

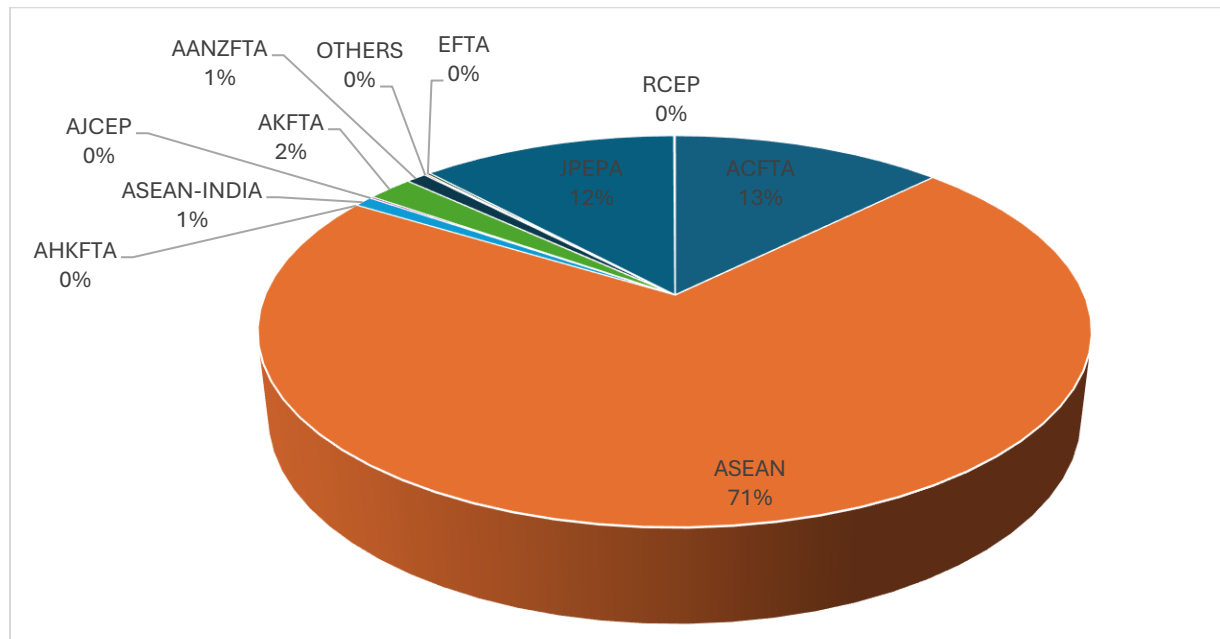
Inputs to the Senate Special Oversight Committee on the Regional Comprehensive Partnership (RCEP) Agreement

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1. We are grateful to the Senate Special Oversight Committee on the RCEP Agreement for the opportunity to provide some inputs on the implementation of RCEP. It is important to note, however, that PIDS is not an implementing agency and our inputs are related to an analysis of available data that captures the implementation of RCEP.
2. Data from Philippine Customs on imports in 2023 allows us to capture how much of the imports of the Philippines is undertaken under preferential agreements. Figure 1 shows that in 2023, majority (71%) of the imports of the Philippines undertaken under FTA, is utilizing ASEAN. This is followed by ACFTA (13%) and JPEPA (12%). RCEP only has less than 1/10th of 1 percent.

Figure 1. Distribution of imports under FTA by preference type, 2023



Source: Author's calculations using Customs data, 2023

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3. Despite this dismal performance, it can be observed from the data that RCEP has opened opportunities for importation of “new” products from ASEAN plus Three (APT) partner countries. For the case of Japan, Table 1 shows that AHTN0304490000 and AHTN38085999000 have been imported under the RCEPJP agreement and not through any other preferential agreement available to Japan (i.e. AJCEP and JPEPA)

Table 1. Value of selected Imports (USD) by Preferential agreement available to Japan, 2023

	AJCEP	JPEPA	RCEPJP	Total
AHTN CODE				
03044900000			7,504	7,504
03071200000		40,746	3,157	43,903
03072200000		1,658,600	2,901	1,661,501
29039100000		328,400	387,364	715,764
38085999000			95,360	95,360
38089290000		2,156,144	2,680,957	4,837,101
39069099000	97,680	5,879,683	5,520	5,982,883
57032990000	20,487	128,680	69,938	219,106
84186950000		55,398	7,181	62,579
84186990000		290,745	96,350	387,095
Total	363,984,894	28,293,280,216	3,356,231	28,660,621,342

Source: Author’s calculations using Customs data, 2023

The products which the Philippines imported under RCEP which have not been imported under any codes from Japan are:

- **AHTN 03044900** - This code is designated for "Fish fillets, frozen, other than fish fillets of the species Bregmacerotidae, Euclichthyidae, Gadidae, Macrouridae, Melanonidae, Merlucciidae, Moridae, and Muraenolepididae". Essentially, it includes frozen fish fillets from a variety of species that are not covered by the more commonly listed families in trade tariffs. This broad categorization can encompass a wide range of fish types used across the food industry.
- **AHTN 38085999** - This code pertains to "Pesticides, not elsewhere specified or included". It is a general classification for various chemical or biological agents meant to deter, incapacitate, kill, or otherwise discourage pests, but that don't fall under more specific pesticide categories already listed in the tariff nomenclature. Products under this code could include a wide variety of agricultural or household pesticides not explicitly mentioned in other specific entries.

4. In addition, there are also products that have been significantly imported more under RCEP than AJCEP or JPEPA such as the following (See Table 1):

- **AHTN 29039100** - This code is used for Halogenated derivatives of acyclic hydrocarbons containing only bromine as the halogen. This category typically includes substances like Bromomethane (Methyl Bromide) and other brominated hydrocarbons. These chemicals are used in various applications including as solvents, in chemical synthesis, and in some cases, as agricultural pesticides (though the use of some, like Methyl Bromide, has been heavily restricted due to environmental concerns).
- **AHTN 38082900** - This code pertains to "Insecticides, rodenticides, molluscicides, and similar products, not elsewhere specified or included." This broad category covers a range of chemical agents designed to control or eliminate unwanted pests and animals that are not classified under more specific headings. Products under this code are used in agriculture to protect crops, in public health to control disease vectors, and in buildings and infrastructure to manage pest populations.

5. Meanwhile, the same pattern can be observed for Korea. There is one product imported under RCEP but was not imported under the AKFTA (See Table 2). There are also products that were significantly imported under RCEP. These are the following:

AHTN 55132100 - This code typically refers to yarns made from synthetic staple fibers. More specifically, it represents yarns of synthetic staple fibers (other than sewing thread), not put up for retail sale, containing 85% or more by weight of polyester staple fibers, not dyed. This kind of product is often used in the textile industry for making fabrics or garments.

AHTN 39081090 - This code is associated with polyamide (nylon) in primary forms, but more specifically, it usually denotes polyamides that are not elsewhere specified or included in other tariff categories. These polyamides can be used in various industries, including automotive for parts manufacturing, textiles for synthetic fabrics, and other technical applications due to their strength and durability.

AHTN 291732 - This code corresponds to o-phthalic acid and its salts. o-Phthalic acid, also known as phthalic anhydride when in an anhydrous form, is primarily used in the production of plasticizers, which are then used to make flexible PVC products like cables, hoses, and vinyl flooring. It is also utilized in the production of polyester resins and coatings.

Table 2. Value of selected Imports (USD) by Preferential agreement available to South Korea, 2023

		PREF_CODE	
AHTN	AKFTA	RCEPKR	Total
29103000000	167,896	77,882	245,778
29173200000	224,480	287,775	512,255
38249999000	1,011,470	92,564	1,104,034
39014000000	948,041	38,666	986,707
39081090000	427	410,426	410,853
39093110000	372,742	33,631	406,374
39259000000	385,305	179,511	564,816
55132100000		30,153	30,153
63071090000	231,012	18,417	249,429
73259920000	284,656	160,572	445,228
90212990000	111,630	35	111,665
Total	5,120,370,852	1,329,631	5,121,700,483

Source: Author's calculations using customs data, 2023

- Finally, for China, There are a number of products that were imported under RCEP but were significantly less imported under ACFTA, which signifies RCEP opening the Philippines to these new products.

The top 10 of these products are the following:

AHTN 48025521000 - This code could correspond to a specific type of light-weight coated paper, possibly with more precise specifications related to weight or use.

AHTN 48025899000 - This code might denote another type of paper or paperboard, not elsewhere specified, which could indicate a particular type of finish, coating, or intended use.

AHTN 48025629000 - Similar to the first, this code is likely another subcategory of light-weight coated paper, with particular characteristics or applications that differentiate it from other paper products in its category.

AHTN 90303310000 - This code generally relates to electrical machines and apparatus having individual functions, not specified or included elsewhere. It could refer to instruments for measuring or checking voltage, current, resistance, or power, with a specific function or application.

AHTN 70052190000 - Typically, this code is associated with glass, and more specifically, it would refer to non-wired glass sheets that are colored throughout the mass (body tinted), opacified, flashed, or having an absorbent, reflective, or non-reflective layer, used for various construction or decorative purposes.

AHTN 68129190000 - This code is related to fabricated asbestos fibers; mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate; articles of such mixtures or of asbestos, for example, thread, woven fabric, clothing, headgear, footwear, gaskets, whether or not reinforced, not elsewhere specified or included.

AHTN 84283310000 - This would refer to other lifting, handling, loading, or unloading machinery; specifically, it could denote continuous-action elevators and conveyors for goods or materials, designed for specific uses.

AHTN 48162090000 - This code typically identifies self-copy paper, not put up for retail sale. It is paper that can make copies without using a copying machine, often used for invoices and receipts.

AHTN 31053000000 - This code relates to fertilizers, specifically diammonium phosphate, which is a compound used extensively in agriculture.

Table 2. Value of selected Imports (USD) by Preferential agreement available to China, 2023

AHTN	ACFTA	RCEPCN	Total	RCEP/ACFTA*100
48025521000		33,213.20	33,213.20	
48025899000	379.06	15,824	16,203	40.74537
48025629000	98,079.70	1,114,199	1,212,279	10.36014
90303310000	34,998.20	305,720	340,718	7.735306

70052190000	102,900	467,065	569,965	3.539018
68129190000	4,795.77	16,177.10	20,972.90	2.373202
84283310000	42,034.70	91,805.40	133,840	1.184038
48162090000	60,121.20	130,200	190,322	1.165625
31053000000	10,072,728	20,357,696	30,430,424	1.021071

Source: Author's calculations using Custom Data, 2023

7. What could be driving these results? While it would need a more detailed understanding of the mechanisms for importation of these products, it would seem that the RCEP provides simpler avenues for importation that allows for these products to be imported into the country.
8. To summarize, the following are also initial observations based on the 2023 data:
 - Shifting from using existing FTAs to RCEP will be slow.
 - RCEP opened new opportunities to import products not recently being imported.
 - RCEP also opened new avenues to import products using more lenient ROOs. These may have implications for the following:
 - Expansion of Philippine manufacturing base
 - Lower cost of production inputs
 - More products in the market implies lower prices which would benefit consumers.
9. As a caveat, it is important to consider that these are just based on a snapshot of the importation of the Philippines for one year. There needs to be a more detailed analysis of the data over time. There is also a need to analyze the counterfactuals of the trade agreement to form robust conclusions about the effects of the agreement.