

# Staying the Course on Regional Economic Integration

**ATTY. ALLAN B. GEPTY**

Assistant Secretary

Industry Development and Trade Policy Group

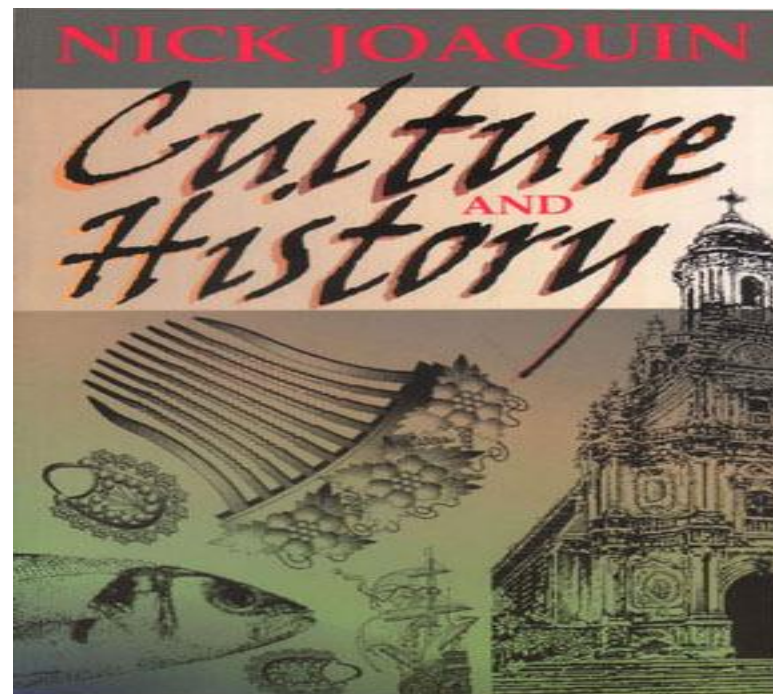


# Philippine Archipelago : A Trading Nation



*“[The porcelain shows] lack of technology on our part and, on the part of the Chinese, an exploitation of that technological ignorance...we should be so ashamed of them...our first obsession with the ‘imported’...”*

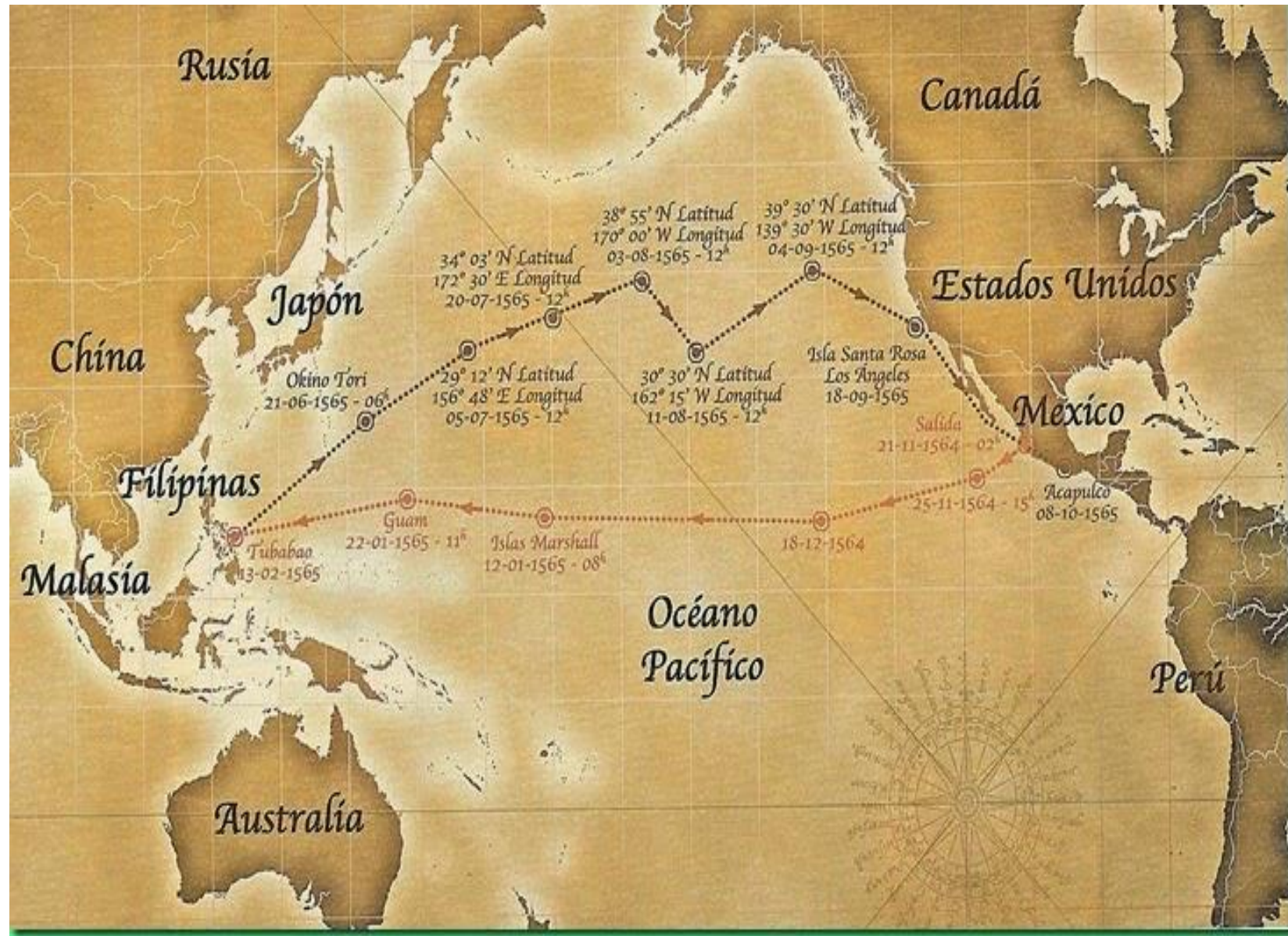
*“Even for Asia, the Philippines was ‘discovered’ in 1521.”*



*“[Filipinos should see] 1521 and 1565 not as the time of the coming of the West to our land but as the time of the coming into our culture of certain tools (wheel, plow, cement, road, bridge,...,etc.)”*



# Philippine Archipelago : A Trading Nation



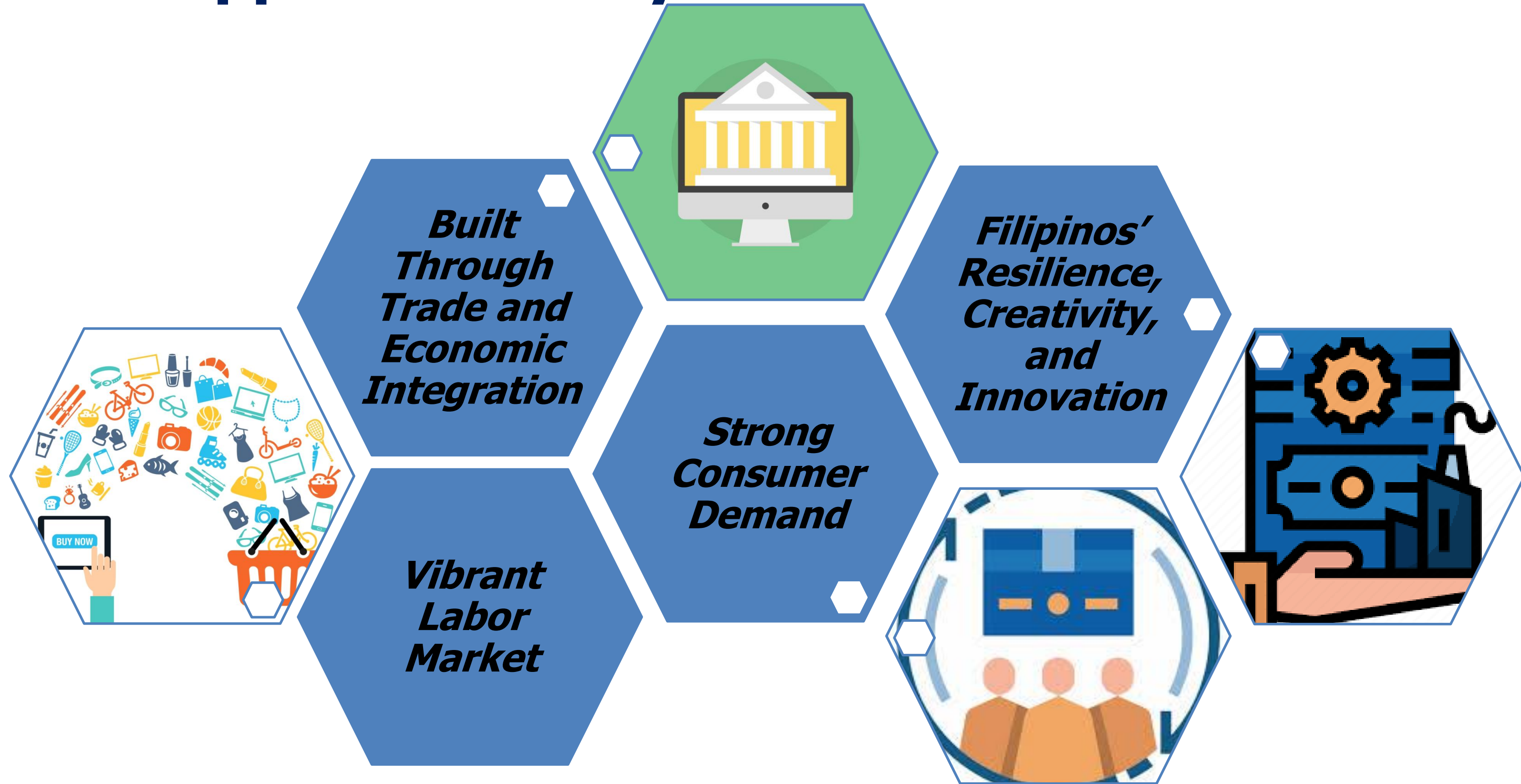
**# 15 MANILA GALLEON (& TRADE)** <sup>UNIT 4</sup>  
**EST. 1565 C.E.**



*The advent of international trade*

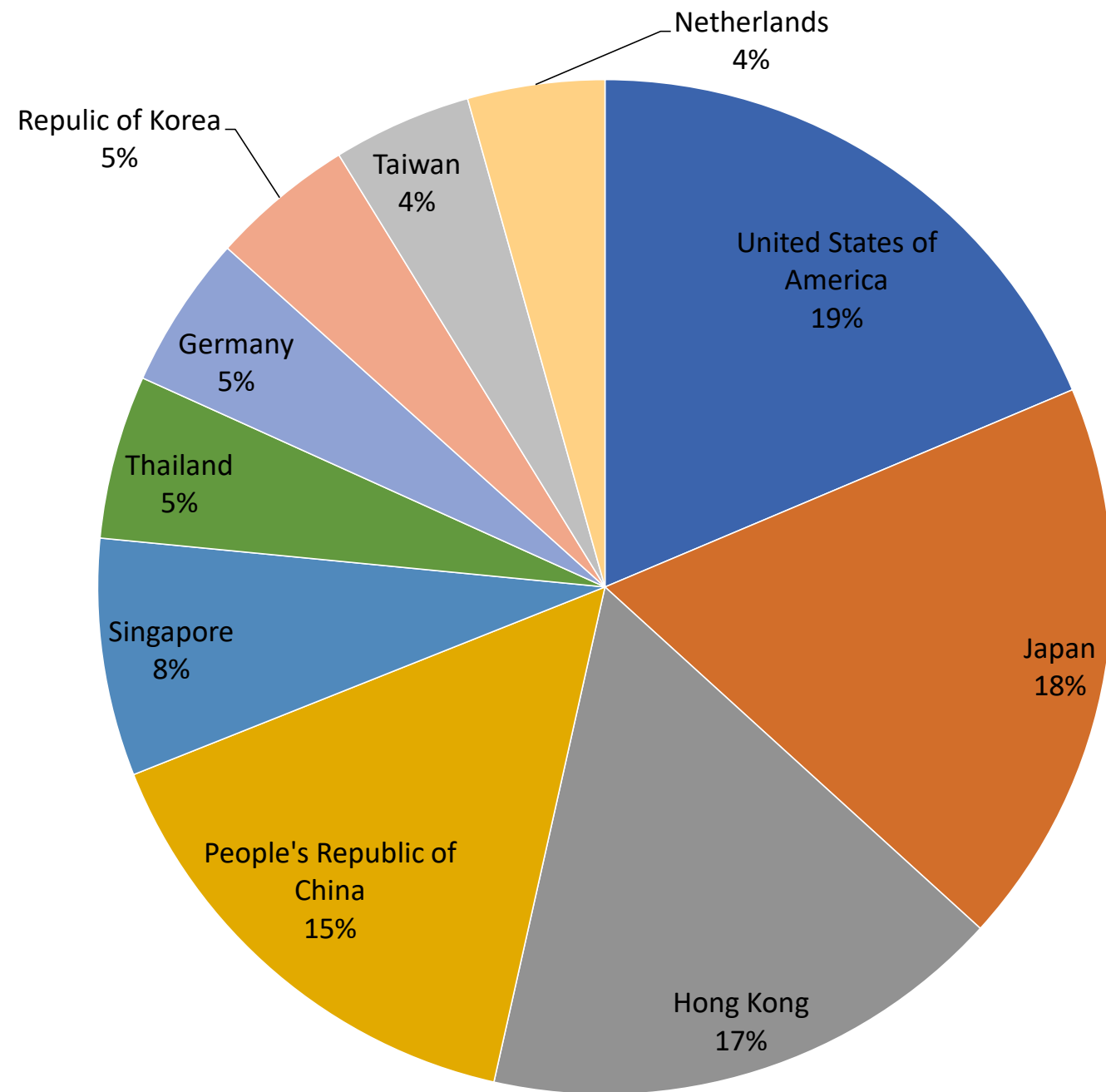


# The Philippine Economy



# PH Trade Data

## PH Top Export Markets: 2018



Source: PSA Foreign Trade Statistics

FOB Value in Million Dollars  
(Ranking by Total Trade for 2018)

Country	PH Exports	PH Imports	Trade Balance
China	8,816.26	22,014.95	(13,198.69)
Japan	10,322.06	10,818.23	(496.18)
US	10,635.87	8,062.10	2,573.77
Korea	2,608.43	11,311.76	(8,703.33)
Hong Kong	9,563.98	3,046.11	6,517.87
Thailand	2,974.94	7,786.51	(4,811.57)
Singapore	4,316.39	6,173.67	(1,857.28)
Taiwan	2,521.40	5,499.70	(2,978.30)
Indonesia	882.00	6,927.05	(6,045.04)
Malaysia	1,963.57	4,212.03	(2,248.47)

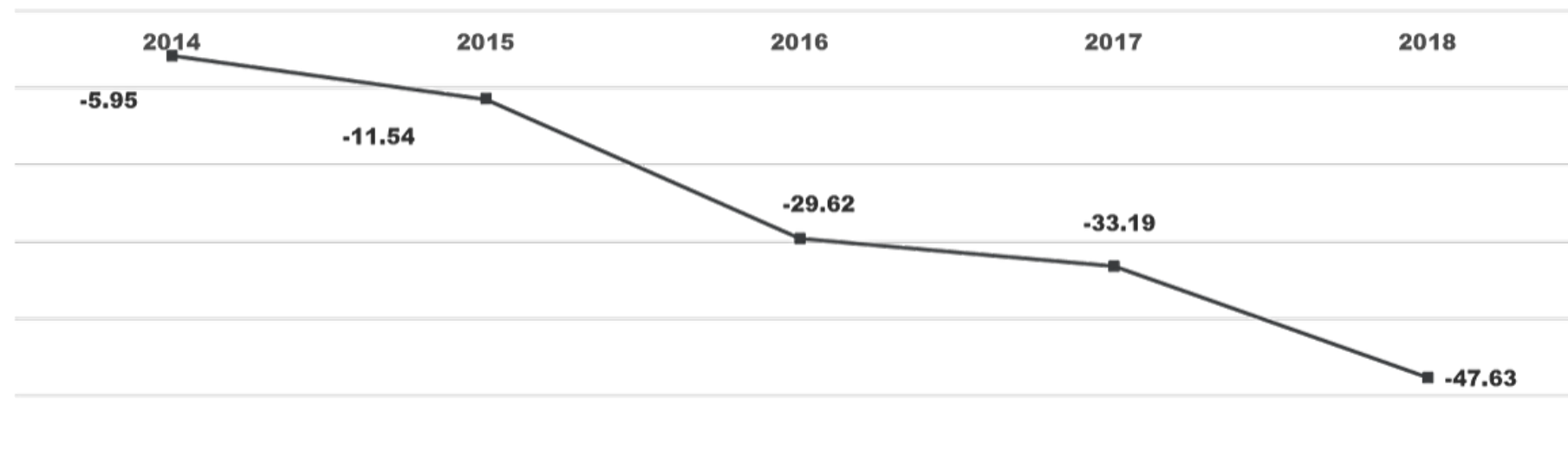
Source: PSA Foreign Trade Statistics

# THE PHILIPPINES AS A TRADING NATION

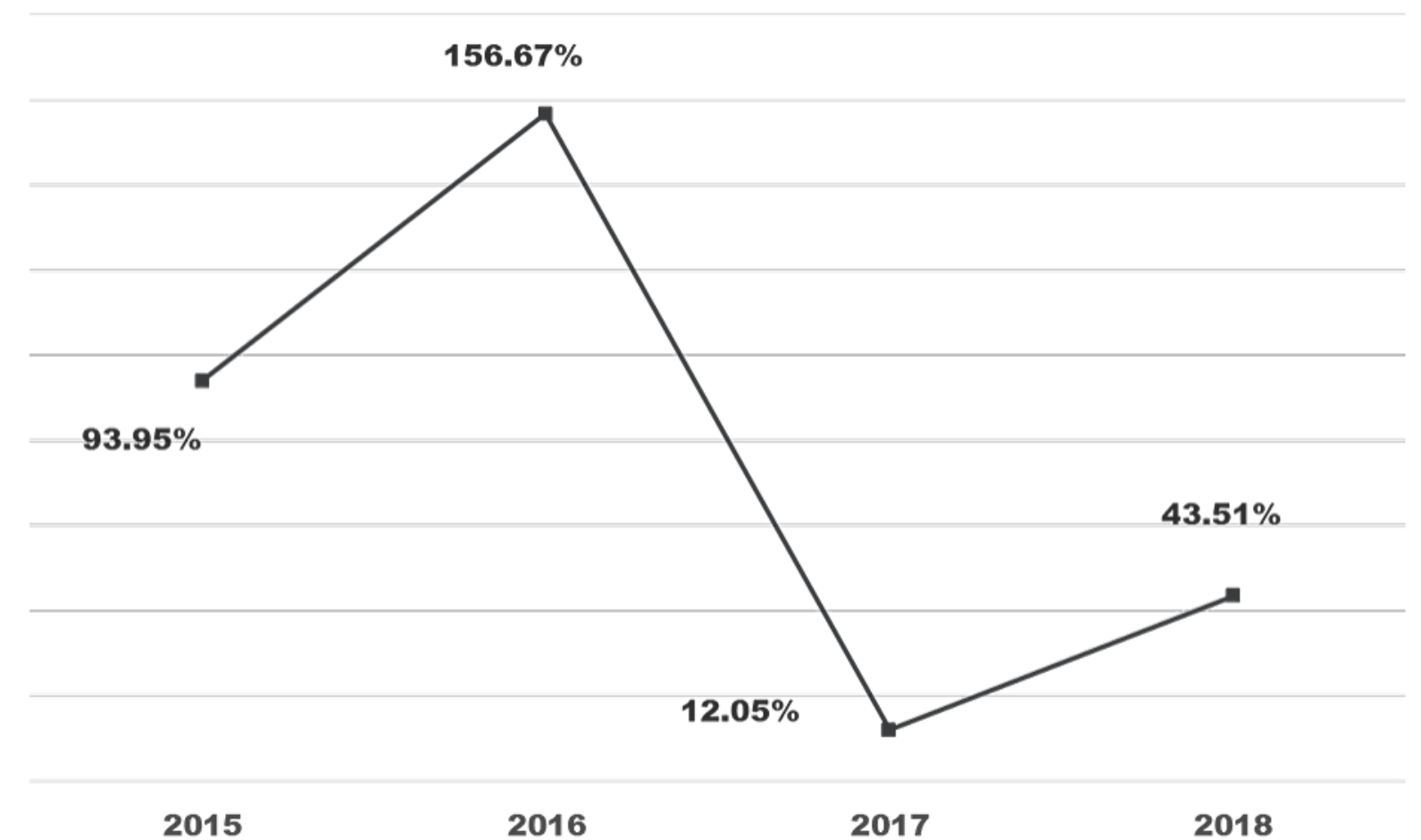
THE PHILIPPINES IS A NET IMPORTER

- PH trade deficit amounted to a total of US\$127.93 from 2014 to 2018.
- It increased at an average of 76.54%.

PH Trade Balance (US \$)



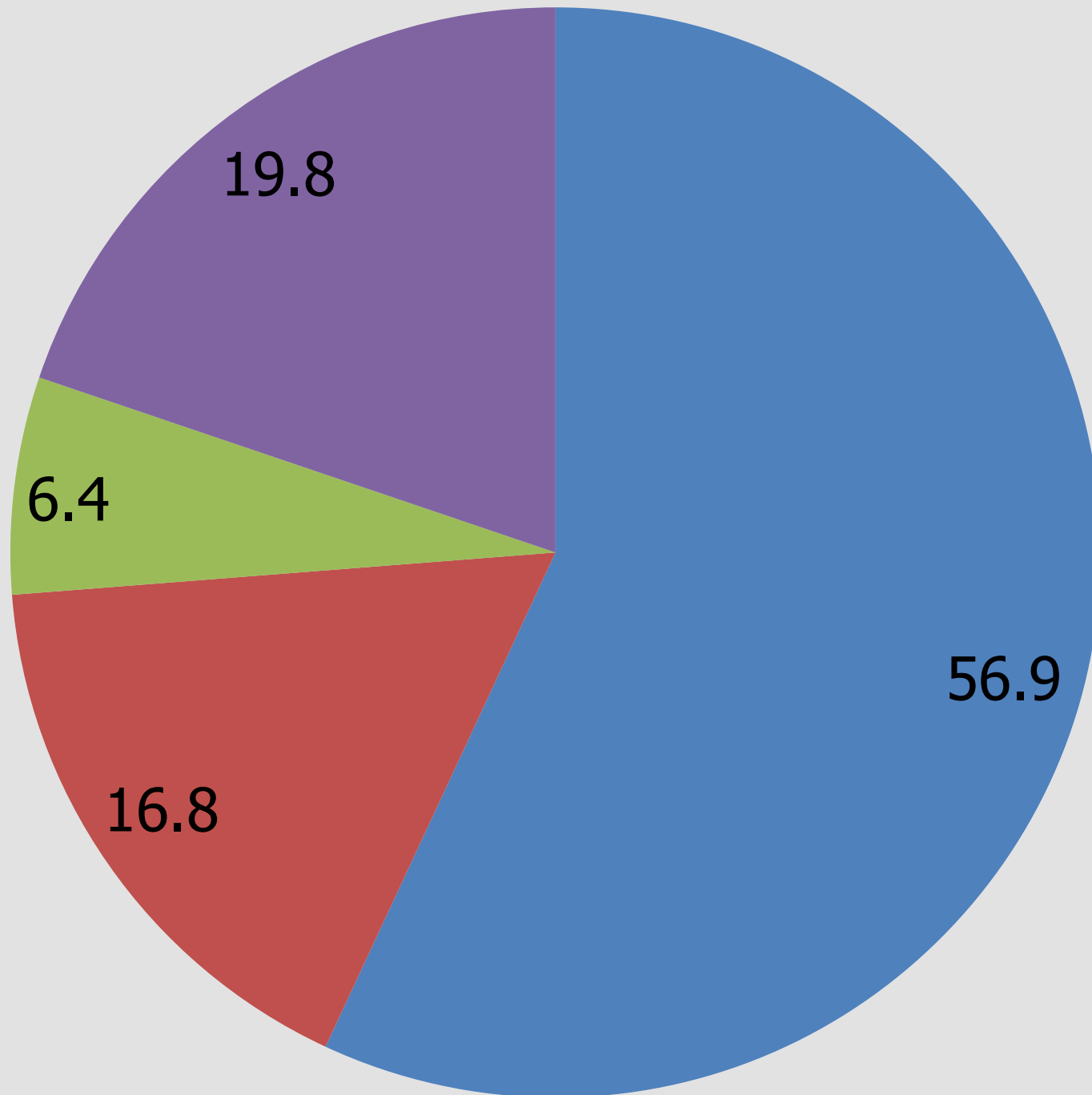
Growth Rate of PH Trade Balance



# PHILIPPINE TRADE DEFICIT

## % Share of Trade Deficit by End-Use

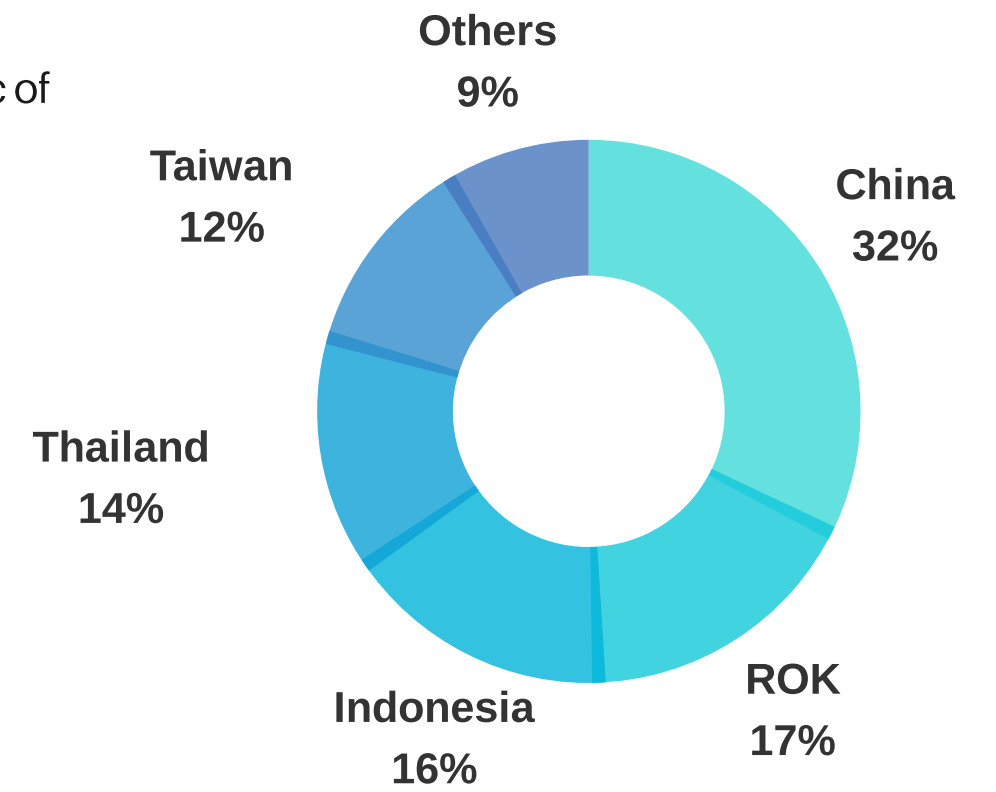
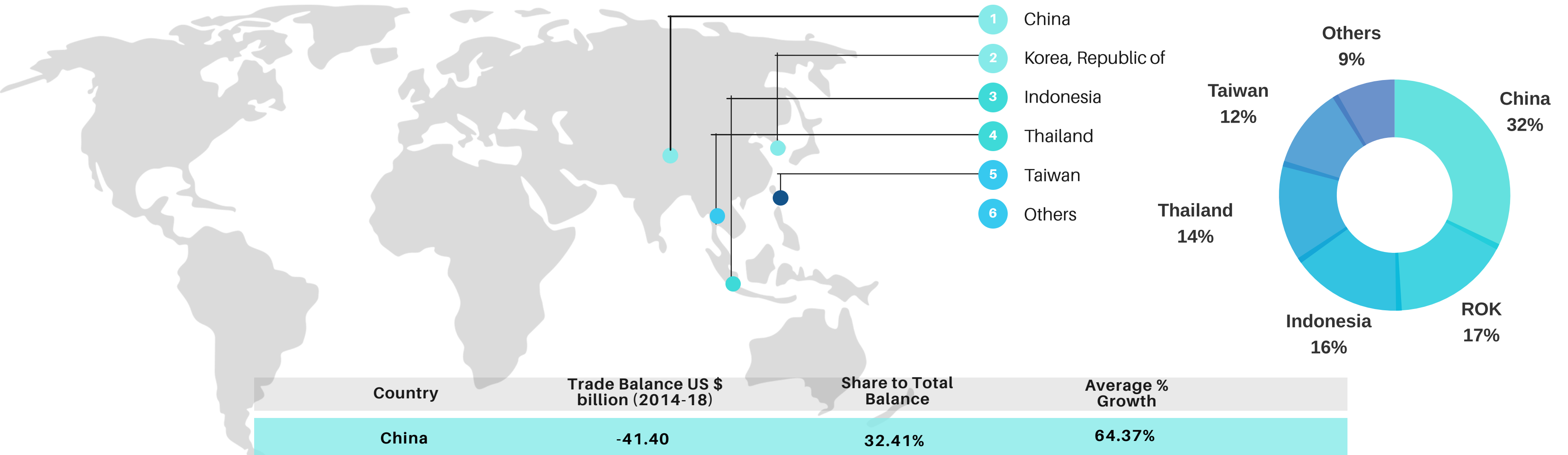
- Intermediate
- Consumption
- Capital
- Others nes



SOURCES OF PHILIPPINE TRADE DEFICIT (2018)				
Type of Good	Exports	Imports	Trade Deficit	% Share
<b>Intermediate</b>	46,319.75	73,390.36	(27,070.61)	56.9
<b>Consumption</b>	7,622.25	15,625.54	(8,003.28)	16.8
<b>Capital</b>	13,046.24	16,109.01	(3,062.78)	6.4
<b>Others nes</b>	499.43	9,913.10	(9,413.68)	19.8
<b>TOTAL</b>	<b>67.49</b>	<b>115.04</b>	<b>(47,550.35)</b>	<b>100.0</b>

Note: Other nes - goods that can be both industry and consumption (e.g. passenger cars). This definition is according to the EUN.

# TOP COUNTRIES CONTRIBUTING TO TRADE DEFICIT

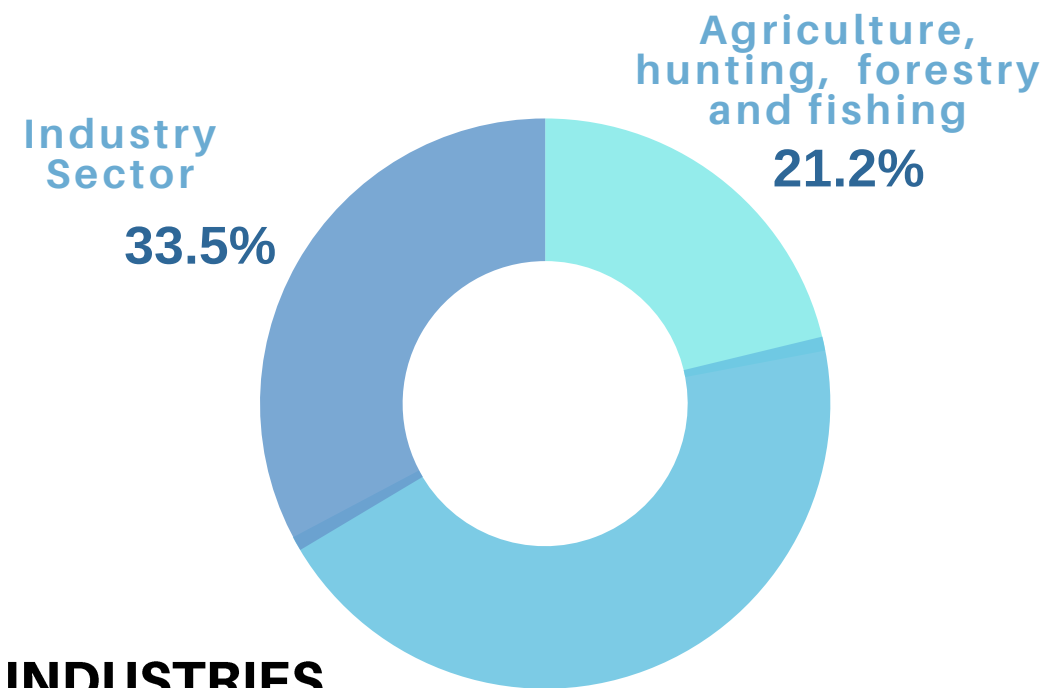


Country	Trade Balance US \$ billion (2014-18)	Share to Total Balance	Average % Growth
China	-41.40	32.41%	64.37%
Korea	-21.71	17.00%	43.85%
Indonesia	-20.97	16.42%	28.22%
Thailand	-17.57	13.75%	50.26%
Taiwan	-15.00	11.75%	13.58%
<b>Total of Top 5</b>	<b>-166.66</b>	<b>91.33%</b>	<b>37.84%</b>



# PHILIPPINE TRADE PERFORMANCE IN 1965

## TOP TRADING PARTNERS



## TOP INDUSTRIES

GDP by Industrial Origin, Percent Distribution

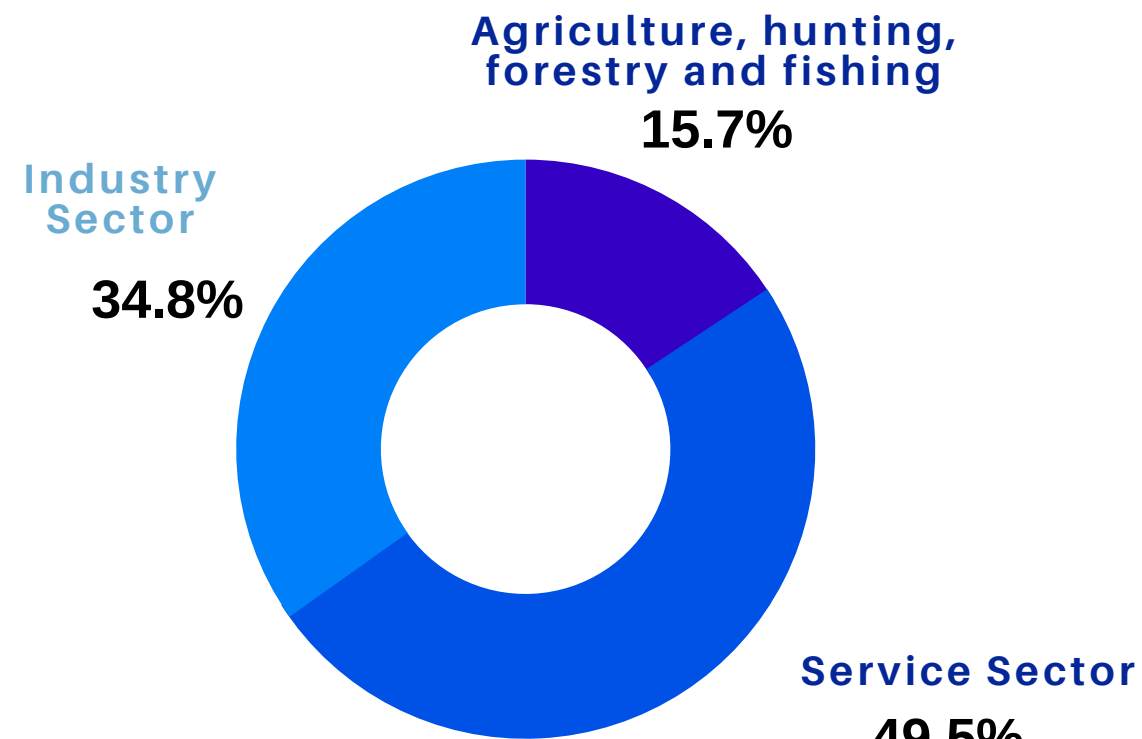
## TOP IMPORT PRODUCTS

- |  |   |
|--|---|
| 1 Machinery other than electronics               | 6 Electrical machinery apparatus and appliances                                   |
| 2 Cereals and cereal preparation                 | 7 Materials and articles for manufacture and re-export                            |
| 3 Base metals                                    | 8 Dairy products, eggs, and honey   |
| 4 Transport equipment                            | 9 Manufactures of metals  |
| 5 Mineral fuels lubricants and related materials | 10 Textile fibers (not manufactured into yarn, thread, or fabrics) and waste silk |

## TOP EXPORT PRODUCTS

- |   |  |
|---|--|
| 1 Oil-seeds, oil nuts, and oil kernels                      | 6 Fruits and vegetables  |
| 2 Sugar and sugar preparations                              | 7 Returned goods and special transactions  |
| 3 Wood, lumber, and cork                                    | 8 Wood and cork manufactures (excl. furniture)                                   |
| 4 Metalliferous ores and metal scraps                       | 9 Textile fibers (not manufactured into yarn, thread, or fabrics) and waste silk |
| 5 Animal and vegetable oils, fats, greases, and derivatives | 10 Tobacco and tobacco manufactures  |

# PHILIPPINE TRADE PERFORMANCE IN 1992



## TOP INDUSTRIES

GDP by Industrial Origin, Percent Distribution

## TOP TRADING PARTNERS



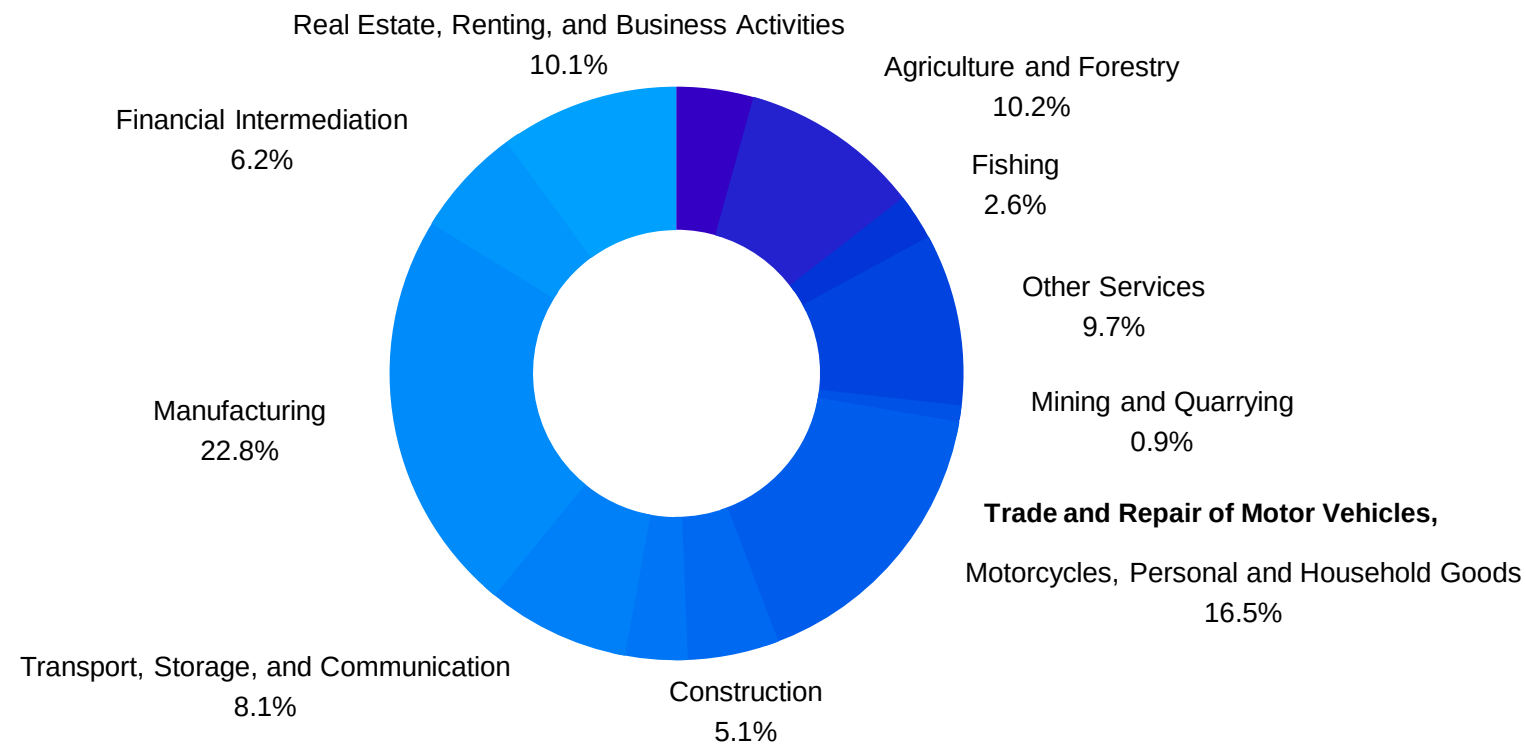
## TOP IMPORT PRODUCTS

- |  |                             |
|--|-----------------------------|
| 1 Electronic microasse                                 | 6 Transport equipment       |
| 2 Electronics and components                           | 7 Iron and steel            |
| 3 Power generating and Specialized machines            | 8 Crude materials, inedible |
| 4 Textile yarn, fabrics, and made-up articles          | 9 Chemical compounds        |
| 5 Telecommunication equipment and electrical machinery | 10 Artificial Resins        |

## TOP EXPORT PRODUCTS

- |  |   |
|--|---|
| 1 Articles of apparel and clothing accessories | 6 Cathodes and sections of cathodes, of refined copper                        |
| 2 Electronics and components                   | 7 Shrimps, prawns, fresh, chilled, or frozen                                  |
| 3 Coconut oil                                  | 8 Input/output/peripheral units whether presented with the rest of the system |
| 4 Woodcraft and furniture                      | 9 Other products manufactures from materias imported on consignment basis     |
| 5 Ignition wiring and other wiring sets        | 10 Bananas (fresh)  |

# PHILIPPINE TRADE PERFORMANCE IN 2008



## TOP INDUSTRIES

GDP by Industrial Origin, Percent Distribution

## TOP TRADING PARTNERS



## TOP IMPORT PRODUCTS

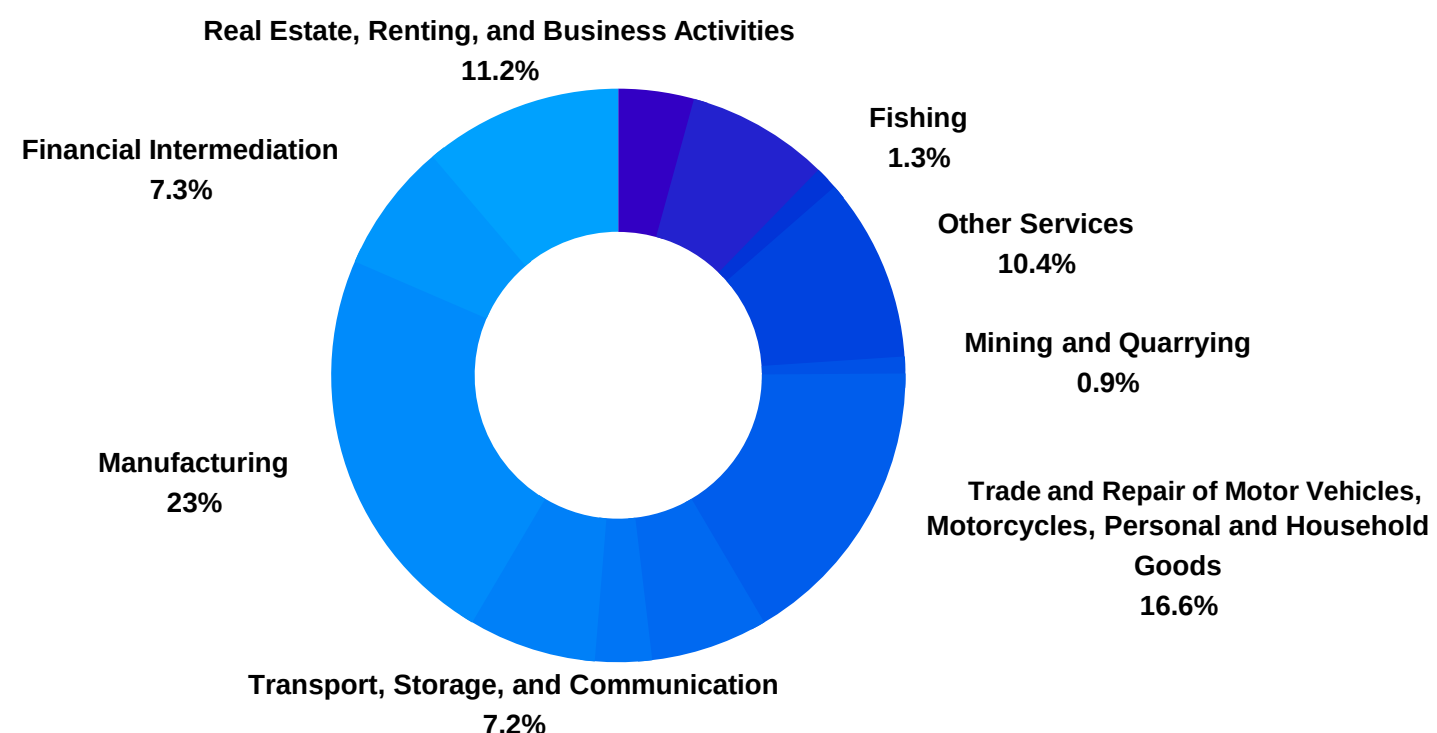
- 1 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders & reproducers, and parts & accessories of such art.
- 2 Mineral fuels, mineral oils & products of distillation; bituminous substances; mineral waxes
- 3 Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
- 4 Cereals
- 5 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
- 6 Iron and steel
- 7 Plastics and articles thereof
- 8 Organic chemicals
- 9 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
- 10 Residues and waste from the food industries; prepared animal fodder

## TOP EXPORT PRODUCTS

- 1 Electrical machinery and equipment and parts thereof
- 2 Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
- 3 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
- 4 Copper and articles thereof
- 5 Mineral fuels, mineral oils and products of their distillation;
- 6 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
- 7 Articles of apparel and clothing accessories, knitted or crocheted
- 8 Animal or vegetable fats and oils and cleavage products; prepared edible fats; animal or vegetable waxes
- 9 Wood and articles of wood; wood charcoal
- 10 Articles of apparel and clothing accessories, knitted or crocheted



# PHILIPPINE TRADE PERFORMANCE IN 2018



## TOP INDUSTRIES

GDP by Industrial Origin, Percent Distribution

## TOP TRADING PARTNERS



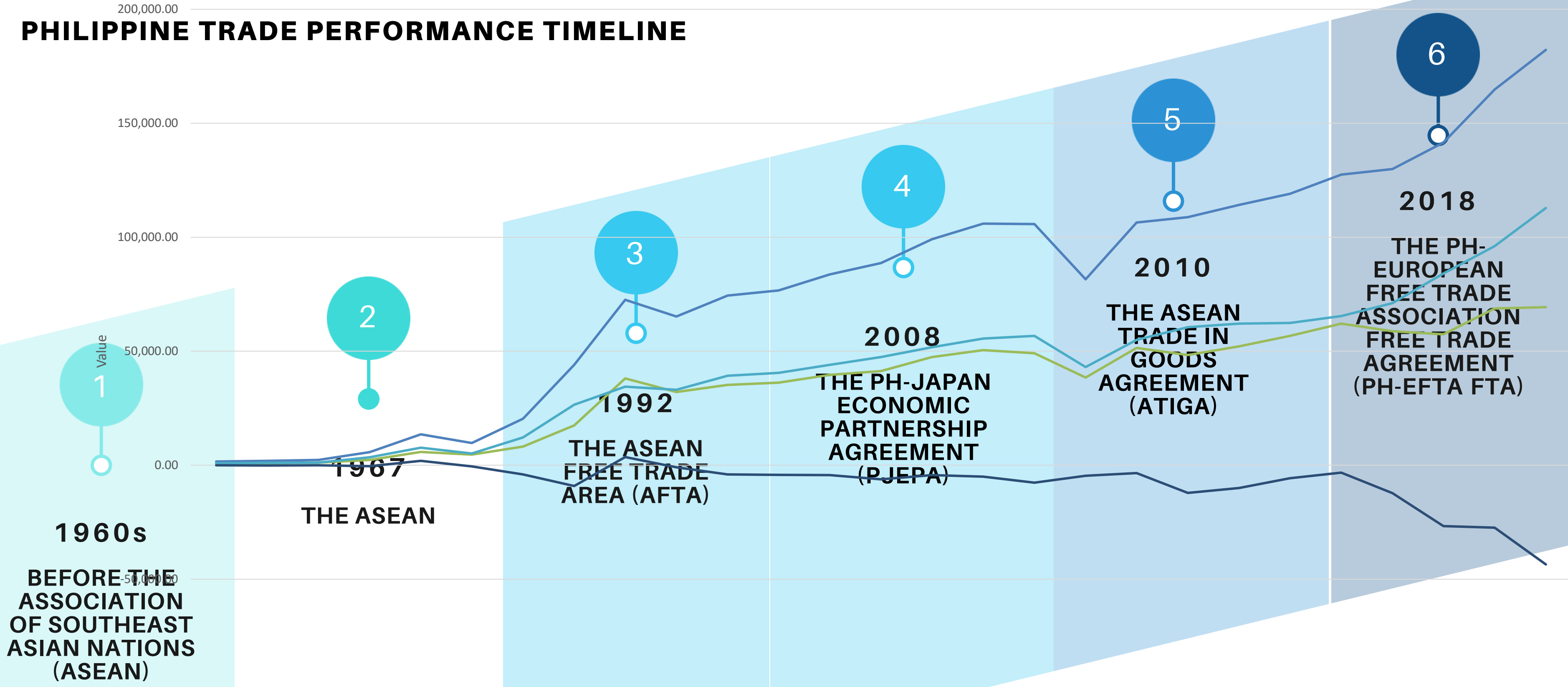
## TOP IMPORT PRODUCTS

- 1 Electrical machinery and equipment & parts thereof; sound recorders & reproducers, television image & sound recorders and reproducers, and parts and accessories of such articles
- 2 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
- 3 Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
- 4 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
- 5 Iron and steel
- 6 Plastics and articles thereof
- 7 Ores, slag and ash
- 8 Aircraft, spacecraft, and parts thereof
- 9 Articles of iron or steel
- 10 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof

## TOP EXPORT PRODUCTS

- 1 Electrical machinery and equipment and parts thereof
- 2 Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
- 3 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments & apparatus; parts & accessories
- 4 Edible fruit and nuts; peel of citrus fruit or melons
- 5 Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewelry; coin
- 6 Copper and articles thereof
- 7 Ores, slag and ash
- 8 Ships, boats and floating structure
- 9 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
- 10 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes

# PHILIPPINE TRADE PERFORMANCE TIMELINE



**1960s**  
BEFORE THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

	1965	1967	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Trade	1,630.9	1952.45	2301.49	5,754	13514.7	9739.62	20,392.	43,984.	72,569.	65,207.	74,444.	76,701.	83,719.	88,672.	99,183.	105,979	105,823	81,527.	106,430	108,800	114,228	119,108	127,499	129,894	141,514	164,806	182,148
Exports	795.74	891.5	1142.19	2294.47	5787.79	4628.95	8,186.0	17,447.	38,078.	32,150.	35,208.	36,231.	39681	41,254.	47,410.	50,465.	49,077.	38,435.	51,497.	48,304.	52,099.	56,697.	62,101.	58,827.	57,406.	68,712.	69307.4
Imports	835.25	1060.95	1,159.3	3,459.1	7,726.9	5,110.6	12,206.	26,537.	34,490.	33,057.	39,236.	40,470.	44,039.	47,418.	51,773.	55,513.	56,746.	43,091.	54,932.	60,495.	62,128.	62,410.	65,397.	71,067.	84,108.	96093.2	112841
Trade Deficit	-39.51	-169.45	-17.11	-418.27	1939.12	-481.72	-4,020.	-9,090.	3,587.3	-906.96	-4,028.	-4,239.	-4359	-6,163.	-4,363.	-5,048.	-7,668.	-4,655.	-3,435.	-12,190	-10,029	-5,712.	-3,296.	-12,239	-26,701	-27,380	-43533

# ASEAN in Numbers

- **Population : 642 million**
- **GDP : US\$ 2.8 trillion**
- **Average GDP per capita : US\$ 4,308**
- **Total exports: US\$ 1,322 billion**
- **Total imports: US\$ 1,252 billion**
- **Intra-ASEAN merchandise exports and imports represented 23.5% and 22.3% of ASEAN total exports and imports, respectively, in 2017**



- **ASEAN registered positive economic performance.**
- **GDP grew by 5.2% in real terms in 2018, reaching US\$ 3.0 trillion.**
- **Trade in goods grew by 9.3% year-on-year.**
- **Trade in services grew by 7.7% year-on-year,**
- **FDI inflows grew by 5.3% year-on-year.**
- **5th largest economy in the world.**



# ASEAN ECONOMIC INTEGRATION



- ASEAN is virtually tariff-free, with tariffs on 98.6% of products fully eliminated under the ASEAN Trade in Goods Agreement (ATIGA) as of 2019.
- The ASEAN-6 (i.e PH, SG, TH, MY, ID, and BN) has eliminated tariffs on 99.3% of their tariff lines.
- CLMV has eliminated tariffs on 97.7% of their tariff lines.

# The ASEAN Economic Community


## AEC 2015

- A single market and production base
- A highly competitive economic region
- A region of equitable economic development
- A region fully integrated into the global economy

## AEC 2025

- A Highly Integrated and Cohesive Economy
- A Competitive, Innovative, and Dynamic ASEAN
- Enhanced Connectivity and Sectoral Cooperation
- A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN
- A Global ASEAN

# FREE TRADE AGREEMENTS OF ASEAN COUNTRIES

		Framework Agreement Signed	Negotiations Launched	Signed but not yet in Effect	Signed and in Effect	TOTAL
	Brunei Darussalam	0	1	0	10	11
	Cambodia	0	1	0	7	8
	Indonesia	0	8	4	10	22
	Lao PDR	0	1	0	9	10
	Malaysia	1	6	1	16	24
	Myanmar	1	2	0	7	10
	Philippines	0	3	0	9	12
	Singapore	0	7	2	24	33
	Thailand	1	9	0	14	24
	Vietnam	0	3	1	12	16



# FTA Network: Philippines

## The Philippines and its FTA Partners



### Total Population

**3.6 Billion**  
(47.74% of global population)



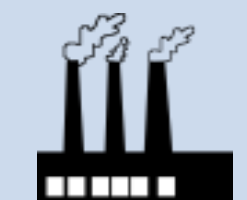
### Trade in Goods

USD 5.3 trillion in imports  
(29.94% of global imports)  
USD 5.8 trillion in exports  
(33.2% of global exports)  
USD 11.15 trillion in total trade  
(31.56% of global trade)



### Investments

USD 6.42 trillion in inward FDI  
(20.39% of global inward FDI stock)  
USD 6.67 trillion in outward FDI  
(21.64% of global outward FDI stock)



### Combined GDP

USD 26.63 trillion  
(32.99% of global GDP)

\*2017 figures

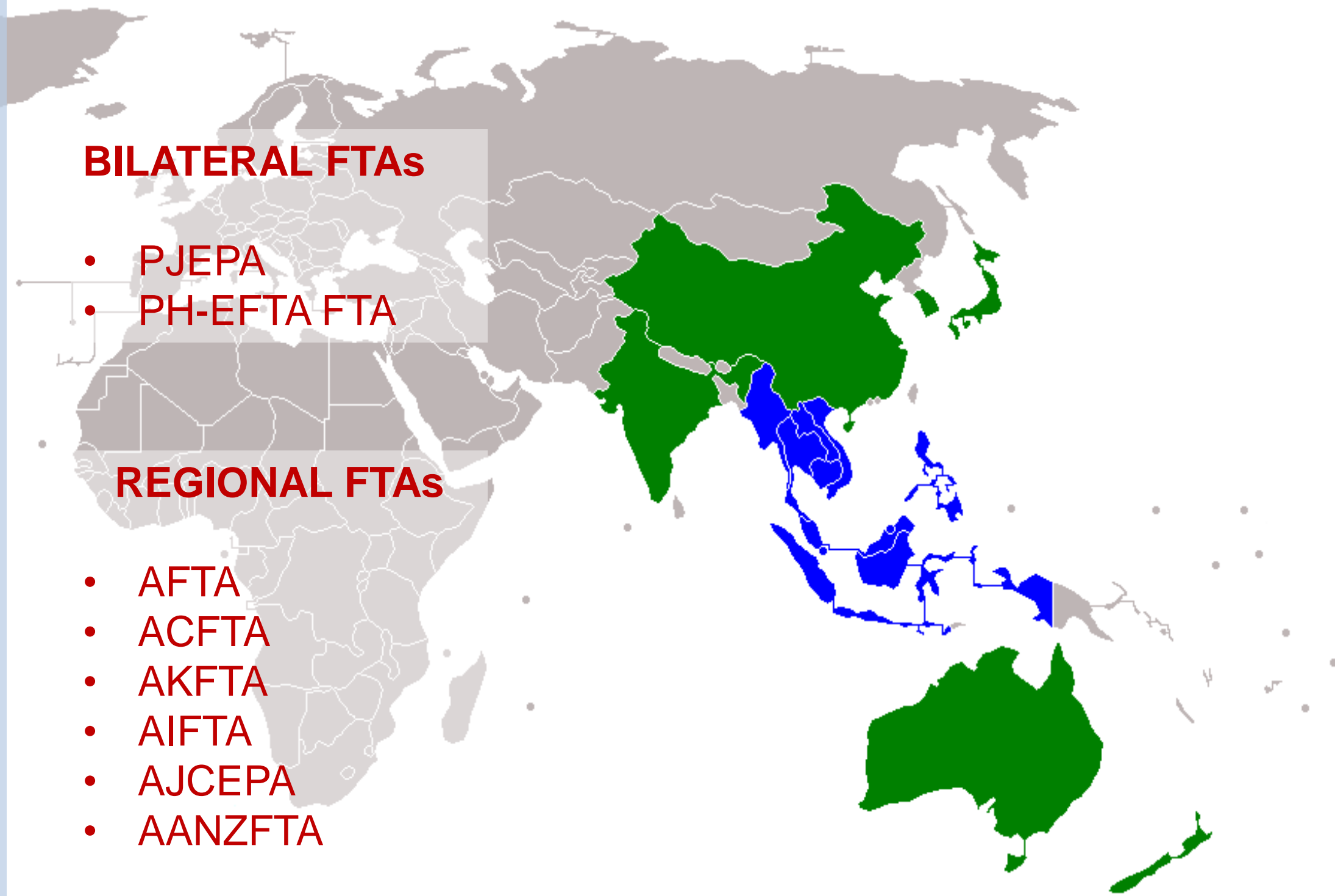
Sources: World Bank, ITC Trademap, UNCTAD

## BILATERAL FTAs

- PJEPA
- PH-EFTA FTA

## REGIONAL FTAs

- AFTA
- ACFTA
- AKFTA
- AIFTA
- AJCEPA
- AANZFTA



# PH : Venturing into a Bigger Free Trade Region

RCEP is free trade agreement between the ten (10) ASEAN Member States and six of ASEAN's external partners (Australia, China, India, Japan, Korea, and New Zealand).



RCEP is an ASEAN-centric and an ASEAN-led process as it seeks to consolidate all the existing ASEAN free trade agreements into a mega-regional FTA arrangement.

# What is RCEP?



**MODERN**



**COMPRE-  
HENSIVE**



**HIGH-  
QUALITY**

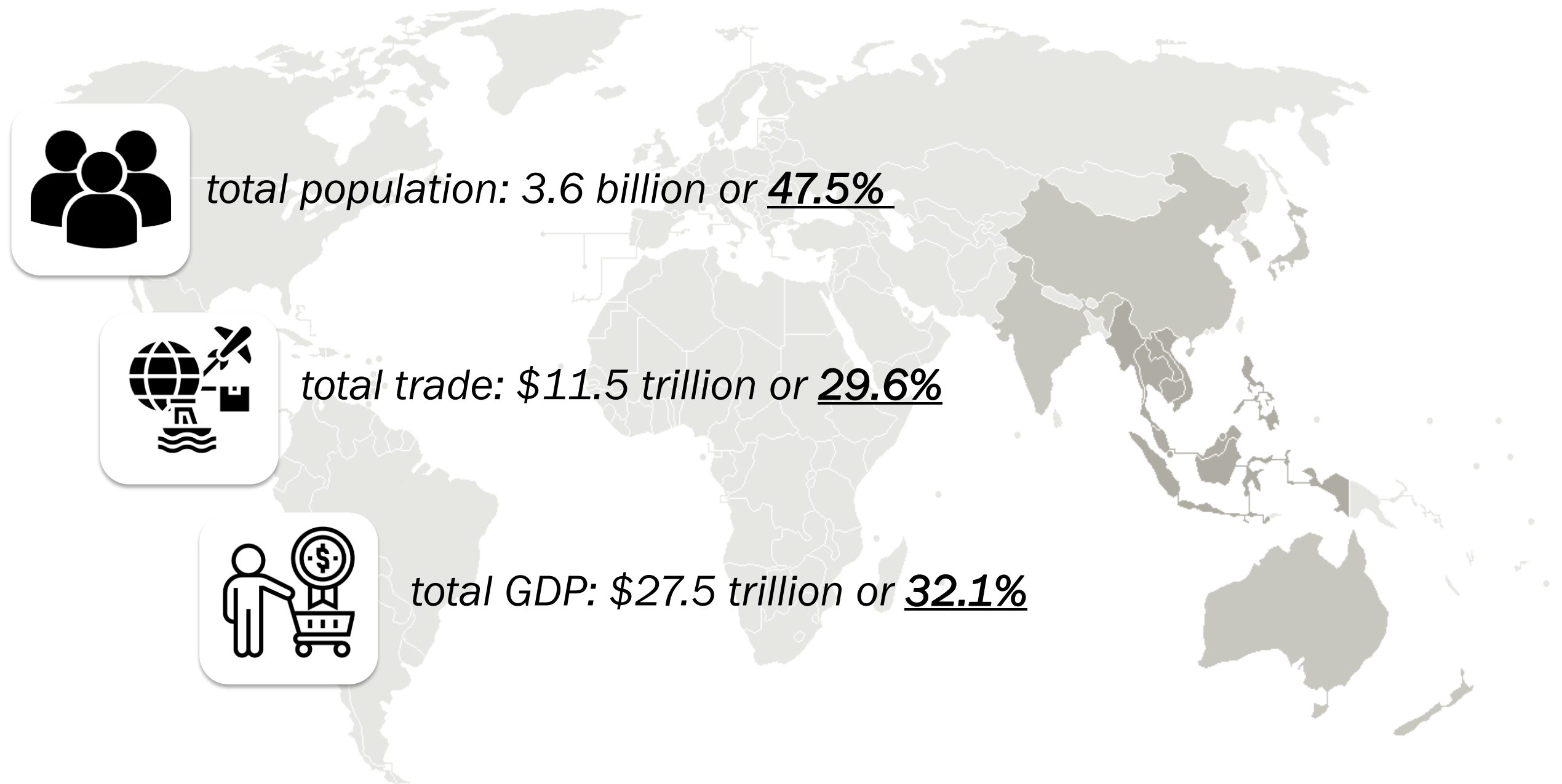
**MUTUALLY  
BENEFICIAL**



Initial Provisions and General Definitions	Trade in Goods	Rules of Origin	Customs Procedures and Trade Facilitation	Sanitary and Phytosanitary Measures
STRACAP	Trade Remedies	Trade in Services	Movement of Natural Persons	Investment
Intellectual Property	E-Commerce	Competition	SMEs	ECOTECH
Competition	General Provisions and Exceptions	Institutional Provisions	Dispute Settlement	Final Provisions



RCEP is poised to be the largest economic bloc in the world in terms of population, income, and trade.



# Agenda and Priorities

Enhanced  
Market Access

Industrialization  
Policy

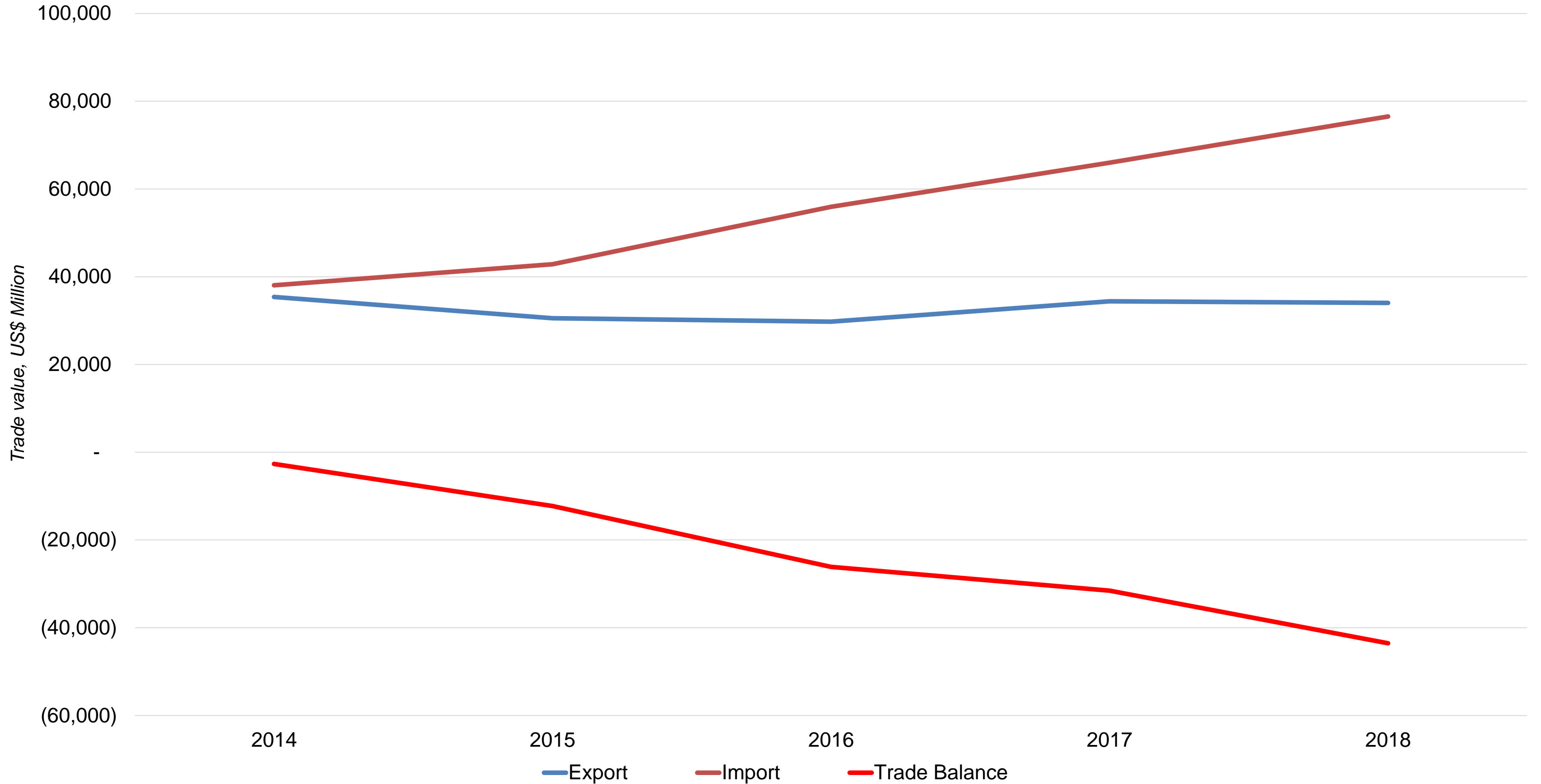
Access  
to/Transfer of  
Technology

Generate  
Investments

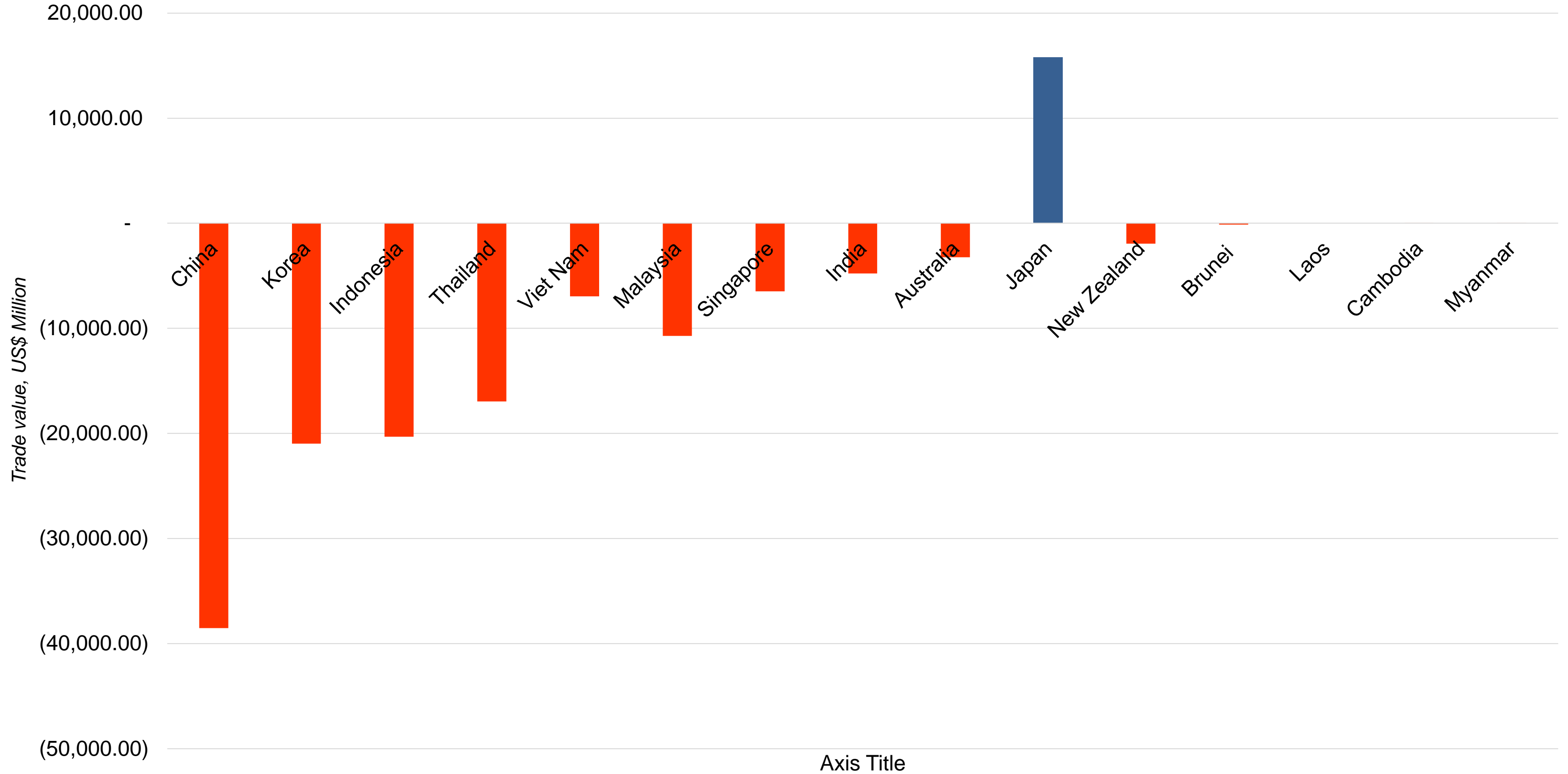
Employment  
Opportunities

Socio-cultural  
and economic  
Development

PH Total Trade Balance with RCEP Countries

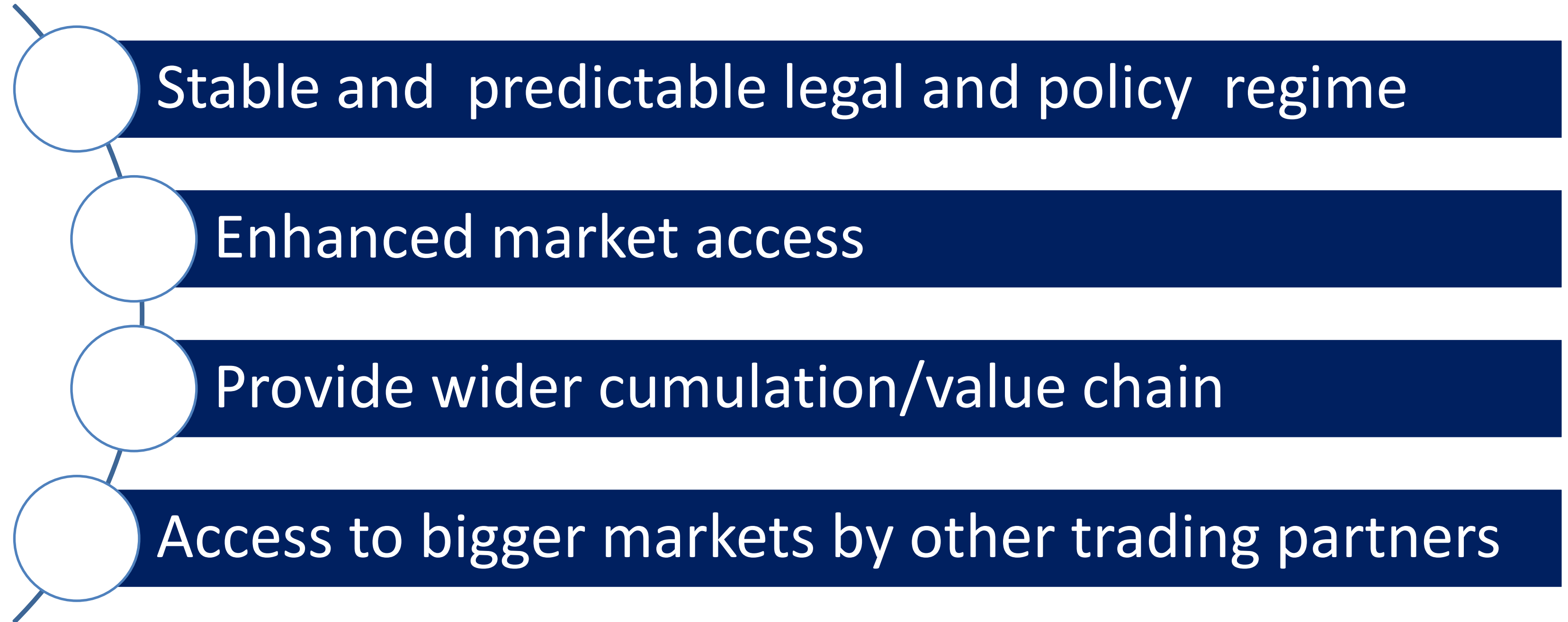


# Trade Balance with RCEP Countries 2014-2018





## RCEP ...



# Status of RCEP

After seven years of intense negotiations, the full completion of the RCEP Agreement is now in sight. During the 3<sup>rd</sup> RCEP Summit on 4 November 2019, RCEP Leaders announced that 15 RCEP Participating Countries have concluded text-based negotiations for all 20 Chapters and essentially all market access issues.



The Leaders also acknowledged that India has significant outstanding issues, which remain unresolved and that all RCEP Participating Countries will work together to resolve these outstanding issues in a mutually satisfactory way. It is also noted that India's final decision will depend on satisfactory resolution of these issues.



When I measure the RCEP Agreement with respect to the interests of all Indians, I do not get a positive answer. Therefore, neither the talisman of Gandhiji nor my own conscience permits me to join RCEP

**NARENDRA MODI**  
Prime Minister

**INDIA'S CONCERNS**

India had **\$105-billion** trade deficit with RCEP members in FY19

There was apprehension that trade pact would lead to more imports

Pact seen to undermine Make in India

India wanted safeguards to protect its industry and farmers


**WHAT NEXT**

15 other RCEP members will start signing pact next year

Joint statement says RCEP members will try to resolve India's issues

India's final decision to depend on resolution of issues to its satisfaction

ASIAN INSIDER



**NO DEAL SAYS NARENDRA MODI**

INDIA OPT OUT OF RCEP, SO WHAT NEXT?

## India's RCEP Refusal: Geopolitical Blunder or Pro-American Pivot?

By [Andrew Korybko](#)  
Global Research, November 07, 2019



**Last-Ditch Effort**

Japan wants India back in RCEP

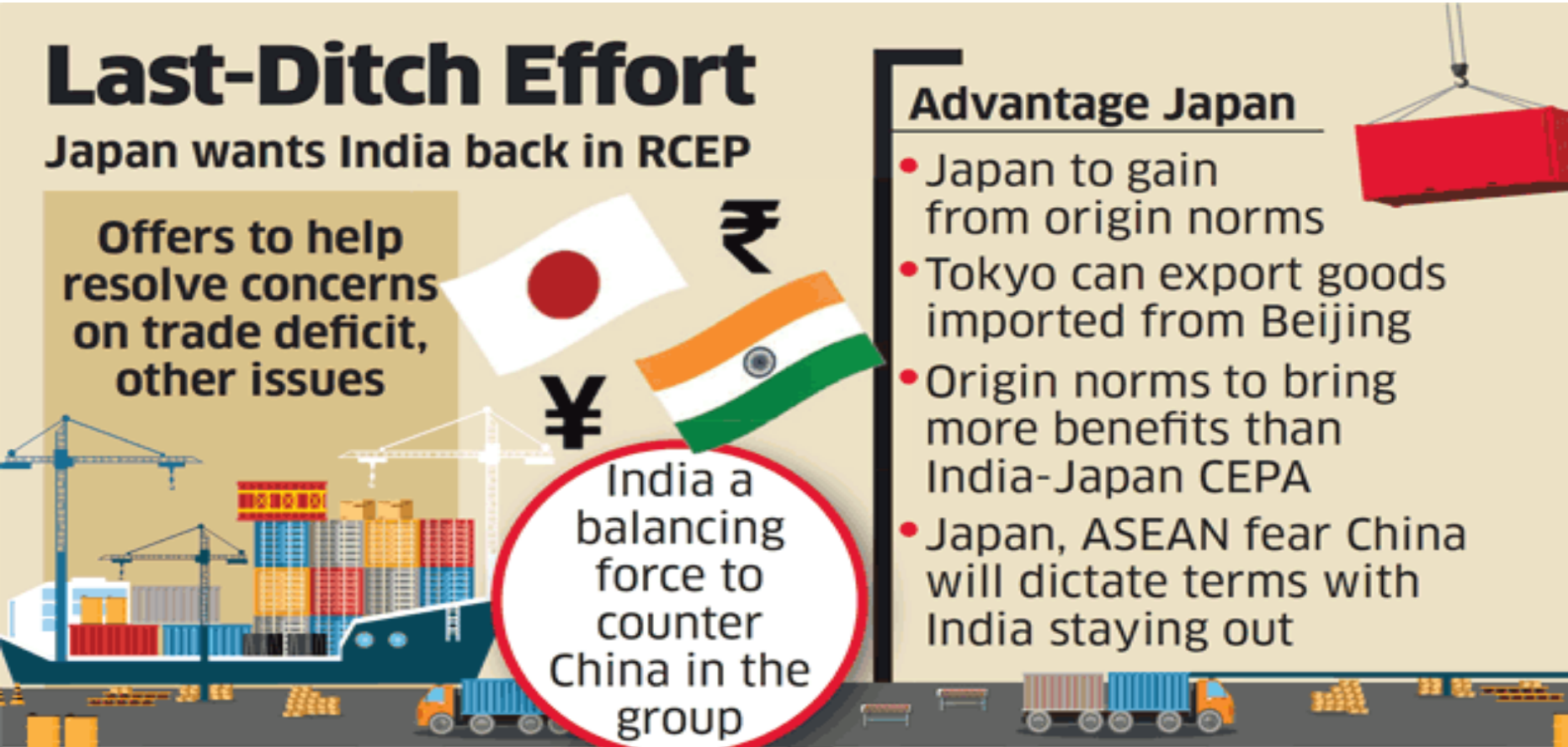
Offers to help resolve concerns on trade deficit, other issues

¥ ₹

India a balancing force to counter China in the group

**Advantage Japan**

- Japan to gain from origin norms
- Tokyo can export goods imported from Beijing
- Origin norms to bring more benefits than India-Japan CEPA
- Japan, ASEAN fear China will dictate terms with India staying out





# ISSUES FOR CONSIDERATION





# State Policies

- The State shall pursue a trade policy that serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity.
- The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos.
- The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive.

# ***Tañada vs. Angara***

*G.R. No. 118295. May 2, 1997*

*The Supreme Court clarified that **"while the Constitution indeed mandates a bias in favor of Filipino goods, services, labor and enterprises, at the same time, it recognizes the need for business exchange with the rest of the world on the bases of equality and reciprocity and limits protection of Filipino enterprises only against foreign competition and trade practices that are unfair.** In other words, the Constitution did not intend to pursue an isolationist policy. It did not shut out foreign investments, goods and services in the development of the Philippine economy. While the Constitution does not encourage the unlimited entry of foreign goods, services and investments into the country, it does not prohibit them either. **In fact, it allows an exchange on the basis of equality and reciprocity, frowning only on foreign competition that is unfair.**"*



# ***Tañada vs. Angara***

*G.R. No. 118295. May 2, 1997*

According to the Supreme Court the *"fundamental law encourages industries that are competitive in both domestic and foreign markets, thereby demonstrating a clear policy against a sheltered domestic trade environment, but one in favor of the gradual development of robust industries that can compete with the best in the foreign markets. **Indeed, Filipino managers and Filipino enterprises have shown capability and tenacity to compete internationally.**"*

***"The point is that, as shown by the foregoing treaties, a portion of sovereignty may be waived without violating the Constitution, based on the rationale that the Philippines adopts the generally accepted principles of international law as part of the law of the land and adheres to the policy of x x x cooperation and amity with all nations."***





**STABILITY**



**FLEXIBILITY**



# ECONOMIC REGION

OPEN

FREE

FAIR

BALANCED

# Thank you.

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