# ASEAN 2015: CHALLENGES TO REGIONAL INTEGRATION, PHILIPPINES PERSPECTIVE

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# ASSOCIATION OF SOUTHEAST ASIAN NATIONS

- Membership: Philippines, Indonesia, Singapore, Malaysia, Brunei Darussalam, Laos PDR, Myanmar, Vietnam, Cambodia and Thailand;
- Built on 8th August 1967 against the backdrop of the Cold War era;
- Organized as a regional bloc which fosters regional trade, cooperation in the areas of education, health, poverty eradication, labor migration and, transnational crime prevention and apprehension.

# THE ASEAN SOCIAL CONSTRUCT

- Is a socially constructed reality;
- Started with a common vision among its founding four member countries, eventually shared by ten nations, seized by the private sector and the non-governmental stakeholders, made inroads into our collective regional consciousness and now aims to be a more integrated community.
- A product of four decades of interactions, socialization and cooperation at various levels both within and outside of government circles

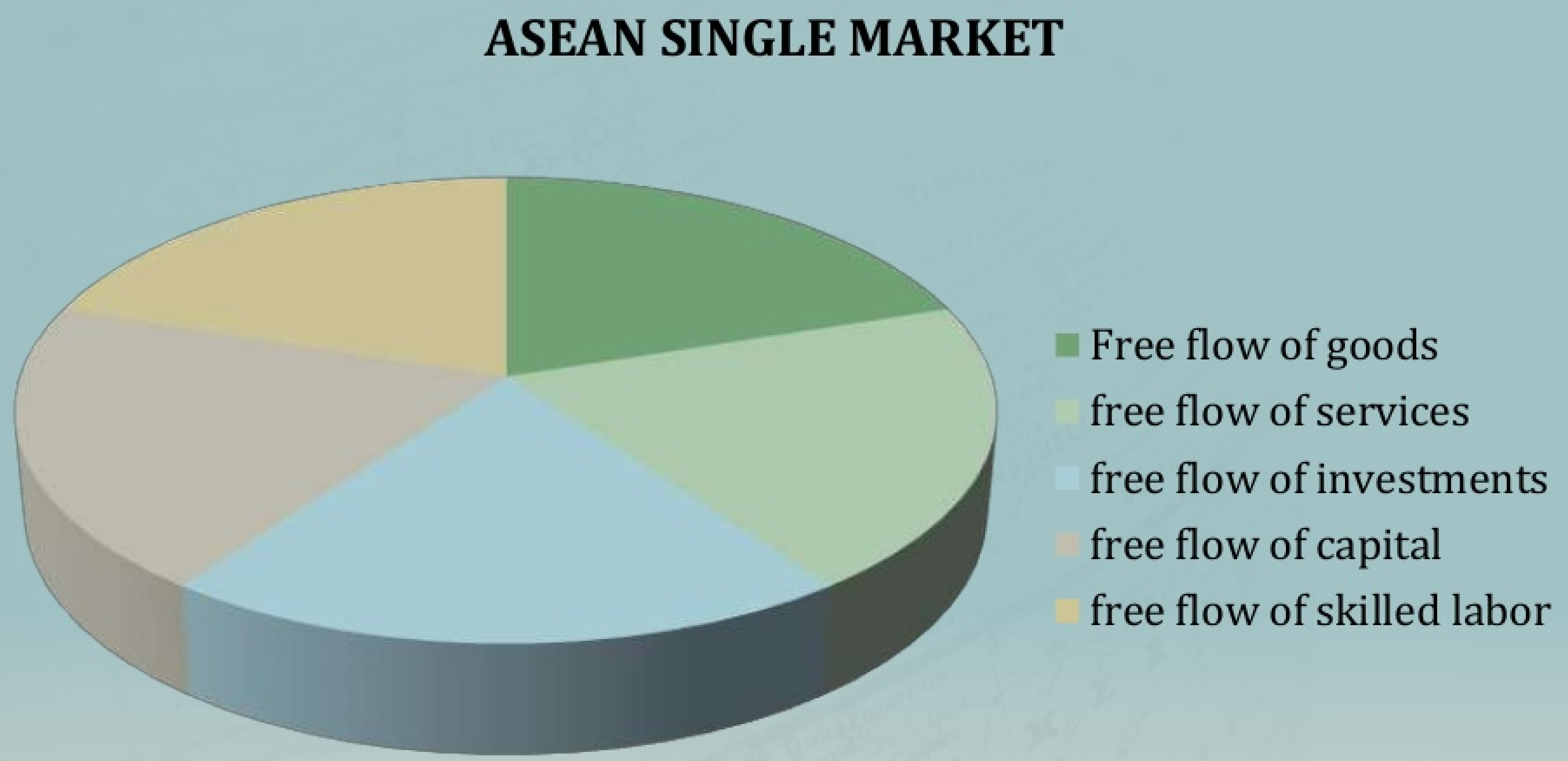
# OUR COMMON INTEGRATION BASELINES

- ASEAN Charter;
- Hanoi Declaration on Narrowing Development Gap for Closer ASEAN Integration of 2001.
- ASEAN Vision 2020;
- ASEAN Economic Community Blueprint;
- Declaration of ASEAN Concord II

# 2015: ASEAN ECONOMIC COMMUNITY

- States to adopt the AEC Blueprint for implementation by 2015;
- The AEC will establish ASEAN as a single market and production base making ASEAN more dynamic and competitive with new mechanisms and measures to strengthen the implementation of its existing economic initiatives;
- Accelerating regional integration in the priority sectors;
- Facilitating movement of business persons, skilled labour and talents; and strengthening the institutional mechanisms of ASEAN.

# ASEAN 2015: SINGLE MARKET AND PRODUCTION BASE



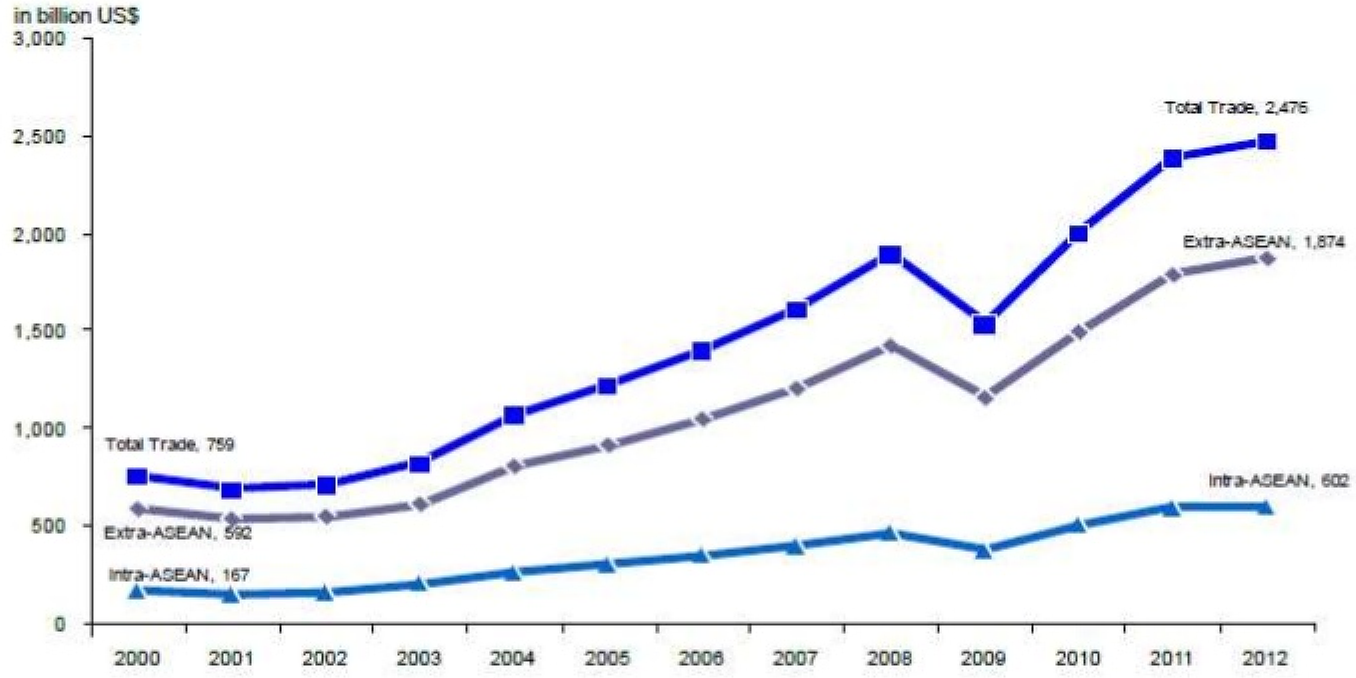

IN ADDITION, the single market and production base also include two important components, namely, the priority integration sectors, and food, agriculture and forestry.

# ASEAN 2015: FREE FLOW OF GOODS AND SERVICES

- Free flow of goods is one of the principal means by which the aims of a single market and production base can be achieved. A single market for goods (and services) will also facilitate the development of production networks in the region and enhance ASEAN's capacity to serve as a global production centre or as a part of the global supply chain.

# ASEAN 2015: TRADE PERFORMANCE

**4.1 Trend of ASEAN Trade in Goods**

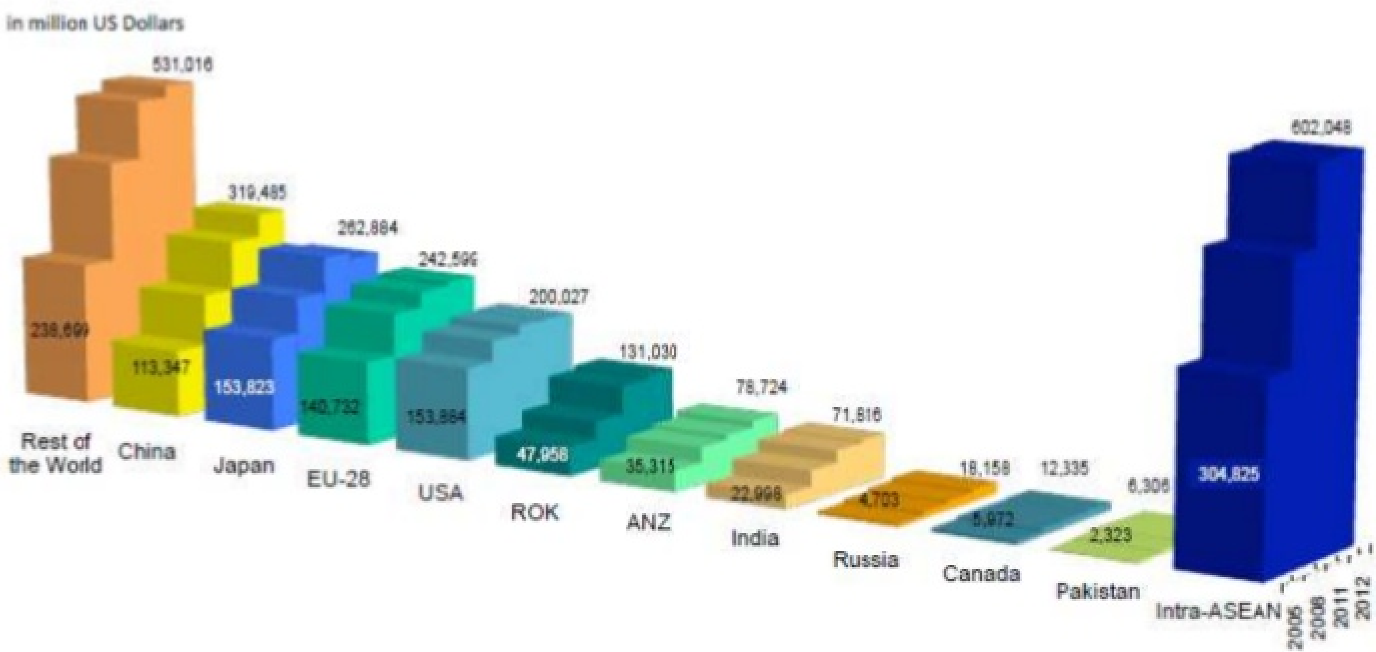



In 2012, the region's total trade moderated to US$2.5 trillion, higher by 3.7 percent from last year's level. Extra-ASEAN trade continued to account for three-fourths of total trade.

Source of data: ASEAN Trade Database

# ASEAN 2015: INTRA-ASEAN PERFORMANCE

## 4.3 ASEAN Trade in Goods with selected trade partner countries/regions

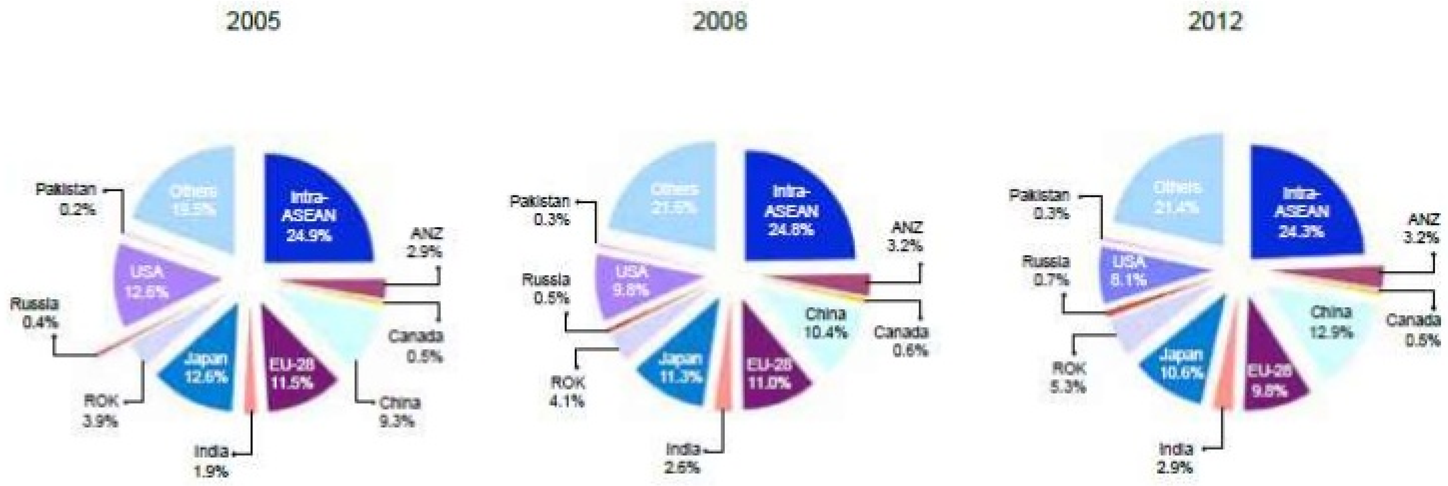



Since 2005, intra-ASEAN trade value almost doubled reaching 602 billion in 2012. ASEAN + 3 (China, Japan and Republic of Korea) contributed a combined share of more than 50 percent.

Source of data: ASEAN Trade Database

# ASEAN 2015: TRADE PERFORMANCE

**4.5 ASEAN Trade in Goods with selected trade partner countries/regions, in percent share**

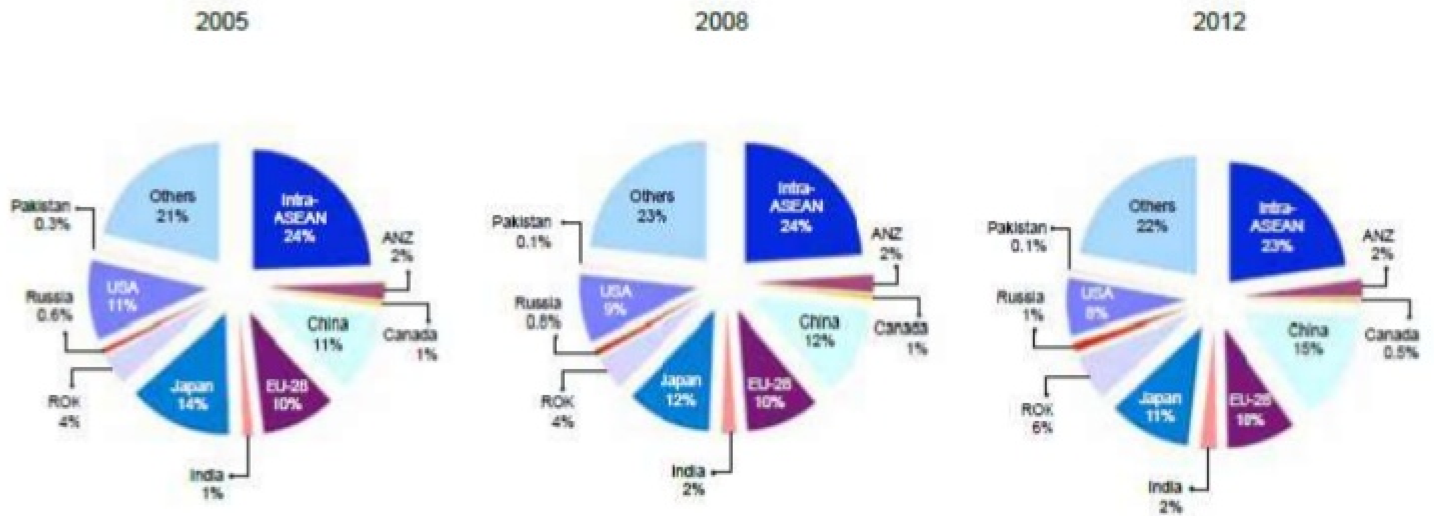



The region's trade with China has gradually increased over the years while the shares of US and EU-28 has dwindled significantly. In 2012, China has become the top major trading partner, followed by Japan and EU-28.

Source of data: ASEAN Trade Database

# ASEAN 2015: TRADE PERFORMANCE

**4.7 ASEAN Imports of Goods from selected trade partner countries/regions, in percent share**

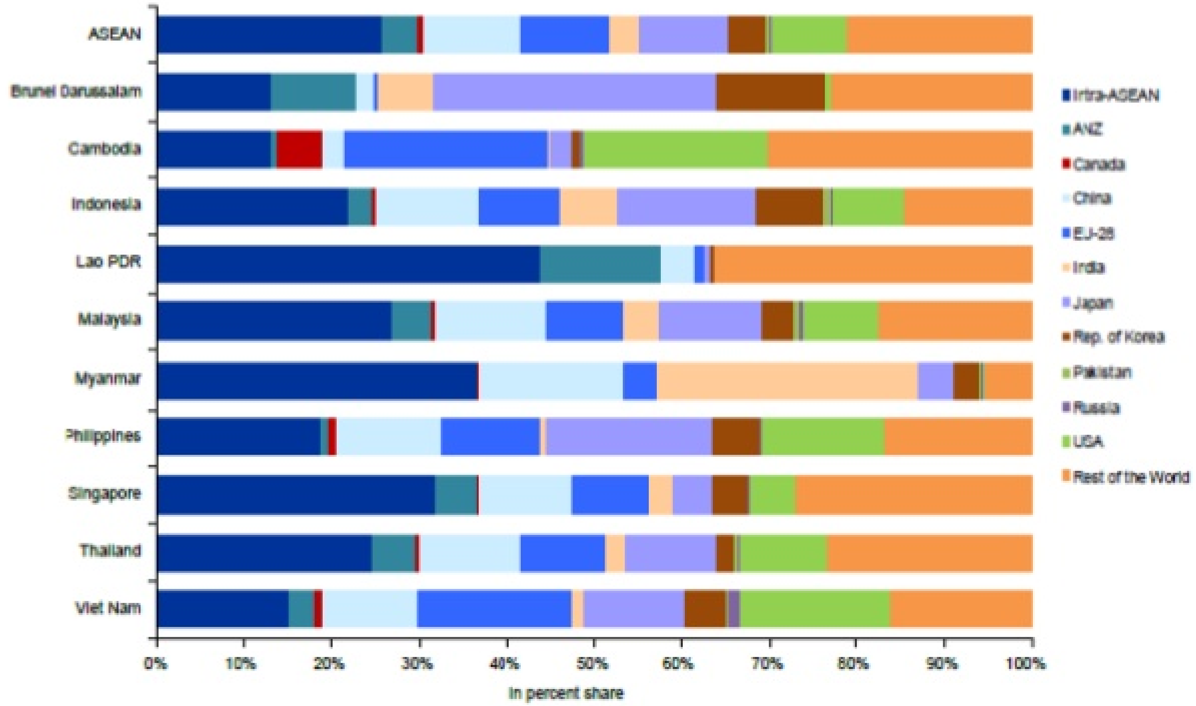



ASEAN's import share from China has likewise increased in 2005 to 2012 while the region's purchases from Japan and US has contracted during the same periods.

Source of data: ASEAN Trade Database

# ASEAN 2015: TRADE PERFORMANCE

**4.8 ASEAN Member States Export of Goods, by destination, 2012**

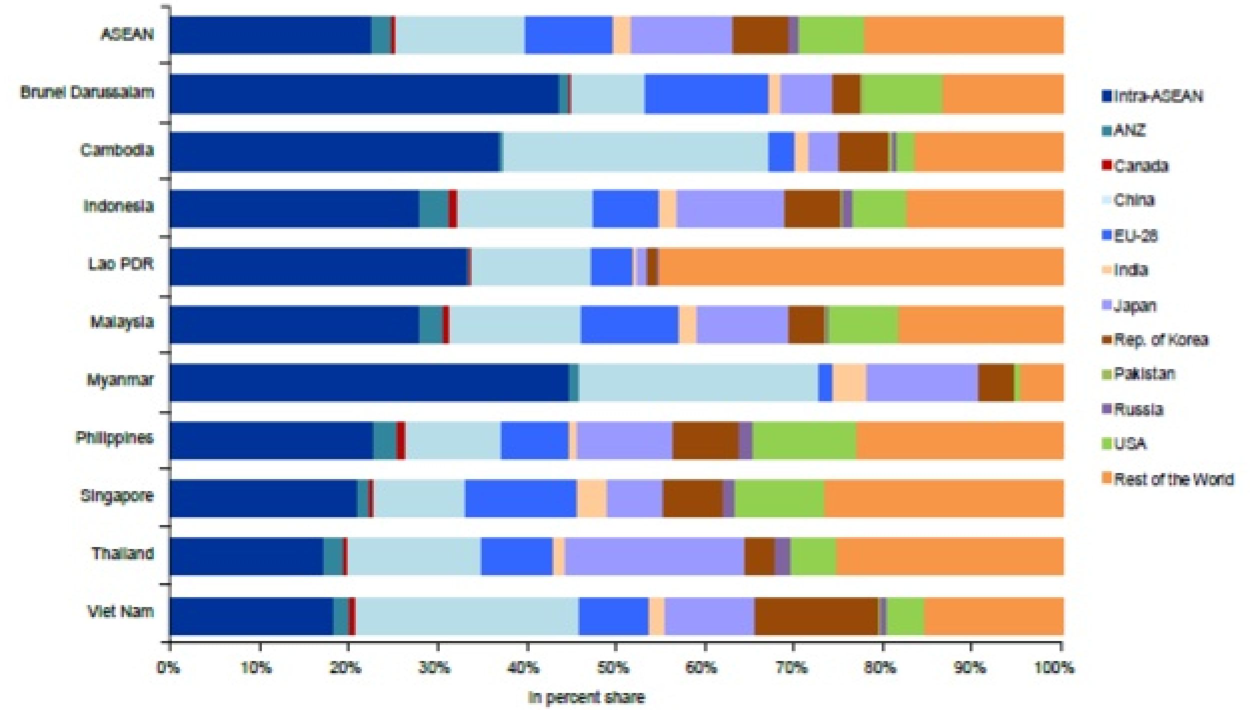



Lao PDR, Myanmar and Singapore shipped most of its products within the region, with shares ranging from 30 percent to 45 percent. Meanwhile, Brunei Darussalam's top export market is Japan.

Source of data: ASEAN Trade Database

# ASEAN 2015: TRADE PERFORMANCE

**4.9 ASEAN Member States Import of Goods, by origin, 2012**




Brunei Darussalam, Cambodia and Myanmar imported most of their commodity items within the region, ranging from 35 percent to 45 percent shares.

Source of data: ASEAN Trade Database

# 2015: LIKELY SCENARIO

**PEDRO shirt made in Philippines**

- Production cost is high as importation is from US and others;
- Textiles are expensive in US;
- Labor cost high;
- Logistics cost high; No common border

**Shirt made in Cambodia**

- Production cost is low is importation is intra-ASEAN and China;
- Textiles are less expensive in China;
- Labor cost low;
- Logistics cost low, common border with China, Thailand and Vietnam

# ASEAN 2015: ZERO TARIFFS

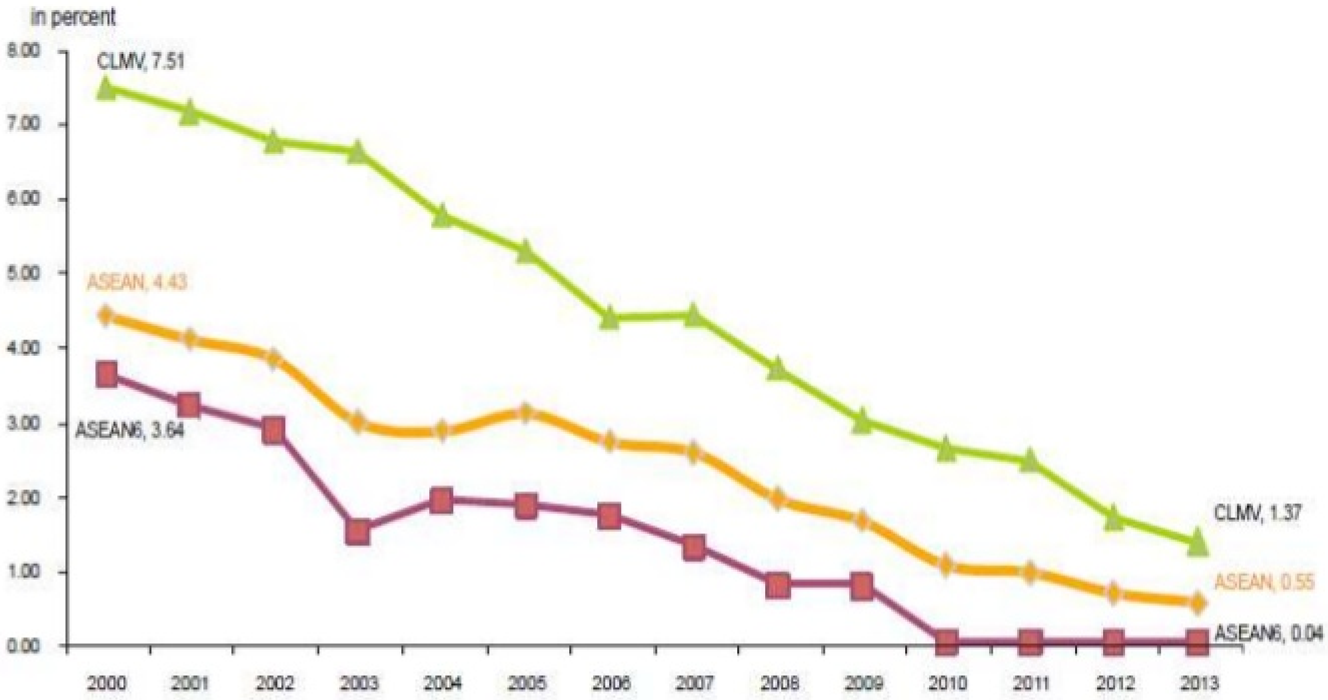
- Through ASEAN Free Trade Area (AFTA), ASEAN has achieved significant progress in the removal of tariffs. However, free flow of goods would require not only zero tariffs but the removal of non-tariff barriers as well. In addition, another major component that would facilitate free flow of goods is trade facilitation measures such as integrating customs procedures, establishing the ASEAN Single Window, continuously enhancing the Common Effective Preferential Tariffs (CEPT) Rules of Origin including its Operational Certification Procedures, and harmonising standards and conformance procedures.

# ASEAN 2015: ZERO TARIFFS
## ACTIONS BEFORE AND BEYOND 2015

- Eliminate import duties on all products, except for those phased in from the Sensitive and Highly Sensitive Lists by 2010 for ASEAN-6 and by 2015, with flexibilities for some sensitive products by 2018, for CLMV in accordance with the provisions of the Protocol to Amend the CEPT Agreement for the Elimination of Import Duties;

# ASEAN 2015: TARIFF SCENARIO (2013)

**3.1 Average Tariff Rates on Intra-ASEAN Imports**




Average tariff rate on intra-ASEAN imports in ASEAN6 declined appreciably to 0.04 percent starting in 2010. Meanwhile, the CLMV's average tariff rate reached 1.37 percent in the same period.

Source of data: ASEAN Tariff Database

# ASEAN 2015: CUSTOMS INTEGRATION

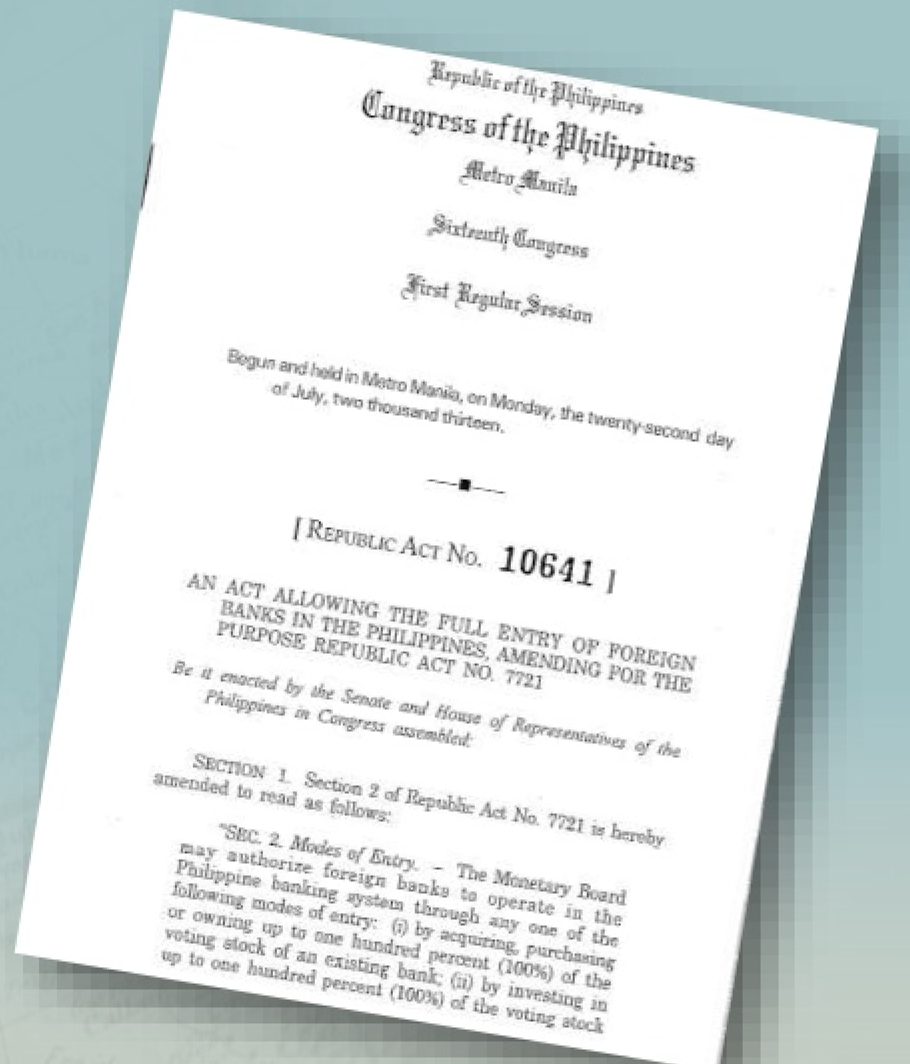
- In light of the acceleration of AEC, the realisation of ASEAN Customs Vision 2020 is brought forward to 2015. In particular, the 2005-2010 Strategic Plan of Customs Development aims to:
  - (a) integrate customs structures;
  - (b) modernise tariff classification, customs valuation and origin determination and establish ASEAN e-Customs;
  - (c) smoothen customs clearance;
  - (d) strengthen human resources development;
  - (e) promote partnership with relevant international organisations;
  - (f) narrow the development gaps in customs; and
  - (g) adopt risk management techniques and audit-based control (PCA) for trade facilitation.

# ASEAN 2015: ASEAN SINGLE WINDOW

- The ASEAN Single Window is an environment where ten National Single Windows of individual Member Countries operate and integrate. National Single Window enables a single submission of data and information, a single and synchronous processing of data and information and a single decisionmaking for customs clearance of cargo, which expedites the customs clearance, reduce transaction time and costs, and thus enhance trade efficiency and competitiveness.
- The Philippines operationalized its National Single Window in 2008, along with Brunei, Indonesia, Malaysia, Singapore and Thailand

# ASEAN 2015: FREE FLOW OF SERVICES

- Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations.



Republic of the Philippines
Congress of the Philippines
Metro Manila

Sixteenth Congress

First Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day of July, two thousand thirteen.

[ REPUBLIC ACT NO. 10641 ]

AN ACT ALLOWING THE FULL ENTRY OF FOREIGN BANKS IN THE PHILIPPINES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7721

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section 2 of Republic Act No. 7721 is hereby amended to read as follows:

"SEC. 2. *Modes of Entry.* – The Monetary Board may authorize foreign banks to operate in the Philippine banking system through any one of the following modes of entry: (i) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (ii) by investing in up to one hundred percent (100%) of the voting stock