

An Overview of ASEAN Integration: Opportunities and Challenges

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Diagnostic Questions

By 2015:

1. Will ASEAN be like the EU?
2. Will ASEAN be like a customs union? Will ASEAN have a single currency? will there be an ASEAN Parliament? an ASEAN Commission?
3. Will Indonesian coffee producers be able to enter PH duty-free?
4. Will a Malaysian doctor be able to practice medicine in PH w/o taking licensure exam?

“A company that masters only its domestic market will eventually lose it. Strong foreign competitors will inevitably come in and challenge your company.



It is now business without borders.”

**Philip Kotler
Marketing Insights from A to Z
(2003)**

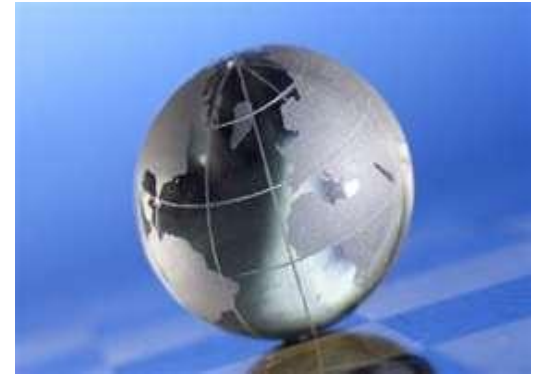
What is a FTA?



Agreement between two or more countries to eliminate or reduce tariffs and other requirements of commerce that restrict trade between them.

Reasons for Philippine Participation in FTAs

- **Maintain competitiveness**
- **Promote cross-border complementation**
- **Sustain inflow of investments**
- **For the benefit of consumers**



7 Existing Philippine FTAs

- 1. ASEAN Free Trade Area (AFTA)**
- 2. ASEAN-China Free Trade Area (ACFTA)**
- 3. ASEAN-Korea Free Trade Area (AKFTA)**
- 4. ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)**
- 5. ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA)**
- 6. Philippines-Japan Economic Partnership Agreement (PJEPA)**
- 7. ASEAN–India Free Trade Area (AIFTA)**



ASEAN EMBLEM



- The blue represents peace and stability. Red depicts courage and dynamism, white shows purity and yellow symbolizes prosperity.
- The stalks of padi (rice) – ASEAN countries bound together in friendship and solidarity.
- The circle represents the unity of ASEAN.

ASEAN at a Glance

Ten member states at varying levels of economic development

Population of **608 million people**

Combined income (GDP) of
US\$ 2,176 billion

Average GDP per capita of **US\$ 3,578**

Total exports (to world) of
US\$ 1,244 billion

Total imports (to world) of
US\$ 1,165 billion

Total intra-ASEAN trade of
US\$ 273 billion



The grand scheme: Formation of the “ASEAN Community” in 2015

ASEAN Community

ASEAN
Political-Security
Community

ASEAN
Economic
Community

ASEAN
Socio-Cultural
Community

It is progressive process of community-building that extends beyond 2015...

Levels of Economic Integration

Economic Union

Common market status plus harmonization of fiscal & monetary policies

Common Market

Customs union status plus free movement of labor & capital

Customs Union

Free trade among members and adopt common external trade policies

Free Trade Area

All trade barriers in Goods & Services removed among members but each retain own barriers with ROW

Preferential Trading Area

Lower trade barriers among members

AEC is an “FTA-plus” arrangement

Economic Partnership Agreement (EPA)

Conventional areas of goods and services;
plus other areas such as investments, government procurement,
competition, intellectual property, etc.

Free Trade Area

–All trade barriers in Goods & Services
removed among members but each
retain own barriers with ROW

The Four Characteristics of AEC



Single Market and Production Base

Competitive Economic Region

Equitable Economic Development

Integration into the Global Economy

ASEAN ECONOMIC COMMUNITY

Single Market and Production Base



1. Free Flow of Goods
2. Free Flow of Services
3. Free Flow of Investment
4. Free Flow of Capital
5. Free Flow of Skilled Labor
6. Priority Integration Sectors
7. Food, Agriculture & Forestry

Competitive Economic Region



1. Competition Policy
2. Consumer Protection
3. Intellectual Property Rights
4. Infrastructure Development
5. Taxation
6. E-Commerce

Equitable Economic Development



1. SME Development
2. Initiative for ASEAN Integration

Integration into the Global Economy



1. Coherent approach towards external economic relations
2. Enhanced participation in global supply networks

HUMAN RESOURCES DEVELOPMENT

RESEARCH AND DEVELOPMENT

ASEAN TRADE IN GOODS AGREEMENT

- ASEAN 6 - Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand – 99% tariff elimination
- Philippines :
maintain 5% tariff beyond 2015 for live swine & chicken, meat of swine, chicken & fowls, cassava, sweet potatoes & maize

rice duty - 40% until 2014; 35% by 2015

sugar duty - 10% (2014)
5% (2015)





ASEAN-China Free Trade Area (ACFTA)

- **0% tariffs for more than 90% of China's tariff lines**
- **US\$ 1.00 trillion - imports from the world:**
 - ✓ **Industrial raw materials**
 - ✓ **Electronic parts and components/IT related goods**
 - ✓ **Food and consumer goods**



ASEAN-Korea Free Trade Area (AKFTA)

- **US\$ 33,000 GDP per capita**
- **0% tariffs for more than 90% of Korea's tariff lines**
- **Imports 70% of its agricultural needs**
- **Market access for poultry products**

ASEAN-Japan (AJCEPA) and Philippine-Japan Econ Partnership Agreement (PJEPA)

- Two complementary avenues to penetrate the Japanese market
- Japan is the world's 4th largest importer
- PH's No. 1 export market and investor
- PH is No.1 supplier of builders' woodwork, fresh bananas & pineapples, copra and dessicated coconut
- Japan hosts many important international trade exhibitions





ASEAN-AUSTRALIA- NEW ZEALAND FREE TRADE AGREEMENT (AANZFTA)

- **High GDP per capita (US\$ 41,000 in Australia
US\$28,000 in NZ)**
- **A market for coconut products, processed
tropical fruits, marine products**
- **Top export to New Zealand: banana**
- **Zero tariffs for all products exported to
Australia and New Zealand by 2020**





ASEAN - INDIA FREE TRADE AGREEMENT (AIFTA)

The Philippines enjoys reduced tariffs for 94% of exports to India

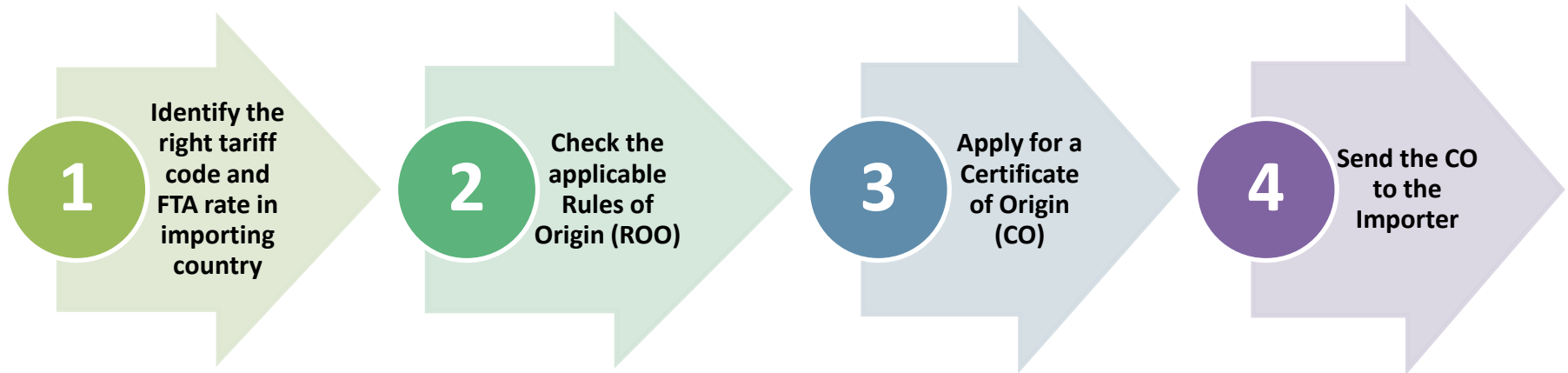
Opportunities for processed fruits, sauces, personal care products, furniture, gold, business process management



FTA Preferential Tariffs

FTA	Products	MFN Rate	FTA Rate
ASEAN ATIGA	Fresh Pineapples Desiccated coconut	20 20	5 0
CHINA ACFTA	Bananas Crude coconut (copra) oil	10 9	0 0
S. KOREA AKFTA	Desiccated coconut	30	0
JAPAN PJEPA	Smoked fish Yellow fin tuna	10 3.5	0 0
AU/NZ AANZFTA	Christmas Decor	5	0
INDIA AIFTA	Basketwork	10	6

How can exporters avail of preferential tariffs for their products in FTA markets?



Certificate of Origin (CO) to Use:

ASEAN Trade in Goods Agreement (ATIGA)	Form D
ASEAN-China Free Trade Agreement (ACFTA)	Form E
ASEAN-Korea Free Trade Agreement (AKFTA)	Form AK
ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA)	Form AJ
ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)	Form AANZ
ASEAN-India Free Trade Agreement (AIFTA)	Form AI
Philippines-Japan Economic Partnership Agreement (PJEPA)	Form JP

**Services, like
goods, are
also varied**

**Services
Sectoral
Classification
List**

- ✓ Business
- ✓ Communication
- ✓ Construction
- ✓ Distribution
- ✓ Educational
- ✓ Environmental
- ✓ Financial
- ✓ Health-related
- ✓ Tourism and travel-related
- ✓ Recreational, cultural and sporting
- ✓ Transport
- ✓ Other services

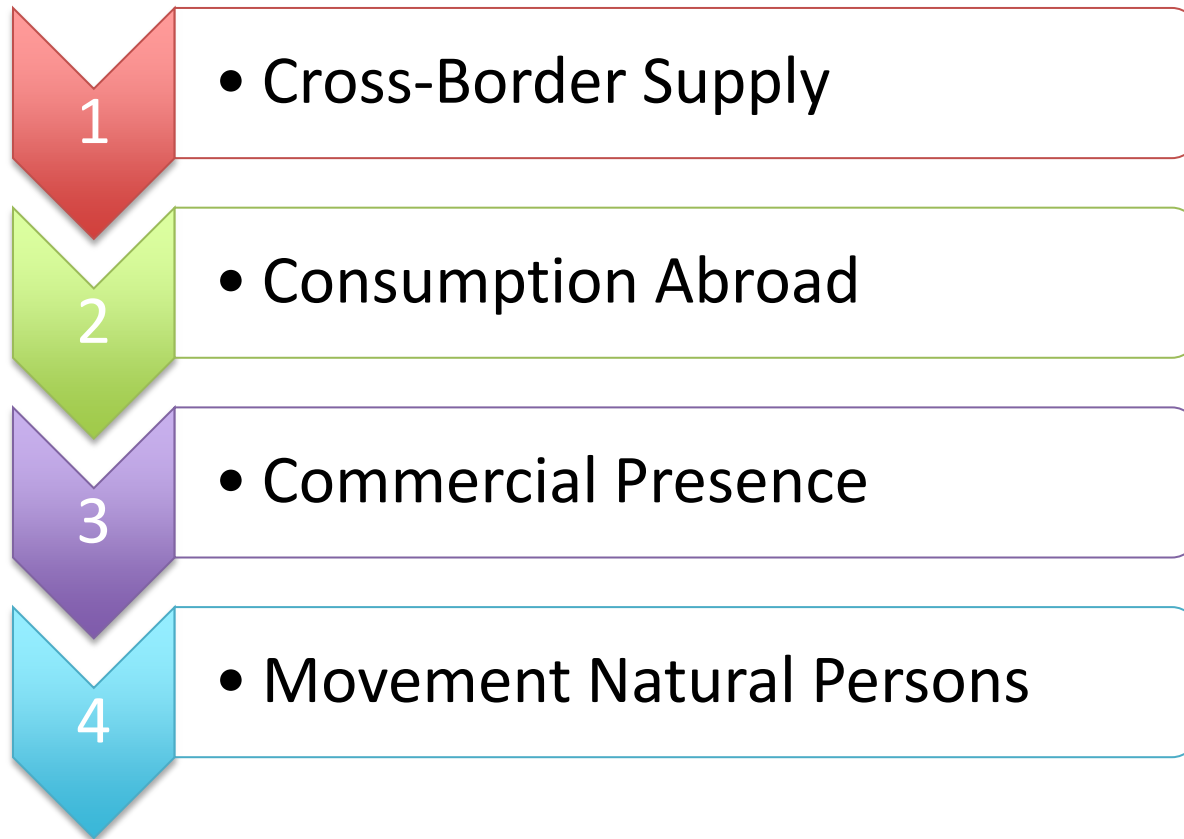


Education Services Sub-Sectors

- ✓ Primary Education
- ✓ Secondary Education
- ✓ Higher Education
- ✓ Adult education
- ✓ Other education services



Services, unlike goods, have 4 modes of supply

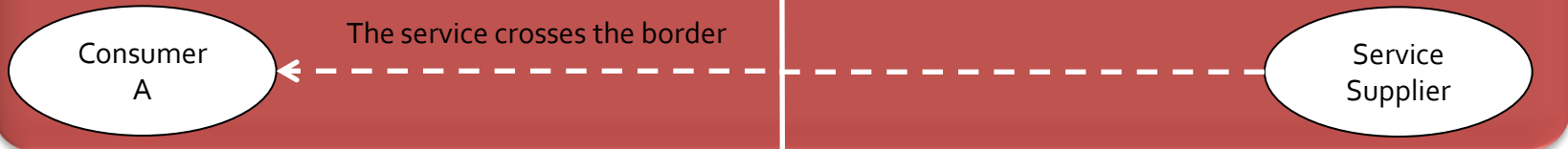


Modes of Supply

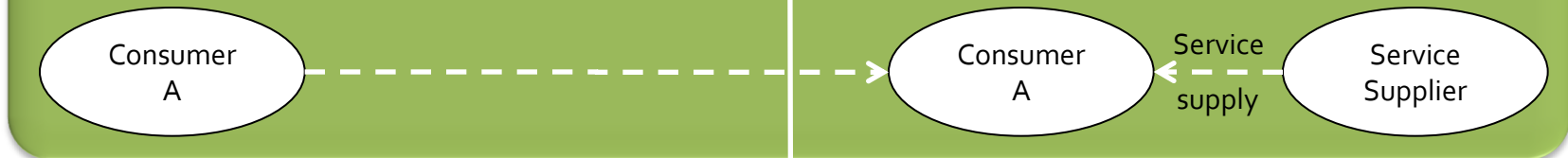
MEMBER A

MEMBER B

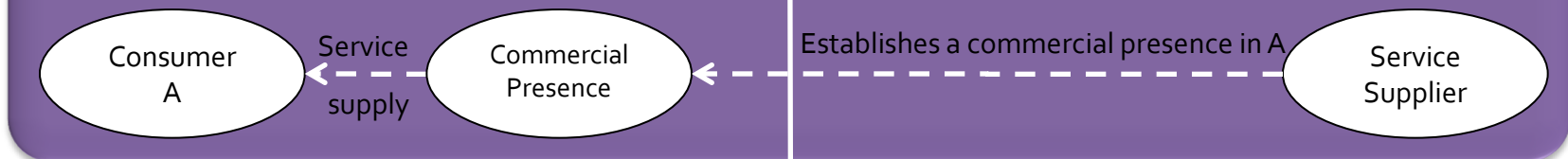
Mode 1: Cross border supply



Mode 2: Consumption abroad



Mode 3: Commercial presence

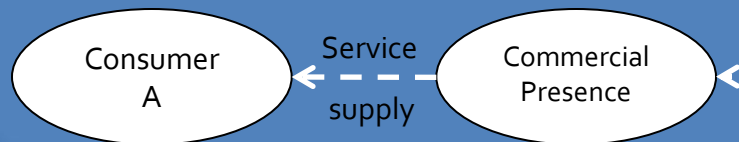
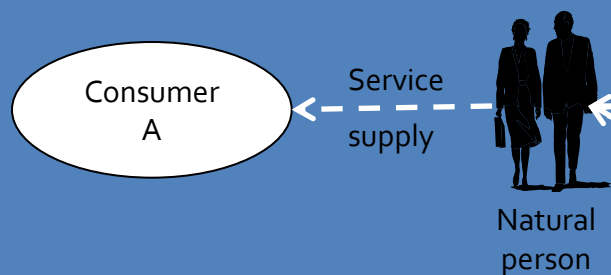


Modes of Supply

MEMBER A

MEMBER B

Mode 4: Movement of natural persons



Self-employed goes to Member A



Employee sent by firm from B



Why do we need to know services modes of supply ?



ASEAN Framework Agreement on Services (AFAS)

- Signed in December 1995 to:
 - enhance cooperation in services
 - eliminate substantially restrictions
 - liberalise trade in services

- ASEAN Economic Blueprint targets intra-regional services liberalization by 2015

ASEAN MUTUAL RECOGNITION ARRANGEMENTS

The following Mutual Recognition Arrangement (MRA) frameworks have already been established and work is on-going for the harmonization of qualifications in each of the professional services.

1. Engineering Services
2. Nursing Services
3. Architectural Services
4. Surveyors
5. Medical Practitioners
6. Dental Practitioners
7. Accountancy Services



Prospects in ASEAN & FTA Partners

High growth in service industries

- ✓ Fast food chains
- ✓ Language tutorials
- ✓ Education
- ✓ Hospitals
- ✓ Tourism
- ✓ Call centers



number
1 **voice**
Outsourcing Destination

by the numbers

ranked 2nd
**Global Outsourcing
Destination**

by the numbers

Philippine-Japan Econ Partnership Agreement (PJEPA)

**On the employment of
Philippine nurses:**

- ✓ **Preparatory Japanese
Language Training (PJLT)**
- ✓ **Conducted at TESDA**



ASEAN-Australia-New Zealand FTA Philippine Commitments

- **Entry & temporary stay for 1 year, which may be extended, for Natural Persons of each Party who Engage in Professional Service under a Twinning or Bridging Program done through an Accredited Higher Education Institution in the Philippines by a Foreign Higher Education Provider.**

ASEAN-Australia-New Zealand FTA

Australia and New Zealand Commitments

Broader market access and opportunities for Filipino professionals and skilled workers

- **Australia would allow entry of Contractual Service Suppliers including nurses, other professionals and skilled workers, allowing entry for up to 12 months with provision for extension**
- **Australia will accord full working rights to spouses of intra-corporate transferees, independent executives and Contractual Service Suppliers if stay is greater than 12 months**
- **New Zealand would allow entry of independent professional service suppliers for up to 1 year, and business visitors, installers or servicers for up to 3 months per year**

Temporary Employment in New Zealand of Nurses, Farm Managers and Engineering Professionals

New Zealand will allow entry of up to:

- **100 Philippine nurses**
- **20 Philippine Farm Managers**
- **20 Philippine Engineering Professionals**

at any one time for a period of three years.

- **www.immigration.govt.nz**

Working Holiday Scheme between New Zealand and the Philippines

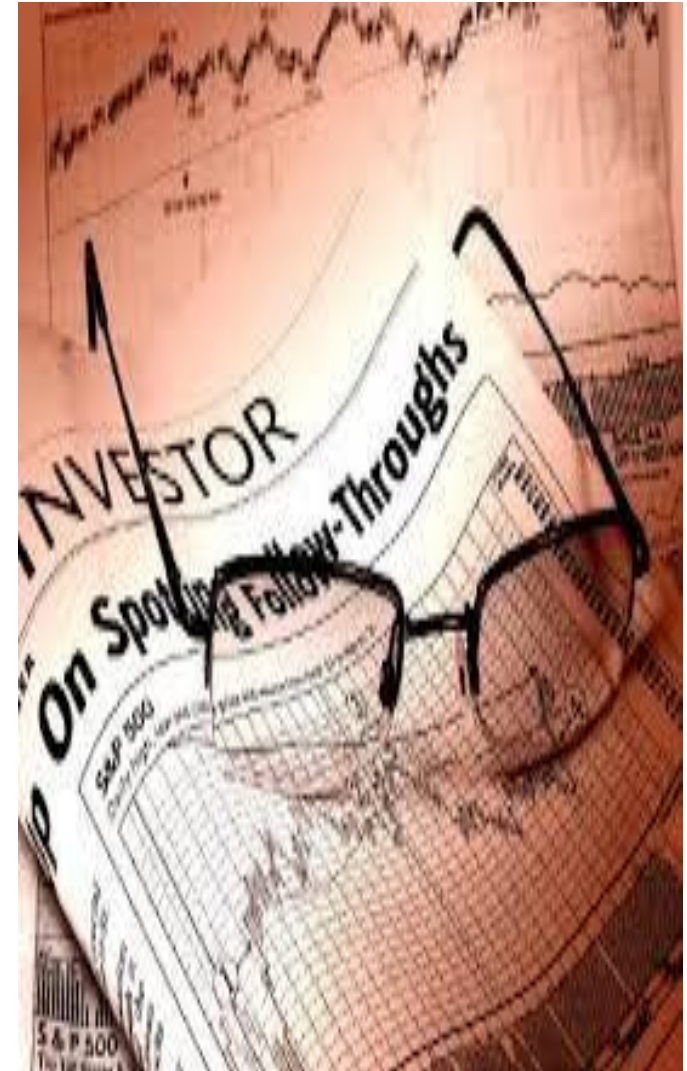
Starting February 5, 2014

- **Tourists aged 18 to 30 years old will be allowed to work or study in NZ during 12 months stay**
- **Open to up to 100 citizens of each country**
- **The scheme would enable Filipinos holding tourist visas to work while on holiday in New Zealand**

ASEAN COMPREHENSIVE INVESTMENT AGREEMENT (ACIA)

4 Pillars of ACIA

- ✓ Promotion
- ✓ Facilitation
- ✓ Protection
- ✓ Liberalization





INVEST
Philippines
Your Business. Our People.

Our People

- ✓ 500,000 + college graduates per year
- ✓ English proficiency & other languages
- ✓ Affinity with western culture
- ✓ Customer service orientation
- ✓ Highly trainable
- ✓ Cost effective
- ✓ High level of commitment & loyalty

Other Intended Philippine FTAs

- ❑ Regional Comprehensive Economic Partnership (RCEP) ASEAN plus 6



- ❑ Philippines - EU FTA



- ❑ Trans-Pacific Partnership Agreement



DTI's Approach to FTAs

➤ **Calibrated liberalization**

- Faster for competitive sectors to expand markets
- Slower for less competitive sectors to allow time for them to be more competitive

➤ **Support industries through Public-Private Partnerships**

➤ **Special focus on SMEs**

- Shared Service Facilities
- Regional Integrated Platform for PH Exporters (RIPPLES)

PH Strategies for AEC

3 Cs:

- ✓ **COMPLIANCE** of Commitments
- ✓ **Enhancement of COMPETITIVENESS**
- ✓ **Intensive COMMUNICATION** to stakeholders

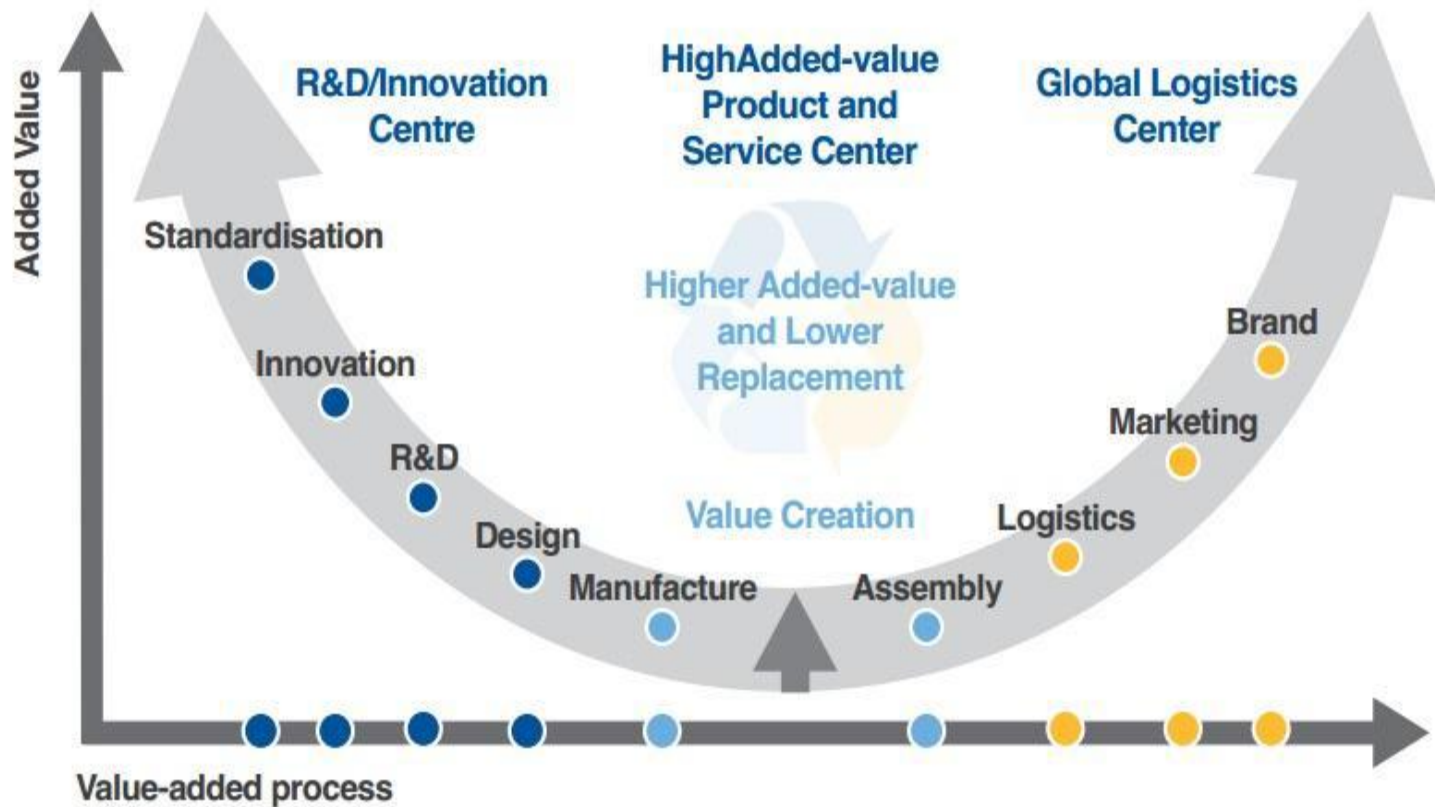
AEC Compliance

Implementation of AEC Scorecard Deliverables under Phase I – III (2008 – 13)

ASEAN Member State	Implemented	Not Implemented	Implemented Ahead	Ongoing	Total*	Implementation Rate**
Brunei	297	48	18	71	434	86.8%
Cambodia	290	56	17	72	435	84.6%
Indonesia	289	58	18	72	437	84.1%
Laos	287	57	16	74	434	84.2%
Malaysia	307	44	20	69	440	88.1%
Myanmar	294	51	17	72	434	85.9%
Philippines	302	47	19	71	439	87.2%
Singapore	304	38	19	69	430	89.5%
Thailand	307	43	20	69	439	88.4%
Vietnam	307	41	16	73	437	88.7%

Source: ASEAN Secretariat

“Smiley Face”: conceptual model of the shift to a high value added, globally integrated, services economy



Source : Business Week International online extra, May 16, 2005, Stan Shih on Taiwan and China

Will there be a big bang come AEC 2015?

NO!

**Evolutionary instead of
revolutionary**

Process rather than an event

Should we be concerned?

YES!

- **There will be significant changes over time**
- **We have to strive to be more competitive and make the world our market**

So, what does the AEC translate to?

It is an immense business opportunity that must be exploited to full advantage

“ We are continuously faced by great opportunities brilliantly disguised as insoluble problems”

Lee lococa

Websites:

www.asean.org



www.dti.gov.ph

<http://www.emb.dti.gov.ph>

www.pttc.gov.ph



Thank you