



FOUNDATION FOR ECONOMIC FREEDOM, INC.

FEF SUPPORTS THE IMMEDIATE RATIFICATION OF PHILIPPINE MEMBERSHIP IN RCEP

We, the Foundation for Economic Freedom (FEF), strongly support the immediate ratification of the Regional Comprehensive Economic Partnership Agreement (RCEP) by the Philippine Senate. We believe that the objective of the RCEP to achieve a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement will facilitate the expansion of regional trade and investment.

Amid the devastating impact of the COVID-19 pandemic, a strong sense of solidarity with other nations should be displayed by capitalizing on strengthening ties and partnerships. Thus, we urge the government to build on the country's momentum to increase trade and investment opportunities in support of our country's post-pandemic recovery and development by ratifying the RCEP.

To date, out of the 15 Signatory States, only the Philippines has yet to complete its ratification process. Further delaying our participation in the free trade bloc means missing out on opportunities to increase trade and investments, which in turn can create opportunities that will benefit many Filipino businesses and generate jobs.

With that said, we list the following gains from RCEP:

- 1. RCEP offers a familiar and high-potential environment for the Philippines in terms of exports and imports.** RCEP participating countries are among the Philippines' top export destinations and import suppliers. From 2012 to 2020, the RCEP participating countries are among the Philippines' top sources of net foreign direct investments, averaging 43%.¹ In the same period, the bulk of the country's trade deficit was with RCEP participating countries.² If the Philippines joins the agreement, RCEP can offer a market of 2.3 billion people—close to one-third of the world population.

¹ Bangko Sentral ng Pilipinas, 2021, October 25—as cited in DTI: BTIPR, 2021, October 21, "[DTI Position on Regional Comprehensive Economic Partnership \(RCEP\)](#)"

² International Trade Centre's Trade Map, accessed on 2021, September 9—as cited in DTI: BTIPR, 2021, October 21, "[DTI Position on Regional Comprehensive Economic Partnership \(RCEP\)](#)"

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- 2. RCEP provides predictable and uniform rules for trade and investment.** FEF Vice Chairman Romeo Bernardo noted that the RCEP's immediate value to the Philippines lies “not in the incremental tariff reductions, which may take up to 20 years to implement, but in the promise of seamless production networks among the members who will be tied to common standards, disciplines on intellectual property, rules of origin, customs processes, e-commerce, and competition policy.”³
- 3. RCEP can contribute to the overall growth of the Philippine economy.** Joining the RCEP can increase the Philippines' overall welfare by USD 541.2 million, contribute to a 1.93% real GDP growth, lower poverty incidence by 3.62% in 2030, and improve the Philippines' trade balance by as much as USD 128.2 million.⁴
- 4. RCEP's improved commitments from participating countries can generate more employment opportunities for Filipino service providers.** The opportunities include professional and management services, accounting and legal services, auditing, architecture, game development, telecommunications, and transport.
- 5. Crucial elements of the RCEP will complement recently enacted laws to increase investments in the country such as the Foreign Investment Act, Retail Trade Liberalization Law, and the Amended Public Service Act.** The single rule-of-origin framework will help enhance and accelerate participating countries' activities in global value chains to facilitate foreign direct investments. RCEP also creates a conducive environment for liberalizing services and digital transformation in areas such as e-commerce and telecommunications.

We further take note that the main opposition to the RCEP's ratification is the agriculture sector's misplaced fear that this will make the country even less competitive than it already is today. As pointed out by Senate President Zubiri, we note that the RCEP only opens up the market for 33 agricultural tariff lines equivalent to only 15 products, most of which pose little to no threat to local produce. The agriculture sector's uncompetitiveness today lies more on the protectionist and heavy-handed approach of the government in regulating agriculture over the years, and turning the situation around requires the reintroduction of free market principles, starting with freeing up the land market to allow greater consolidation and achievement of scaled economies in our agricultural production systems.

For these reasons, we call on the Senate to ratify the country's membership in the RCEP without further delay.

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For more information, visit <https://fef.org.ph> or contact:

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³ Foundation for Economic Freedom (FEF), 2021, December 31, “[FEF urges the Senate to ratify Philippine membership in the Regional Comprehensive Economic Partnership \(RCEP\)](#),” p. 1

⁴ Based on a study Dr. Caesar Corporation, a research fellow at Virginia Polytechnic Institute and State University and a visiting scholar at De La Salle University—as cited in Department of Trade and Industry (DTI), 2022, April 21, “[Trade liberalization in agriculture very limited in RCEP](#)”