

**THIRD WOMEN MENTORING WOMEN  
SUMMIT: ENABLING WOMEN, ENABLING  
SUCCESS, ENABLING THE FUTURE**

# **AEC 2015 AN OVERVIEW**

**RAFAELITA M. ALDABA  
DEPARTMENT OF TRADE AND INDUSTRY  
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# **OUTLINE**

- **Introduction to ASEAN Economic Community 2015**
- **Broad Status of Philippine AEC Commitments**
- **Opportunities, Threats, Challenges**
- **Government Action Plans**

# KEY MESSAGES

- **AEC 2015**
  - ❑ free flow of goods, investment, & services, movement of skilled labor, freer flow of capital
  - ❑ Removal of tariff & non-tariff barriers, restrictions & regulations affecting services & investment, skilled labor, harmonization & standardization, trade facilitation, transport connectivity, etc
- **Challenges, threats, opportunities**
  - ❑ Opportunities: FDI, market access, lower input costs, lower transactions costs, better quality goods & services at lower prices
  - ❑ Strong competition: uncompetitive sectors
  - ❑ Businesses & SMEs: take advantage of opportunities, regional production networks
- **Government to implement reforms to facilitate adjustment process to AEC 2015**
  - ❑ Strengthen institutional & regulatory environment before & during liberalization
  - ❑ Industry upgrading & restructuring: move up the value chain

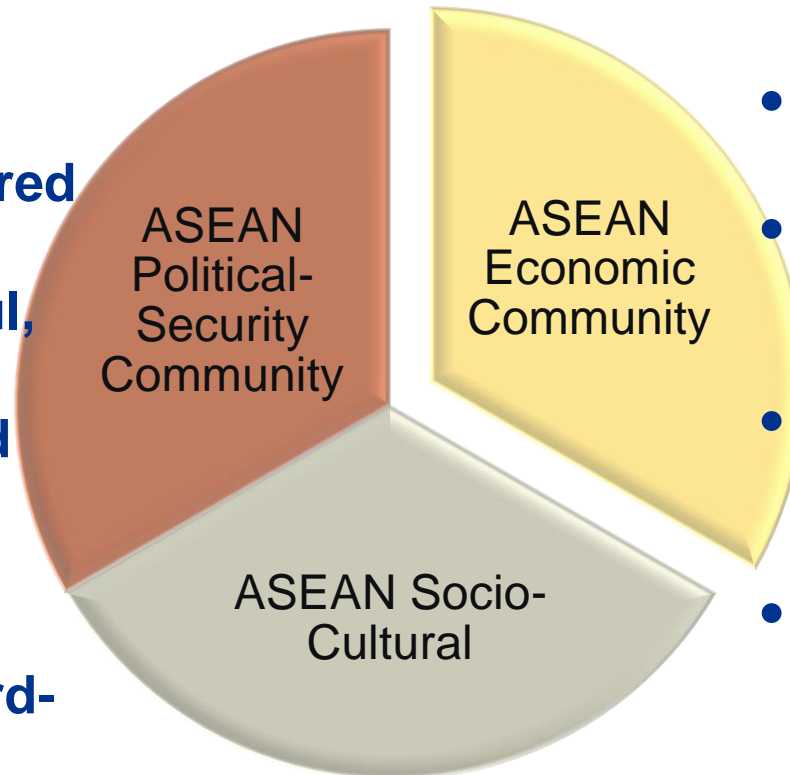
# PART 1: INTRODUCTION TO ASEAN



- Established 8 August 1967 in Bangkok, Thailand ASEAN Declaration
- Brunei : 1984; Vietnam: 1995; Lao PDR & Myanmar: 1997; Cambodia: 1999
- AEC Vision 2020 Nov 2002 ASEAN HOG meeting Phnom Penh
- Bali ASEAN Summit October 2003 ASEAN Leaders: free flow of goods, services, skilled labor, freer movement of capital
- 2007 Cebu Declaration: 2015 deadline

# ASEAN COMMUNITY : 3 PILLARS

- Rules-based community of shared norms & values
- Cohesive, peaceful, stable, resilient region with shared responsibility for comprehensive security
- Dynamic & outward-looking region



- Single market & production base
- Competitive economic region development
- Equitable economic development
- Integration into global economy

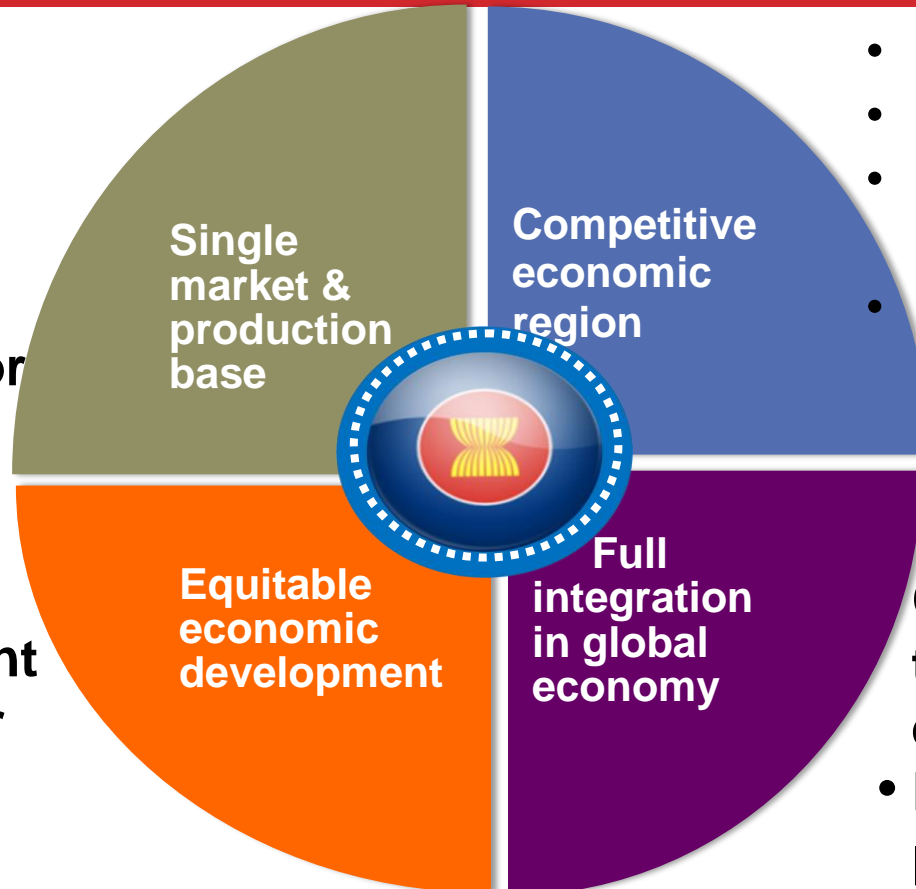
- Human development
- Social welfare & protection
- Social justice & rights
- Ensuring environmental sustainability
- Building an ASEAN identity

# ASEAN ECONOMIC COMMUNITY BLUEPRINT

Deepening and broaden economic  
integration in ASEAN

**Free(r) flow of**

- **Goods**
- **Services**
- **Investment**
- **Capital**
- **skilled labor**



- **Competition policy**
- **IPR**
- **Infrastructure development**
- **Taxation & E-commerce**

- **SME Development**
- **Initiative for ASEAN Integration**

- Coherent approach towards external economic relations**
- **Enhanced participation in GPNs**

# FREE FLOW OF GOODS

## ASEAN TRADE IN GOODS AGREEMENT (ATIGA)



- **ATIGA governs the ASEAN Free Trade Area (AFTA) for intra-ASEAN trade in Goods**
  - ❑ Elimination of tariff barrier under tariff reduction program
  - ❑ Elimination of quantity restrictions and non-tariff barriers
  - ❑ Only ASEAN's products that are directly consigned within the region will qualify for benefits of AFTA
- **The AFTA has now been virtually established**
  - ❑ ASEAN-6 : more than 99% of tariff lines have 0% tariff in 2010
  - ❑ CLMV will reduce tariff to 0% by 2015
- **Trade facilitation measures**

# FREE FLOW OF INVESTMENT

## ASEAN COMPREHENSIVE INVESTMENT AGREEMENT (ACIA)

- governs intra-ASEAN investment
- 4 pillars: liberalization, protection, facilitation, promotion

### Objectives

- enhance ASEAN competitiveness
- attract foreign direct investment (FDI)
- increase intra-ASEAN investment

### Actions

- Extend non-discriminatory treatment
- Reduce/eliminate restrictions to entry of investments
- Reduce/eliminate restrictive investment measures & other impediments including performance requirements



Source: JFCCT. 2012. AEC 2015 PPT



# FREE FLOW OF CAPITAL

## ASEAN Capital Market Development & Integration

- Achieve greater harmonisation in capital market standards in the areas of offering rules for debt securities, disclosure requirements and distribution rules
- Facilitate mutual recognition arrangement or agreement for the cross recognition of qualification and education and experience of market professionals
- Achieve greater flexibility in language and governing law requirements for securities issuance
- Enhance withholding tax structure, where possible, to promote the broadening of investor base in ASEAN debt issuance
- Facilitate market driven efforts to establish exchange and debt market linkages, including cross border capital raising activities

# FREE FLOW OF SKILLED LABOR

- **Greater mobility of qualified service professionals in the region by accepting common standards of some professionals**
- **Mutual recognition arrangements (MRAs)**
  - ❑ **Medical practitioners**
  - ❑ **Dental practitioners**
  - ❑ **Accountancy services**
  - ❑ **Engineering services**
  - ❑ **Nursing services**
  - ❑ **Architectural services**
  - ❑ **Surveying qualifications**

# FREE FLOW OF SERVICES

## ASEAN AGREEMENT ON SERVICES (AFAS)

- Eliminate restrictions, promote efficiency & competitiveness
  - ❑ No restrictions on ASEAN services suppliers in providing services and in establishing companies across national borders
- General guidelines for mutual recognition, denial of benefits, dispute settlement, institutional mechanism & other areas of cooperation in services
- Priority sectors: air transport, e-ASEAN, healthcare & tourism by 2010; logistics by 2013

	2008	2010	2013	2015
Air transport, E-ASEAN, healthcare, tourism	51%	70%		
Logistics	49%	51%	70%	
Others	49%	51%		70%

# PART 2. BROAD STATUS OF PH COMMITMENTS

Free flow	Status	Notes
Goods	advanced	EO 850 (Dec.'09) 0% tariff in '10, range: 0-5%; rice, sugar >5% tariff; 2010 ASEAN share: 22% (exports); 28% (imports)
Investment	commenced	4 IPAs: investment promotion & facilitation remaining foreign equity restrictions due to Constitutional limitations
Skilled labor	commenced	RA 8981 allows foreigners subject to foreign reciprocity provisions Accounting: bilateral negotiations commenced; PRC & DOLE facilitate MRA implementation, DOLE positive list
Services	behind	Ph has lowest level of commitment Many sectors unbound under Modes 3 & 4 Foreign equity restrictions due to Constitutional limitations

# SERVICES FALLING BEHIND...

LIST A	Sector
No foreign equity	Mass Media except recording; Practice of all professions; Retail trade enterprises with paid-up capital < US\$2,500,000
Up to 20%	Private radio communications network
Up to 25%	Private recruitment; Contracts for construction & repair of locally-funded public works & defense-related structures
Up to 30%	Advertising
Up to 40%	Exploration, development and utilization of natural resources; Land ownership; Operation & management of public utilities; Ownership/establishment & administration of educational institutions; Culture, production, milling, processing, trading excepting retailing, of rice & corn; Contracts for supply of materials, goods & commodities to GOCCs or municipal corporations; BOT requiring public utilities franchise; Operation of deep sea commercial fishing vessels

# PART 3. POTENTIAL IMPLICATIONS

## Opportunities for Filipino firms to expand

- **Market access opportunities for Filipino firms to expand**
  - ❑ Filipino companies can sell to 600 million people
- **Investment liberalization, facilitation, promotion, protection, national treatment, most favoured nation treatment**
  - ❑ Can own 100% of companies in other ASEAN countries
  - ❑ Should be able to own 70% (maybe more) of services companies
  - ❑ Access to capital markets, repatriation of profits & dividends
  - ❑ Should be treated equally as local companies/people
  - ❑ Likely to be many non-ASEAN companies looking for entry
- **Labor mobility: visa, economic test**
  - ❑ May be able to bring in workers easier (complementary to services)
- **Transport & logistics, trade facilitation, product standardization & conformance: lower transaction costs**
  - ❑ Improved administrative processes (customs, mutual recognition)
  - ❑ Easier/less costly movement goods

# CHALLENGES & THREATS

## Competition from new entrants to the market

- ❑ Bigger with more financial capability; better technical products/service systems
- ❑ May get support from home countries; More experience competing already

## How to manage short term adjustment costs?

- ❑ **Winners:** **firms** that gain from market expansion & improved competitiveness, **workers** who get employed in growing sectors, **government** to collect higher revenue, **consumers** from wide variety of goods & services at lower prices
- ❑ **Losers:** inefficient, uncompetitive sectors

## Is SME survival at risk?

- ❑ Lack of access to finance, technology, skilled labor, inability to comply with standards
- ❑ Weak linkages to high tech sectors
- ❑ Penetrating export market a major challenge

# PART 4: ROADMAP FOR STRUCTURAL TRANSFORMATION

VISION: GLOBALLY COMPETITIVE MANUFACTURING

Phase I  
2014-2017

-Rebuild capacity of existing industries, strengthen emerging industries, maintain competitiveness of comparative advantage industries

Phase II  
2018-2021

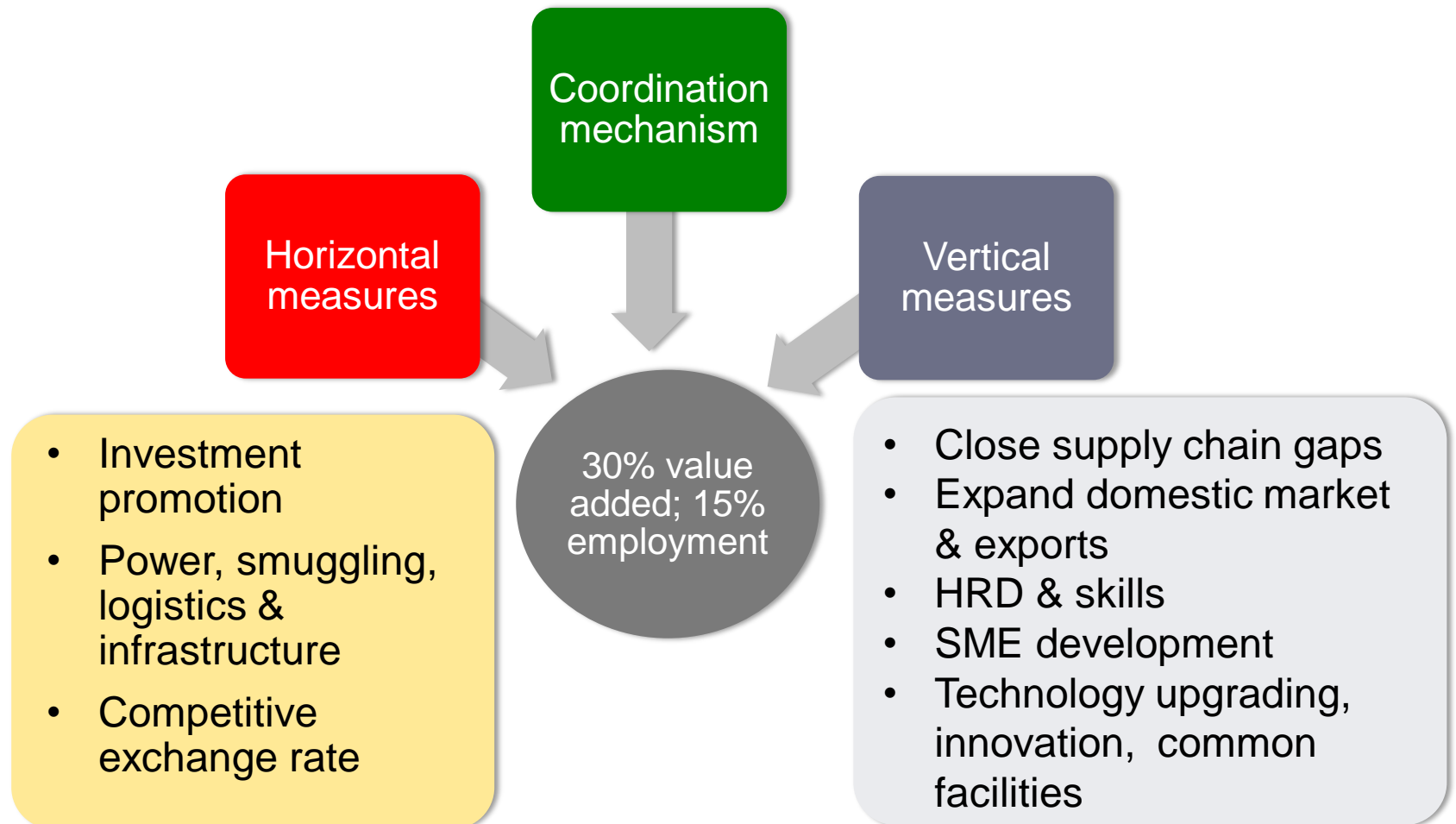
-Shift to high value added activities, investments in upstream industries  
-Link & integrate industries  
--SMEs & large enterprises

Phase III  
2022-2025

-Participate as hubs in regional & global production networks for auto, electronics, machinery, garments, food



# STRATEGIC ACTIONS, COMPLEMENTARY MEASURES



open trade regime, sustainable macro policies, sound tax policies & administration, efficient bureaucracy, secure property rights, institutions that promote adaptive research & patent regime, access to finance & technology for SMEs

# STRATEGIC ACTIONS

## SME DEVELOPMENT & INNOVATION

SME development: access to finance, incubation facilities, clusters

Quality testing facilities

R&D facilities

Industry-academe linkages for new product development

Applied technology for indigenous products/raw materials

## HRD & TRAININGS: AUTO, TOOL & DIE, CHEMICALS, RUBBER, PLASTIC, FURNITURE, METAL CASTING, IRON & STEEL

Design, tool making, prototyping, molding, die & casting

Chemical engineering, Materials Engineering

Supervisory, managerial, consultancy for improved productivity

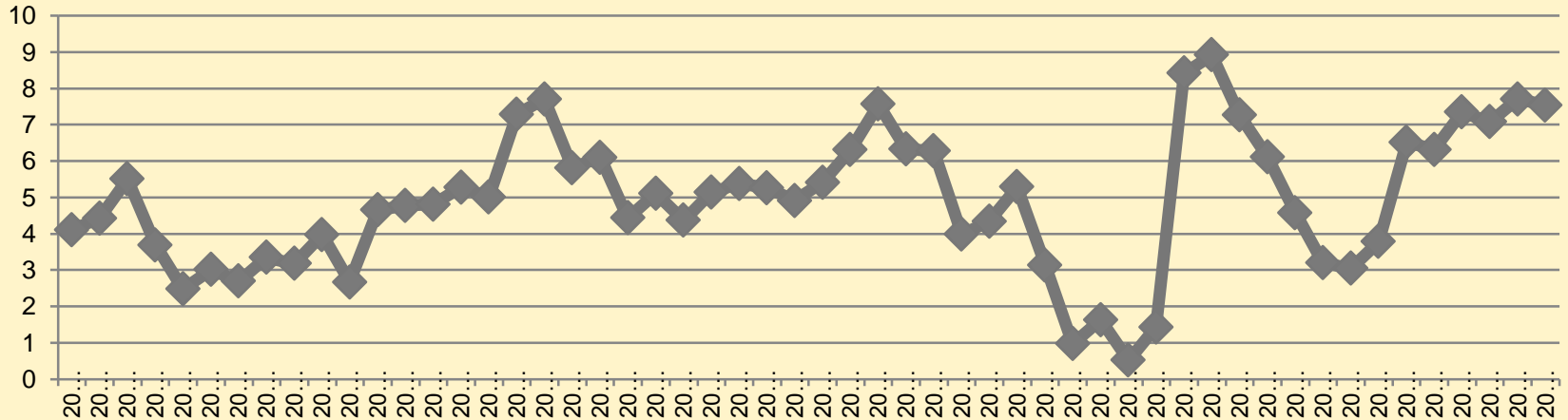
Foundry technology, Metallurgical Engineering, Mechanical Engineering, Industrial Engineering, Metal casting Engineering

Die design, Tool & Die Engineering

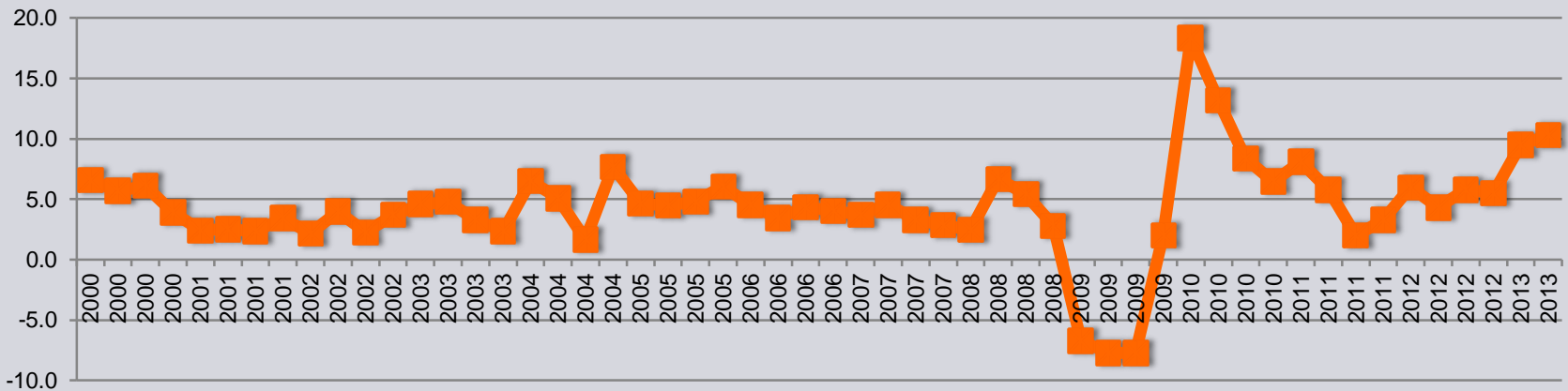
Vocational trainings (TESDA)

# PH: ASIA'S NEW RISING STAR, NEW TIGER ECONOMY, BREAKOUT NATION

GDP Growth Rate, by quarter, 2000-2013 (at constant 2000 prices)



Manufacturing Growth Rate, by quarter, 2000-2013



- sustain high growth, take advantage AEC 2015 → transform & upgrade manufacturing, **SMEs one important pillar of Roadmap**

# FINAL THOUGHTS

- **Advantages & opportunities for Filipino people**
  - ❑ Access to better quality goods & services; Lower prices
  - ❑ Investment; Employment opportunities; Better standard of living
- **PH economy looks set to sustain its high growth momentum: 2014 forecasts 6.5%-8% growth**
- **No room for complacency; Government to implement reforms to transform economy & facilitate adjustment process to AEC 2015**
  - ❑ Strengthen institutional & regulatory environment before & during liberalization
  - ❑ Industry upgrading & restructuring: move up the value chain
  - ❑ Implement programs to make SMEs globally competitive: access to finance, innovation, human resource development, trade facilitation access, increase linkages
- **Women & AEC 2015**
  - ❑ Empowering SMEs: female entrepreneurs
  - ❑ Human resource development: empower female workers & professionals to enable us to take advantage of opportunities

# THANK YOU



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