Philippine Case

Introduction

Negotiations are underway for the forging of the ASEAN-EU Free Trade Agreement. The pro posed trade pact is one of the various free trade initiatives undertaken by ASEAN and EU. ASEAN in particular had earlier entered into trade liberalization arrangements with China, India, Australia, New Zealand, South Korea and India as part of its effort to broaden markets for its export products and draw investments into the region. Similarly, the EU had also been very active in securing trade liberalization agreements with various trade partners such as Mexico and Mercosur among others. EU's mandate in these trade agreements reflects its global strategy of attaining comprehensive and ambitious liberalization agenda in goods, services and investments.

As a member of ASEAN, the Philippine government is presently involved in negotiations aimed at crafting modalities and provisions that will constitute the ASEAN-FTA. The outcome of the negotiations will bind the country to a broad range of trade and investment policy commitments, even going beyond what it, and other developing countries, had been willing to commit in multilateral trade negotiations in the World Trade Organization. This underscores the need for greater stakeholder participation in the ongoing trade talks, as the results will have far-reaching impact on a broad range of economic policies.

At this stage of the trade talks, ASEAN has yet to finalize its negotiating objective and strategy for the proposed ASEAN EU FTA. Current discussions, such as the most recent ASEAN-EU Senior Official's Meeting in held Bangkok in April this year, was done mainly on the bases of the EU's negotiating mandate, from the European Commission. Further and more intensive discussions are slated this year as both blocs try to hammer out a working trade agreement by the end of the year (check with Percy for target data of conclusion of FTA).

People's groups and non-government organizations are monitoring the negotiations, with the intention of lobbying government not commit to any free trade agreement that will further undermine the country's sustainable development objectives. A primary and crucial concern in evaluating the provisions of the proposed agreements is its impact on the livelihood and welfare of small stakeholders, particularly farmers, agricultural producers and workers, wage earners and small entrepreneurs, among others.

This paper hopes to contribute to people's and civil society's engagement on the ASEAN-EU FTA by looking into available information on the proposed trade pact and evaluating these in the context of the country's current trade and economic relations with EU.

The study is divided into three parts. Part I provides a brief history and background of ASEAN-EU and RP-EU relations. These supply the backdrop in understanding the origin and framework of the proposed free trade area between the two regional blocs, as well as potential economic arrangement between the Philippines and EU. Part III presents an overview of RP-EU economic relations as a context in evaluating the potential impact of the agreement on the Philippines, particularly for its small economic stakeholders. Part II examines the EU's negotiating mandate, which presently forms the basis of ongoing talks between ASEAN and EU. It also discusses the EU's country strategy for the Philippines, and evaluates the policy implications of these mandates for the latter.

Part I: Brief history and background of ASEAN-EU relations

Initiatives to formalize and strengthen relations between the Association of South East Asian Nations and the European Union began as early as 1975 with the creation of the ASEAN-European Economic Community Joint Study Group. The group was tasked to identify areas where closer cooperation can be forged between the two blocs. One of the main apprehensions of ASEAN then was the growing protectionism of EEC countries, and it was keen on relaying this concern to ministers from the European Union. On the other hand, the EU recognized the emerging importance of Asia and ASEAN as a significant market for and source of materials, as well as an important investment destination.

The First Ministerial Meeting between ASEAN and EU, followed two years later, in 1978. This signaled the beginning of regular high-level policy dialogues between the two blocs. The ministerial meetings, held every two years, became a logical venue to develop and direct the implementation of plans for greater coordination between ASEAN and EU. The EC-ASEAN Cooperation Agreement was signed in 1980, providing the first framework of cooperation between members of ASEAN and the EU.

EU's relations with ASEAN gained greater clarity as the former defined its objectives, as well as approach in relating with Asia in general. Recognising that Asia "is dramatically changing the world balance of economic power"[1], the EU launched its New Asia Strategy in 1994. This clearly articulated EU's objectives, priorities, policy instruments as well as strategy in relating with its partners in the region, including ASEAN. The New Asia Strategy identified unilateral and multilateral cooperation, development aid as well as investment and financial facilities as some of the policy mechanisms available to EU in pursuing its goal of strengthening its economic presence in Asia. It also provided the mandate for the EU "to pursue market access openings for both goods and services, and to overcome obstacles to investment by encouraging a favorable regulatory environment for business in Asia." This need to create a favorable policy environment for business is consistently echoed in all of EU's policy engagement with ASEAN and the Philippines.

The launching of the New Asia Strategy preceded the first Asia-Europe Meeting, which was held in 1996 in Bangkok. Representatives and parties from both regions agreed on a common set of mechanisms and guidelines for the further implementation of the Asia-Europe Cooperation Framework. The first ASEM meeting also lead to the creation of the Asia-EU Vision Group, which helps develop and chart the future direction of cooperation between the two regions. Policy discussions and agreements forged through or facilitated by the ASEM have bearing on a broad range of economic and social concerns in countries in Asia and Europe, making it a significant target of civil society advocacy and lobbying. ASEM also came to be recognized as an important dialogue and policy venue that must be actively monitored and engaged by civil society and stakeholders groups.

ASEAN-EU Trade

ASEAN took an active role in the ASEM, as part of its effort to "remain the cornerstone of the EU's dialogue with countries in Asia[2]" Bulk of EU's trade with Asia is mainly with China and Japan, which ranks as its second and fifth biggest trading partner in the world, accounting for 10.1% and 4.8%, respectively of EU's total trade. On the other hand, ASEAN, as a group accounts for only 5% of the same. This

[1] Direct qoute from Executive Summary of New Asia Strategy, available in EU External Relations Website
[2] Based on ASEAN primer on ASEAN-EU Dialogue

provides impetus to intensify trade cooperation between the two blocs as a way of improving present trade relations. Among ASEAN members, EU charted the biggest trade with Singapore at 38.85 million Euro, which is equivalent to 1.5 % of EU over-all trade with the world. Table 1 below shows EU's major trade partners, and their share to EU total trade.

Table 1: Value and Percentage Share of EU's Major Trade Partners to EU Total Trade, 2006.

Rank	Trading Partner	Value of Trade In Million Euro	% share to Total Trade
	World	2.516.604	100,0
1	USA	444.410	17,7
2	China	255.130	10,1
3	Russia	208.966	8,3
4	Switzerland	157.651	6,3
5	Japan	121.139	4,8
6	Norway	117.232	4,7
7	Turkey	84.995	3,4
8	Korea	61.114	2,4
9	India	46.422	1,8
10	Canada	46.085	1,8
11	Romania	44.935	1,8
12	Brazil	43.963	1,7
13	Saudi Arabia	40.945	1,6
14	Taiwan	39.307	1,6
15	Singapore	38.857	1,5
	ASEAN	126.612	5,0

Source: EU Website

On the other hand, the EU is ASEAN's second biggest trading partner. The former's extensive membership, covering 27 countries, coupled with ongoing initiatives to expand trade between member of the two blocs explains its big share to total ASEAN trade. In particular, EU accounts for 11.7%, of ASEAN total trade, next only to the US, which accounts for 12.5 % of the same. Table 2 below shows ASEAN's major trading partners and their share to total trade.

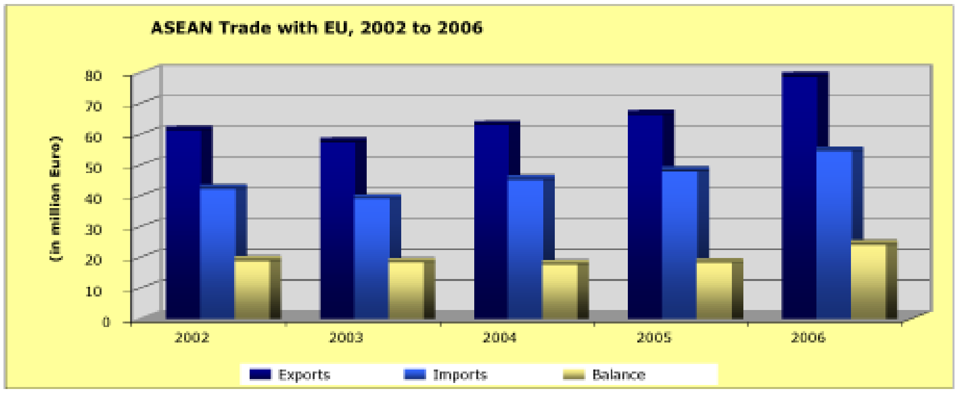
Table 2: Value and Percentage Share of EU's Major Trade Partners to EU Total Trade, 2006.

Rank	Trading Partner	Value of Trade In Million Euro	% share to Total Trade
	World	1.141.405	100,0
1	USA	142.116	12,5
2	EU	133.207	11,7
3	Japan	133.207	11,7
4	China	126.922	11,1
5	Singapore	91.261	8,0
6	Malaysia	79.254	6,9
7	Hong Kong	51.952	4,6
8	Korea	50.238	4,4
9	Indonesia	47.874	4,2
10	Thailand	45.631	4,0
11	Australia	34.043	3,0
12	India	23.443	2,1
13	Saudi Arabia	20.137	1,8
14	Philippines	18.936	1,7
15	United Arab Emirates	16.989	1,5

Source: EU Website

It is interesting to note that despite its limited share to total EU trade. ASEAN has consistently charted positive trade balances with the superbloc, ranging from a low of 17.75 million Euro to a high of 24.19 million Euro from 2002-2006. In the main, ASEAN and EU grew at an average of 6.5% over the said period. Figure 1 below traces the trade pattern between EU and ASEAN from 2002 to 2006.

Figure 1: ASEAN Trade with EU, 2002-2006



Source: EU Website

Despite the absolute growth in terms of the value of actual trade between the two regional formations, ASEAN's share to total EU never went beyond 5%. This provided the rationale for initiatives to further expand trade and economic relations with the EU..

TREATI

The launching of the Trans Regional-EU ASEAN Trade Initiative (TREATI) in July 2003 provided the initial framework for increased cooperation and dialogue between the two blocs on matters related to trade and investment. The initiative was also intended to promote closer cooperation in terms of regulatory functions, particularly in trade and investment facilitation. In particular, TREATI aimed to bring about increased cooperation between ASEAN and EU on specific aspects of trade, namely: sanitary and phytosanitary standards in agro and fishery products, technical barriers to trade and industrial product standards, and trade in forestry and wood based products. It also provided the venue for discussions on trade facilitation and investment cooperation.

TREATI served as a precursor to the ASEAN-EU free trade agreement. The idea of forging a free trade pact between the two blocs was formally introduced and tabled for serious evaluation in 2005. Ministers from ASEAN and EU created a Vision Group with the mandate to look into the possibility of an ASEAN-EU free trade agreement, and to determine what areas should be covered by a future trade pact.

The Vision Group recommended a broadly scoped FTA, covering not only trade in goods, but also investment facilitation, competition policy and government procurement. Earlier efforts by EU to fold in these topics into the ambit of multilateral trade negotiation, particularly in the WTO, were rejected by developing countries, including by members of ASEAN. However, the latter is clearly more open to discussing these in the context of bilateral and regional free trade agreements, which, in many instances, are essentially also multilateral in nature as it binds many countries to the agreement, though at a much more limited extent compared to the WTO.

Official negotiations on the FTA began in May 2007, shortly after the EU secured its mandate to negotiate from the Commission on April 2007.

Background of Philippine-EU Relations

As a member of ASEAN, the Philippines' relationship with the EU is largely defined by the ASEAN-EU Cooperation Agreement of 1980. EU-RP relations can be classified into three main areas of cooperation, namely: (1) economic (2) development and (3) socio-political. The EU's engagement with the Philippines along these three areas is strictly based on the priorities set forth in its country strategy paper, which will be discussed in greater detail in Part III of this paper.

The main focus of EU's economic engagement with the Philippines is the promotion and facilitation of RP-EU trade and investment flows. Its country strategy paper includes interventions aimed at helping improve Philippine capability to realize this objective. This includes the extension of Trade Related Assistance intended to help the country fulfill its multilateral liberalization commitments in the WTO. Additionally, it aims to support the Philipines' full participation in regional trade agreements, particularly in the ASEAN-EU FTA, which is presently under negotiations. In effect, the EU wants to ensure that the country has the capability to fulfill its current as well as future trade and investments liberalization commitments under existing and forthcoming free trade pacts. The EU rationalizes its position on the ground that increased trade will help support its poverty alleviation objectives for and initiatives in the country. Hence, one of its clear targets is to increase agricultural trade on account of its expected positive economic impact on agricultural stakeholders and on rural development.

For its part, the Philippine government pinned a lot of economic expectations in the ASEAN-EU FTA. The Department of Foreign Affairs in particular forecasted a host of economic benefits from the said trade pact. This includes improved share in the EU market, broader and bigger EU investments in the Philippines, increased development aid, etc.

However, the potential of the country to benefit from the pending ASEAN-EU FTA is contingent on a host of factor, such as the kind of modalities that will be agreed upon in the negotiations, the level of competitiveness of domestic producers and service providers, the effectiveness of institutional mechanism in supporting local stakeholders, the sufficiency of public investment in productive sectors, among others.

Part II: Overview of RP-EU Economic Relations

Trade in goods

The European Union is one of the Philippines major trade partners. It accounts for 14% of the global market for Philippine exports, as some of its members are important export destinations for Philippine goods[3]. More than two thirds, or 76.43% of Philippine goods sold to EU in are electronic products, which are mainly assembled in the country. Other export items include clothing and textile, coconut oil, woodcraft, furniture and jewelry, among others[4]. Among EU members, the Netherlands is the Philippines biggest export market, absorbing 55% or more than half of total exports to the EU[5]. Other important export destinations are Germany, Belgium, United Kingdom and France[6]. Figure 1 shows the share of EU members to the Philippines' total export market.

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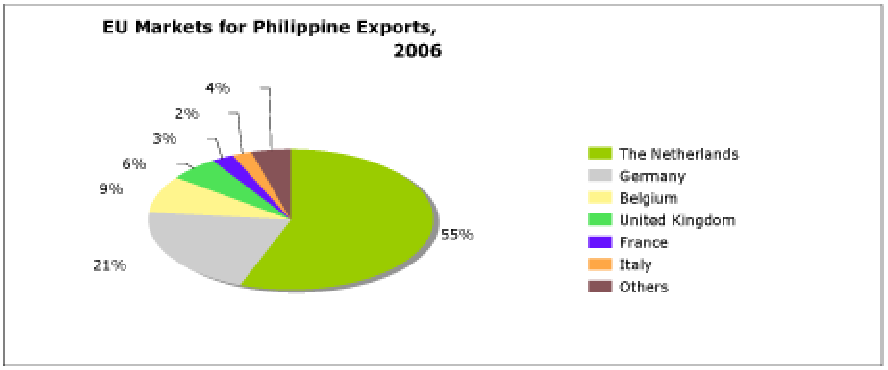
[3] Data from EU website

[4] Data from the National Statistical Coordination Board

[5] Ibid

[6] Ibid

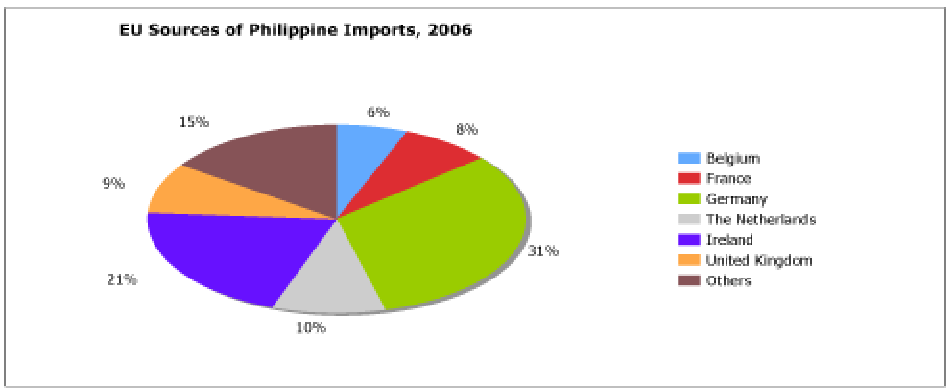
Figure 1



Source: NCSB

On the other hand, the Philippines imports electronic products, industrial machinery and equipment, pharmaceutical products, transport equipment, telecommunication equipment and electrical machinery from EU. The country's major import sources are are Germany, Ireland, United Kingdom, France and Belgium.

Figure 2



Source: NSCB

In the main, the Philippines has a positive trade balance with EU. Total merchandise exports, valued at US $ 8.55 billion exceed imports at US $ 4.28 billion. However, the country has a trade deficit with a few EU members, namely Denmark, Finland, Ireland, Sweden, Spain, Austria and France[7]. Table 1 shows Philippine trade in 2006 with selected EU members.

However, this over-all positive trade balance with EU is being threatened by the decline in Philippine exports to the said market in recent years. Philippine exports to EU have been going down at an annual average of 6.1 per cent per year, mainly due to the decline in elelctronics exports. On the other hand, other ASEAN members such as Vietnam, Thailand, Cambodia, Malaysia and Indonesia has been increasing their exports to the EU market, with export growth rates ranging from as 3.2 per cent to as much as 12.7 percent[8].

[7] Data from the National Statistical Coordination Board
[8] Data lifted from the statement of Ambassador Alistatir MacDonald of the European Commission, entitled "EU-Philippine Relations: Expectations and Challenges" during the ECCP Business Conference in Manila on May 8, 2008

Table 1: Trade Balance with Selected EU Countries

Countries	Exports	Imports	Balance
Austria	53.48	58.19	-4.7
Belgium	734.00	264.24	469.76
France	215.27	336.19	-120.9
Germany	1,781.28	1,368.07	413.21
Luxemberg	2.47	.97	1.50
The Netherlands	4,769.19	409.46	4,359.72
Denmark	23.18	55.93	-32.74
Finland	46.35	124.70	-78.34
Ireland	96.70	884.56	-787.86
Sweden	27.06	123.00	-95.94
United Kingdom	484.09	366.02	118.07
Greece	14.09	5.86	8.22
Italy	198.44	164.52	33.92
Portugal	15.09	12.23	2.87
Spain	87.33	112.63	-25.30
Slovenia	3.11	1.91	1.20

Source: NSCB

For the EU, the Philippines represents a very tiny segment of its market, Philippine exports to the Union account for only .7% of aggregate EU imports in 2001. This represents an improvement compared to the Philippine share to EU market in the 1980, which was at only .3%. In terms of imports, the Philippines represents only .5% of EUs market for export products. Hence, for EU there is much room for the expansion of potential markets in the Philippines. Trade liberalization will provide the policy environment that can help EU address this trade imbalance, which currently favors the Philippines[9].

The Philippines' positive trade balance with EU is also evident in agriculture. The country exports large volumes of crude and refined coconut oil, pineapple juice, banana chips, abaca and fisheries items, such as skipjack, bonito and tuna to EU members. Key markets are Netherlands, Germany, Italy, United Kingdom and North Ireland, .Belgium, France and Spain[10]. On the other hand, the Philippines main agricultural imports include food preparations, sugar, whey, fungicide, malt, unmanufactured tobacco, prawn feeds and pig fat, among others. The main sources of imports of these products are The Philippines profile of agricultural trade with EU indicates that producers of plantation-based products are currently in the position to take advantage of market access openings from a possible ASEAN-EU FTA.

Trade protection profile of EU and the Philippines

The Most Favored Nation tariff bindings, which are based on the individual tariff schedules of countries in the World Trade Organization, serve as the base tariffs or the starting point of negotiations in most free trade agreements. Compared to other countries, the Philippines has relatively low tariff bindings, and as such is, in a sense, already beginning from an already disadvantaged position in these negotiations

[9] All data from the Delegation of the European Commission to the Philippines

[10] Ibid

The country's average bound duty for agricultural products and non-agricultural products are 23.4 per cent and 34.7 per cent, respectively. Applied rates are correspondingly much lower at 5.8 per cent and 9.6 per cent.

Differences in the level of tariff protection among the various commodity groups are minor, mainly because bound tariff levels are generally very low. Interestingly, the highest trade protection in terms of tariff bindings is accorded to beverages and tobacco, which has an average tariff binding of 44.9 per cent, and sugar, which has an average bound duty of 44.7 per cent. However, in terms of actual or applied tariffs, the highest protection is for animal products, sugar and confectionary and coffee and tea. For non-agricultural products, the highest bound duties are for leather and footwear, clothing, textiles, wood and paper. Table 2 below shows the Philippines' bound as well as applied tariffs for each product group.

Table 2: The Philippines Average Bound and Applied Tariffs for Product Groups

Product Groups	Average Final Bound Rates	Average MFN Applied Tariffs
Animal products	36.6	21.3
Dairy Products	27.2	3.9
Fruit, Vegetables and Plants	37.3	9.4
Coffee, tea	41.2	15.8
Cereals and preparations	37.7	10.9
Oilseeds, fats and oils	36.7	5.6
Sugars and confectionary	44.7	16.0
Beverages and tobacco	44.9	8.2
Cotton	10.0	2.6
Other agricultural products	24.9	3.4
Fish and fish products	31.0	8.0
Minerals and metals	24.6	4.6
Petroleum	-	4.9
Chemicals	19.6	3.8
Wood, paper, etc.	24.2	7.1
Textiles	27.2	9.3
Clothing	30.0	14.9
Leather, footwear, etc.	32.7	6.7
Non-electrical machinery	19.0	2.3
Electrical machinery	18.1	3.7
Transport equipment	19.1	8.6
Manufactures	24.8	4.8

Source: WTO, Members Database

However, the Philippines, as part of ASEAN, extends lower tariffs to other members of the regional coalition, under the ASEAN Free Trade Agreement - Common Effective Preferential Treatment (AFTA-CEPT). These lower intra-regional tariff schedules, which reduced tariffs on non-sensitive products from 0 to 5%, serve to exert a downward pressure on tariff schedules that are presently being negotiated by ASEAN in free trade agreement with other partners.

The creation of an ASEAN-EU FTA is naturally expected to further reduce the Philippines tariff bindings. Whether or not the country will undertake effective tariff reduction depends on the magnitude of import duty cuts that will be agreed upon in the negotiations. For instance, based on the table above, it is evident that an agreement to reduce import duties to 0 to 5 per cent will result to effective tariff cuts for many product groups.

What can definitely be expected in the negotiations is the further narrowing down of government flexibility to use tariffs as a way of supporting its local producers. In the Philippines, resource constraints limit government's capability to provide small competitiveness enhancing support services. Hence, tariffs serve as important policy tools that provide government the means to help support the survival of local industries and sectors in a liberalized market.

As with most free trade agreements, this narrowing down of trade policy flexibility is viewed as a calculated loss, one that can easily be compensated for by the many export opportunities expected to emerge as a result of these agreements. For the Philippines, the extent of market access gains that it can potentially derive from the ASEAN-EU Trade Pactt is not only a function of the magnitude of import duty cuts that the EU is willing to commit, but also of the level of tariff protection that it is currently facing as it exports to EU.

At present EU tariffs on products coming from the Philippines are already very low. The average MFN duty faced by the country's 214 export tariff lines, which represents 95% of the country's total export to this market, is 6.3 per cent. The weighted average MFN tariffs for these tariff lines, which provides a more accurate picture of the level of trade protection faced by Philippine exports in the EU market, is even lower at 1.7 per cent. Additionally, 56.8% of the Philippines' export tariff lines and 89.6% of the value of its exports to EU enter the latter's market duty free. This indicates that actual gain from market access commitments from EU may be very limited on account of the fact that EU import duties on Philippine exports are already low minimal[11]. Table 3 in the next page profiles the Philippines export trade with EU.

Table 3: Profile of Philippine Export Trade with EU

Number of tariff lines accounting for 95% of total tariff lines exported to EU (in HS 2 digit level)	43
Number of tariff lines accounting for 95% of total tariff lines exported to EU (in HS 6 digit level)	214
Simple MFN Average of traded tariff lines	6.3
Weighted MFN Average of traded tariff lines	1.7
Percent of export tariff lines with duty free imports	56.8
Percentage of value of products exported at zero tariffs	89.6

Source: Tariff Profile of the Philippines, WTO

[11] These data were sourced from the Tariff Profile of the Philippines from the WTO Website

Generalized Scheme of Preferences

The Philippines is one of the 178 GSP beneficiary-countries under the general scheme of preferences. This scheme provides the Philippines a tariff cut of 3.5 percentage points on tariffs for products that are sensitive to EU, and zero duties for those that fall under the latter's non-sensitive list. It also allows beneficiary countries to export textile and clothing at twenty percent less that MFN rates less. This scheme is one of three GSP scheme offered by the EU to least-developed and developing countries. The two other schemes are "Everything but Arms", which is exclusive for least developed countries, and the GSP plus which provides duty free access for some 7200 products, contingent on beneficiaries' fulfillment of certain criteria.

As a beneficiary of the general scheme, the Philippines has yet to take full advantage of this facility. As of 2005, the country's utilization rate is only 47 per cent. In particular, the total value of Philippine products exported to EU under the GSP is at 584 million Euro even though it could have exported 1.2 million Euro at preferential rates under the said scheme[12]. The export goods exported by the Philippines and covered under EU's GSP include pineapples, bananas, papayas, coffee, coconut, essential oils, articles of apparel and clothing accessories, textile fibers, ceramic products, glass and glassware, furniture, musical instruments, toys and games, electrical machinery and parts, and motor vehicles[13].

The EU can opt to withhold the granting of GSP preferential arrangements on various grounds, such as for export goods found to be made by prison labor, presence of unfair trading practices, non-compliance with rules of origins and violations of EU-GSP principles, among others.

Rules of Origin

Rules of origin refer to guidelines designed to determine the source of a particular good. These rules are relevant not only for statistical or documentation purposes, but more importantly in determining whether or not goods should be given preferential tariff arrangements in the context of free trade agreements. In a free trade agreement, parties commit to provide lower tariffs for goods originating from other members of the FTA. Hence it is of paramount importance to ensure that the goods given preferential tariffs are indeed sourced and produced from an FTA member.

The EU Rules of Origin prescribe that goods can only be given preferential treatment under the GSP (1) it is wholly obtained (i.e. wholly grown or produced) in the beneficiary country or (2) its manufactured wholly of partly from materials parts or components imported into the beneficiary country or of unknown origin based on the EU's rule of origin. The EU GSP disqualifies products that have gone though minimal processing. Box 1 lists processes that serve as grounds for non-inclusion in the GSP.

For products with import content, the beneficiary country must be able to prove that these materials have undergone substantial transformation in a beneficiary country in order to be considered as originating from it. A country may use either the process criterion or the percentage value added criterion to establish whether or not a particular material is substantially transformed.

[12] Based on a press release by the Department of Foreign Affairs entitled "DFA announces new EU tariffs for developing countries to benefit RP" issued on August 26, 2005.

[13] Based on the EU-GSP Handbook prepared by Philexport

Box 1

Minimal processes that disqualifies products from GSP
1. Preserving operations to ensure that the products remain in good condition during transport and storage 2. Breaking up and assembly of packages; 3. Washing, cleaning; removal of dust, oil, oxide, paint or other coverings 4. Ironing or pressing of textiles; 5. Simple painting and polishing operations 6. Husking, partial or total milling, polishing and glazing of cereals and rice 7. Operations to color sugar or form sugar lumps; partial or total milling of sugar; 8. Peeling, stoning and shelling of fruits, nuts, and vegetables; 9. Sharpening, simple grinding or simple cutting; 10. Sifting, screening, sorting, classifying, grading, matching (including the making-up of sets of articles); 11. Simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations; 12. Affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging; 13. Simple mixing of products, whether or not of different kinds, where one or more components of the mixtures do not meet the conditions laid down in this list to be able to consider them as originating in a beneficiary-country; 14. Simple assembly of parts of articles to constitute a complete article or disassembly of products into parts; 15. A combination of two or more of the operations specified in condition 1 to 14 16. Slaughter of animals.

Source: EU GSP Handbook, PhilExport

These rules of origin are used in determining whether or not a product from a particular country is eligible under GSP. However, as mentioned earlier, it is also an important negotiating point in many free trade agreements.

SPS and NTBs

One of the expressed objectives in the negotiations for an ASEAN-EU FTA is the harmonization of non-trade barriers (NTBs) as well as Sanitary and Phytosanitary measures (SPS). There are valid NTBs and SPS which help ensure that traded goods conform to legitimate standards such as those for health, protection against plant and animal diseases, and exploitation of resources among others. However, these standards also serve as double edged swords in the sense that they have been used to block trade, especially from least-developed and developing countries. A study on the impact of SPS and NTBs on agricultural trade indicates that EU imports is more negatively affected by SPS and NTBs compared to imports of other OECD countries[14].

[14] The Impact of Regulations on Agricultural Trade: Evidence from SPS and TBT by Disdier, Fontagne and Mimouni for Centre D'Etudes Prospectives Et D'informations Internationales (CEPII), 2007.

Efforts to harmonize standards, especially those implemented in the EU, entail a lot of capability building for countries that are interested to further expand its market in the EU like the Philippines. For instance, agricultural and food exporters will have to grapple with many of the EU's food safety requirements. These include standards pertaining to maximum residual levels for pesticides and other chemical inputs used in food production, the general food law which requires traceability of food across the supply chain and the food and feed controls regulations, among others[15].

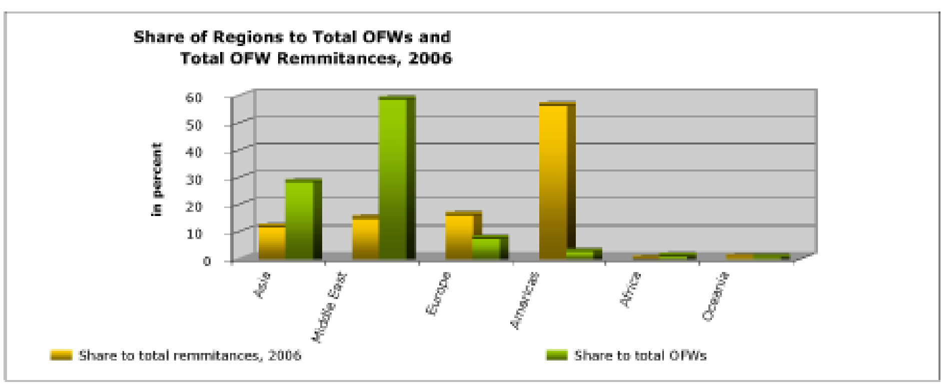
For the Philippines, developing exporters' capability to conform to SPS and NTBs entails massive public and private investment. It requires improving production conditions, developing laboratory as well as inspection facilities and services and the creation of institutional mechanisms to support exporters. However, EU SPS and NTBs are constantly evolving, requiring not only regular monitoring but also constant upgrading in the capabilities of exporting countries to meet these standards. It is in this context that SPS and NTBs can be seen as effective mechanisms to block trade especially from developing countries where resource constraints severely limit capability to keep up with these standards.

Labor Markets

Philippine deployment of overseas Filipino workers in Europe is relatively small compared to deployment in other regions. Europe, as a labor market, accounted for only 7.5 per cent of total OFW deployment in 2005, while Asia and the Middle East, our biggest overseas labor market, absorbed 28.2 per cent and 58.7 per cent, respectively of total OFWs, also in 2005. Italy, Germany and the United Kingdom are the main OFW destinations in Europe.

Compared to other regions, Europe offers better compensation. This is reflected in the fact that the average remittances of OFWs in Europe are higher than those who are working in Asia and the Middle East. In fact, it accounts for 16.1% of total OFW remittances to the Philippines, although it accounts for 7.5% of total OFW deployment to the world. Figure 3 compares the percentage distribution of OFW and OFW remittances across various regions.

Figure 3



Source: Philippine Overseas Employment Administration

[15] Based on the background paper by Martin Doherty entitled "The Impact of NTBs Originating from EU Food Safety Measures on African Exports presented during the Trinnex Regional Seminar in Botswana in 2004

The data above only considers documented OFW deployment. In 2005, there were 51,970 million documented OFWs working in Europe, representing a 5.71 per cent decline from the previous year's deployment of 55,116 documented OFWs. There is no reliable estimate on the number of undocumented workers employed in Europe, particularly within the European Commission.

However, unlike trade in goods, the issue of mobility of labor across markets - a major economic concern for the Philippines, and for most of Southeast Asia - is not included in the EU's negotiating mandate, as it remains a sensitive issue within the European Union. While, Europe's aging population as well as current labor market profile indicates that there is a need to supplement its present labor force with migrant workers, there are grave concerns about opening up labor markets. Initial discussions between ASEAN and EU on this issue occur outside the ambit of the ASEAN-EU free trade agreement, particularly within ASEM. However, nothing substantive has emerged from these dialogues.

Investments

The European Union is now the biggest investor in the Philippines, outpacing the country's traditional investment sources, particularly the United States and the Japan. In 2006, it accounted for 28 per cent of total foreign direct investments in the country, followed by the US and Japan which accounted for 18 percent and 4 percent respectively, of total FDIs[16]. The biggest EU investors in the Philippines are from The Netherlands, Germany, France, Sweden and United Kingdom, among others among others. Figure 4 shows the major sources of approved EU foreign direct investments in the Philippines.

Figure 4

The extent of EU interest in the country is also evident in the presence of many transnational corporations in the Philippines that are either fully or partly owned by companies from EU member countries. These companies operate in practically all areas of the economy such as agriculture, banking and finance, insurance, chemicals, automotive and transport, wood and paper products, pharmaceuticals, construction among many others. The United Kingdom for instance has 200 British companies operating in the Philippines, the biggest of which are Shell, Hong Kong Shanghai Bank (HSBC), BG, Standard and Chartered, Misys and BAR, among others. Other companies operating or have controlling interest in firms in the country are Hoechst, Allianz and Siemens from Germany, and Barclay, United Parcel Services (UPS) and Glaxo Smith from the United Kingdom.

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[1] Data lifted from the statement of Ambassador Alistatir MacDonald of the European Commission, entitled "EU-Philippine Relations: Expectations and Challenges" during the ECCP Business Conference in Manila on May 8, 2008

However, the Philippines is a minor recipient of EU investment compared to other ASEAN countries like Vietnam, Thailand, Malaysia and Indonesia. This is one of the reasons why the Philippine government is keen on actively participating in the ASEAN-EU FTA, as well as in pursuing bilateral negotiations and arrangements with the EU. It does not want to be boxed out of the region's campaign to attract investors.

On the part of EU, its increasing investment and economic presence in the Philippines as well as in Southeast Asia serves as one of the main reasons for its desire to secure a stable as well as predictable policy and over-all economic environment for its investors. Moreover, investments abroad, especially in countries with big markets enable EU companies to "jump" or skirt around economic barriers by bringing the production of goods and services of EU firms closer or directly to these markets.

The need to create a favorable environment for EU is important in light od EU's interest in expanding its services sector, especially in areas where it views itself as having comparative advantage such as in information and technology and other knowledge-based industries.

The details of EU's negotiating directive on how to promote greater investments and trade flow will be discussed in the next section of this paper.

Development Aid


Source: World Bank Website

EU is the Philippines' fourth largest source of official development assistance (ODA), after the World Bank, the Asian Development Bank and Japan. (ODA). However, it is the second biggest provider of grant finance, next only to Japan[17]. The total amount of EU cooperation funding for the Philippines since 1976 has reached more than 1 billion Euros or Php 65 billion. Sixty percent of this amount is given to the Philippines in the form of grant funding, while the balance is extended as loans from the European Investment Bank. The total cooperation fund of 1 billion Euros includes funding support for non-government organizations.

In recent years, the EU Strategy Paper for the Philippines defined the direction as well as focus of EU aid in the country. The strategy paper for 2002-2006 identified three areas of EU support. These are (1) improvement of the health services sector (2) capability building in terms of trade and investment facilitation (3) promotion of good governance.

[17] Based on the statement of Ambassador Alistatir MacDonald of the European Commission, entitled "EU-Philippine Relations: Expectations and Challenges" during the ECCP Business Conference in Manila on May 8, 2008.

EU's Policy on Free Trade Agreements

The EU negotiating mandate serves as the base document in the ongoing negotiations on the ASEAN-EU Free Trade Agreement. ASEAN has yet to formulate a united agenda in the said pact, thereby giving EU a clear advantage in terms of dictating the parameters as well as pace of the negotiations.

EU's negotiating mandate is consistent with its policy on free trade agreements, which views these arrangements as means to pursue its objective of opening new markets for trade and investments. It also looks at FTAs as one of its many trade initiatives to support its growth and jobs strategy[18].

EU's FTA policy defines a clear set of criteria in choosing its new partners. These criteria reflect EU's interest in expanding its presence and asserting increased influence in key markets. These are: are (1) market potential, in terms of economic size and growth (2) the level of tariffs as well as the number of non-tariff barriers faced by EU exports in potential partners' market and (3) the latter's trading arrangements and relations with EU competitors. ASEAN clearly fits these criteria. It is a growing and dynamic market, with members that continue to maintain relatively high levels of protection against EU imports. Additionally, the fact that ASEAN is entering into free trade arrangements with China and other major trade partners serves to strengthen EU's motivation to form a free trade agreement with the regional coalition.

Nature and scope of the agreement

The negotiating mandate approved by the European Commission is based on the principle of securing the most comprehensive and ambitious degree of liberalization in goods, services and investments. It looks at the agreement as a venue to take up provisions that are not ready for multilateral discussion and consensus.

In particular the EU negotiating mandate identified the following areas to be covered by the ASEAN-EU free trade agreement.

1. Trade in goods
2. Services
3. Public procurement
4. Trade and competition
5. Intellectual, industrial and commercial property rights
6. Capital payments and movement
7. Customs and trade facilitation
8. Trade and sustainable development
9. Transparency in trade regulations
10. Institutional framework

The coverage of the proposed free trade agreement is clearly broader and deeper in scope than what is covered by trade agreements such as those under the World Trade Organization. The proposed ASEAN-EU FTA include public procurement, trade and competition, capital payments and movement, customs and trade facilitation – topics that developing countries did not want discussed in the WTO negotiations, mainly because these will result to major infringement in the power of their governments to adopt policies that can support their development objectives.

[18] Based on Section 1.1 of the draft 2007 EU Negotiating Directive. The said section discusses EU policy on free trade agreements.

The fact that these are included in the ASEAN EU FTA indicates the extent of the agreement's potential impact on Philippine economic policies, as well as on the economy itself. It also underscores the need to actively monitor and engage government as it forms negotiate its position on these topics.

Below is a brief discussion of the key aspects of the EU negotiating mandate. It discusses the core principles guiding the EU's position on the various aspects of the ASEAN-EU FTA.

Trade in goods

The EU negotiating mandate calls for the dismantling of import duties and charges over a period of ten years. Like most free trade agreements, it allows for longer transitional period in recognition of the different levels of development among the different FTA partners. It also provides for special treatment of sensitive products, mainly in the form longer timeframes for the dismantling of import duties, or partial liberalization commitments. The specific modalities for tariff reduction, such as the extent and spread of tariff cuts across the implementation period will be subject to negotiations.

The negotiating mandate provides that ASEAN countries shall be withdrawn from the list of GSP beneficiaries. The probable reason behind this provision is that the expected liberalization commitment by the EU under the proposed free trade agreement will supplant the benefits that can be derived form being in the GSP beneficiary list.

One of the most significant features of EU's proposed rules in trade in goods relates to its requirement for maximum frontloading. This means that a significant degree of parties' trade liberalization commitments are expected to materialize in the early part of the implementation period. This underscores EU's intent to ensure immediate gains in terms of securing market access commitments from the trade pact.

Th provision for maximum frontloading is put forward alongside EU's demand that the ASEAN-EU FTA enjoy "maximum feasible parity" with ASEAN's agreements with other partners. In effect, the EU is demanding that it be given the same level of preferential trade arrangements that ASEAN has committed or is in the process of committing, with other partners. This is consistent with EU's desire to establish and increase presence in emerging markets, especially in areas where their competitors are increasingly gaining ground in terms of trading arrangements.

In keeping with its general position of promoting free trade, the EU proposed the elimination of non-tariff barriers. However, it also provided for the possibility of entertaining exemptions in the application of such barriers. In fact, it indicated that it is willing to tackle the issue of product specific non-tariff barriers on a request and offer basis. Related to this, the EU reiterated its position on the need to harmonize sanitary and phytosanitary measures guided by the general principle of "facilitating access to each other's market while safeguarding public animal and plant health". At present, the EU has already in place elaborate food safety requirements that serve to undermine exporters' access to EU markets. In fact, as mentioned in the previous chapter, developing country exports to the EU, more than in any other OECD members, are the most negatively affected by SPS[19].

[19] The Impact of Regulations on Agricultural Trade: Evidence from SPS and TBT by Disdier, Fontagne and Mimouni for Centre D'Etudes Prospectives Et D'informations Internationales (CEPII), 2007.

In the main, the EU's position on NTBs and SPS are sufficiently ambiguous for these instruments to be used either as a means to open, or block market access. Determining the manner as well as the effectiveness in using these instruments will largely depend on the capability of the different parties in the agreement to engage in the technical aspects of NTBs and SPS.

The mandate also provides for future discussions on rules of origin. The rules of origin that presently govern most ASEAN-EU relations are those used in the EU-Generalized Scheme of Preferences. In the main, the ROO under the EU-GSP scheme is designed to ensure that only beneficiary countries are able to access the preferential tariff treatment under this trade facility. However, some of its provisions, particularly those pertaining to the minimal processes that disqualifies members from availing of GSP will definitely serve to limit market access of some types of exports to EU[20].

The specific rules on safeguards and countervailing duties will also be subject to future negotiations. Nevertheless, the EU mandate was careful to set MFN duties, or the duties used in the WTO, as the limit of safeguard remedies.

In the main, the EU's mandate in trade and goods reflect its goal of securing maximum market access commitments at par with the commitments given to its competitors in ASEAN. This negotiating position is clearly consistent with its over-all agenda of "opening markets for trade and investment". However, it is also clear that EU wants to be able to retain a degree of flexibility to protect its own market by including sufficiently ambiguous provisions on SPS and NTBs.

Trade in Services

The EU's mandate provides for "progressive and reciprocal liberalization of establishment and of trade in services to ensure a high level of market access opportunities". ASEAN members are given flexibilities in over-all terms and for specific sectors and sub-sectors. The mandate clearly set the limit for the extension of these flexibilities by specifying a transitional period of not more than ten years.

At the outset the EU has identified areas that it does not want to be folded into the services negotiations. The EU mandate explicitly states that it will not cover national maritime cabotage, which governs the shipping of goods and people within a particular territory, and air services in the services negotiations. The latter covers scheduled and non-scheduled domestic and international air transportation, and services directly related to the exercise of traffic rights. At the same time, the mandate indicates that audio-visual and cultural services should be discussed in a different cooperation framework. However, apart from these areas, the EU negotiating mandate covers all establishment services.

The EU reiterates the WTO principle of national treatment in all economic sectors and across all modes of supply, particularly for its companies, subsidiaries or branches. It is also seeking parity for EU investors and service providers. In essence, EU is demanding that the privileges and treatment that ASEAN provides to investors from other partners with whom it has standing free trade agreement should also be accessible to EU owned companies.

In the main, the provisions under the trade in services, and establishment are designed to support EU's increasing investment interest in the region. At the same time, they serve as the foundation of other

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[20] Based on EU-GSP Handbook prepared by PhilExport

policy measures and proposals aimed at protecting the interest of EU investments in the Philippines, and in ASEAN in general.

Public Procurement

Developing countries resisted the inclusion of public procurement in the WTO negotiations, as this will severely limit their capability to use a policy tool that can support its national development objectives. For instance, in the Philippines, ensuring that government sources its supply and services from domestic companies can help a lot in spurring domestic economic activity.

However, the EU negotiating mandate seeks to include pubic procurement in the ASEAN-EU FTA negotiations. It is moving for the establishment of binding rules that will govern government procurement systems, while moving towards the progressive liberalization of local, national and regional procurement markets. These markets include public utilities as well as priority sectors. The EU is very explicit in articulating its main objective of securing access in these markets, by invoking the principle of non-discrimination and national treatment.

Trade and competition

The EU negotiating mandate calls for the formulation and enforcement of rules that will address anti-competitive behavior. In particular, the mandate proposes the creation of an appropriate legal framework as well as the establishment of institutional mechanism to deal with issues related to unfair competition policies and practices.

The mandate identifies concerted practices in undertaking, abuse of dominant positions, rules on restrictive agreements and even state aid as some of the forms of anti-competitive behavior. The fact that the latter is considered as a form of anti-competitive practice will limit government's flexibility to choose which sectors it wants to support or develop as part of its strategic development objectives.

The EU's proposed provisions on trade and competition form part of its initiative to create a favorable policy environment for investors in the region.

Capital movements and payments

The EU wants the ASEAN-EU FTA to "strive for the full liberalization of current payments and capital movements". This will provide investors the freedom to move capital and payments in and out of the country, with minimal restrictions from government. This provision, like many of the provisions under the mandate, is primarily intended to protect the interest of EU investments in ASEAN.

The mandate allowed for special cases when government may exercise control over capital and payments movement, such as during times of fiscal and monetary difficulty, or for prudential supervision or taxation.

Customs and trade facilitation

The EU mandate calls for specific commitments in the adoption and implementation of rules, requirements and procedures with respect to the import, export and transit of goods. The EU wants to ensure that the procedures and processes related to the exchange of goods are done in an efficient and transparent manner in order to facilitate the smooth flow of trade among partners, In particular, it proposes the adoption and implementation of existing international rules and standards in customs and other trade related procedures, such as those in the WTO, in the World Customs Organization and in the revised Kyoto Convention.

The EU negotiating mandate also includes provisions to ensure that customs administration support the enforcement of intellectual property rights, particularly with respect to the import, export and transhipment of counterfeit goods.

Trade and Sustainable Development

The EU negotiating mandate proposes that ASEAN-EU FTA includes provisions requiring both parties to make concrete commitments on the environmental and labor aspects of trade and sustainable development. It proposes that FTA members adhere to internationally agreed social, environmental, and labor standards, such as the concept of decent work from the International Labor Organization. It also proposes the facilitation of trade in environmental goods, services and technology.

For developing countries, these standards may serve as double-edged swords. One one hand, these may increase pressure on government as well as on private sector to consciously improve on social, environmental and labor practices. On the other, it may actually be used as a means to discourage trade from ASEAN members, where the monitoring and adoption of said standards in the creation of tradeable goods and services is not yet highly developed.

Institutional framework and final provisions

The mandate proposed the creation of Trade Commission to monitor the implementation of the agreement. The specific structure of the said commission, including the committees that will be constituted to monitor specific aspects of the trade pact will be discussed in the negotiations.

The EU mandate also indicated that the relationship between the ASEAN-EU FTA and the Partnership-Cooperation Agreements (PCAs) that EU is presently forging with some members of ASEAN will be decided during the negotiations.

Other aspects of the agreement

The EU negotiating mandate also includes provisions on intellectual, industrial and commercial property rights, as well as on transparency regulations. On the former, it wants to ensure that there are rules that will provide adequate protection and enforcement of intellectual property rights. On the latter, it puts forward provisions aimed at promoting transparency and stakeholder consultation on rules and regulations and their impact on trade.

Like most aspects of the mandate, the specific modalities for these aspects of the agreement will be the subject of negotiations in the coming months.

Over-all assessment

In the main, the EU negotiating mandate very clearly reflects EU economic agenda in Asia. Its proposed provisions for the ASEAN-EU FTA is aimed to achieve the following objectives:

1. Expand EU market access in the region;
2. Create a policy and economic environment that supports and protects EU investment interest in ASEAN member countries;
3. Maintain EU flexibility to defend domestic markets through sufficiently ambigous provisions on NTBs and SPS, and possibly through other standards;
4. Achieve parity with ASEAN's other trade partner by having access to trade and investments liberalization benefits from ASEAN's other free trade agreements;

The EU Country Strategy Paper for the Philippines, 2007-2013

The EU 2007-2013 strategy paper for the Philippines supports EU's trade and investment agenda in the region. It identifies three main priority areas for cooperation and support. These includes:

1. Improvement in the delivery of and access to basic social services, particularly health services
2. Enhancement of trade and investments flow
3. Promotion of good governance and reforms
4. Promotion of peace in Mindanao

In line with these priority areas, the European Commission allocated 130 million Euros for its priority projects in the Philippines, part of which is earmarked for Trade Related Assistance (TRA) . The TRA builds on the EUs previous program on Trade Related Trade Assistance (TRTA), which was a key component of the 2002-2006 EU country strategy paper[21].

The TRA is designed to support the objective of facilitating trade and investments flow between EU and the Philippines. In particular, it highlights the importance of promoting trade in agricultural and marine products and services for its potential to contribute to employment generation, development of small and medium scale enterprises and the over-all goal of poverty reduction.

Projects under the TRA includes support for (1) trade needs assessment (2) multilateral trade integration and implementation of WTO commitments (3) Philippine participation regional integration and in the EU-ASEAN FTA negotiations (4) resolution of constraints to RP-EU trading relationship such as TBT, SPS, export diversification, among others and (5) promotion of agricultural exports[22].

Conclusion

The EU has a very clear agenda in entering into an agreement with ASEAN. This agenda is reflected in its negotiating mandate, which now forms the basis and starting point of negotiations for the ASEAN-EU FTA. Unfortunately, ASEAN has yet to agree on its own mandate for the trade talks. It has yet to define what negotiating parameters are acceptable to its members and will best serve their divergent interests.

At the national level, it is important for the Philippines to have a firm understanding of what it expects from the ASEAN-EU FTA, and a thorough evaluation of whether or not these expectations can be met through the trade pact.

[21] Based on the EU Country Strategy Paper for the Philippines for 2007-2013
[22] Ibid

Thus far, the pronouncement of the Philippine government indicates three very clear objectives in pushing for closer EU-RP trade and investments relations, in part through the ASEAN-EU FTA. These objectives are[23]:

1. Improved market access opportunities in EU markets through lower tariffs, and greater transparency and rational use of non-tariff barriers and sanitary and phytosanitary measures.
2. Increased EU investments in the Philippines
3. Greater mobility and access of Filipino nationals to EU countries particularly with reference to the granting of Schengen visa;

Improving market access for Philippine exports

The Philippine government believes that the reduction of tariffs and the promotion of transparent and rationale use of non-tariff barriers and sanitary and phytosanitary measures will increase export opportunities for Philippine products in the European market. However, in reality, the expected gains from such import duty reduction are very minimal mainly because EU tariffs on Philippine exports are already very low. As mentioned in part II of this paper, the weighted average tariff facing Philippine exports in Europe is only 1.7 per cent. Additionally, 89.6 percent of the value of Philippine products sold to Europe enters the market duty free[24].

The real barriers to trade in the EU are the continued proliferation of trade distorting subsidies and non-tariff barriers and SPS. However, there is little possibility that these issues may be resolved through the ASEAN-EU FTA. The EU's negotiating mandate very clearly excludes the issue of subsidy reduction from the trade talks. It does not cover provisions to address developing countries' concerns about subsidies and their negative impact on trade.

At the same time, its proposal on SPS and NTBs are, at the moment, sufficiently ambiguous that it is impossible to judge if this will indeed result to real market access gains for the Philippines. Addressing the issue of SPS and NTBs entails investments in developing the country's technical and institutional capability to adhere to and enforce internationally accepted standards. The fact that these standards are constantly evolving requires continuous capability building and updating in the part of government enforces and exporters.

Additionally, the EU's call to include provisions adopting social, environmental and labor standards in trade may also serve to discourage Philippine exports to the EU market. Like most countries in ASEAN, the Philippines has yet to develop a system to actively and efficiently monitor the adoption and implementation of said standards in the production of goods for export.

Attracting EU investments

When it comes to investments, the EU negotiating mandate outlined clear recommendations aimed to promote and protect current and future EU investments in the Philippines. As discussed in the previous chapter, some of its proposed provisions, particularly on trade and competition, trade in services, capital movements and payment, and government procurement will limit the Philippines' capability to exercise

[23] Based on press statement of Department of Foreign Affairs Undersecretary Edsel T. Custodio, who heads the Philippine delegation to the Philippines-European Commission Senior Officials meetings.

[24] Data based on Philippie Tariff Profile in the WTO website

policies that can support its development objectives. A study commissioned by the ASEAN-EU Visions group singled out the Philippines, as the country that needs to liberalize its services sector in order to significantly gain from the ASEAN-EU FTA.

The proposed provisions from the EU mandate require changes in domestic policies and Philippine laws. The Philippine government must have a firm understanding of the potential impact of these policy changes on the whole economy, and evaluate these vis-à-vis expectations of increased investments. This process of evaluating the costs ad benefits of these policy changes must be made transparent and accessible to stakeholders.

Additionally, the Philippines must learn to look for more strategic and sustainable ways of attracting investors, beyond participating in free trade agreements. These include promoting good governance, developing the country's human resource, providing the physical and institutional infrastructure to support investments, among others.

Greater mobility of Philippine nationals

The EU negotiating mandate does not include specific provisions covering the movement of people among the parties of the agreement, as migration remains ticklish issue in Europe. The possibility of this being included in the trade talks will depend on how much ASEAN is willing to pursue this as an agenda, and how much Europe is ready to accommodate this discussions given the divergent position and sentiments on the issue among EU constituents. For the Philippines and for many AEAN members, the deployment of overseas workers is an important economic concern, and including this in the agenda of the ASEAN-EU FTA, and generating concrete EU commitments on the same, will be a test of its negotiating power and leverage.

In the main, it is clear that the possibility that the Philippines will be able to achieve its negotiating objectives for the ASEAN-EU FTA will be very limited if the trade talks is based solely on the EU negotiating mandate. The EU's mandate is, naturally, structured primarily to advance its interest of opening up markets for trade and investments.

Unfortunately, the Philippine and ASEAN process of formulating a negotiating agenda, framework and strategy for the ASEAN-EU FTA remains highly opaque and inaccessible to many stakeholders, even as negotiations on the said agreement are already under way. Hence, the first task for civil society groups is to demand for disclosure and greater transparency in government's negotiating position. It is important that stakeholders are not only involved in the tail end of the process, when there is little room to make substantial changes in the trade pact, but in the formulation of government's negotiating agenda and position in the said trade pact.

The second task is to pressure government to involve stakeholders in the process of identifying what are the country's non-negotiables in the said agreement. The EU, right from the start, has already mapped out which areas it wants included in or exempted from ASEAN-EU FTA, based on the domestic sensitivities of its constituents. The Philippines must do the same. The data in this study can help provide an overview of where our economic interest lies. However, ultimately the process of determining the country's non-negotiables- its bottomline position in the said agreement- should be determined with the participation of stakeholders. In the end, it is they who will either reap the benefits or bear the brunt of government actions and commitments in the trade pact.