

“JPEPA: THE WAY FORWARD”

by Amb. Albert del Rosario

In 2002, the Philippine Government was granted a unique opportunity to pursue a bilateral Free Trade Agreement (FTA) with the United States when careful preparations were made during the APEC meeting in Mexico for President George W. Bush to have the Philippines take the lead in ASEAN to negotiate a two-way economic partnership with the world’s largest economy.

Unfortunately, our country proved unable to grasp this mandate to lead what would have been a pioneering initiative to strengthen our own bilateral economic ties with the United States, and to deepen US engagement in Southeast Asia even further at a time when US Congress held positive views on FTAs.

In belated realization of its importance, our Government finally decided last year to aggressively revisit the FTA proposal with the US Government. By then, however, the window had long since started to close.

Other countries had proceeded ahead of the Philippines on FTA talks with the US, while the mood in the US Congress became less favorable to free trade generally. It was sadly a missed opportunity to propel our national development and progress.

On the official agenda of the Philippine Government now lies the future of the Japan-Philippines Economic Partnership Agreement (JPEPA), a formal bilateral undertaking designed to consolidate our economic links with Japan, which is the world’s second largest economy.

Similar to other economic agreements with foreign powers of great importance, it may be reasonably assumed that the provisions of JPEPA were expertly negotiated in great detail by both sides.

Furthermore, while it is not possible to foresee every conceivable problem, perceived or real, that JPEPA might create, it is nonetheless equally reasonable to assume that two friendly states, with a well-established record of amity and cooperation, should be able to iron out any remaining differences in a mutually satisfactory and diplomatic fashion.

BENEFITS

The significance of JPEPA is that it is expected to achieve the two-fold purpose of liberalizing and enlarging trade and investment between the Philippines and Japan, while establishing a legal framework to deepen our interdependent partnership.

In an era of dynamic globalization and of deepening regional integration, the building of such partnerships is a key strategic objective of all states, large or small, industrialized or emerging. The Philippines must not be left behind again in this process.

Accordingly, 20 leading professional and business organizations, including the MAP, MBC, PCCI and others, have signed a joint manifesto for the ratification of JPEPA which concludes that collective economic gains anticipated will far outweigh the feared losses.

Among the expected benefits of JPEPA in the manifesto are:

- (1) Continued growth of Philippine exports to Japan, by at least 20%, in four vital industries, garments, semi-conductors, furniture and automotive. The Agreement is expected to attract additional investment of up to \$ 444 Million, resulting in the creation of 150,000 new jobs. It will also lead to a positive movement of upstream industries into these vital areas, which is projected to generate \$ 750 Million of additional economic activity.**
- (2) In addition, millions of rural workers will be benefited when the Agreement opens up a new tariff-free market over time for a broad range of Philippine tropical fruit**

(mangoes, pineapples, bananas, etc.) vegetable and seafood exports (tuna, shrimps, crabs, among others).

- (3) The Agreement will restore the Philippines as a major competitive investment destination in East Asia and will help us to narrow the gap with our more economically dynamic neighbors in terms of foreign direct investment (FDI). When ratified, the Agreement is projected to attract an estimated P365 Billion in direct Japanese investments over four years, triggering a new FDI wave for our country.**
- (4) Furthermore, the Agreement will reinforce the position of the Philippines as a major production base for Japanese automotive, electronics and semi-conductor industries at a time when both the Philippines and Japan must deal with increased competition in these areas from other economies.**

A recent paper by the Philippine Institute for Development Studies (PIDS) concluded that JPEPA will be good for the economy. This is a well-studied assessment by a major Philippine think-tank that deserves to be seriously considered in assessing the value of JPEPA. PIDS conservatively estimates that for the medium to long term, real Philippine GDP gain would range from .09 percent to 1.7 percent.

Moreover, PIDS believes that the more significant gains will arise, not from greater access to the Japanese market, but from the improvement in the investment climate as a result of enhanced features of the agreement.

PIDS has pointed out further that the emphasis on cooperation in the Agreement should help to draw in more Japanese investment capital, technology and expertise, which would strengthen our capacity to meet the mounting challenges of the new age of globalization and help our country's economic catch-up process.

Programs and prospects of cooperation under JPEPA will encompass human resource development, financial services, information and communication technology, energy and the

environment, science and technology, trade and investment promotion, small and medium enterprises, tourism, transportation, and road development.

Most importantly, PIDS foresees a notable positive impact on poverty reduction. With all sectors expected to have at least some improvement, more than 200,000 of our people are projected to be moved up above the extreme poverty threshold.

CONCERNS

Objections to JPEPA have been registered in various areas of the proposed partnership.

On toxic waste, for example, in a dialogue with the Japanese Embassy, it was established that the Agreement fully advocates environmental protection. Contrary to local concerns expressed, there has been no case whatsoever of Japanese toxic waste export to the Philippines since the Basel Convention in 1993 whereas, in contrast, there have been 102 cases of Philippine toxic waste export to Japan.

JPEPA does not prevent either country from adopting measures for its own protection. Thus, the Philippines is expected to continue taking strict measures on imports of toxic waste based on Republic Act 6969.

Following the Basel Convention, which indicates that a party to the Convention cannot export toxic waste without written consent by an importing party, the banning of Japan's toxic waste export to the Philippines was additionally strengthened by a diplomatic exchange of letters.

Another major objection involves Japanese investors being allowed to engage in areas of investment which appear contrary to constitutional limitations. However, it is believed that all constitutional limitations in areas such as public utilities, the practice of professions, ownership and administration of educational institutions, mass media and others are fully preserved in JPEPA.

Since Japan acknowledges the limitations set by the Philippine Constitution, the Philippines would be under no obligation to provide “national treatment” to Japanese investors in these areas.

CONSEQUENCES OF DELAYS

To date, Japan has concluded EPAs with Singapore, Malaysia, Brunei, Thailand, Indonesia and is in negotiations with Vietnam. In the event of an extended delay, other countries will be in a position to arrange a better environment for Japanese investors.

We can also expect that other countries’ products will be imported to Japan with lower tariffs. In addition, Filipino professionals such as nurses and caregivers will have fewer chances to obtain jobs in Japan.

On a broader perspective, undue delays and/or imposing of new conditions in the implementation of the Agreement will likely lead to a downward assessment of the Philippines as an attractive investment destination by many foreign investors and not just the Japanese.

JPEPA was signed in September 2006 and has been awaiting ratification by the Philippine Senate.

It is imperative, therefore, that Filipino citizens and the business sector join together in encouraging the honorable members of the Senate to ratify JPEPA so that the Philippines can finally signal to its ASEAN and East Asian neighbors its ability to effectively participate in the process of economic integration and liberalization.

We do need to convince the Philippine Government that today, not tomorrow, is the time to form strategic partnerships to help us reach our ultimate goal of being an industrialized country, capable of competing globally.

We must have vision, boldness and resolution to prepare our nation to engage ever more deeply with the global economy.

There is no other alternative. We cannot wall ourselves off from the rest of the world. As demanded by the realities of our day, it behooves our country to move forward.

Finally, there are far too many examples readily available of successful development through greater economic openness and overseas partnership for us to accept old arguments that protectionism is the only viable response to globalization.

There is nothing nationalistic about erecting barriers where these barriers hurt the real national interest.

Let us, in conclusion, recall what nationalism should mean in the words of Jesuit Father Horacio De la Costa on his vision of a progressive Philippines: “What we are prepared to defend is this: That if we are nationalists it is not because we wish to separate ourselves from the rest of men, but, on the contrary, because we wish to build up a nation that can make its own distinctive contribution to the general advancement of the human race”.