

Opportunities for the Philippines under RCEP: Trade in Services

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RCEP
Regional
Comprehensive
Economic
Partnership

Australia
Brunei
Cambodia
China
Indonesia
Japan
Laos
Malaysia
Myanmar
New Zealand
Philippines
Singapore
South Korea
Thailand
Vietnam



Outline of Presentation



Overview of the Research



Brief Literature Review



Research Design and Methodology



Results and Discussion



Conclusions and Recommendations

Regional Comprehensive Economic Partnership (RCEP)



Stalemate in global trade negotiations
resulting to greater RTAs



RCEP as a deep and forward-looking
agreement

Rationale and Motivation



Opportunities
in RCEP

ASEAN's
centrality

Trade in
services

Problem Statement

How can RCEP expand and deepen the contributions of trade in services in the Philippine economy through the commitments made by signatory economies?

Research Objectives

To identify and review specific commitments of ASEAN's FTA partners joining the RCEP in terms of trade in services, particularly on market access and national treatment;

To compare these commitments on market access and national treatment, and evaluate whether these are relevant to the needs of the Philippines;

To identify specific additional benefits in trade in services that the Philippines can reap from RCEP, if any;

To provide analytical information for policymakers on the significance of RCEP that will generate recommendations on how the Philippines can harness the benefits from this economic agreement in terms of trade in services.

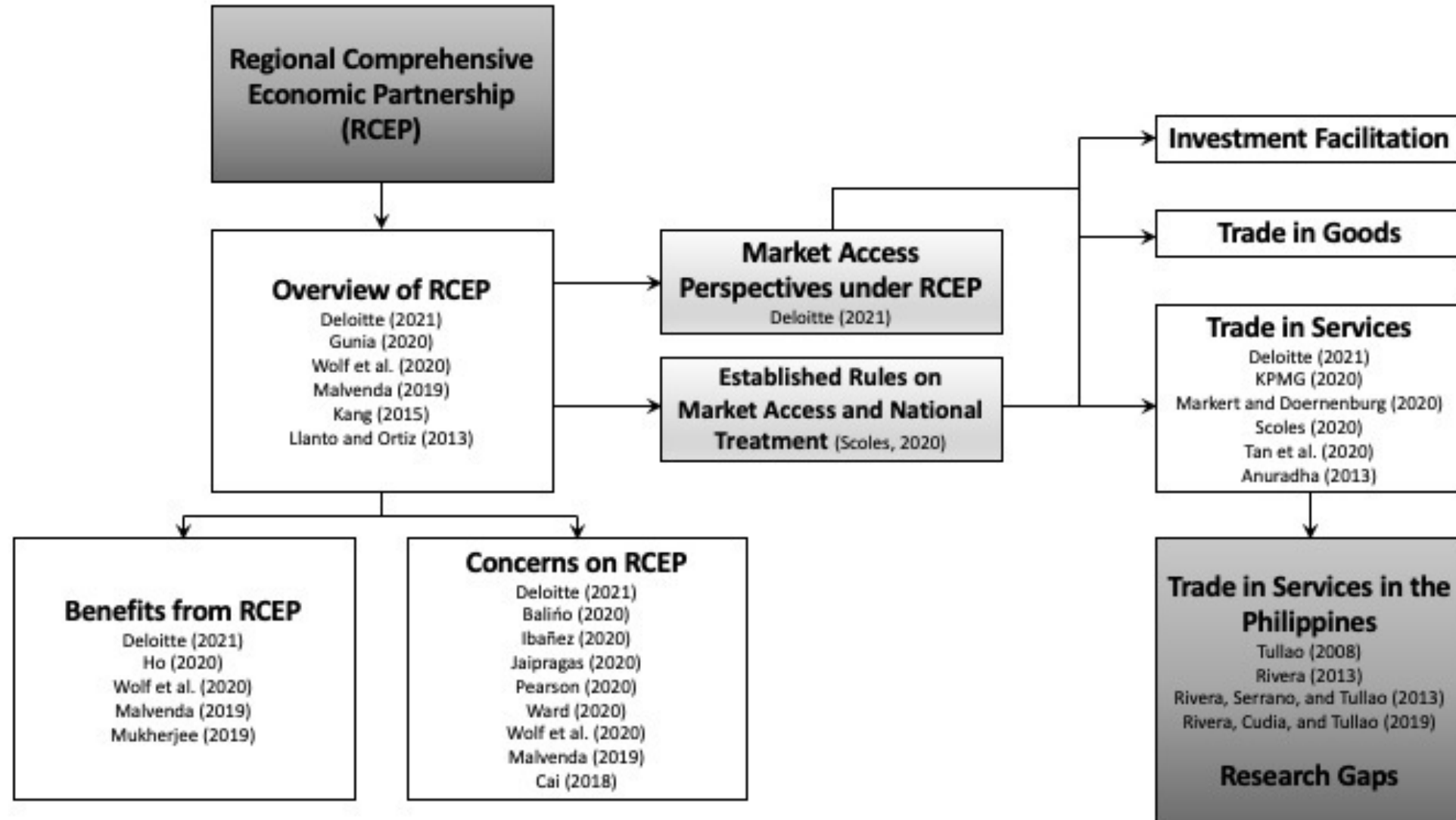
Scope and Limitation

- ASEAN vis-à-vis ASEAN FTA partners or non-ASEAN signatory economies of RCEP (Australia, China, Japan, Korea, New Zealand)
- Trade in Services
 - GATS Mode of Supply
 - Mode 1: Cross-border transaction (digital education services)
 - Mode 2: Consumption abroad (tourism)
 - Mode 3: Commercial presence (business services)
 - Mode 4: Movement of natural persons (professional services)

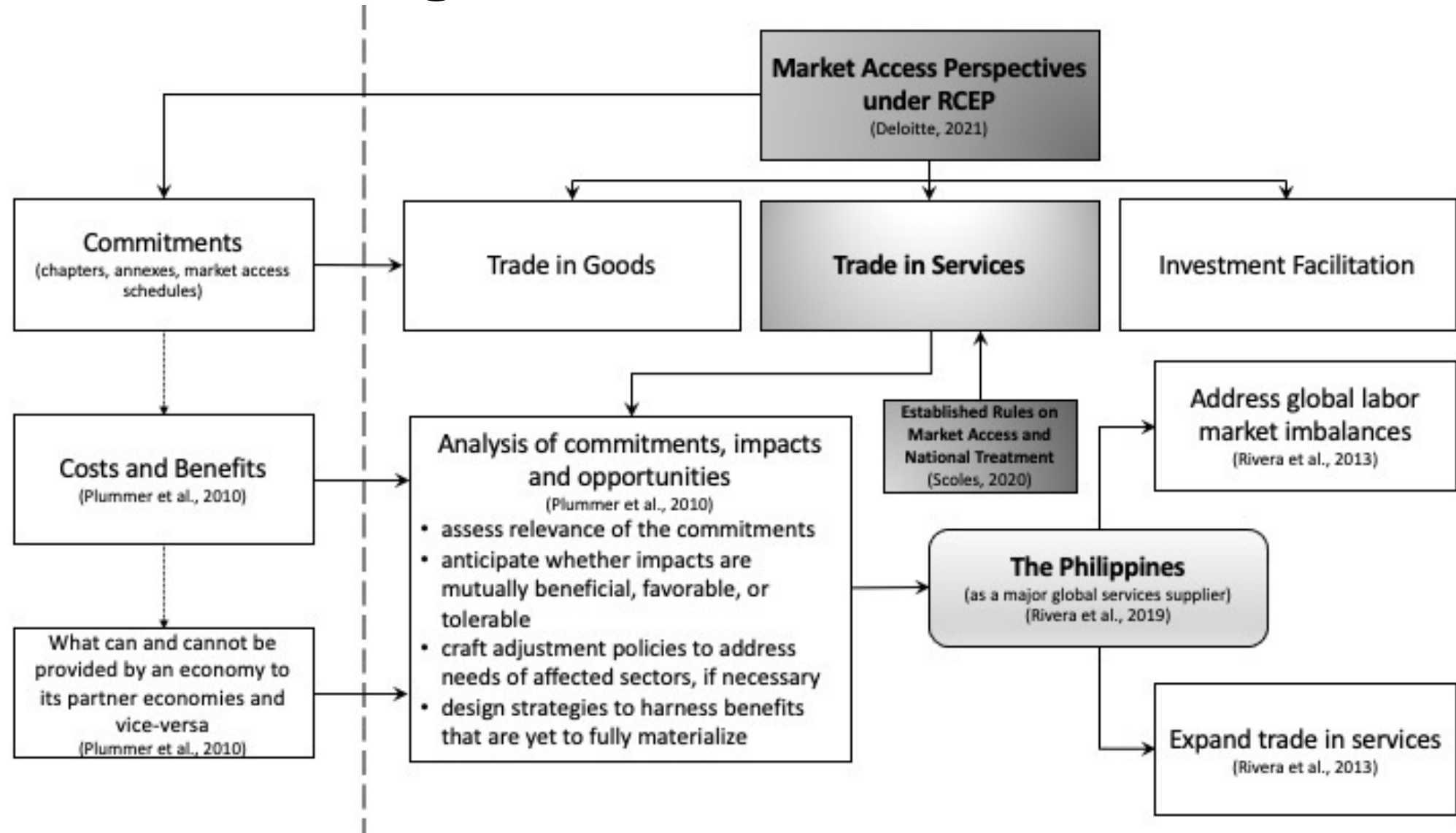
Significance of the Study

- Because the Philippines is currently a major global services provider, the RCEP can facilitate a significant growth in trade in services.
- Explicate the relevance of RCEP to the Philippines to provide a basis for its participation.

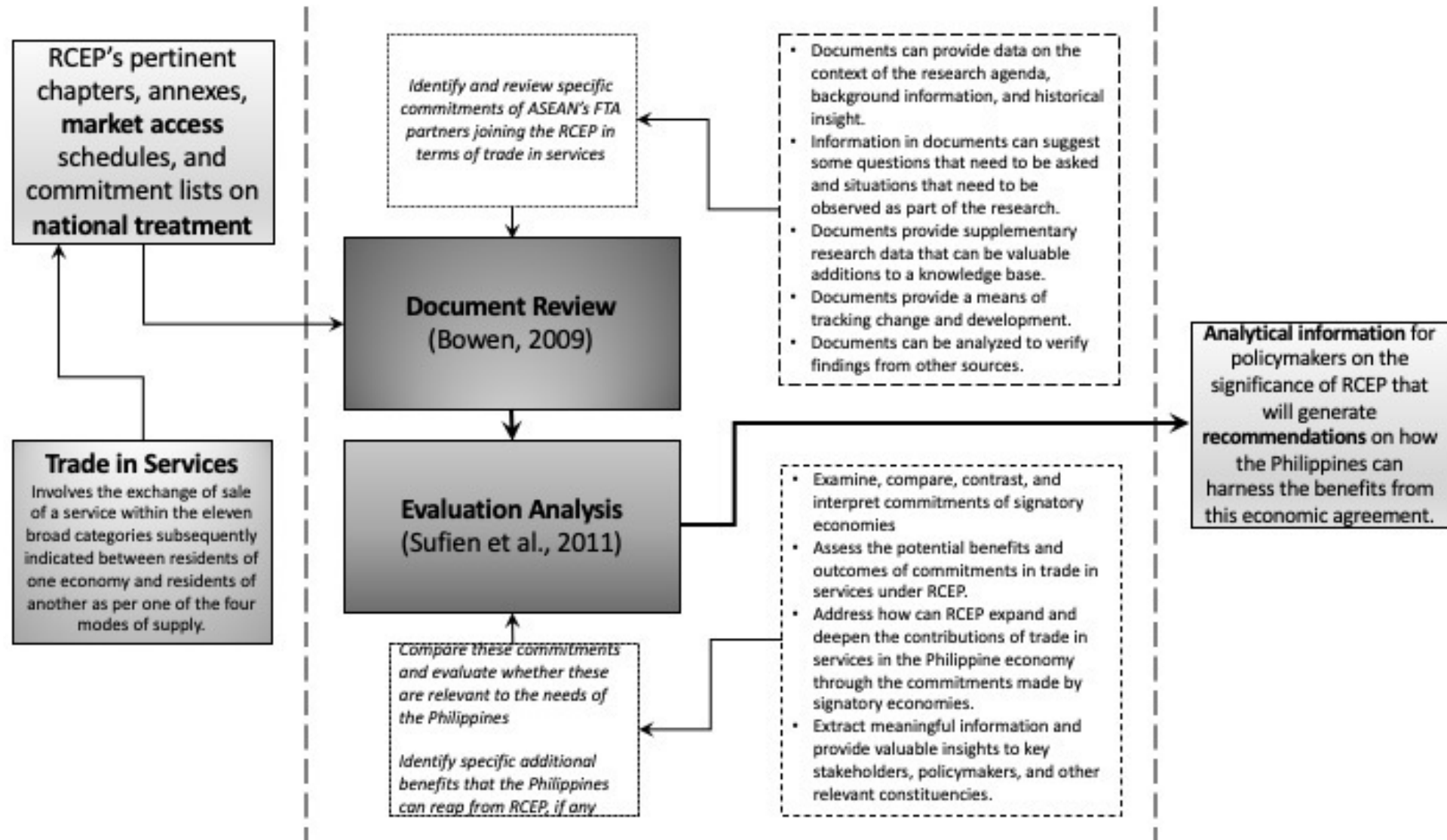
Literature Review



Research Design



Methodology



Framework of Analysis

STRENGTHS
(Internal)
Comparative advantage of the Philippines in services

WEAKNESSES
(Internal)
Limitations on market access and national treatment imposed by the Philippines towards other participating economies; inherent characteristics of the Philippine services sector that discourage foreign investors to enter the Philippines.

OPPORTUNITIES
(External)
Additional commitments of non-ASEAN signatory economies of RCEP above their respective FTAs with ASEAN

THREATS
(External)
Limitations on market access and national treatment imposed by non-ASEAN signatory economies of RCEP.

Results and Discussion
Opportunities

Table 1. Additional commitment of non-ASEAN signatory economies in RCEP relative to trade arrangement with ASEAN Member States

Economies	Mode 1 (digital education services)	Mode 2 (tourism)
Australia	x	x
China	x	x
Japan	x	x
Korea	x	x
New Zealand	x	x

Note: Tabulated by authors. See details in Appendix 1 and Appendix 2.

Results and Discussion
Opportunities

Table 1. Additional commitment of non-ASEAN signatory economies in RCEP relative to trade arrangement with ASEAN Member States

Economies	Mode 3 (business services)
Australia	x
China	✓
Japan	x
Korea	x
New Zealand	x

Note: Tabulated by authors. See details in Appendix 1 and Appendix 2.

Results and Discussion
Opportunities

Table 1. Additional commitment of non-ASEAN signatory economies in RCEP relative to trade arrangement with ASEAN Member States

Economies	Mode 4 (professional services)
Australia	✓
China	✓
Japan	✓
Korea	✓
New Zealand	✓

Note: Tabulated by authors. See details in Appendix 1 and Appendix 2.

Results and Discussion
Threats

Table 2. Limitations on market access and national treatment imposed by non-ASEAN signatory economies in RCEP

Economies	Mode 1 (digital education services)		Mode 2 (tourism)		Mode 3 (business services)		Mode 4 (professional services)	
	MA	NT	MA	NT	MA	NT	MA	NT
Australia	✓	✓	✗	✗	✓	✗	✗	✓
China	✓	✓	✗	✗	✓	✓	✓	✓
Japan	✓	✓	✗	✗	✓	✓	✓	✓
Korea	✓	✓	✗	✓	✓	✓	✓	✓
New Zealand	✗	✗	✗	✗	✗	✗	✓	✓

Note: MA – market access; NT – national treatment.

Source: Tabulated by authors. See details in Appendix 3.

Results and Discussion

Strengths

Table 3. Strengths of the Philippines in business and professional services

Area	Strengths in business services	Strengths in professional services
Competitiveness	Competitive cost structures relative to other service suppliers with business sophistication and innovation capability	Higher participation in tertiary education; Competitiveness of Filipinos driven by the pursuit of tertiary degrees as vehicle to secure job opportunities and ascend the professional ladder – this is reinforced by advancements to modernize the Philippine education system designed to empower Filipinos personally and professionally.
Language proficiency	World-class (business) English-language proficiency, particularly verbal skills	World-class (business) English-language proficiency, particularly verbal skills
Cultural adaptability	Cultural affinity; close familiarity with Western culture; anglophonic culture and religious system	Cultural affinity; close familiarity with Western culture; anglophonic culture and religious system

Results and Discussion

Strengths

Table 3. Strengths of the Philippines in business and professional services

Area	Strengths in business services	Strengths in professional services
Human resource development / human capital	<p>Labor supply that can perform both technology and business services; capacity to produce knowledge and technology outputs; availability of a critical mass of service providers that are skilled, creative, and educated; large domestic market scale of service providers;</p>	<p>Competencies of Filipino professionals are comparable with other AMS allowing them to participate in the regional mobility of professionals, as per ASEAN MRAs (in terms of education, curriculum, training; assessment and examination; accreditation; and certification and licensing). The MRAs of selected professions have compelled intensive human resource development for Filipinos.</p>
Government Participation	<p>Clear commitment from key government agencies to partnership and reform (i.e., shared duty to improving baseline mapping, initiating research activities, establishing effective governance structures and investment models).</p>	<p>Government has been active in further expanding access and participation in tertiary education (e.g., free college education) while continuously improving the quality of education (developmental policies by the Commission on Higher Education).</p>

Results and Discussion

Weaknesses

Table 4. Commitments of the Philippines in AEC and RCEP, and limitations on market access and national treatment under RCEP

Mode of Supply	Commitments in AEC	Additional Commitments in RCEP	Limitations on MA under RCEP	Limitations on NT under RCEP
Mode 1 (digital education services)	✓	✗	✓	✓
Mode 2 (tourism)	✓	✗	✗	✗
Mode 3 (business services)	✓	✗	✓	✓
Mode 4 (professional services)	✓	✓	✓	✓

Note: MA – market access; NT – national treatment.

Tabulated by Authors. See details in Appendix 4, Appendix 5, and Appendix 6.

Results and Discussion

Weaknesses

Table 5. Weaknesses of Philippines in business and professional services

Area	Weaknesses in business services	Weaknesses in professional services
Scalability	Potential bottlenecks in scaling labor in business services due to shortage of skills.	Potential bottlenecks in scaling labor in professional services due to shortage of skills.
Education and training	Skills shortage worsened by declining passing rate in licensure examination, limited continuing professional development (CPD), and inadequate research in business services	Skills shortage magnified by declining passing rate in licensure examination, regulatory than developmental CPD, inadequate research in professional services
Demography	While the Philippines enjoys demographic dividends due to a booming young and working population, the rapid demographic transition poses weaknesses. With older workers retiring, younger workers are taking over with very different priorities about who should do what work, where, when, and how work should be done.	While the Philippines enjoys demographic dividends due to a booming young and working population, there is a corresponding weakness. With older workers retiring, younger workers are taking over with very different priorities about who should do what work, where, when, and how work should be done.

Results and Discussion

Weaknesses

Table 5. Weaknesses of Philippines in business and professional services

Area	Weaknesses in business services	Weaknesses in professional services
Country branding and marketing	Relatively lower brand equity and marketing skills than neighboring economies. The Philippines is known more for its instability than its business services.	Relatively lower brand equity and marketing skills than neighboring economies. The Philippines is known more for its instability than its professional services.
Language and culture	Filipinos need foreign language training (other than English); Filipinos have different perspectives of work.	Filipinos need foreign language training (other than English); Filipinos have different perspectives of work.

Results and Discussion

Weaknesses

Table 5. Weaknesses of Philippines in business and professional services

Area	Weaknesses in business services	Weaknesses in professional services
Mobility cost	Requires resources to relocate employees from the Philippines	Requires resources to relocate professional service workers from the Philippines (which is borne by the receiving economy).
Legal	Lack of efforts to harmonize regulatory framework evidenced by hesitancy to relinquish control over standards and fully commit on inter-regional standardization.	Absence of MRAs for other professionals, both regulated and unregulated. For regulated professionals, only accountancy, architecture, dental, engineering, medical, and nursing services have MRA. For unregulated professions, only tourism and hospitality has an MRA.

Conclusions (Mode 1, 2, 3)

- No additional commitment by non-ASEAN signatory economies under Mode 1 and Mode 2
 - But Limitations on Market Access and National Treatment were made
- Only China made additional commitments under Mode 3
 - In general, China made more commitments in RCEP relative to other non-ASEAN signatory economies on top of its commitment in its regional FTA with ASEAN and its bilateral FTAs with respective ASEAN Member States.

Conclusions (Mode 4)

- All non-ASEAN signatory economies make additional commitments Mode 4 with accompanying limitations on Market Access and National Treatment
 - Commitments are geared towards facilitating easier entry and increasing length of stay.
 - Limitations reflect existing domestic regulations including requirements on the possession of relevant education, training, certification, and licenses as prescribed by country-specific standards and qualifications.
 - Scope of additional commitments did not deviate much from existing FTAs with ASEAN and respective ASEAN Member States.
- Therefore,
 - This makes RCEP a marginal trading arrangement that still provides additional benefits for participating economies.

Conclusions (Benefits for the Philippines)

- RCEP can provide additional **opportunities** for Filipinos to generate income by providing business and professional services to both AMS and non-ASEAN signatory economies of the RCEP.
 - Can only be harnessed by enhancing the Philippines' strengths in competitiveness, language proficiency, cultural adaptability, human capital, and government participation

Conclusions (Benefits for the Philippines)

- Philippines can view **limitations** as a call for government, academe, and professional organizations to upgrade educational systems, training, accreditation, certifications, licensing, and professional regulatory frameworks to enforce higher standards in delivering professional service.
 - Serve as challenge for business and professional service providers to continuously improve on their respective crafts to remain competitive.

Conclusions (Role of Government)

- Create developmental policies to further enhance strength on language proficiency and standards of education.
- Address weaknesses
 - constitutional limitations, domestic regulations, declining proficiency in business English relative to world rankings, declining quality of education and training due to the regulatory nature of quality assurance, limited graduate studies, among others.

Conclusions (Role of Government)

- Through RCEP, the Philippines can invite enterprises, investors, and professionals to go to the Philippines to engage in business, which can eventually develop human capital, infrastructure, tourism, and other industries that will enhance domestic productivity in the long run.
 - While liberalizing the economy to foreign players will compete with domestic enterprises and infant industries, protection can still be given.
 - Liberalization can be considered for industries where the Philippines has inadequacy, such as utilities, telecommunications, construction, and infrastructure.
 - These areas have been the country's key constraints.

Recommendations (1)

- **Reform domestic regulations and liberalize professions**
 - Liberalizing professions, where the Philippines has inadequate supply of, may stimulate skill base growth as more professionals can take part in key sectors that promotes faster local productivity growth

Recommendations (2)

- **Conduct research and development**
 - Build knowledge capital (i.e., accumulation of research and development) to stimulate:
 - technological development
 - generate patents
 - introduce innovations
 - drive economies of scale
 - create new methodologies that upgrade the practice of professions.

Recommendations (3)

- **Institute developmental CPD**

- Rather than mandating professionals to attend inconsequential seminars and unnecessary training for compliance, shift CPD programs towards lifelong education that will enhance the conduct of professional instruction and practice.

Recommendations (4)

- **Look into MRAs and domestic regulations**
 - View MRAs and domestic regulations as a motivating factor for professionals to upgrade their human resource dimensions that will make them comparable with professionals from other economies.
 - Compel higher education institutions to benchmark with partner economies in terms of curriculum design, teaching pedagogies, and learning outcomes so that education standards are also comparable

Recommendations (5)

- **Improve business environment in the Philippines**
 - Make the country attractive to foreign investors
 - Foreign investors can bring the following that the Filipinos can learn from, acquire, and adopt:
 - multitude of technologies and innovations
 - streamlined business practices
 - relatively wider networks and value chains

Recommendations (6)

- **Address market access and national treatment limitations and weaknesses in construction and telecommunications.**
 - Market access and national treatment limitations impede the entry of entities who can provide the Filipinos infrastructure that will facilitate higher productivity and accelerate economic growth

THANK YOU

SALAMAT

Tagalog / Filipino

شكرا

Arabic

고맙습니다

Korean

धन्यवाद

Hindi

ขอขอบคุณ

Thai

ありがとう

Japanese

TERIMA KASIH

Malay / Indonesian

ຂອບໃຈ

Lao

谢谢

Chinese

