



The Making of the Indo-Pacific Economic Framework for Prosperity (IPEF)



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Philippine Perspective on the IPEF Agreement

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This paper aims to contribute to the discussion on the Indo-Pacific Economic Framework (IPEF) through five parts. The first is through the identification of anticipated outputs from each of the IPEF Pillars that the Philippines can expect from participating in the agreement. Second, the paper then outlines the opportunities presented by the agreement by its alignment to key Philippine development plans and trade and industry development strategies. Third, there are issues that need to be addressed to avoid being obstructions to the IPEF negotiations and even implementation of IPEF provisions such as muddling talks related to other discussions with the United States (US), shifts the Philippines' focus away from traditional bilateral Free-Trade Agreements (FTAs). Here, data sharing challenges, and low levels of stakeholder awareness of the agreement are also discussed. Fourth, the paper proceeds to discuss how the IPEF may affect relations with Europe. To conclude, strategies to reap the benefits of the IPEF are presented.

List of Abbreviations

AEC	ASEAN Economic Community
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BPO	Business Process Outsourcing
CMTA	Customs Modernization and Tariff Act
DA	Department of Agriculture
DTI	Department of Trade and Industry
EMI	Eramen Minerals Inc.
EU	European Union
FTA	Free-Trade Agreement
GSP	Generalised System of Preferences
GSP+	Generalised Scheme of Preferences Plus
ICT	Information and Communications Technology
IPEF	Indo-Pacific Economic Framework for Prosperity
MSME	Micro, Small and Medium Enterprise
NEDA	National Economic Development Authority
NQI	National Quality Infrastructure
PCAF-CIT	Philippine Council for Agriculture and Fisheries Committee on International Trade
PDP	Philippine Development Plan
PH	Philippines
PH-EFTA	Philippines-European Free Trade Agreement
PH-EU FTA	Philippines-European Union Free Trade Agreement
PJEPA	Philippines-Japan Economic Partnership Agreement
PQF-NCC	Philippine Qualifications Framework–National Coordinating Council
RCEP	Regional Comprehensive Economic Partnership
STEM	Science, Technology, Engineering, and Mathematics
TC	Tariff Commission
US	United States
US-GSP	US Generalized System of Preference
USTDA	US Trade and Development Agency
USTR	United States Trade Representative
WTO	World Trade Organization

Launched in May 2022 involving 14 member partners – Australia, Brunei, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States (US), and Vietnam – the Indo-Pacific Economic Framework for Prosperity (IPEF) is an agreement that endeavours to come up with an ‘economic arrangement designed to tackle 21st-century challenges’ by establishing ‘high-standard commitments’ around four main Pillars. These include trade (largely on the digital economy); supply chain resilience; clean energy, decarbonisation and infrastructure; and tax and anti-corruption.

The negotiations are conducted such that mutually beneficial outcomes, and a boost in trade and investment opportunities in the region are ensured.

At the Ministerial Meeting of the IPEF in September 2022, the ministers provided broad guidance on the negotiating objectives of partner countries in achieving an inclusive and high-standard economic regional framework. Due to the varied levels of development across partner countries, members have committed to ensuring mutually beneficial outcomes, and boosting trade and investment opportunities for peoples and markets within the region, and in particular, for the partner countries.

During the various negotiating rounds held so far, representatives from the US have met with Philippine officials on various occasions to discuss areas for cooperation and to reinforce the ties of the US with partners in the Indo-Pacific region. This includes the September 2022 meeting of the Philippine Secretary of Trade and Industry Alfredo Pascual with US Commerce Secretary Gina Raimondo, and the 17 and 18 April 2023 visit of the US Trade Representative Katherine Tai to the Philippines as part of the Biden Administration’s efforts to strengthen ties with key partners in the Indo-Pacific region.

The most recent development (27 May 2023) in the IPEF negotiations is the announcement by the 14 partners of the substantial conclusion of negotiations on the Supply Chains Agreement (Pillar II). The agreement fosters avenues for coordination among partner countries to identify potential supply chain challenges before they become widespread disruptions.¹ In addition, the Supply Chain Agreement includes forming an IPEF Supply Chain Council tasked to coordinate supply chain action plans designed to build resilience and competitiveness in critical sectors such as semiconductors and critical minerals; establishing an IPEF Supply Chain Crisis Response Network to share information and prepare crisis responses when one or more partners face acute supply chain crisis; and creating an IPEF Labour Rights Advisory Board to promote skills training and development in critical sectors while ensuring facility-specific allegations of labour rights inconsistencies are addressed.²

Other Pillars have also progressed in their negotiations. Negotiations on Trade (Pillar I) have achieved commitments to craft high-standard, inclusive, free, fair, and open trade commitments that build upon the rules-based multilateral trading system. The IPEF partners seek to develop new and creative approaches to trade and technology policies that advance a broad set of objectives. Recognising different levels of economic development and capacity constraints, the Trade Pillar partners have committed to consider flexibilities where appropriate, and to work with partners

1 “Substantial Conclusion of Negotiations on Landmark IPEF Supply Chain Agreement”, US Department of Commerce, 27 May 2023, <https://www.commerce.gov/news/press-releases/2023/05/substantial-conclusion-negotiations-landmark-ipef-supply-chain#:~:text=IPEF%20will%20help%20the%20United,market%20for%20American%2Dmade%20goods>

2 *Ibid.*

on providing technical assistance and capacity building. The press releases of various economies (Singapore and the US) have reported that substantial progress has also been made regarding the text on Technical Assistance and Economic Cooperation.³

Regarding Pillar III, the IPEF partners have put forward a variety of innovative ideas and approaches to accelerate their transition to a clean economy. Also, they are concurrently identifying and developing initiatives and proposals to advance cooperation in key areas that are critical to realising country-specific⁴ pathways towards net zero emission economies.

One specific pathway introduced by a group of interested IPEF partners is the regional hydrogen initiative to encourage widespread deployment of low-carbon and renewable hydrogen and its derivatives in the region.⁵ The IPEF partners are eager to work together, combining their knowledge from both the public and private sectors. This collaboration is anticipated to stimulate fresh investments, industrial development, and job prospects, which will subsequently drive innovation and productivity as they strive to achieve economies with net-zero emissions. Additional IPEF partners may choose to participate in the initiative when they are prepared to do so.

On Pillar IV, the IPEF partners have made good progress toward the development of the text of an agreement that will strengthen the implementation of effective anti-corruption and tax measures to boost commerce, trade, and investment among IPEF economies. The IPEF partners look forward to intensifying their efforts in the subsequent negotiating rounds to achieve a high-standard and mutually beneficial Fair Economy Agreement.⁶

Given the developments, this paper aims to contribute to the discussion through the identification of anticipated outputs of the IPEF; an assessment of the possible challenges to ratification and implementation of the IPEF; and prospects of the IPEF's engagement with Europe in the foreseeable future.

Philippines' Expectations

Based on the documents released by the US Department of Commerce, countries can expect a forward-looking agreement that addresses various aspects of regional integration and trade in goods and services (despite excluding market access provisions). Fuelled by this, the Philippines has actively participated in the negotiations.

According to the Undersecretary Ceferino S. Rodolfo of the Philippines' Department of Trade and Industry (DTI), the framework can be used to provide "incentives to our stakeholders, tied up with the reforms that we are already undertaking domestically, through having a mechanism to link the Trade Pillar with Pillars on supply chain resiliency and green energy transition. We also see this

3 "Minister Gan Kim Yong attends the Indo Pacific-Economic Framework For Prosperity (IPEF) Ministerial Meeting In Detroit, Michigan, 26 – 27 May 2023", Ministry of Trade and Industry Singapore, <https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2023/05/MTI-Press-Release-on-IPEF-Ministerial-Meeting.pdf>

4 The pathways recognise the unique national circumstances and development needs of each IPEF partner.

5 "Press Statement for the Trade Pillar, Clean Economy Pillar, and Fair Economy Pillar", Ministry of Economy, Trade and Industry, 27 May 2023, <https://www.meti.go.jp/press/2023/05/20230528001/20230528001-29.pdf>

6 "IPEF Joint Statement for the Trade Pillar, Clean Economy Pillar, and Fair Economy Pillar", Office of the United States Trade Representative, 27 May 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/may/ipef-joint-statement-trade-pillar-clean-economy-pillar-and-fair-economy-pillar>

as a vehicle to spur investments from the private sector in these areas.”⁷ Additionally, the Trade Pillar may help address concerns on labour rights and ensuring human capital development. For instance, the Pillar is expected to include provisions that “identify and collaborate on emerging labo[u]r issues, including related to promoting labo[u]r rights of workers in the digital economy and inclusive and equitable workforce development”,⁸ which is particularly significant for the Philippines on account of a growing number of its workforce employed in Information and Communications Technology (ICT) and the digital economy.⁹ Separately, the new DTI Secretary Alfredo Pascual welcomed Secretary Raimondo’s IPEF Upskilling Initiative in which 14 of the largest US digital companies such as Apple, American Towers, and Amazon will provide digital skills training to seven million women and girls in less-developed IPEF member countries, including the Philippines.¹⁰

Based on the public summaries¹¹ of Pillar I, it is expected to effectively promote inclusive digital trade by guaranteeing the safety and fairness of the digital economy by addressing data protection, consumer protection, and artificial intelligence. Access to digital infrastructure, equipment and software will also be promoted to ensure that all citizens in partner countries can fully participate in and benefit from the digital economy. The proposed text includes provisions that promote access to the Internet and online services and information, and addresses the challenges of closing the digital divide by promoting digital equity and inclusion and investing in education and training. This is in line with the Philippines’ goal of promoting the growth of the digital economy and enhancing opportunities for digital trade.¹²

Regarding the pillar on supply chains, DTI Secretary Pascual believes¹³ that the grants that the Philippines has received [for example, the US Trade and Development Agency (USTDA) grants¹⁴]

7 Kris Crismundo, “Pillars of US-led economic framework aligned with PH policies”, *Philippine News Agency*, 14 June 2022, <https://www.pna.gov.ph/articles/1176672>

8 “IPEF Pillar 1 text summaries USTR April 2023”, Office of the United States Trade Representative, April 2023, <https://ustr.gov/sites/default/files/2023-04/IPEF%20Pillar%201%20text%20summaries%20USTR%20April%202023.pdf>

9 The number of employed persons in the Philippine digital economy has grown by 8 percent from 5.59 million in 2021 to 6.02 in 2022.

See “Philippine Statistics Authority”, Republic of the Philippines, <https://psa.gov.ph/digital-economy>

10 “The Asia Foundation Partners with U.S. Commerce Department to Launch Indo-Pacific Economic Framework for Prosperity Upskilling Initiative”, The Asia Foundation, 9 September 2022, <https://asiafoundation.org/2022/09/09/the-asia-foundation-partners-with-u-s-commerce-department-to-launch-indo-pacific-economic-framework-for-prosperity-upskilling-initiative/>

11 op. cit.

12 “Philippine Development Plan 2023-2028”, National Economic Development Authority (NEDA), <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028.pdf>

13 Catherine Talavera, “Pascual highlights Philippines role in supply chain resilience”, *The Philippine Star*, 15 January 2023, <https://www.philstar.com/business/2023/01/15/2237625/pascual-highlights-philippines-role-supply-chain-resilience>

14 To advance the clean energy transition by producing critical minerals that are key elements in the supply chain for batteries and energy storage systems, US Vice President Kamala Harris launched a USTDA grant to Eramen Minerals, Inc. (EMI), a Filipino mining company, for a feasibility study to develop of an environmentally sustainable nickel processing facility in the Philippines. This project advances the goals of the Biden-Harris Administration’s Partnership for Global Infrastructure and Investment and the Indo-Pacific Economic Framework, through the development of clean energy supply chains including the responsible mining of metals and critical minerals.

See “Vice President Harris Launches USTDA Critical Minerals Processing Project in the Philippines”, *US Trade and Development Agency*, 22 November 2022, <https://ustda.gov/vice-president-harris-launches-ustda-critical-minerals-processing-project-in-the-philippines-2/>

can be expanded under the IPEF to support additional investments that would increase the country's participation in value chains of high-value critical products such as electronics, cathodes, refined copper and chemicals. The Philippines can expect new economic opportunities through greater collaboration on logistics and connectivity,¹⁵ emergency preparedness and coordinated responses to mitigate supply chain disruptions. By improving the security and resilience of local and regional supply chains, businesses will be more confident in investing in the country and engaging in cross-border trade.

The Supply Chain Agreement can also stimulate innovation in the region. By promoting collaboration among partner governments with technical and financial assistance, the agreement can help foster innovative solutions to supply chain challenges, further driving economic growth and competitiveness. Another economic impact is the potential for increased efficiency and cost savings by allowing businesses to better manage supply chain risks and reduce costs associated with disruptions and delays.¹⁶

The US has already identified several activities in support of the goals of the Agreement. These would include:

1. Holding a series of trainings and symposiums on issues related to supply chain monitoring and operations which would involve discussions by IPEF partner experts on cargo risk assessment practices, best practices in incident response planning, and identifying import dependencies and other potential supply chain bottlenecks.
2. Launching an IPEF STEM Exchange Program which would match early- and mid-career professionals from IPEF countries with professional development opportunities related to supply chain operations.
3. Linking American exporters to opportunities in sectors that IPEF Partners are seeking increased diversification and resilience.
4. Supporting cooperation on digital shipping including pilot projects with IPEF Partners starting with the Port of Singapore.
5. Conducting reverse trade missions which brings experts from IPEF markets to the United States to meet with leading US exporters to support supply chain modernisation in IPEF markets.¹⁷

While the Philippines should expect to participate in these activities and strategies, it is more important that the country maximises its participation by identifying the internal goals that it wants to achieve as it participates in these activities.

Related to the third Pillar, the Philippines looks at the IPEF and the US grants as a means of expanding investments in green and renewable energy. One such grant involves the processing of nickel ore through a partnership with an American company that owns patents in the manufacture

15 Logistics has often been cited as a main bottleneck in Philippine industry development. While the Philippines' Logistics Performance Index is at 3.2, besting Indonesia, it is still below Malaysia (3.6), Thailand (3.7), China (4), Japan (4.2) and Singapore (4.6). Vietnam is tied with the Philippines at 3.2.

16 Cyn-young Park, "Global Supply Chains Need Fixing: Help Is on The Way", *Asian Development Blog*, 2023, <https://blogs.adb.org/blog/global-supply-chains-need-fixing-help-way>

17 *op. cit.*

of batteries.¹⁸ The US firm supplies US military and critical industries including hyperscale data centres, renewable energy projects, and long-haul trucking companies. Another is the grant for a feasibility study on the Philippines' first offshore wind farm and cited this as indicative of the US' vision for the IPEF.¹⁹

It is expected that the framework will eventually be beneficial in lowering energy costs by tapping into renewable energy sources. In November 2022, US Vice President Kamala Harris launched the USTDA grant to Eramen Minerals Inc. (EMI), a Filipino-based mining company, to assess the viability of developing an ore-to-battery grade nickel sulphate/hydroxide and cobalt sulphate processing facility to produce battery grade precursor materials.²⁰

The IPEF is also expected to leverage Philippine strengths in electronics manufacturing and further expand the industry's capabilities. "It's also proximate and reachable that [we will] be able to create wafer fabrication in the Philippines. [We have] already proven the capabilities of Filipino engineers through internal circuit design. There is an American company operating with one thousand IC [Integrated Circuit] design engineers here," Pascual said in a forum.²¹

The Philippines can also expect to lessen information asymmetries through mechanisms that promote commercially oriented knowledge-sharing platforms aimed at developing Micro, Small and Medium Enterprise (MSME)-inclined ecosystems through the utilisation of carbon credit markets and green financing instruments. The country, likewise, supports 'green lanes' and other investment facilitation vehicles for existing and future grants dedicated to establishing cross-border private joint venture partnerships in the region.

Broadly, the Philippines looks forward to the US sharing its expertise with the IPEF Partners on areas such as laws, regulations, and policies that would help economies advance low- and zero-greenhouse gas emissions solutions, and promote energy transition.²²

The IPEF as an Opportunity

The Philippines, in general, perceives the IPEF as an opportunity to increase economic cooperation and integration with the countries in the region, promote trade and investment, and support infrastructure development and growth. This is manifested in the speech delivered by the then Secretary of Trade and Industry, Ramon Lopez, in the virtual launch of the IPEF in May 2022 where he highlighted that the broad themes of the IPEF and the Philippines' economic and development priorities are generally aligned. The IPEF's focus on advancing resilience, sustainability, inclusiveness, and competitiveness are consistent with the Philippines' interests and development objectives. In addition, the Secretary of Trade and Industry Alfredo Pascual expressed the need to promote emerging areas in trade, technology, and the digital economy.²³

18 "PH pushes for green metal processes, renewable energy investments in IPEF Ministerial Meeting", *BusinessChannel.ph*, 16 September 2022, <https://businesschannel.ph/2022/09/16/ph-pushes-for-green-metal-processes-renewable-energy-investments-in-ipef-ministerial-meeting/>

19 *Ibid.*

20 "Trade Chief Highlights PH's Role in Attaining Resilient Supply Chains", *Mindanao Daily News Network*, 16 January 2023, <https://mindanaodailynews.com/trade-chief-highlights-phs-role-in-attaining-resilient-supply-chains/>

21 *Ibid.*

22 "IPEF Public Summary: Pillar III (Clean Economy)", US Department of Commerce, 2023, <https://www.commerce.gov/sites/default/files/2023-03/IPEF-Pillar-III-Clean-Economy-Public-Summary.pdf>

23 Bernie Cahiles-Magkilat, "Pascual to focus on innovation, digitalization," *Manila Bulletin*, 31 May 2022, <https://mb.com.ph/2022/05/30/pascual-to-focus-on-innovation-digitalization/>

The administration of President Marcos, Jr., which came to power in May 2022, continues this positive view of the agreement as it is aligned with key strategies identified in the Philippine Development Plan (PDP) 2023 – 28, which work towards the achievement of the Philippine long-term vision of a *Matatag* (strongly rooted), *Maginhawa* (comfortable) *at Panatag na buhay* (secure life).²⁴ These strategies include revitalising industry by linking industrial policy with trade and investment policy, and promoting trade and investments by advancing purposive, assertive, and forward-looking Free Trade Agreement (FTA) strategies.

Trade strategies that support industrial development include pursuing FTAs and arrangements to create an enabling environment for facilitating investments from target-source countries, like the US and South Korea, in terms of capital and technology. By actively participating in negotiations with the innovation- and technology-rich countries, the Philippines aims to support key industrial clusters, particularly those related to transport manufacturing, ICT, creative industries, and health sciences. Strengthening the supply chains of these sectors is a particular strategy that is strongly associated with the IPEF. Apart from this, participating in the discussions and crafting disciplines on digital economy, e-commerce and other related issues is closely related to the Philippines' strategy of positioning itself as a hub for knowledge and technology-intensive export industries.

Although not necessarily a trade agreement, IPEF negotiations are aligned with the Philippine strategy of advancing purposive, assertive, and forward-looking FTAs. For the Philippines, trade negotiations in the IPEF would help the country strengthen its National Quality Infrastructure (NQI) to the benefit of local producers, enhancing in turn their capability to conform to technical regulations, and sanitary and phytosanitary standards. The government sees the IPEF as an avenue to negotiate the sharing of knowledge, technology, and best practices to comply with standards in foreign markets and maximise the market access offered through FTAs.

Furthermore, the Philippines, as a member of the Association of Southeast Asian Nations (ASEAN), is pleased that the vision of the IPEF is in line with the 2020 ASEAN Comprehensive Recovery Framework,²⁵ the ASEAN Outlook for the Indo-Pacific²⁶ and the ASEAN Economic Community (AEC) Blueprint 2025²⁷ as the Agreement would provide avenues for the achievement of these goals.

Negotiation and Implementation Challenges

The IPEF muddles the talks related to other discussions with the US

The Philippines is facing a delay²⁸ in the renewal of the US Generalized System of Preference (US-GSP) program due to issues in the US Congress and the focus on the IPEF. The US-GSP is crucial for the Philippines as it offers zero duties on 3,500 tariff lines,²⁹ and the country is among the top

24 "Ambisyon Natin 2040 A long-term vision for the Philippines", (Manila: NEDA), National Economic Development Authority, <https://2040.neda.gov.ph/wp-content/uploads/2016/04/A-Long-Term-Vision-for-the-Philippines.pdf>

25 "ASEAN Comprehensive Recovery Framework", Association of Southeast Asian Nations, 2020, <https://asean.org/book/asean-comprehensive-recovery-framework/>

26 "ASEAN Outlook on the Indo-Pacific", Association of Southeast Asian Nations, 22 June 2019, https://asean.org/asean2020/wp-content/uploads/2021/01/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf

27 ASEAN Secretariat, "ASEAN Economic Community Blueprint 2025", *Association of Southeast Asian Nations*, 2021, <https://asean.org/book/asean-economic-community-blueprint-2025/>

28 Catherine Talavera, "Philippines sees delay in renewal of US GSP", *The Philippine Star*, 1 February 2023, <https://www.philstar.com/business/2023/02/01/2241591/philippines-sees-delay-renewal-us-gsp>

29 "Generalized system of preferences", Department of Trade and Industry, <https://www.dti.gov.ph/generalized-system-of-preferences/>

five beneficiaries of this programme. The Philippines is collaborating with fellow ASEAN members like Thailand and Vietnam³⁰ to advocate for the renewal of their respective GSPs. However, progress has been slowed down by the IPEF's trade-related developments. The hope remains for reauthorisation of the US-GSP as it has consistently benefited the Philippines by serving as a major supplier of affordable imports for American manufacturers and consumers, as noted by Trade Secretary Pascual in November 2022.³¹

This delay, however, may be viewed as an opportunity for the Philippines. According to Leonardo A. Lazona, an economist from the Ateneo de Manila University, the Philippines' potential readmission into the US preferential trading scheme could interfere with efforts to diversify its export base as the US-GSP program "creates a dependency on the US markets, making [the country] more vulnerable to changes and uncertainties of the US economy".³² Lazona suggests that the country focus its efforts on making its existing trade agreements work for the country.

The discussions on the IPEF shifts the Philippines' focus away from traditional bilateral FTAs

USTR Ambassador Tai has stated that a bilateral FTA between the Philippines and the US government was not on the negotiating table as the Biden Administration was more focused on its IPEF initiative.³³ "In terms of a more 'traditional' FTA, we're not currently negotiating any such agreements with trading partners in particular because we do not see that traditional [FTA] being appropriate for the types of challenges and opportunities that we're facing right now," Tai told members of the Philippine media in a briefing in Makati City on 18 April 2023.

Establishing the IPEF Supply Chain Crisis Response Network would have data sharing challenges

Challenges to the implementation of the agreements in the Supply Chain Pillar would be related to the information requirements necessary to set up the crisis response network. Yeo and Cutler alluded to this challenge when they deduced that "countries may need domestic legislation or regulations to deal with information sharing of the private sector".³⁴ The Philippines' Data Privacy Act³⁵ provides protection to the businesses and private companies but the stringent application of the provisions of the law may prevent the effective implementation of the crisis response sharing because of limited data sharing.

30 *op. cit.*

31 *Ibid.*

32 Kyle Aristophere T. Atienza, "US GSP could disrupt PHL export diversification", *Business World*, 7 May 2023, <https://www.bworldonline.com/economy/2023/05/07/521330/us-gsp-could-disrupt-phil-export-diversification/>

33 Revin Mikhael D. Ochave, "US not keen on PHL free trade deal", *Business World*, 19 April 2023, <https://www.bworldonline.com/top-stories/2023/04/19/517678/us-not-keen-on-phil-free-trade-deal/>

34 Han-Koo Yeo and Wendy Cutler, "Strengthening Regional Supply Chain Resiliency Through the Indo-Pacific Economic Framework (IPEF)", *Asia Policy Society Institute*, May 2023, <https://asiasociety.org/policy-institute/strengthening-regional-supply-chain-resiliency-through-indo-pacific-economic-framework-ipef>

35 Republic Act 10173 Data Privacy Act of 2012, National Privacy Commission, <https://privacy.gov.ph/data-privacy-act/>

Low levels of awareness of the agreement would slowdown implementation

One of the observations during negotiations for the various trade agreements of the Philippines is the low levels of awareness of Filipinos (across all sectors) of the Philippine's participation in the trade agreements. One of the major criticisms hurled at the DTI during the discussions for Senate concurrence to the ratification of the Regional Comprehensive Economic Partnership (RCEP) was that "very little information on the contents of the agreement [were] made available to the public".³⁶ A related issue raised by critics of the RCEP is the alleged lack of consultations with agricultural stakeholders. Consultations, after all, are of prime importance in any trade negotiation since they guide the development of the country's negotiating position. In contrast, the Department of Agriculture (DA) reported that consultations with agricultural stakeholders have been undertaken³⁷ through the Philippine Council for Agriculture and Fisheries Committee on International Trade (PCAF-CIT) since the launch of RCEP negotiations in November 2012. These consultations were reportedly attended by different agricultural sector groups. Also, the Tariff Commission (TC) conducted a public consultation³⁸ in May 2015 as well which was in accordance with Section 1609 of the Customs Modernization and Tariff Act (CMTA) to allow stakeholders to express their concerns and to submit positions papers which were considered in the Commission's report on its findings and recommendations about the agreement.

While the level of awareness has been improving over time and the discussions conducted during the deliberations for Senate concurrence of RCEP seem to reflect improvements in Filipinos' awareness of international agreements, it is noteworthy that Filipinos tend to become aware of and interested in the participation of the government towards the completion of negotiation processes. Around this stage of discussions, however, critics of the agreement³⁹ perceive that little can be done anymore to address their issues in the text so they would push for the non-concurrence or non-ratification of the agreement. This can all be avoided if there is a consultative process undertaken at every step of the negotiation process to ensure that all concerns are addressed while the negotiations are taking pace.

How the IPEF Will Affect Engagement with Europe?

While not necessarily an FTA, the formation of the IPEF creates frictions between IPEF partners and non-IPEF partners. IPEF negotiations are then influenced by broader diplomatic considerations. A closer relationship with the US and other Asia-Pacific Economic Cooperation (APEC) partner countries could have implications for the Philippines' relations with other countries in Europe. It is therefore important that as the Philippines pursues stronger ties with IPEF partners, it also explores ways to further strengthen its relationship with the European Union (EU).

One such way is by pursuing the resumption of the Philippines-European Union (PH-EU) FTA negotiations.⁴⁰ DTI Secretary Pascual calls the FTA an essential mechanism in the Philippines'

36 Joseph Puruganan, "[ANALYSIS] Debunking government claims on RCEP", *Rappler*, 3 November 2021, <https://www.rappler.com/voices/thought-leaders/analysis-debunking-government-claims-on-rcep/>

37 "The Regional Comprehensive Economic Partnership", Senate Economic Planning Office, November 2022, https://legacy.senate.gov.ph/publications/SEPO/Policy%20Brief%20on%20RCEP_Final.pdf

38 *Ibid.*

39 Catherine Talavera, "Farmers seek consultations before RCEP ratification", *The Philippine Star*, 4 November 2021. <https://www.philstar.com/business/2021/11/04/2138737/farmers-seek-consultations-rcep-ratification>

40 The Philippines and the EU also launched exploratory talks on bilateral FTA in 2013. While there have been two negotiations conducted (Brussels in 2016 and Cebu in 2017), talks have been on hiatus since 2017.

engagement with the EU.⁴¹ With the US putting a halt to the PH-US FTA discussions, it may do well for the Philippines to focus its energies on the pursuit of other FTA agreements such as the PH-EU FTA. The pursuit of the PH-EU FTA resumption of negotiations comes at an opportune time as well. The administration of President Marcos, Jr. appears to have better relations with the EU compared to the previous administration. This is evidenced by the President having already visited Brussels early in his term.⁴²

In addition, since the IPEF muddles the discussion on the US GSP, the pursuit for the continuation of the Generalised Scheme of Preferences Plus (GSP+) afforded by the EU becomes more critical. As one of its strategies is to encourage the import of goods from developing countries, the EU implemented the GSP+, which went into force in 2014. Eight countries benefit from the scheme, which is branded as a “special incentive arrangement for sustainable development and good governance.”⁴³ The EU GSP+ is a special incentive arrangement for sustainable development and good governance in the form of zero duties. It is a unilateral trade arrangement, which offers zero tariffs on 6,274 products or 66 per cent of all EU tariff lines. It is a part of the broader Generalised System of Preferences (GSP) of the EU and, as a developmental tool, it seeks to encourage export diversification in developing countries, including Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, the Philippines, and Sri Lanka. The Philippines reports several communities benefiting from the GSP+ such as the areas with economic zones (that is, Laguna, Rosario Cavite and Batangas). Foreign companies have also established operations in the Philippines in order to maximise the opportunities of the GSP+.⁴⁴

Thus, given the significance of the GSP+ and the absence of the US GSP to the Philippine arsenal for exporters, it would do well for the Philippines to exert efforts in ensuring that the GSP+ is renewed.

Reaping the Benefits of the IPEF

To conclude, this paper provides some recommendations that may help maximise the benefits from future negotiations and are based on lessons from previous negotiations conducted by the Philippines. The Philippines has had a history of participating in international trade agreements both bilateral (Philippines – Japan Economic Partnership Agreement [PJ EPA], Philippines-European Free Trade Agreement [PH-EFTA], Philippine-Korea FTA [PH-Korea] [forthcoming]) and multilateral (World Trade Organization [WTO], ASEAN+1, RCEP). To achieve more fruitful negotiations with the IPEF partners, the Philippines can draw upon several lessons from previous negotiations. These would include the following:

41 Revin Mikhael D. Ochoa, “DTI’s Pascual calls free trade agreement ‘essential’ to European Union relationship”, *Business World*, 16 February 2023, <https://www.bworldonline.com/economy/2023/02/16/505381/dtis-pascual-calls-free-trade-agreement-essential-to-european-union-relationship/>

42 Zacarian Sarao, “Marcos to push for PH priorities at ASEAN-EU Summit in Brussels”, *Inquirer.net*, 11 December 2022. <https://globalnation.inquirer.net/209034/bongbong-marcos-to-push-for-ph-priorities-at-asean-eu-summit-in-brussels>

43 “Generalized system of preferences”, Department of Trade and Industry, <https://www.dti.gov.ph/generalized-system-of-preferences/>

44 *Ibid.*

Balancing national interest with regional goals

Trade negotiations require careful consideration of the balance between national interests and regional goals. In the past FTA negotiations, the Philippines has had to consider how to maintain its national interests while contributing to the broader objective of regional economic integration. By utilising the Agreements' provisions to Philippines' domestic goals, the country can work towards achieving national interest along with regional goals. The country can further align strategies identified in the Philippine Development Plan to the agreements and principles outlined in the IPEF.

Consider the various interests of various stakeholders

Trade negotiations impact various stakeholders, including different industries, workers and consumers. It is crucial to ensure that the interests of these groups are taken into account in the negotiation process. This could involve engaging in consultations with industry groups, labour unions and other stakeholders to understand their concerns and priorities.

Addressing sensitive industries

Some sectors of the economy may be more sensitive to changes in policy or international shocks than others. In the IPEF, the environment and mining sector may be considered sensitive areas in negotiations as it can be vulnerable to shifts in policy in other countries. The Philippines should have a strategy for dealing with these sensitive industries. Relatedly, trade agreements can lead to job displacement in certain sectors due to increased competition. However, they can also create job opportunities in other sectors. The government should have plans in place to help workers transition to new jobs, if necessary. This could involve measures like retraining programmes and social safety nets. An example would be the Lifelong Learning Development Bill which aims to develop a Lifelong Learning Framework through the Philippine Qualifications Framework–National Coordinating Council (PQF–NCC). The PQF–NCC shall determine and set standards for developing action components and desirable success measures for promoting lifelong learning in cities, municipalities, and educational institutions.⁴⁵

Leveraging competitive advantage

The Philippines, like all countries, has industries where it has a comparative advantage. These industries, which might include areas like Business Process Outsourcing (BPO), electronics and certain green metals sectors, should be leveraged in the negotiation process. The Philippines should also negotiate disciplines that would maintain its strength in the digital services trade.⁴⁶

Investing in capacity building

To maximise the benefits from trade agreements, it is important to invest in capacity building for both the public and private sector. Summary of the IPEF texts have all mentioned the presence of technical assistance and economic cooperation. It would do well for the Philippines to utilise these opportunities to enhance the skills of workers, improving infrastructure, and promoting innovation in industries.

45 *op. cit.*

46 Francis Mark A. Quimba, Sylwyn C. Calizo Jr, Jean Clarisse T. Carlos and Jose Ramon G. Albert, "How Ready Are We? Measuring the Philippines' Readiness for Digital Trade Integration with the Asia-Pacific", *Philippine Institute for Development Studies*, June 2021, <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps2117.pdf>

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