               |
|   |   |  | 2016                   | 2019        | 2022                      |  |
| A competitive, innovative and dynamic ASEAN | Anti-corruption initiatives improved                                    | Percentile rank in the WGI - Control of Corruption Indicator improved <sup>e/</sup>                                    | 42                     | 34          | 50                        | Low                                    |
|   |   |  | 2015                   | 2018        | 2022                      |  |
|   |   | Percentile rank in Corruption Perceptions Index (CPI) improved <sup>f/</sup>   | 43                     | 37          | 50                        | Low                                    |
|   |   |  | 2015                   | 2019        | 2022                      |  |
|   | Seamless service delivery achieved                                      | Percentile rank in the Global Competitiveness Index improved <sup>h/</sup>   | 59                     | 55          | 62                        | Low                                    |
|   |   |  | 2016                   | 2019        | 2022                      |  |
|   | Citizenry fully engaged and empowered                                   | Percentile rank in the Worldwide Governance Indicators (WGI)-Voice and Accountability Indicator improved <sup>i/</sup> | 52                     | 47.78       | 60                        | Low                                    |
|   |   |  | 2015                   | 2018        | 2022                      |  |
|   | Economic opportunities in agriculture, forestry, and fisheries expanded | Growth of Gross Value Added (GVA) in Agriculture, Forestry and Fisheries (AFF) increased (% in real terms)             | 0.1                    | 1.5         | 2.5-3.5                   | Low                                    |
|   |   |  | 2015                   | 2018-2019   | 2022                      |  |
|   | Productivity improved   | Labor productivity in industry sector increased (% growth)   | -4.2                   | 1.4         | 3.0-4.0                   | Low                                    |
|   |   |  | 2015                   | 2019        | 2022                      |  |
|   |   | Labor productivity in service sector increased (% growth)  | 3.1                    | 1.5         | 4.0-5.0                   | Low                                    |
|   |   |  | 2015                   | 2019        | 2022                      |  |

|   |  |  |             |             |             |          |  |
|---|--|--|-------------|-------------|-------------|----------|--|
|   | Consumer access to safe and quality goods and services ensured   | Level of consumer awareness of basic consumer rights increased (%)   | 74          | 72          | 80          | Low      |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   | STI (science, technology and innovation) utilization in agriculture, industry and services sectors increased | Number of Filipino patents granted increased   | 31          | 35          | 42          | Moderate |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Number of Filipino utility models registered increased   | 555         | 965         | 833         | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Number of Filipino industrial designs registered increased   | 516         | 729         | 691         | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  |  |             |             |             |          |  |
| Enhanced connectivity and sectoral cooperation                  | Competitiveness and productivity of economic sectors increased   | Round-trip flights increased (number of flights, cumulative)   |             |             |             |          |  |
|   |  | International Flights  |             |             |             |          |  |
|   |  | NAIA   | 103,435     | 122,902     | 130,630     | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Mactan Cebu  | 13,363      | 79,828      | 28,077      | High     |  |
|   |  |  | 2015        | 2019        | 2022        |          |  |
|   |  | Clark Airport  | 5,852       | 11,882      | 9,571       | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Domestic Flights   |             |             |             |          |  |
|   |  | NAIA   | 154,986     | 154,628     | 168,377     | Low      |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Mactan Cebu  | 48,850      | 107,794     | 88,185      | High     |  |
|   |  |  | 2015        | 2019        | 2022        |          |  |
|   |  | Clark Airport  | 360         | 23,856      | 14,783      | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Passengers transported by sea increased (cumulative)   |             |             |             |          |  |
|   |  | PPA  | 67,762,732  | 83,595,783  | 84,340,637  | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Cargo shipped increased (international and domestic) (MT, cumulative)  |             |             |             |          |  |
|   |  | PPA  | 243,757,529 | 265,252,494 | 299,098,678 | Moderate |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  | Subic Port   | 10,161,715  | 15,268,232  | 14,151,216  | High     |  |
|   |  |  | 2015        | 2019        | 2022        |          |  |
|   |  |  |             |             |             |          |  |
| Resilient, inclusive, people-oriented and people-centered ASEAN | Strategic external trade policy regime achieved  | Number of validated enrollees to the Regional Interactive Platform for Philippine Exporters (RIPPLES) Plus Program exporting increased | 30          | 210         | 1,200       | High     |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   | Maximize gains from the demographic dividend   | Youth unemployment decreased   | 11.6        | 13.6        | 8           | Low      |  |
|   |  |  | 2016        | 2019        | 2022        |          |  |
|   |  |  |             |             |             |          |  |
| A Global ASEAN  | No direct indicators   |  |             |             |             |          |  |

Source: Authors' compilation from StatDev 2019

The Philippine Statistics Authority [PSA] (2020) reported that the performance in PDP indicators as of 2019 suggest that there is an overall moderate chance of attaining the end-of-plan targets based on their raw and preliminary report (Table 22). PSA (2020) cited that: *the latest available data at least one year after the baseline year, 96 indicators showed high*

likelihood, 23 showed medium likelihood, and 91 showed low likelihood of achieving their respective targets by 2022.

Table 22: Summary of PDP Indicators by Likelihood of Achieving its Target

| Indicators per Pillar  | No. of Indicators by Likelihood of Achieving the Target |           |           | TOTAL      |
|--|---|-----------|-----------|------------|
|  | High  | Moderate  | Low       |            |
| <b>Pillar 1: Enhancing the social fabric (<i>Malasakit</i>)</b>            |   |           |           |            |
| Governance   | 9   | -         | 8         | 17         |
| Justice  | 4   | 1         | 5         | 10         |
| Culture and Values   | 1   | -         | -         | 1          |
| <b>Pillar 2: Inequality-reducing transformation (<i>Pagbabago</i>)</b>     |   |           |           |            |
| Agriculture, Forestry, and Fisheries                                       | 20  | 6         | 34        | 60         |
| Industry and Services  | 6   | 4         | 8         | 18         |
| <b>Pillar 3: Increasing growth potential (<i>Patuloy na Pag-unlad</i>)</b> |   |           |           |            |
| Human Capital Development  | 7   | 4         | 12        | 23         |
| Social Protection  | 4   | -         | 5         | 9          |
| Demographic Dividend   | 2   | 2         | 3         | 7          |
| Science and Technology   | 2   | 1         | -         | 3          |
| <b>Enabling and supportive economic environment</b>                        |   |           |           |            |
| Macroeconomy   | 8   | 2         | 3         | 13         |
| Competitiveness  | 10  | -         | 3         | 13         |
| Infrastructure   | 18  | 1         | 8         | 27         |
| <b>Foundations for Sustainable Development</b>                             |   |           |           |            |
| Environment  | 5   | 2         | 2         | 9          |
| <b>TOTAL</b>   | <b>96</b>   | <b>23</b> | <b>91</b> | <b>210</b> |

Notes: Due to the limitation in data submissions this year amidst the community quarantine or lockdowns due to the Coronavirus disease 2019 (COVID-19) pandemic, the results presented in this report are only preliminary. An 'updated' version of the StatDev 2019 report with sectoral performance and infographics will follow later within the year. It will cover results from the submission of updated/latest data for the remaining 32 percent of the indicators, including those with concerns for verification with the data sources. Updates in the data will still be based on the PDP 2017-2022 Results Matrices (version as of July 2020), the reference document for StatDev 2019, with the midterm PDP update yet to be officially released.

Source: Philippine Statistics Authority (2020)

It was established on Table 4 that the AEC characteristics and the PDP pillars overlap. Presented as well in Table 21 and 22 are the PDP Pillars that the specific sectoral indicators fall under. It is important to cross-examine the results of specific sectoral indicators of PDP with AEC so that targeted policy analysis and/or comparison can be made.

For the first characteristic of AEC where the Philippines ranked in the bottom middle or bottom, the specific sectoral indicators from PDP are *Industry and Services* where the performance was low, and *Macroeconomy* where the performance was high. The Philippines may take a closer look at the *Industry and Services* sector. In particular, the country can look at improving the

performance of services exports which has a moderate chance of achieving its PDP target (See Table 21).

For the second characteristic of AEC where the Philippines ranked in the middle (sometimes in the bottom) among ASEAN countries, the sectoral indicators from PDP are *Governance* where the performance was average, *Human Capital Development* where the performance was low, and *Competitiveness* where the performance was high. There are particular indicators under each of these sectors where the Philippines can pay particular attention (see Table 21).

For the third characteristic of AEC where the Philippines fared average to poor across the region, the specific sectoral indicators from PDP are *Agriculture, Forestry, and Fisheries* where the performance was low, *Science and Technology* where the performance was high, and *Infrastructure* where the performance was high. The Philippines may work more on *Agriculture, Forestry, and Fisheries* sector, particularly in increasing GVA in AFF. Improving connectivity is also important and particular attention can be given in increasing the number of round-trip flights that can be accommodated in the NAIA (Table 21).

For the fourth characteristic of AEC where the Philippines performed average (except for one low), the specific sectoral indicators from PDP are *Industry and Services* where the performance was low, *Demographic Dividend* where the performance was below average, and *Infrastructure* where the performance was high. Already mentioned above that the Philippines may take a closer look at the *Industry and Services* sector, *Demographic Dividend* sector shall be prioritized as well. For the Demographic Dividend, the Philippine performance in providing employment opportunities to the youth needs to improve.

Lastly, the fifth AEC Characteristic where the performance of the Philippines was inconsistent, the specific sectoral indicators from PDP are *Macroeconomy* and *Environment* where both performances were high. Consistently shall be taken into consideration under these indicators.

It could be seen on both AEC and PDP indicators (latest data), the Philippines performed around the average. Realizing that these results have to be reevaluated in the light of the COVID-19 pandemic, there have been some shifts in emphasis in the PDP goals (Box 2). Though there were not many changes in the PDP, emphasis have shifted. Further research is needed to see how these shifts in emphasis would these affect the achievement of the regional performance/goals of the Philippines especially with AEC.

## **Box 2. PDP in the New Normal**

The Philippines was pushed to revise its PDP goal from aiming to be an *upper middle-income country* to a *healthy and more resilient Philippines* by 2022 due to the current pandemic.

Having a shift of focus in PDP, some of its goals remained aligned to the original plan. Chua (2020) discussed that the banner programs under the updated PDP will be mainly focused on the improvement in the health system, food security, and digital government. The updated PDP goals will be focused on: Expanding economic opportunities across regions because there is a need to reduce congestion and spread opportunities; Ensuring people centered, clean technology-enabled, and responsive governance; and Scaling up technology and stimulating innovation as key strategy to rise above the economic slowdown and to find new areas of productivity and efficiency.

Chua (2020), on his presentation in the virtual meeting for the House Committee on Economic Affairs, discussed that under the updated PDP, the following shall be prioritized:



- 1) Improving the health system- so that people will be able to know that they are taken care of and that their chances of getting sick is less. He added that this will improve basic confidence and stimulate domestic demand;
- 2) Proposing a transformation of the way people do business with government to as much as possible online transactions;
- 3) Protecting not just jobs in the short-term, but in the medium to long term, the employability, making skills training important;
- 4) Processing of more balanced regional development. This requires two major underpinnings. The first one is the provision of all the basic services in the provinces so that people will have a reason to stay and business will have a reason to invest there. The second is to improve connectivity so that the provinces and secondary or tertiary cities or towns will be connected to high growth drivers or markets in Manila or the rest of the world;
- 5) Creating series of “structural reform options” which have been taken out of the revised PDP and can be institutionalized through a legislation to further strengthen the government’s response against the coronavirus disease pandemic;
- 6) Strengthening of research and development; establishment of a Virology Center and Pharma Development Center; production of pharma-grade medical supplies; and strategic inventory of medicine and equipment;
- 7) Proposing a discussion on how each of these could be legislated with the intention of strengthening the foundations of the Philippines to deal with the new normal characteristics and still attain our potential GDP growth; and
- 8) Passing economic liberalization bills, including the Corporate Recovery and Tax Incentives for Enterprises (CREATE) to attract foreign direct investments.

Note: This Box quotes heavily from Chua (2020) and Luci-Atienza (2020).

## **6. Conclusion and Recommendations**

Having the PSA’s preliminary report for 2019 saying that the Philippines has a moderate chance to achieve its goals by 2022 and the latest results for the indicators of AEC on the Philippines ranking in the middle, the improvements in the indicators may not be sufficient.

The Philippines needs to take a look at the indicators where it needs improvement and address the institutional and implementations bottlenecks. It is also important to take a look where the Philippines ranked the highest and note of the policies and best practices that coincide with these. A number of policies have been crafted that directly supports the achievement of the AEC goals (see Appendix D). There is a need to evaluate some of the policies to see how these could be strengthened to support our AEC commitments.

The country’s trade is increasing – an indication of an open and globally integrated economy. However, the volume of trade can still improve. International markets are becoming even more competitive, requiring Philippine industries to increase efficiency and improve their competitiveness and productivity. The industrial strategy (Inclusive Innovation Industrial Strategy or i3S) has to keep supporting and pushing the industries to operate efficiently and sustainably. It can do so by pushing Philippine companies to

participate in global value chains through incentives and business matching activities. Relatedly, there is a need for the government to actively monitor MSME participation in global value chains. The Philippine statistical system needs to incorporate trade in value added in its set of indicators in order to assess the country's performance.

Moreover, being the 'heart' of the industrial strategy, innovation and its importance has always been highlighted. The government has formulated and started implementation of several plans and programs to institutionalize innovation in government and industry. With targeted, time-bound incentives for innovation, there will be higher spending in technology and more personnel accorded to R&D and innovation activities.

The country is also taking steps towards improving connectivity, but one area that deserves priority is ICT. Various aspects of the economy have become digital, and the COVID-19 pandemic in 2020 highlighted the importance of internet connectivity and digitalization. The Philippines is observed to have relatively high cost but low speed and weak internet connection, and to still have areas that are offline. In this regard the country is not able to maximize and capitalize on the internet and digital connectivity for better public service delivery and industry competitiveness and growth.

An inclusive society and economy is one where their participation of all segments and levels of society is enabled. MSMEs, like large enterprises, have the opportunity and are able to contribute significantly to the economy. The government has been persistent in supporting MSMEs for instance through financial and technical assistance. But one important component of the industrial strategy, i.e. entrepreneurship and support for start-ups, is worth bringing more attention into. More establishments mean additional contribution to value added output and employment.

Increasing entrepreneurial support is also particularly important especially in providing employment for the youth. The experience from the pandemic has shown that a number of the youth are innovative and enterprising. There is a need to capitalize on these characteristics in order for the country to maximize the gains from the demographic dividend. Providing opportunities to do business online is a good support program for the youth.

Inclusiveness means financial products and services would reach the unserved and underserved segments of the society. The government is supportive of digital finance, which is an approach to promoting financial inclusion. But factors such as internet connectivity and digitalization capability are deterring widespread adoption of digital finance. There is therefore a need to support the physical infrastructure foundation for ICT. The common-tower initiative of the Department of Information and Communications Technology (DICT) is a good way of addressing this bottleneck. It is recommended that such innovations be explored further. Aside from Physical infrastructure, there is also a need to accelerate the roll out of the National ID which would facilitate financial inclusion.

An enabling environment for business, both domestic and foreign investments, is always in the agenda of the government. The country must aim for attracting investments especially in technology. Investments need not come from traditional sources of FDI but the country can look to ASEAN as a source of investment and thus, become more integrated with the region. Similarly, the country must also continue to support and encourage the private sector to invest in ASEAN as well as in other parts of the world. In the domestic front, basic business regulations such as the application and permitting process can still be improved – streamlined,

shortened, be more efficient. It warrants effective implementation of the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 at the grassroots level.

Overall, the country has regulations, policies and plans in place to gain more improvements in various aspects of the economy, including those related to the strategies and goals of the AEC. Timely implementation of strategies and actions, and review of policies/programs are crucial to keep up with the fast-paced global environment.

Furthermore, taking into consideration the global crisis that is the COVID-19 pandemic, the Philippines could call for the AEC goals and strategies to be updated ahead of 2025 to deal with the effects of the pandemic. Parts of the economy and society that were affected might not deliver the expected outcomes, and the AMS would potentially tweak their respective development plans because of the pandemic, like what the Philippines has done. Adding a mechanism that would prompt the ASEAN Secretariat and AMS to review the relevant ASEAN goals and strategies during regional or global crisis would also be recommended in case high-impact crisis and critical events happen again in the future.

At the domestic front, there is also a need to reevaluate the Philippine plans and indicators to capture the impact of the COVID-19 pandemic. While NEDA is actively assessing the indicators of the PDP, there is a need for the entire government (including the LGUs) to update their plans incorporating some AEC targets.

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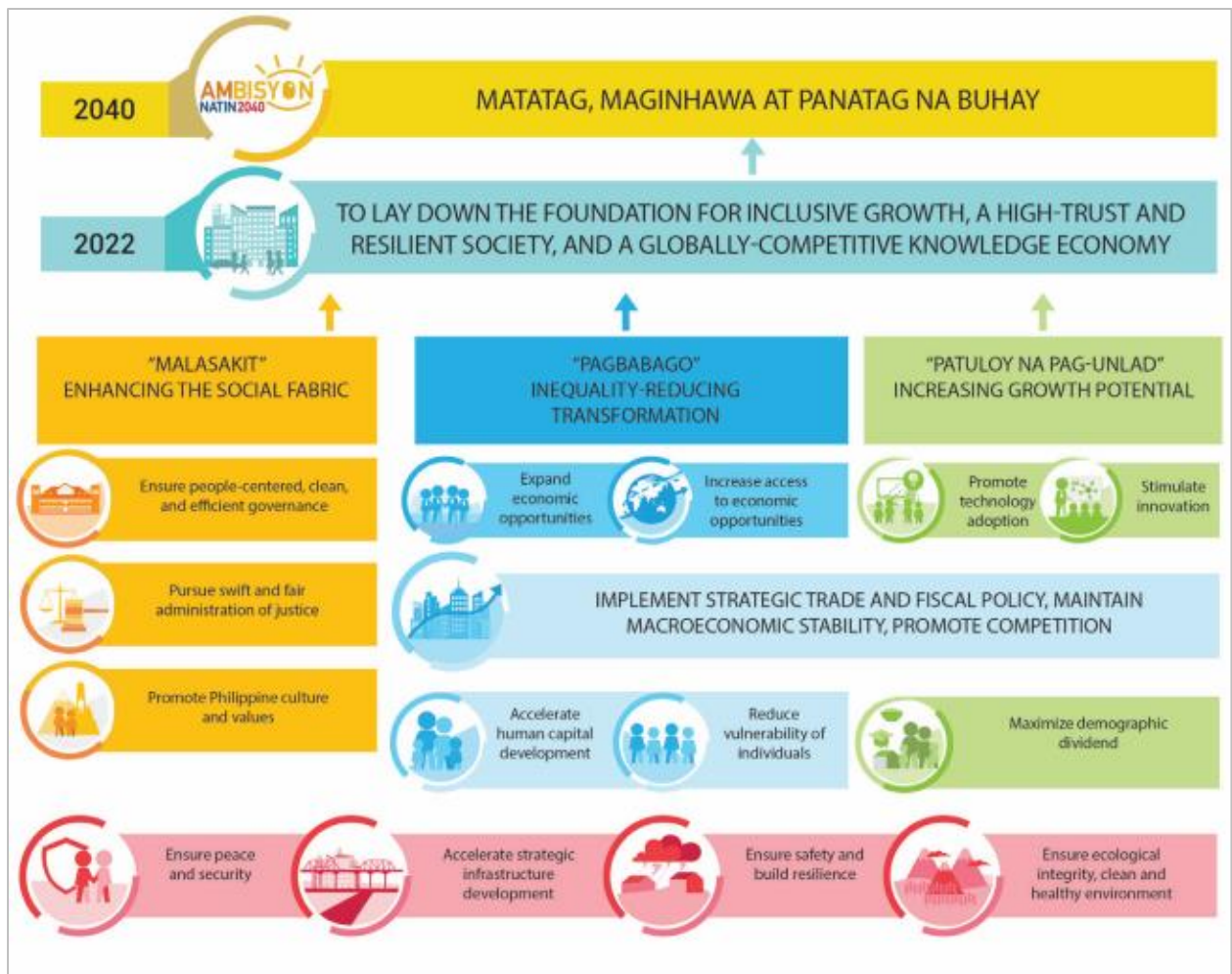
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## Appendix A: PDP 2017-2022 Overall Strategic Framework



Source: Figure 4.2, Chapter 4 of PDP 2017-2022.



## Appendix B: List of AEC Core Indicators with Performance Rankings and Trends

| Core Indicator   | Definition   | Rank (latest year)         | Trend                      |
|--|--|----------------------------|----------------------------|
| <b>Characteristic 1: Highly Integrated and Cohesive Economy</b>                                |  |                            |                            |
| Intra-ASEAN exports and imports, in terms of (a) value and (b) share/proportion in total trade | (a) Value of goods traded originating from and going to ASEAN member countries; (b) Ratio of (a) to the sum of all total exports and imports |                            |                            |
| Value of exports   |  | Middle                     | On Track                   |
| Value of imports   |  | Middle                     | On Track                   |
| Share of exports in total trade  |  | Bottom                     | On Track                   |
| Share of imports in total trade  |  | Top                        | On Track                   |
| Intra-ASEAN trade in services, including by sector   | Value of services trade by services category   |                            |                            |
| Exports  |  | Note: Not country specific | Note: Not country specific |
| Imports  |  | Note: Not country specific | Note: Not country specific |
| Intra-ASEAN inward FDI, including by sector  | Total value of foreign direct investment flows from and to ASEAN member countries across various sectors                                     |                            |                            |
| FDI by source country  |  | Bottom                     | Off Track/ Static          |
| FDI by host country  |  | Middle                     | On Track                   |
| FDI by sector  |  | Note: Not country specific | Note: Not country specific |
| <b>Characteristic 2: Competitive, Innovative and Dynamic ASEAN</b>                             |  |                            |                            |
| Labour productivity (Output per worker)  | Total gross value added in US\$ divided by total full-time employment in each year   | Middle                     | On Track                   |
| R&D Expenditures, as percentage of GDP   | R&D expenditures from both private and public sectors, expressed as a percentage of GDP  | Bottom                     | On Track                   |



|  |  |                          |                          |
|--|--|--------------------------|--------------------------|
| Global Competitiveness Index   | Composite index of the global competitiveness of each individual country (from World Economic Forum Global Competitiveness Report)                                   | Middle                   | Off Track/ Static        |
|  |  |                          |                          |
| <b>Characteristic 3: Enhanced Connectivity and Sectoral Cooperation</b>                  |  |                          |                          |
| Intra-ASEAN tourist arrivals   | Tourist arrivals in ASEAN with other ASEAN countries as the points of origin   | Bottom                   | On Track                 |
| Fixed broadband subscriptions (per 100 people)   | Number of fixed subscriptions to high-speed access to the public Internet, at downstream speeds equal to, or greater than, 256 kbit/s (per 100 people in population) | Middle                   | On Track                 |
| Passengers and freight volume, by mode of transport                                      | Total volume of passengers and freight carried in transportation, by mode of transport   |                          |                          |
| Air Transportation passengers (thousand people)  |  | Middle                   | On Track                 |
| Air Transportation freight carried (thousand tons)                                       |  | Middle                   | On Track                 |
| Rail Transportation passengers (thousand people)   |  | Middle                   | On Track                 |
| Rail Transportation freight carried (thousand tons)                                      |  | Note: Data not available | Note: Data not available |
| Water Transportation passengers (thousand people)  |  | Top                      | On Track                 |
| Water Transportation freight carried (thousand tons)                                     |  | Middle                   | On Track                 |
|  |  |                          |                          |
| <b>Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN</b> |  |                          |                          |
| Number of MSMEs per 1,000 persons  | Number of micro, small, medium enterprises per 1,000 population  | Bottom                   | Off Track/ Static        |

|   |  |                            |                            |
|---|--|----------------------------|----------------------------|
| Ratio between average GDP per capita in ASEAN-6 and CLMV                          | Population weighted averages of GDP per capita of ASEAN6 countries divided by that of CLMV countries   | Note: Not country specific | Note: Not country specific |
| Labor force participation rate for ages 15-24 (youth), total (%)                  | Proportion of population ages 15 to 24 that is economically active (supply labor for production of goods and services)   | Bottom                     | Off Track/ Static          |
|   |  |                            |                            |
| <b>Characteristic 5: A Global ASEAN</b>   |  |                            |                            |
| Tariff rates on imports from (a) FTA partners of ASEAN; (b) the rest of the world | Import volume- weighted average preferential rates at the 6-digit HS code; (b) Import weighted average Most Favoured Nation (MFN) rates at the 6-digit HS code       |                            |                            |
| FTA partners  |  | Top                        | On Track                   |
| Rest of the World   |  | Top                        | Off Track/ Static          |
| Trade with the rest of the world  | Ratio between total values of trade (import to ASEAN from the rest of the world plus export from ASEAN to the rest of the world) to total GDP for each ASEAN country | Bottom                     | On Track                   |
| FDI flows to ASEAN from the rest of the world                                     | Total value of foreign direct investment flows (a) to ASEAN from other countries; (b) from ASEAN to other countries  |                            |                            |
| FDI to ASEAN  |  | Middle                     | On Track                   |
| FDI from ASEAN to the rest of the world   |  | Middle                     | Off Track/ Static          |

Notes: Top- the Philippines ranking 1<sup>st</sup> to 3<sup>rd</sup> across ASEAN countries;

Middle- the Philippines ranking 4<sup>th</sup> to 6<sup>th</sup> across ASEAN countries;

Bottom- the Philippines ranking 7<sup>th</sup> to 10<sup>th</sup> across ASEAN countries;

On Track if improving and directed towards the AEC vision/target; Off Track/Static if not moving towards the vision/target or has no progress

Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

## Appendix C: List of AEC Supporting Indicators with Performance Rankings and Trends

| Supporting Indicator  | Definition  | Rank (latest year) | Trend             |
|---|---|--------------------|-------------------|
| <b>Characteristic 1: Highly Integrated and Cohesive Economy</b>           |   |                    |                   |
| Share of services sector in GDP   | Services value-added as percentage of GDP   | Top                | On Track          |
| Intra-ASEAN Intra-industry Trade Index                                    | Measure of the degree of exchange of similar products within the same industry between an ASEAN country and the rest of the ASEAN countries   | Bottom             | Off Track/ Static |
| Tariffs on intra-ASEAN imports  | Simple average preferential tariff rates  | Middle             | On Track          |
| Trade in Value-Added  | Domestic value added as percent of gross exports; and foreign value added as percent of gross exports   |                    |                   |
| Domestic value-added  |   | Top                | On Track          |
| Foreign value-added   |   | Middle             | On Track          |
| Account at a financial institution, income, poorest 40% (% ages 15+)      | Percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution (e.g., cooperative, microfinance institution); income, poorest 40%, % age 15+ | Bottom             | On Track          |
| Share of intra-ASEAN portfolio investments to total portfolio investments | ASEAN portfolio investment as a percentage of total portfolio investment for ASEAN countries  | Bottom             | On Track          |
| <b>Characteristic 2: Competitive, Innovative and Dynamic ASEAN</b>        |   |                    |                   |
| Number of patent and trademark applications by residents                  | Total number of patent and trademark applications filed by the residents of ASEAN countries   |                    |                   |

|   |   |        |                   |
|---|---|--------|-------------------|
| Patent applications   |   | Middle | On Track          |
| Trademark applications  |   | Middle | Off Track/ Static |
| Number of R&D personnel (per million people)                            | All persons employed directly on R&D, as well as those providing direct services such as R&D managers, administrators and clerical staff during a given year expressed as a proportion of a population of one million   | Middle | Off Track/ Static |
| Time required to start a business (days)                                | Number of calendar days needed to complete the procedures to legally operate a business   | Bottom | On Track          |
| Control of Corruption (Worldwide Governance Index)                      | Composite index consisting of six key dimensions of governance (Voice & Accountability, Political Stability and Lack of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption) that measure the quality of governance in over 200 countries, based on close to 40 data sources produced by over 30 organizations worldwide | Middle | Off Track/ Static |
| <b>Characteristic 3: Enhanced Connectivity and Sectoral Cooperation</b> |   |        |                   |
| Extra-ASEAN tourist arrivals  | Tourist arrivals in ASEAN with non-ASEAN countries as the points of origin  | Middle | On Track          |
| Proportion of population covered by mobile network                      | SDG Indicator 5.b.1; calculated by dividing the total number of in-scope individuals who own a mobile phone by the total number of in-scope individuals   |        |                   |
| 2G  |   | Middle | Off Track/ Static |
| 3G  |   | Bottom | On Track          |
| 4G  |   | Middle | Off Track/ Static |

|   |  |        |                   |
|---|--|--------|-------------------|
| Logistics Performance Index: Overall (1=low to 5=high)  | Logistics Performance Index (overall score) reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time ( <a href="https://datacatalog.worldbank.org/logistics-performance-index-overall-1low-5high-1">https://datacatalog.worldbank.org/logistics-performance-index-overall-1low-5high-1</a> ) | Middle | Off Track/ Static |
| Percentage of renewable energy in primary energy supply | Share of renewable energy in primary energy supply in ASEAN countries  | Top    | On Track          |
| Intensity level of primary energy                       | ratio between energy supply and gross domestic product measured at purchasing power parity   | Top    | On Track          |
| Mineral rents (% of GDP)                                | Difference between the value of production for a stock of minerals at world prices and their total costs of production. Minerals included in the calculation are tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate   | Middle | Off Track/ Static |
| Adjusted savings: mineral depletion (% of GNI)          | Ratio of the value of the stock of mineral resources to the remaining reserve lifetime (capped at 25 years). It covers tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate   | Bottom | Off Track/ Static |
| Intra-ASEAN trade in minerals                           | Value of minerals trade originating from and going to ASEAN member countries   |        |                   |
| Exports   |  | Bottom | On Track          |
| Imports   |  | Middle | On Track          |

|  |   |                            |                            |
|--|---|----------------------------|----------------------------|
| Liner shipping connectivity index (maximum value in 2004 = 100)                          | Computed by the UNCTAD based on five components of the maritime transport sector: number of ships, their container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports | Middle                     | On Track                   |
| B2C E-commerce Index   | Business-to-consumer electronic-commerce composite index  | Middle                     | On Track                   |
|  |   |                            |                            |
| <b>Characteristic 4: Resilient, Inclusive, People-Oriented and People-Centered ASEAN</b> |   |                            |                            |
| ASEAN6:CLMV gap in intra-ASEAN trade   | Ratio between total intra-ASEAN trade (exports and imports) in ASEAN-6 and CLMV   | Note: Not country specific | Note: Not country specific |
| ASEAN6:CLMV gap in inward FDI  | Ratio between total inward FDI in ASEAN-6 and CLMV  | Note: Not country specific | Note: Not country specific |
| Private partnership (investment) in infrastructure (by sector)                           | Value of private partnership investment in infrastructure in different sectors  |                            |                            |
| Energy   |   | Middle                     | On Track                   |
| ICT  |   | Middle                     | Off Track/ Static          |
| Transport  |   | Top                        | On Track                   |
| Water and Sanitation   |   | Top                        | On Track                   |
| Domestic credit to the private sector (% of GDP)   | Domestic credit to the private sector as percentage of GDP  | Middle                     | On Track                   |
|  |   |                            |                            |
| <b>Characteristic 5: A Global ASEAN</b>  |   |                            |                            |
| No Supporting Indicators   |   |                            |                            |

Notes: Top- the Philippines ranking 1<sup>st</sup> to 3<sup>rd</sup> across ASEAN countries;

Middle- the Philippines ranking 4<sup>th</sup> to 6<sup>th</sup> across ASEAN countries;

Bottom- the Philippines ranking 7<sup>th</sup> to 10<sup>th</sup> across ASEAN countries;

On Track if improving and directed towards the AEC vision/target; Off Track/Static if not moving towards the vision/target or has no progress

Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

## Appendix D: AEC Policy Monitor in the Philippines (2016-2019)

| <b>AEC Characteristic 1:</b> A highly integrated and cohesive economy<br><b>Key Result Areas:</b> (1) trade in goods; (2) trade in services; (3) investment environment; (4) financial integration, financial inclusion, and financial stability; (5) facilitating movement of skilled labor and business visitors; (6) enhancing participation in global value chains<br><b>Indicators:</b> 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   |  |  |  |  |
|--|--|--|--|--|
| Year   | Policy   | Area   | Description  | Remarks  |
| 2016   | RA 10881 Foreign Investment Liberalization Act | FDI  | Amended specific laws to allow 100-percent foreign ownership in previously restricted financial services subject to certain requirements.  | Removing foreign equity restrictions are expected to strengthen the sector through increased capital, expertise, and technology.                                 |
| 2018   | RA 11203 Rice Tariffication Law (RTL)          | Tariff, GVC agriculture, and food (overlaps with characteristic 3) | Repeals the QR policy in rice importation and liberalizes domestic and international trade in rice. Today, importers only pay the customs duty of 35 percent for rice from ASEAN and 180 percent for rice from non-ASEAN countries.  | This should translate to lower rice prices in the market. However, the effect of low rice prices on farm income might negatively affect the agricultural sector. |
| <b>AEC Characteristic 2:</b> A competitive, innovative and dynamic ASEAN<br><b>Key Result Areas:</b> (1) Effective Competition Policy (2) Consumer Protection; (3) Strengthening Intellectual Property Rights Cooperation; (4) Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialization; (5) Taxation Cooperation; (6) Good Governance; (7) Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice; (8) Sustainable Economic Development; (9) Global Megatrends and Emerging Trade-Related Issue<br><b>Indicators:</b> Labor productivity, by sector; Research and Development (R&D) expenditures, as percentage of GDP; and, Global Competitiveness Index. |  |  |  |  |
| Year   | Policy   | Area   | Description  | Remarks  |
| 2016   | The Comprehensive Tax Reform Program (CTRP)    | Taxation   | <ul style="list-style-type: none"> <li>• Package 1A: Tax Reform for Acceleration and Inclusion (TRAIN) to lessen the overall tax burden of the poor and the middle class;</li> <li>• Package 1B: Tax Amnesty;</li> <li>• Package 2: TRABAHO through corporate income tax reform and fiscal incentives modernization;</li> <li>• Package 2+: Mining and Sin Taxes to be earmarked for Universal Health Care;</li> <li>• Package 3: Property Valuation and Taxes which seeks to address the absence of a property</li> </ul> |  |

|      |  |   |  |   |
|------|--|---|--|---|
|      |  |   | <p>database and make more resources available to LGUs; and</p> <ul style="list-style-type: none"> <li>• Package 4: Capital Income and Financial Taxes.</li> </ul>  |   |
| 2017 | RA 10963 Tax Reform for Acceleration and Inclusion or TRAIN Law  | Taxation, investment, infrastructure, industries, transportation, food, healthcare, and minerals (overlaps with characteristic 3), and tariffs (overlaps with characteristic 1 and 5) | <p>Envisioned to support the government's massive investments in infrastructure and social protection projects. To compensate for the reduction in tax revenue, the TRAIN Law imposes higher taxes on a number of sectors.</p> <p>Intended to address: poverty, income inequality, exemptions from the value-added tax for number of commodities, increasing taxes for some (e.g. sugary drinks, tobacco, mining, among others), fund the <i>jeepney</i> modernization program, impose tariffs on rice imports instead of quantitative restrictions (QRs), and more.</p> | Given the tax rate adjustments, the TRAIN is expected to have a slightly inflationary effect on the economy, thus, the government allocated 30 percent of the additional revenues from TRAIN to mitigate its adverse effects. In particular, the government initiated a three-year unconditional cash transfer (UCT) program beginning 2018 where 10 million poorest families are granted PHP 200 monthly or a total of PHP 2,400 for 2018 to help them cope with the effects of TRAIN. This amount of grant will be increased to PHP 300 per month in 2019 and 2020. |
| 2016 | RA 10912 Continuing Professional Development Act of 2016   | Labor   | Promotes and upgrades the practice of professions through the continuous development of skills, knowledge, and experiences of professionals to enhance and upgrade the competencies and qualifications of professionals in line with the Philippine Qualifications Framework, the ASEAN Qualification Framework, and the ASEAN Mutual Recognition Arrangement.   | Necessary for strengthening the competitiveness of domestic industries but will also help improve their mobility within the ASEAN Economic Community and beyond.  |
| 2016 | RA 10915 An Act Strengthening, Modernizing and Aligning the Practice of Agricultural Engineering in the Country into the Internationally Recognized Practice of Agricultural and Biosystems Engineering, and for Other Purposes. | Labor, Science and Technology, IPRs, Regulations, and Agriculture and Fisheries (overlaps with characteristic 3)  | Plays an important role in the production, handling, and processing of biological materials for food, fiber, and fuel, as well as the preservation of natural resources and environment quality. Aims to cope with the continuous advancements in the field by imposing appropriate regulations, modernizing and standardizing AB engineering education, licensing, and practice.  | This will contribute toward agricultural and fishery modernization, food and water security and safety, bioenergy, environmental protection, and human health and safety in the country.  |



|           |   |  |   |  |
|-----------|---|--|---|--|
|           |   |  |   |  |
| 2016      | RA 10918 40 An Act Regulating and Modernizing the Practice of Pharmacy in the Philippines, Repealing for RA 5921 otherwise known as the Pharmacy Law                            | Labor, Healthcare, Trade of Goods and Services (overlaps with characteristics 1 and 3) | Poor standards of professional practice and weak regulation of services put the lives of many Filipinos at great risk as a result of mismanagement and misuse of drugs. RA 10918 aims to address this issue by applying more stringent rules, which is in line with Good Pharmacy Practice standards, on both pharmacy licensing and regulation.  | Pharmacists are vital to the success of the health sector as their duties include a myriad of tasks that range from handling and dispensing pharmaceutical products to providing other health-related services such as analyzing medicinal products, marketing, managing and counseling medications, and other technical knowledge related to pharmaceutical goods and services. |
| 2018/2019 | SB 1826 / HB 6908 An Act Strengthening the Security of Tenure of Workers, Amending for the Purpose Presidential Decree 442 otherwise known as the Labor Code of the Philippines | Labor  | Seeks to promote workers' security of tenure, and increase in the minimum wage of workers in Metro Manila effective November 22, 2018.  |  |
| 2019      | SB 1826 or the Security of Tenure and End of Endo Act of 2018   | Labor  | Further defines and prohibits labor-only contracting. Under the bill, the Labor Secretary may restrict the contracting out of workers and made a distinction between labor-only contracting and job contracting.  | In line with this, contractors would have to qualify for a license before being able to engage in job contracting.   |
| 2019      | RA 10968 Philippine Qualifications Framework (PQF Act)  | Labor, Narrowing the Development Gap (overlaps with characteristic 4)                  | "encourage lifelong learning of individuals, provide employees specific training standards and qualifications aligned with industry standards, ensure that training and educational institutions comply with specific standards and are accountable for achieving corresponding learning outcomes, and provide government with a common taxonomy and qualifications typology as bases for recognizing education and training programs as well as the qualifications formally awarded and their equivalents" |  |

|      |   |  |   |   |
|------|---|--|---|---|
| 2017 | Inclusive Innovation-Led Industrial Strategy (i3 S)                                     | Science and Technology, Industries, Exports, and GVC (overlaps with characteristics 1 and 3) | Strives to make Philippine industries globally competitive as well as prepare them for the drastic changes brought by new technologies such as automation, advanced robotics, and artificial intelligence.  |   |
| 2018 | RA 11035 Balik Scientist Act  | Labor, Research and Development, and Science and Technology (overlaps with characteristic 3) | The law also aims to accelerate the flow of new technologies into the country by providing incentives to scientists to entice them to return to the country.  |   |
| 2017 | Investment Priority Plan (IPP) of the Board of Investments                              | Investment, Commercialization of Technologies, MSMEs (overlaps with characteristic 4)        | Focuses on the development of micro, small, and medium enterprises and of innovation-driven service activities such as creative industry, knowledge-based services, inclusive business models, and commercialization of new and emerging technologies, among others |   |
| 2016 | RA 10844 The Department of Information and Communications Technology (DICT) Act of 2015 | ICT, Governance and Innovation, Consumer Protection (overlaps with characteristic 3)         | The DICT is mandated to be the primary policy, planning, coordinating, implementing, and administrative entity of the government to plan, develop, and promote the national ICT development agenda.   | DICT functions include policy and planning, improved public access, resource sharing and capacity building in government, and finally, consumer protection and industry development.  |
| 2018 | RA 11032 Ease of Doing Business and Efficient Government Service Delivery Act of 2018   | Ease of Doing Business, Governance, MSMEs (overlaps with characteristic 4)                   | Aims to further simplify requirements and streamlining procedures related to starting and operating a business.   | Local governments are also mandated to provide a Business One-Stop Shop (BOSS) so that entrepreneurs and business applicants only need to visit the BOSS for transactions with local government offices, such as the Business Permit and License Office, Bureau of Fire Protection, and the Treasury office. To reduce opportunities for corruption, the law features a zero-contact policy, which strictly prohibits, except during the preliminary assessment of the application form and submitted requirements, any government officer or |

|      |  |  |  |   |
|------|--|--|--|---|
|      |  |  |  | employee to have any contact with any applicant or requesting party regarding any application or request.   |
| 2018 | Revised Corporation Code of the Philippines          | Ease of Doing Business, Governance, MSMEs (overlaps with characteristic 4)               | Simplifies the requirements to set up and register a corporation with the Securities and Exchange Commission (SEC).  | To reduce bureaucratic processes, it mandates the SEC to develop and implement a system for electronic submission of applications, reports, and other documents, as well as the sharing of pertinent information with other government agencies |
| 2018 | RA 11057 Personal Property Security Act              | Governance, MSMEs (overlaps with characteristic 4)                                       | Aims to promote economic activity by increasing access to least cost credit, particularly for micro, small, and medium enterprises (MSMEs), by establishing a unified and modern legal framework for securing obligations with personal property.  |   |
| 2018 | RA 11127 The National Payment Systems Act            | Governance, E-commerce, Taxation, ICT (overlaps with characteristic 3)                   | Empowers the BSP to ensure a safe, secure, and reliable operation of the Philippine payment systems. It is expected to foster the adoption of electronic receipts, invoices, and tax-related documentation, allow the adoption of digital signatures to establish identity of people entering into transactions, and promote the adoption of e-notary to authenticate and further formalize agreements between parties |   |
| 2019 | RA 11232 Revised Corporation Code of the Philippines | Ease of Doing Business, Governance and Industries  | Introduces many provisions drastically changing the process of organizing corporations, day to day activities, and compliance with regulatory requirements.  |   |
| 2019 | RA 11293 Philippine Innovation Act                   | Governance, Science and Technology, ICT, and Innovation (overlaps with characteristic 3) | Mandates the creation of the National Innovation Council (NIC) that will steer the whole-of-government coordination and collaboration and to remove the fragmentation in the country's innovation governance.  |   |

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|------|---|--|---|--|
| 2018 | Local Government Code (LGC) Amendments                  | Governance   | The Supreme Court issued what is known as the Mandanas ruling that expands the tax base for computing the IRA, effectively increasing intergovernmental transfers once implemented. Aside from amending several LGC provisions, the Supreme Court case is also expected to make a dent in the overall fiscal balance by expanding the revenue base by which to compute the intergovernmental fiscal transfers for LGUs. |  |
| 2019 | RA 11315 Community-Based Monitoring System Act (CBMSA)  | Governance, and Social Protection (overlaps with characteristic 4) | Aims to adopt the CBMS for coming up with updated and disaggregated data for deeper poverty analysis and more effective policymaking and impact evaluation.   | PSA shall lead every city and municipality in having a CBMS that shall be used as a tool for more comprehensive, needs-based policymaking. |
| 2016 | RA 10870 Philippine Credit Card Industry Regulation Law | Consumer protection  | Fosters the development of the credit card industry by protecting consumers against abusive and unfair practices of credit card issuers and collection agencies and by encouraging competition and transparency to improve the quality and efficiency of credit card services.  |  |

**AEC Characteristic 3:** Enhanced Connectivity and Sectoral cooperation

**Key Result Areas:** (1) Transport; (2) Information and Communication Technology; (3) E-Commerce; (4) Energy; (5) Food, Agriculture and Forestry; (6) Tourism; (7) Healthcare; (8) Minerals; (9) Science and Technology.

**Indicators:** Intra-ASEAN tourist arrivals; Fixed broadband subscriptions (per 100 people); and, Passengers and freight volume, by mode of transport.

| Year | Policy  | Area  | Description   | Remarks |
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| 2018 | RA 11165 Telecommuting Act                                  | ICT, MSMEs, and Labor (overlaps with characteristics 2 and 4) | "a work arrangement wherein an employee is allowed to work from an alternative workplace with the use of telecommunication and/or computer technologies". |         |
| 2019 | National ICT Ecosystem Framework (NICTEF)                   | ICT, Innovation   | "a 'living document', contributory to the realization of an equitable, inclusive, and sustainable development for the nation"                             |         |
| 2016 | DOH's Administrative Order (AO) 2016- 0038 that defines the | Healthcare  | The Health Agenda guarantees interventions to address health concerns at all life stages, including the prevention and treatment of the triple burden     |         |

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|      | Philippine Health Agenda for 2016–2022                       |   | of disease—i.e., communicable diseases, noncommunicable diseases (or lifestyle diseases), and malnutrition—and diseases of rapid urbanization and industrialization (e.g., injuries, substance abuse, and mental illness).   |  |
| 2016 | RA 10747 The Rare Disease Act of the Philippines             | Healthcare  | Provides a mechanism to increase access to comprehensive medical care, including drugs, health-care products, and health information. One highlight of this law is the creation of a Rare Disease Registry that covers data on rare diseases, persons diagnosed with rare diseases, and medicines or other products used to treat or alleviate the symptoms of rare diseases.            | RA 10747 is the designation of persons with rare disease as persons with disabilities (PWDs). Thus, persons with rare disease can also enjoy rights and privileges stipulated in RA 7277 or the Magna Carta for Disabled Persons.  |
| 2016 | RA 10767 The Comprehensive Tuberculosis Elimination Plan Act | Healthcare, Technology, Research and Development, and Governance (overlaps with characteristic 2) | Focuses on increasing investments for TB prevention, treatment, and control. Under the said comprehensive plan, appropriate technologies shall be developed and applied to diagnose and treat TB. Linkages with local and international organizations shall also be strengthened to expand research, advocacy, and education, and to acquire funding assistance for the said activities. | Regional Centers for Health Development shall also be strengthened to facilitate the provision of free laboratory services through DOH-retained hospitals, to give reliable supply of drugs to patients for free, and to train and enhance capability of health providers in both public and private hospitals, among others. PhilHealth is also mandated under this law to expand its benefit package for TB patients such that new, relapse, and return-after-default cases are included, as well as the extension of treatment. |
| 2017 | (Amended) RA 10932 Anti-Hospital Deposit Law                 | Healthcare  | Increases the sanctioned penalties for the refusal of health facilities to administer initial medical treatment and support in emergency or serious cases.   | RA 10932 identifies the financing source of the emergency health care, at least for the poor, by mandating PhilHealth to reimburse health facilities for the cost of basic emergency care and transportation services provided to indigent patients.   |
| 2017 | RA 11036 Mental Health Act                                   | Healthcare  | Provides a national policy framework on mental health including the promotion of mental health   | It also mandates the development and integration of various mental health  |

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|      |   |  | awareness in educational institutions, in the workplace, and in communities, and defines the rights of mental health service users, their family members and legal representatives, and of mental health professionals.   | services into the general health delivery system. |
| 2017 | HB 5784 and SB 1896 Universal Health Coverage (UHC) Act   | Healthcare   | Seeks to guarantee every Filipino their right to health by providing financially accessible, responsive, and comprehensive health services.   |   |
| 2019 | RA 11223 Universal Health Care (UHC) Law  | Healthcare   | The law automatically enrolls all Filipino citizens in the National Health Insurance Program. It also aims to create an integrated and comprehensive approach for ensuring health literacy, good living conditions, and protection from various hazards and risks. This is to be achieved through a comprehensive set of quality and cost-effective health services targeted to the needs of the population that cannot otherwise afford such services. The law covers all types of health services—preventive, curative, rehabilitative, and palliative. |   |
| 2018 | SB 1618 and HB 4630 Philippine eHealth Systems and Services Act   | Healthcare, ICT  | Institutionalizing a National eHealth System that will guide and regulate eHealth practices in the Philippines. This includes defining the scope of eHealth services and solutions, setting interoperability standards, and regulating related infrastructure and human resources, among others   |   |
| 2016 | Rules and Regulation for the Research and Development, Handling and Use, Transboundary Movement, Release into the Environment and Management of Plant and Plant Products Derived from the Use of Modern Biotechnology | Agriculture, Science and Technology, and Research and Development (overlaps with characteristic 2) | The background for this joint circular is the ongoing development and dissemination of modern biotechnology products based on genetically modified organisms (GMOs) in the Philippines  |   |

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| 2017 | Abolition of the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR) through Memorandum Order 13                 | Agriculture  | QUEDANCOR was created in 1978 to accelerate growth and development, particularly in the rural areas, through credit resources and sustainable guarantee system in agriculture.  | Recommended by the Commission on Good Governance |
| 2017 | Sugar Regulatory Administration's Sugar Order 3 putting the importation of high fructose corn syrup (HFCS)             | Agriculture, Trade, and Tariffs (overlaps with characteristics 1, 2, and 5)  | Importers of HFCS are now required to obtain a classification of their product prior to clearance from the Bureau of Customs. The classification follows the standard sugar categories, namely, B for domestic market, C for reserved, and D for world market.  |  |
| 2018 | RA 10969 Free Irrigation Law   | Agriculture  | Farmers with landholdings of 8 hectares (ha) and below are entitled to free irrigation. As such, the free irrigation program will contribute to the lowering of production cost and further relieve the farmers and irrigators' associations from the burden and consequence of unpaid irrigation service fees, which is in line with the government's policy to promote comprehensive rural development. |  |
| 2016 | RA 10861 An Act Establishing of a Provincial Fisheries and Aquatic Resources Training, Development, and Product Center | Fisheries and Aquatic Resources, Research and Development, and Governance (overlaps with Characteristic 2)             | Aims to benefit the fisheries subsector in the covered provinces and adjacent areas. The streamlining of the activities of these new centers with the fisheries related training, development, and product activities of the LGUs in selected provinces.  |  |
| 2016 | DENR AO 2016-26 Guidelines for the implementation of the Coastal and Marine Ecosystem Management Program (CMEMP)       | Fisheries and Aquatic Resources, Research and Development, and Science and Technology (overlaps with Characteristic 2) | Aims to comprehensively manage, address, and effectively reduce the drivers and threats of degradation of the coastal and marine ecosystems.  |  |
| 2019 | Executive Order 53 Creation of the Boracay Interagency Task Force  | Fisheries and Aquatic Resources, Tourism, MSMEs (overlaps with characteristic 4)                                       | Water pollution, solid waste accumulation, and other environmental violations prompted the administration to declare a state of calamity in   |  |

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|      |  |   | Malay and push for the temporary closure of Boracay Island for six months.  |  |
| 2016 | Philippine Master Plan for Climate Resilient Forestry Development  | Forestry  | Aims to strengthen resilience of forest ecosystems and communities to climate change, effectively respond to demands for forest ecosystems goods and services, and promote responsive governance.   |  |
| 2017 | DENR AO 2017-08 Guidelines in implementing the transition of the department's programs and projects into green economy models (GEMs).      | Forestry, minerals, services, Tourism, and MSMEs (overlaps with characteristic 4) | Covers all development and rehabilitation programs in forest, mining, and coastal areas. At the same time, it will provide employment in the agriculture, industry, and services sectors and contribute to environmental preservation, protection, and production of an environmental product or service that will serve as a cornerstone for a community enterprise. |  |
| 2017 | DENR AO 2017-05 Biochar Program  | Forestry, and Narrowing the Development Gap (overlaps with characteristic 4)      | Calls for the utilization of agricultural waste into marketable products for green energy, soil enhancement, mine rehabilitation, and poverty alleviation.  |  |
| 2018 | RA 11038 Expanded National Integrated Protected Areas System Act of 2018   | Forestry, and Minerals  | Strengthens policy on protected areas, adding 94 new areas to the 113 previously declared national parks  |  |
| 2018 | DENR AO 2018-08  | Forestry  | Guidelines were issued for the logging ban in Southern Leyte  |  |
| 2016 | DENR Memorandum 2016-01  | Minerals  | Required all operating and suspended mines to undergo audit to check their compliance with environmental protection laws and identify erring operators.   |  |
| 2016 | Mines and Geosciences Bureau (MGB) Memorandum Circular 2016-05 Guidelines On Offshore Mining For Responsible Offshore Minerals Utilization | Minerals, and Science and Technology  | The circular covered mining operations, mine decommissioning, and mine rehabilitation in offshore areas within the Philippine territory and its exclusive economic zone (EEZ) and extended continental shelf.   |  |
| 2016 | RA 10757 An Act Reducing The Retirement Age Of Surface Mine  | Minerals, Labor (overlaps with characteristic 2)                                  | Amending For The Purpose Article 302 Of Presidential Decree No. 442, As Amended,  |  |



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|      | Workers From Sixty (60) To Fifty (50) Years  |  | Otherwise Known As The “Labor Code Of The Philippines”  |   |
| 2016 | MGB declared that mining companies will not be allowed to transport and export ores if they will not be able to secure ISO 14001 certification by April 2016 | Minerals, transport of goods (overlaps with characteristics 1 and 2) | This deadline for the ISO processing was mandated under DENR DAO 2015-07 that institutionalizes an environmental management system that ensures the adherence of local mining operations to international standards, particularly ISO 14001 certification, as a measure of responsible mining in the country.   | The ISO certifies that the mining company observes international standards of keeping the environment safe while doing its business.  |
| 2017 | DENR AO 2017-10  | Minerals   | Banning open-pit mining for copper, gold, silver, and other complex ores in the country   | As a result, more than half of the mining operations in the country received suspension and/or closure orders. It was claimed that open-pit mines cause perpetual liabilities and drastic impacts on the environment. |
| 2018 | RA 11256 Act to Strengthen the Country’s Gross International Reserves (GIR)  | Minerals and Trade (overlaps with characteristic 1)                  | This would allow the BSP to increase its purchases of domestic gold and improve the level of the country’s GIR, further improving the country’s primary buffer against external economic shocks.  |   |
| 2018 | DENR Memorandum Circular 2018-05   | Minerals   | Clarified that small-scale mining areas or <i>minahang bayan</i> are not included in the moratorium on the approval and processing of new mining projects. Department Order 2018-13 lifted the moratorium on all applications for exploration permits, allowing prospective companies to explore natural lands. Additional safeguards were set in place through DENR Administrative Order 2018-19, stating guidelines for additional environmental measures for operating surface metallic mines. |   |
| 2017 | Philippine Energy Plan (PEP) 2017–2040   | Energy   | Comprehensive roadmap or programs and projects of the energy sector to ensure sustainable, stable, secure, sufficient, accessible, and reasonably priced energy.  |   |

| 2017  | EO 30 Energy Projects of National Significance (EPNS)               | Energy, Governance (overlaps with characteristic 2)                      | Expects to facilitate timely and efficient implementation of power projects that normally takes time due to the lengthy processes involved.   | Creation of the Energy Investment Coordinating Council, which is tasked to spearhead and coordinate national government efforts and to harmonize, integrate, and streamline regulatory procedures affecting EPNS  |
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| 2019  | RA 11285 Energy Efficiency and Conservation Act                     | Energy   | Institutionalizes energy efficiency and conservation as a national way of life, and which gears towards the efficient and judicious utilization of energy by formulating, developing, and implementing energy efficiency- and conservation plans and programs to secure sufficiency and stability of energy supply in the country to cushion the impact of high prices of imported fuels to local markets and protect the environment in support of the economic and social development goals of the country. |   |
| 2018  | RA 11234 Energy Virtual One-Stop Shop [EVOSS] Act                   | Energy, PPP, and Ease of Doing Business (overlaps with characteristic 2) | Ensures the quality, reliability, and security of energy at reasonable cost by undertaking measures to guarantee that supply meets demand in a timely manner.   | Recognizes the indispensable role of the private sector in power generation, transmission, and distribution by attracting new power generation, transmission, or distribution projects through an improved ease of doing business index, and reducing high transaction costs associated with copious requisites for proponents. |
| 2018  | RA 11039 Electricity Cooperatives Emergency and Resiliency Fund Act | Energy   | Mandates the creation of an electric cooperatives emergency and resiliency fund.  |   |
| <b>AEC Characteristic 4:</b> Resilient, Inclusive, People-Oriented and People-Centered ASEAN<br><b>Key Result Areas:</b> (1) Strengthening the Role of Micro, Small, and Medium Enterprises; (2) Strengthening the Role of the Private Sector; (3) Public-Private Partnership; (4) Narrowing the Development Gap; (5) Contribution of Stakeholders on Regional Integration Efforts.<br><b>Indicators:</b> 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 (%). |   |  |   |   |
| Year  | Policy  | Area   | Description   | Remarks   |

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| 2016 | Philippine Development Plan (PDP), Executive Order (EO) 5 series of 2016         | Narrowing the Development Gap   | This is the 25-year long-term vision that will serve as guide to development planning. This policy supports harnessing the productive capacity of the country's most important resource— people  |   |
| 2016 | RA 10868 The Centenarians Act of 2016  | Social Protection or Narrowing the Development Gap (Elderly)                          | which honors Filipino centenarians by granting them additional benefits and privileges. Through this law, Filipinos who reach 100 years old shall be given a cash gift amounting to PHP 100,000.00. Centenarians shall also be given recognition during the annual National Respect for Centenarians Day, on which they shall also receive cash incentive from their respective local governments. |   |
| 2017 | HB 5811The Magna Carta for the Poor  | Social Protection or Narrowing the Development Gap (Poor)                             | Provides for the prioritization of programs for the poor including recognition of their fundamental rights—food, employment and livelihood, free relevant quality education, shelter, and basic health services and medicines. It also mandates for the creation of a National Poverty Reduction Plan.   |   |
| 2019 | Magna Carta of the Poor Law  |   |  |   |
| 2018 | RA 11337 Innovative Startup Law  | Science and Technology, Innovation, ICT, MSMEs (overlaps with characteristic 2 and 3) | Grants incentives and removes constraints to promote the establishment and operation of innovative new businesses and businesses crucial to growth and expansion of the Philippine industrial sector.  |   |
| 2018 | RA 11310 An Act Institutionalizing The Pantawid Pamilyang Pilipino Program (4ps) | Social Protection or Narrowing the Development Gap (Poor)                             | “the national poverty reduction strategy and a human capital investment program that provides conditional cash transfer to poor households for a maximum period of seven years, to improve the health, nutrition, and education aspect of their lives”.  | The program targets farmers, fisherfolk, the homeless, indigenous people, and those in informal sector and in geographically isolated and disadvantaged areas, such as areas without electricity, provided they pass the abovementioned criteria. |
| 2016 | SB 1079 the Environmental Health Research Act                                    | Research and Development, Healthcare, Narrowing the Development Gap (Women),          | Aims to improve women's health by establishing multidisciplinary research centers on women's health and disease prevention which seeks to provide maternal and neonatal care to  |   |

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|      |   | labor participation (overlaps with characteristics 2 and 3)   | underprivileged women through the establishment of birthing centers and training of traditional birth attendants. Related to this bill, several proposed legislations aim to support women's labor market participation and to improve maternal health and family life after child birth.   |  |
| 2018 | SB 1537 Healthy Nanay and Bulilit Act   | Healthcare, Social Protection or Narrowing the Development Gap (Women) (overlaps with characteristic 3)   | Sims to scale up nutrition during the first 1,000 days of life through a strengthened integrated strategy for maternal, neonatal, and child health nutrition.   | It aims to provide for a comprehensive, sustainable, and multisectoral approach to address health and nutrition problems of newborns, infants and young children, lactating women, and adolescent females. |
| 2019 | RA 11210 105-Day Expanded Maternity Leave   | Healthcare, Social Protection or Narrowing the Development Gap (Women) (overlaps with characteristic 3)   | An Act Increasing the Maternity Leave Period to One Hundred Five (105) Days for Female Workers With an Option to Extend for an Additional Thirty (30) Days Without Pay, and Granting an Additional Fifteen (15) Days for Solo Mothers, and for Other Purposes   |  |
| 2017 | BALAI Filipino (Building Adequate, Livable, Affordable, and Inclusive Filipino Communities) Program | Social Protection or Narrowing the Development Gap (Housing)  | Housing strategy intended to accelerate housing production especially for families displaced by the government's infrastructure program as well as other households living in unacceptable housing conditions.  |  |
| 2019 | RA 11201 An Act Creating the Department of Human Settlements and Urban Development                  | Governance, Social Protection or Narrowing the Development Gap (Housing) (overlaps with characteristic 2) | "primary national government entity responsible for the management of housing, human settlement, and urban development". The law also mandates it as the "sole and main planning and policymaking, regulatory, program coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to and affordability of basic needs". |  |

| 2018  | "Build, Build, Build" program                         | Infrastructure, Tourism, Businesses, Trade (overlaps with other characteristics) | Aims to boost economic growth in the short run and sustain growth in the long run by ensuring that the economy has the needed physical capital to enable business, trade, and tourism.  |  |
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| <b>AEC Characteristic 5: A Global ASEAN</b><br><b>Key Result Areas:</b> (1) Develop a more strategic and coherent approach towards external economic relations; (2) Continue to review and improve ASEAN FTAs and CEPs; (3) Enhance economic partnerships with non-FTA Dialogue Partners; (4) Engage with regional and global partners to explore strategic engagement; (5) Continue strongly supporting the multilateral trading system and actively participating in regional fora; and (6) Continue to promote engagement with global and regional institutions.<br><b>Indicators:</b> 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 |   |  |   |  |
| Year  | Policy  | Area   | Description   | Remarks  |
| 2016  | Individual Action Plan (IAP) in response to APEC 2015 | Economic Relations   | During the Philippines' hosting of the APEC Summit in 2015, the Renewed APEC Agenda for Structural Reform (RAASR) was adopted by the leaders with the aim to "undertake robust, comprehensive and ambitious structural reforms to reduce inequality and stimulate growth in their economies, and contribute to APEC's overarching goal to promote balanced, inclusive, sustainable, innovative and secure growth" | APEC Services Competitiveness Roadmap and its Implementation Plan (2016–2025) were also adopted in 2016. An offshoot of the APEC Services Cooperation Framework endorsed by the leaders in 2015, the roadmap aims to increase APEC competitiveness in the services sector by 2025. |

Sources: PIDS 2016-2017 Economic Policy Monitor, PIDS 2017-2018 Economic Policy Monitor, and PIDS 2018-2019 Economic Policy Monitor