FINEX
FINANCIAL EXECUTIVES INSTITUTE OF THE PHILIPPINES

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Management Association of the Philippines

REITERATION OF CALL FOR THE RATIFICATION OF PHILIPPINE MEMBERSHIP IN THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

June 1, 2022

The Financial Executives Institute of the Philippines (FINEX), the Makati Business Club (MBC), and the Management Association of the Philippines (MAP) would like to reiterate our call for the Senate to ratify the Philippine membership in the Regional Comprehensive Economic Partnership (RCEP), the largest economic bloc in the world's history.

As we stressed in our earlier Joint Statement dated January 21, 2022, RCEP's 15 member economies, consisting of the ten ASEAN members plus Australia, New Zealand, China, Japan and South Korea, together account for 30 percent of the world's population and of global GDP. As such, it is a huge market that Filipino producers would gain preferential access to via membership in RCEP.

Like any free trade agreement, RCEP provides wide economic opportunities for our country, along with certain threats to uncompetitive industries, and individual producers and their workers. And like in the other free trade agreements the country has joined (of which our country has the least, compared to Indonesia, Malaysia, Thailand and Vietnam), the overall economic gains in terms of net job creation, economic growth and price stabilization will well outweigh the costs. Government has the responsibility to assist those adversely affected meaningfully and effectively, to allow them to achieve competitiveness or adjust to alternative products or livelihoods.

RCEP will help MSMEs expand market access, especially with more liberal rules of origin on traded products to qualify for trade concessions. It will also provide broader and cheaper alternative sources for inputs and reduce costs of doing business through improved trade facilitation, especially customs and trade clearance procedures.

Exclusion from RCEP would be immensely costly to our economy and our people. We can anticipate a significant decline in our exports to RCEP countries, which now account for nearly two-thirds (64 percent) of our total exports, as trade with us will logically be diverted to fellow members. It would also make us even more unattractive to job-creating investments than we already are, as these would best locate in RCEP member countries to take advantage of free access to its vast market. For the same reason, our membership could attract more foreign investments into the country from firms wishing to produce and sell to the large RCEP market.

RCEP skeptics should find comfort in the fact that little will immediately change in the country's trade relations, since RCEP only reaffirms existing trade concessions we already have with all RCEP members via the ASEAN Trade in Goods Agreement (ATIGA) among ASEAN members and the ASEAN-Plus Free Trade Agreements with the rest. Tariff elimination will take up to 20 years, giving ample time for us to shape up and achieve the competitiveness that will allow our producers to take full advantage of the vast market opportunities RCEP offers. Even so, our negotiators had excluded from tariff liberalization "sensitive" farm products including swine and poultry meat, potatoes, onions, garlic, cabbages, sugar, carrots and rice, along with manufactured products like cement and certain steel products.

We see our membership in RCEP as an important challenge to our government to step up genuine and meaningful support for Filipino producers, especially in the agriculture sector, which is the backbone of the Philippine economy. We, therefore, urge the government to provide a substantial increase in the agriculture budget commensurate to that provided in our comparable ASEAN neighbors, as we urge our Senators to ratify the RCEP Agreement without delay.