

Serafica, Ramonette B.; Oren, Queen Cel A.

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## A review of Philippine participation in trade in services agreements

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DISCUSSION PAPER SERIES NO. 2021-43

# A Review of Philippine Participation in Trade in Services Agreements

*Ramonette B. Serafica and Queen Cel A. Oren*



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## CONTACT US:

RESEARCH INFORMATION DEPARTMENT  
Philippine Institute for Development Studies

18th Floor, Three Cyberpod Centris - North Tower  
EDSA corner Quezon Avenue, Quezon City, Philippines

publications@pids.gov.ph  
(+632) 8877-4000

<https://www.pids.gov.ph>

A Review of Philippine Participation in Trade  
in Services Agreements

Ramonette B. Serafica and Queen Cel A. Oren

PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

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## **Abstract**

This paper reviews the Philippines' participation in services trade agreements to date at the multilateral (WTO GATS), regional (ASEAN and dialogue partners), and bilateral levels (PJEPA and PH-EFTA FTA). It also discusses the government's institutional arrangements for trade in services negotiations. To harness the benefits of FTA participation, the report suggests judicious exercise of policy space in binding commitments, involving private sectors earlier in the cycle of services negotiations, clarifying and delineating roles of government agencies, and capacitating private sectors and MSMEs to engage in trade in services more actively, increasing market opportunities for the country. The first step towards strengthening the governance structure would be to consolidate negotiations in one agency instead of the current setup where the lead coordination role is split between two agencies depending on the trade partner and scope of the agreement. Additionally, a network approach to services and a whole-of-economy approach can strengthen the private sector engagement to take full advantage of international trade.

**Keywords:** FTAs, services, trade

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# A Review of Philippine Participation in Trade in Services Agreements

*Ramonette B. Serafica and Queen Cel A. Oren<sup>1</sup>*

## 1. Introduction

The services sector plays an increasingly important role in the global economy and the growth and development of countries. The 2019 World Development Indicators show that the services sector accounted for 61% of global GDP in 2018 and is expanding at a quicker rate than the agriculture and the manufacturing sectors. Its relevance in global trade is also significant. Trade in services reached USD 5.8 trillion in 2018, taking up approximately one quarter of the value of global trade. The services sector in the global trade and developing economies are estimated to grow by 50% and 15%, respectively, assuming the reduction of trade costs, reduced face to face interactions, and lowering of services trade barriers (WTO, 2019).

Services negotiations have not been concluded at the multilateral level since the late 1990s (WTO 2019). A recent achievement of the World Trade Organization (WTO) was the signing by 67 members, including the Philippines, of the Joint Initiative on Services Domestic Regulation which aims to improve the transparency of the regulatory environment and cut red tape.<sup>2</sup> Over the last 20 years, most services trade-openings have been bound in regional trade agreements (RTAs), rather than in the WTO. Since the entry into force of the General Agreement on Trade in Services (GATS), the number of services RTAs has drastically increased from less than 10 in 2000 to 148 by the end of 2018. While most RTAs concluded before 2000 covered only goods, more than two-thirds of those concluded over the last decade also include disciplines on services trade. Approximately 80 per cent of the total WTO membership are party to at least one RTA covering services. Furthermore, an increasing number of services RTAs have been concluded among developing economies especially in the last decade (WTO 2019, p. 162).

Unlike trade in goods, where liberalization is about reducing tariffs, services trade liberalization involves non-tariff measures in the form of various regulations that limit market access and/or discriminate against foreign service suppliers (Egger, Francois, Hoekman, & Manchin, 2019). While liberalization could be done unilaterally, there are benefits to pursuing services liberalization within the ambit of trade policy and trade agreements. According to Saez (2010, p. 11), for one, trade agreements help the liberalization process if vested national interests oppose liberalization and block initiatives to open access or prevent the establishment of an appropriate regulatory framework. Second, because international contracts may not be changed unilaterally, trade agreements create a more stable framework for trade. They may also create a path for gradually introducing reforms and create rules that cannot be modified arbitrarily. Finally, the reciprocal nature of trade liberalization in such agreements could also bolster political support for the liberalization of services markets.

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<sup>1</sup> Senior Research Fellow and Research Analyst, respectively, at the Philippine Institute for Development Studies. The authors are grateful to The Department of Trade and Industry (DTI) – Bureau of International Trade Relations (BITR), The National Economic and Development Authority (NEDA) – Trade, Services, and Industry Staff (TSIS), and the Philippine Services Coalition (PSC) for sharing invaluable information and insights. The views expressed in this paper are those of the authors and do not necessarily reflect the position or official policy of any organization or any agency of the Philippine government. The authors are solely responsible for the analysis and conclusions in this paper including any errors.

<sup>2</sup> [https://www.wto.org/english/news\\_e/news21\\_e/jssdr\\_02dec21\\_e.htm](https://www.wto.org/english/news_e/news21_e/jssdr_02dec21_e.htm)

The Philippines has not been as active compared to its ASEAN neighbors (Indonesia, Malaysia, Singapore, Thailand, and Vietnam) in forging trade agreements. As members of ASEAN, these countries are all parties to 8 agreements.

**Table 1. FTAs of ASEAN-6**

Scope	ID	MA	PH	SG	TH	VN
Plurilateral	3	4	3	5	3	4
Country-Bloc	6	5	6	9	5	7
Bilateral	4	7	1	15	4	4
TOTAL	13	16	10	29	12	15

Source: UNESCAP Asia-Pacific Trade and Investment Agreement Database – APTIAD (<https://www.unescap.org/content/aptiad> accessed on October 29, 2021)

However, it is in the country’s interest to pursue market access in services given its comparative advantage in this sector. At the same time, the restrictive regulatory environment of the country particularly with respect to foreign investment and quality of regulatory governance, makes it difficult for the Philippines to commit to further market opening and adhere to trade disciplines.

This paper reviews the Philippines’ participation in services trade agreements to date at the multilateral (WTO GATS), regional (ASEAN and dialogue partners), and bilateral levels (PJEPA and PH-EFTA FTA), as well as the government’s institutional arrangements for trade in services negotiations. It examines the country’s services-related commitments in its FTAs and identifies the opportunities available as well as the challenges that need to be addressed for the country to maximize its participation in FTAs. Specifically, the paper will:

1. Assess the role of FTAs in delivering the benefits of services trade.
2. Examine the challenges at the regulatory and institutional levels of Philippine participation in FTAs.
3. Identify the gaps and/or weaknesses in the regulatory and institutional framework/s and provide recommendations.

## **2. Institutional arrangements for trade in services negotiations**

The life cycle of services negotiations has several key "moments" as shown in Figure 1 and explained by Marconini and Sauvé (2010):

**Services in development plans** pertain to defining comprehensive services policy objectives and strategies at the national level as a guide in measuring opportunity costs from trade agreements. The government decides in what pace and manner the country should be engaged in services trade agreements, considering the costs and benefits of opening up and not opening up the services economy to the global market. Reform in the services sector should be well-coordinated and establish a clear delegation of power from the president. Establishing a services roadmap includes designating a multi-issue steering committee and identifying agencies to coordinate and oversee its implementation. It should also consider the policies' effect on employment, restructuring, national champions, and other strategic factors. Moreover, the government can identify obstacles for growth and development through the inputs of industries, identify corresponding services-related policies to address them, and specify boundaries between private-public interests.



In **preparing for negotiations**, it is vital to organize an efficient coordination process that often falls under the ministry of trade and/or ministry of foreign affairs (DTI and DFA in the case of the Philippines). They are usually responsible for coordination within and outside government entities to establish a coherent national position on services-related issues and conduct negotiations. Intergovernmental coordination should be undertaken in the context of national priorities and facilitate two-way consultations with stakeholders, including private sectors and civil society. It also needs to uncover negotiating preferences of services producers, consumer communities (e.g., consumer advocacy groups), and other sectors interlinked with services (e.g., manufacturing, agriculture, and mining sectors). The government should have a periodic audit on domestic regulations regarding services and service trade-related matters to evaluate if regulatory objectives are met, identify inefficient regulations, and adopt measures to facilitate market access. An inventory of domestic regulations relevant to services and trade in services is also helpful in initiating dialogues among negotiators, agencies, and sectoral regulators, including their capacity-building needs, and conducting dialogues with external stakeholders, which includes identifying opportunities and challenges experienced by exporters. Trade negotiators and government officials should understand trade law and consider different liberalization scenarios and their corresponding economic and social impacts (e.g., effects on gender and development, poverty eradication, and human health). Ideally, negotiation should proceed after national development strategies were formulated to prepare the country to respond to complex regulatory and policy issues arising from services trade agreements. Establishing a balance between the demands of trading partners and domestic politics and proper communication channels between government and external stakeholders is also essential.

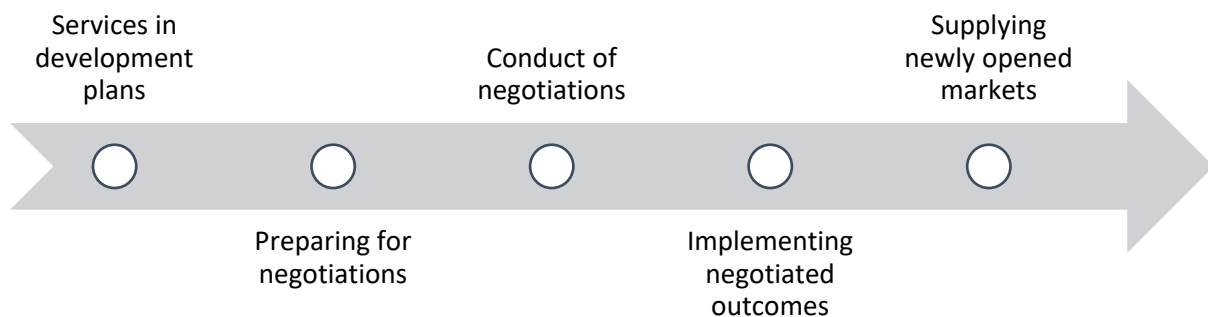
In the **conduct of services negotiations**, the government must be proactive to gain opportunities from trade agreements. It includes presenting request lists (an act of rule-making) during services negotiations to promote export interests of services where the country has comparative advantages. It can also reach out to other developing countries to generate support and gather resources in negotiating specific issues. The government might outsource assistance from non-government or policy research institutions with expertise in services in formulating rule-making proposals. Coordination and consultation with key stakeholders within and outside government should also continue.

Strengthening regulatory agencies and implementing regulations that boost overall performance in services are some needed actions in **implementing negotiated outcomes**. In making regulations, it is important to consider other factors such as trade and investment costs and manage the liberalization effects on regulatory, sectoral, and overall economy. New or alternative regulatory interventions may be required to liberalize service markets. Committing to procompetitive regulation should consider impacts on vulnerable groups (possible displaced workers) and aim towards improved access to essential services for various population segments. Furthermore, the country can benefit from training officials in trade and sectoral regulations, engaging in capacity-building activities and technical assistance offered by donor countries, and partnering with local institutions and universities or policy research institutions.

**Supplying newly opened markets** would need an increase in the quality of exports through diversification and value addition. There are several ways that the government can facilitate this. It must lift barriers to trade, investment, and labor movement. It should also enhance quality standards of services, confirm with certification requirements of partner countries, improve trade infrastructure, pursue high-quality and low-cost communications, finance, transportation, and logistics services. It can also assist private sector associations, support

structures for SMEs (e.g., funding assistance), and strengthen public-private dialogue and partnering activities. The private sector can also support regulatory institutions by providing financial resources, human resources, expertise, and others to improve regulatory performance, quality and licensing standards, and expand access to distribution networks. A coalition of service industries has a role in establishing business-to-business contacts, particularly for SMEs.

**Figure 1. Key moments in the life cycle of services negotiations**



Source: Marconini and Sauvé (2010)

Chapter 9 on industry and services of the The Philippine National Development Plan (NEDA 2017, 2020) recognizes the importance of services and strategies to promote trade in services. Strategic objectives include producing high-value added and sustainable services by supporting the IT-BPM industry, education, healthcare, logistics, construction, transport-related services, and creative industries. To the improve the regulatory environment, priority reforms include removing barriers on foreign investments (pursuing the amendments of the Public Service Act, Retail Trade Act, and Foreign Investments Act) and promoting fair competition (especially for transport, energy, and telecommunication services sectors).

By law, there are two principal agencies responsible for negotiating the country's international commitments.

The *Department of Trade and Industry (DTI)* is mandated to take the primary role in negotiating and reviewing existing international trade agreements as stated in Executive Order 133 of 1997, reorganizing the Ministry of Trade and Industry and renaming it the Department of Trade and Industry (DTI). While the DTI is the lead agency in most international trade negotiations, it has no veto power over positions taken by other agencies. Instead, trade policy-making is done by consensus, and individual departments and agencies bring their initiatives, research, and trade positions.

As stated in Republic Act No. 7157, otherwise known as "Philippine Foreign Service Act of 1991", the *Department of Foreign Affairs (DFA)* is mandated to implement the three (3) pillars of the Philippine Foreign Policy, as follows: (1) Preservation and enhancement of national security; (2) Promotion and attainment of economic security, and (3) Protection of the rights and promotion of the welfare and interest of Filipinos overseas. As such, the DFA is the lead agency concerning the conduct of foreign relations and in line with the pursuit of economic security, the DFA is engaged in economic diplomacy.

Two groups with similar memberships reflect the bifurcated institutional arrangements in trade negotiations. These are the Committee on Tariff and Related Matters (CTRM) and the Philippine Council for Regional Cooperation (PCRC).

As specific FTAs arise, coordinating committees are created with their own structure. For example, for the Philippine-Japan Economic Partnership Agreement (PJEPA), the Philippine Coordinating Committee (PCC) was created through Executive Order 213, s. 2003. The DFA Undersecretary for International Economic Relations and the DTI Undersecretary for International Trade (now the IDG) are the co-chairs of the PCC. The PCC is composed of representatives from various government agencies. The Bureau of International Trade Relations (BITR) of the DTI acts as the PCC Secretariat.

## *2.1 The Committee on Tariff and Related Matters (CTRM)*

The Committee on Tariff and Related Matters (CTRM) is one of the seven cabinet-level interagency committees assisting the National Economic and Development Authority (NEDA) Board in the performance of its functions. The NEDA Board, composed of the president as chairman and the Secretary of Socio-Economic Planning and NEDA Director-General as vice-chairman, was created under Executive Order No. 230 of 1987 Reorganizing the National Economic and Development Authority. The functions of the CTRM are as follows: (1) Advises the President and the NEDA Board on Tariff and related matters and the effects on the country of various international developments; (2) Coordinates agency positions and recommends national positions for international economic negotiations; and (3) Recommends to the president a continuous rationalization program for the country's tariff structure. The CTRM "advise[s] the president and the NEDA Board on tariff and related matters" and "coordinate[s] agency positions and recommend[s] national position in international economic negotiations" (Section 6).

There are three (3) levels in the CTRM, starting from the highest, which is the Committee proper (Cabinet-level), followed by the Technical Committee and Technical Committee on WTO Matters (TCWM). On the one hand, the technical Committee has four (4) subcommittees: Trade and Investment Agreements, Economic and Technical Cooperation Agreements, Shipping, and Tariff and Non-tariff Measures (or the technical working group on tariff review). On the other hand, the TCWM comprises four (4) committees on Services, Agriculture, Industrial Products, and Other WTO Rules Disciplines (Pasadilla and Liao 2011; Tillah 2011).

### *2.1.1 CTRM Cabinet*

The CTRM Cabinet is led by the DTI secretary and is composed of different department secretaries. (NEDA, 2021):

- Secretary of DTI (Chairperson);
- Director-General of the NEDA (Co-Chairperson);
- Executive Secretary;
- Secretary of Department of Agriculture (DA);
- Secretary of the Department of Budget and Management (DBM);
- Secretary of the Department of Labor and Employment (DOLE)
- Department of Agrarian Reform (DAR);
- Department of Finance (DOF);
- Department of Foreign Affairs (DFA);

- Department of Environment and Natural Resources (DENR);
- Bangko Sentral ng Pilipinas (BSP) governor; and
- Chairman of Tariff Commission

### 2.1.2 Technical Committee

The Technical Committee is mainly composed of undersecretaries and directors. It reports to the CTRM Cabinet. It receives assistance from the NEDA-based secretariat. Other than the departments mentioned above, the following are also included in the Technical Committee, with senior officials as their representatives (Pasadilla and Liao 2011):

- Department of Transportation and Communications (DOTC)
- Board of Investments (BOI)
- Bureau of Customs (BOC)
- Other departments are also included in the meetings (as necessary): Representatives from the Department of Energy (DOE), National Telecommunications Commission (NTC), Securities and Exchange Commission (SEC), and Department of Science and Technology (DOST)
- Legal Office Representative from the Office of the President – provides advice and intermediates between the president and TRM

### 2.1.3 Technical Committee on WTO Matters (TCWM)

The Technical Committee on WTO Matters (TCWM) is different from the Technical Committee since it focuses on handling issues directly related to multilateral commitments, including discussing and recommending strategies. It also evaluates the implementation and participation of the country at the multilateral level. It receives secretariat assistance from the DTI-BITR. The TCWM is composed of inter-agency subcommittees on (1) agriculture, headed by the DA, (2) services, headed by the NEDA, (3) industrial products, headed by the Tariff Commission, and (4) Other WTO Rules Disciplines, headed by the DTI-BITR (Tillah 2011). Other than TCWM, the Philippine Mission to the WTO in Geneva is also involved in WTO-GATS negotiations. It is headed by an ambassador assigned by the DFA and is supported by other officers from other departments (Avila 2011).

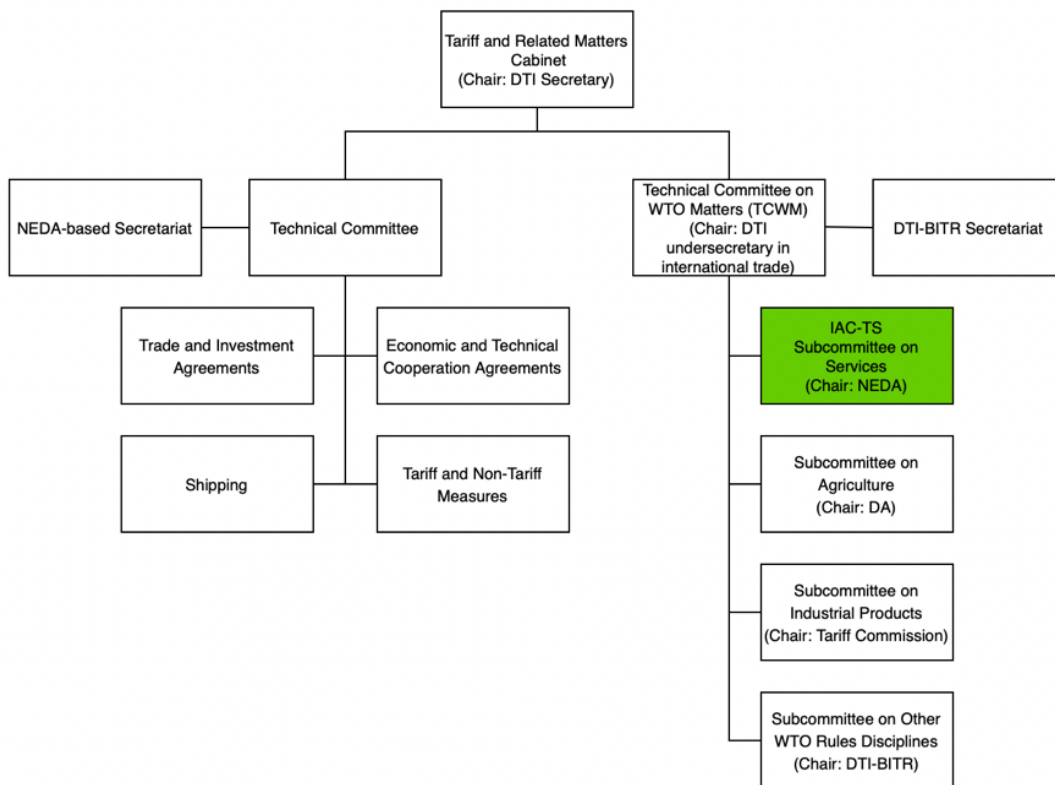
Under the TCWM, the Inter-Agency Committee on Trade in Services (IAC-TS) leads the service negotiations in the WTO. NEDA acts as the chair of the IAC-TS and receives secretariat assistance from NEDA's Trade, Services, and Industry Staff (TSIS). However, services trade covers many sectors and is more decentralized in a way that line agencies, such as DENR, DOTC, DOLE, BSP, Department of Tourism, and Department of Energy, the Professional Regulatory Commission, and the Commission on Higher Education, still handle trade issues for their respective industries (Pasadilla and Liao 2011). Moreover, the IAC-TS handles the negotiations for bilateral free trade agreements (FTAs): EFTA<sup>3</sup>, PJEPA<sup>4</sup>, PH-Korea, and PH-EU. NEDA also handles the finalization of the ASEAN Framework Agreement on Services (AFAS) 10 package.

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<sup>3</sup> European Free Trade Association

<sup>4</sup> Philippines-Japan Economic Partnership Agreement

**Figure 2. Institutional arrangements of CTRM for trade in services negotiations.**



Source: Tillah (2011) and Pasadilla and Liao (2011), with modifications based on the interview with DTI-BITR and NEDA-TSIS (2021)

Services deal with various subsectors and trade in services occurs via four modes of supply Based on the GATS (Article 1), trade in services is defined as the supply of a services:

- 1 – from the territory of one Member in the territory of any other Member;
- 2 – in the territory of one Member to the service consumer of any other Member;
- 3 – by a service supplier on one Member, through commercial presence in the territory on any other Member;
- 4 – by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.

Table 2 presents the members of the inter-agency committee on trade in services. Cross-cutting agencies include DTI, NEDA, and DFA. For specific modes of supply in trade in services: mode 1, which occurs via cross-border flows, include Data Privacy Commission; mode 2 (consumption abroad), which primarily denotes tourism; mode 3 (establishment of commercial presence) involves BOI and SEC; and Mode 4 (movement of natural persons) is handled mainly by DOLE. Different subsectors are handled by their respective agencies. In a particular agreement, either the DTI or NEDA would handle the coordination of services negotiation. However, they have no veto power over positions taken by other agencies. Trade policy-making is done by consensus and individual departments and agencies bring their own initiatives, research, and trade positions.

**Table 2. Members of the inter-agency committee on trade in services**

Cross-cutting / Horizontal	Bureau of International Trade Relations (DTI)	IT-Services	Department of Information and Communications Technology
	National Economic and Development Authority	Tourism	Department of Tourism
	Office of International Economic Relations	Health and medical services	Department of Health
Mode 1 (and data flows)	Data Privacy Commission	Construction and related engineering services	Construction Industry Authority of the Philippines
Mode 3	Board of Investment	Energy	Department of Energy
	Securities and Exchange Commission	Environmental services	Department of Environment and Natural Resources
Mode 4	Bureau of Local Employment		
Air transport	Civil Aeronautics Board, Civil Aviation Authority of the Philippines	Financial services	Bangko Sentral ng Pilipinas
	Department of Transportation		Insurance Commission
Education	Commission on Higher Education		
	Department of Education	Professional services	Professional Regulatory Commission
	Technical Education and Skills Development Authority	Maritime transport	Maritime Industry Authority, Philippine Ports Authority, Dept of Transportation
Telecommunications	National Telecommunications Commission	Customs Brokerage	Bureau of Customs (Dept of Finance)

Source: Avila (2011) with updates

### **3. Participation of the Philippines in services agreements**

#### **3.1 Multilateral Agreement**

The multilateral agreement for trade in services is relatively young compared to its goods counterpart. The General Agreement on Trade in Services (GATS) was signed on 15 April 1994 in Marrakesh, Morocco as part of the Marrakesh Agreement which came into force on 1 January 1995 that also established the World Trade Organisation (WTO). In contrast, the Multilateral agreement for trade in goods has existed since 1947 through an agreement known as the General Agreement on Tariffs and Trade (GATT).

The GATS establishes a set of rules and disciplines governing the use by WTO members of measures affecting trade in services. Its three main objectives are to progressively liberalize trade in services through rounds of negotiations; to encourage economic growth and development through liberalization of trade in services; and to increase participation of developing countries in world trade in services. GATS applies to any measures directly or indirectly affecting trade in services, regardless if it is performed by any levels of the government or private entities (UNCTAD 2020).

Service trade is liberalized through a series of market access and national treatment commitments specified in schedules that describe their terms, limitations and conditions. It imposes six types of market access restrictions and prohibits discrimination among member countries. Article XVI on Market Access of the GATS lists the following limitations:

- a. the number of service suppliers
- b. the value of service transactions or assets
- c. the number of operations or quantity of output
- d. the number of natural persons supplying a service
- e. the type of legal entity or joint venture
- f. the participation of foreign capital

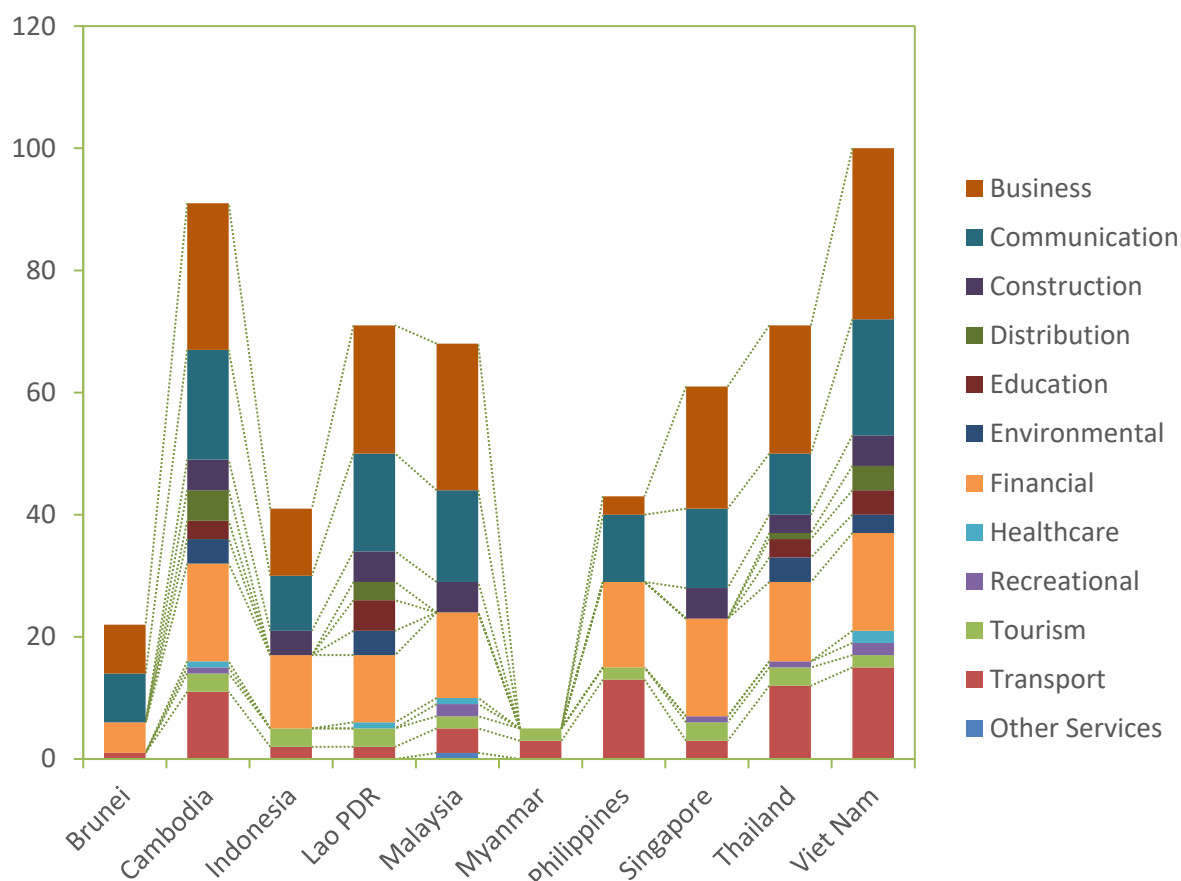
Since these measures do not relate to ensuring service quality or the capability of service suppliers, they serve no other purpose but to restrict trade and are therefore considered as such (UNCTAD 2020, p.36).

Similar to bound tariffs in goods trade, when a government makes a specific market access and/or national treatment commitment in a particular service, it cannot impose new measures on foreign service suppliers that is more restrictive than what is scheduled (Miroudot & Pertel, 2015, UNCTAD, 2020). The GATS also defines standards of transparency (such as the obligation for WTO members to publish all measures falling under the agreement) and several other disciplines on good governance for the services sectors.

Overall, the GATS seeks to contribute for country members to achieve its national policies related to trade in services. It also aims to increase the participation of developing countries in services trade. Specifically, to improve the quality of domestic services, increase access to distribution channels and information networks, and liberalize market access using more customized negotiation, which takes a longer process but is more effective for developing countries. As explained in UNCTAD (2020), the agreement does not impose regulations nor does it champion deregulation or privatization. It considers the welfare of least developed and developing countries and the challenges in regulating services. In facilitating market access, the GATS helps increase the ability of developing countries to participate more in the services trade. More importantly, every government's right to regulate is preserved.

Figure 3 and Table 3 show the sub-sectors scheduled by ASEAN member states in the GATS. Note that it does not reflect the depth (quality) of commitments made across various sectors and whether full or partial commitments were made across all modes of supply. Nonetheless, it shows that the Philippines, an original member of the WTO committed fewer sub-sectors than other members, particularly in business services. Cambodia, Viet Nam, and Lao PDR, which joined in 2004, 2007, and 2013, respectively included more sub-sectors in their commitments.

**Figure 3. Subsectors Scheduled under the GATS by ASEAN member states**



Source: WTO and World Bank, I-TIP Services, <http://i-tip.wto.org/services/Search.aspx> accessed on 16 September 2021)

**Table 3. GATS Commitments of the Philippines and other ASEAN member states**

Sector	BD	KH	ID	LA	MA	MY	PH	SG	TH	VN
Business Services (46)	8	24	11	21	24	0	3	20	21	28
Communication Services (24)	8	18	9	16	15	0	11	13	10	19
Construction and Related Engineering Services (5)	0	5	4	5	5	0	0	5	3	5
Distribution Services (5)	0	5	0	3	0	0	0	0	1	4
Educational Services (5)	0	3	0	5	0	0	0	0	3	4
Environmental Services (4)	0	4	0	4	0	0	0	0	4	3

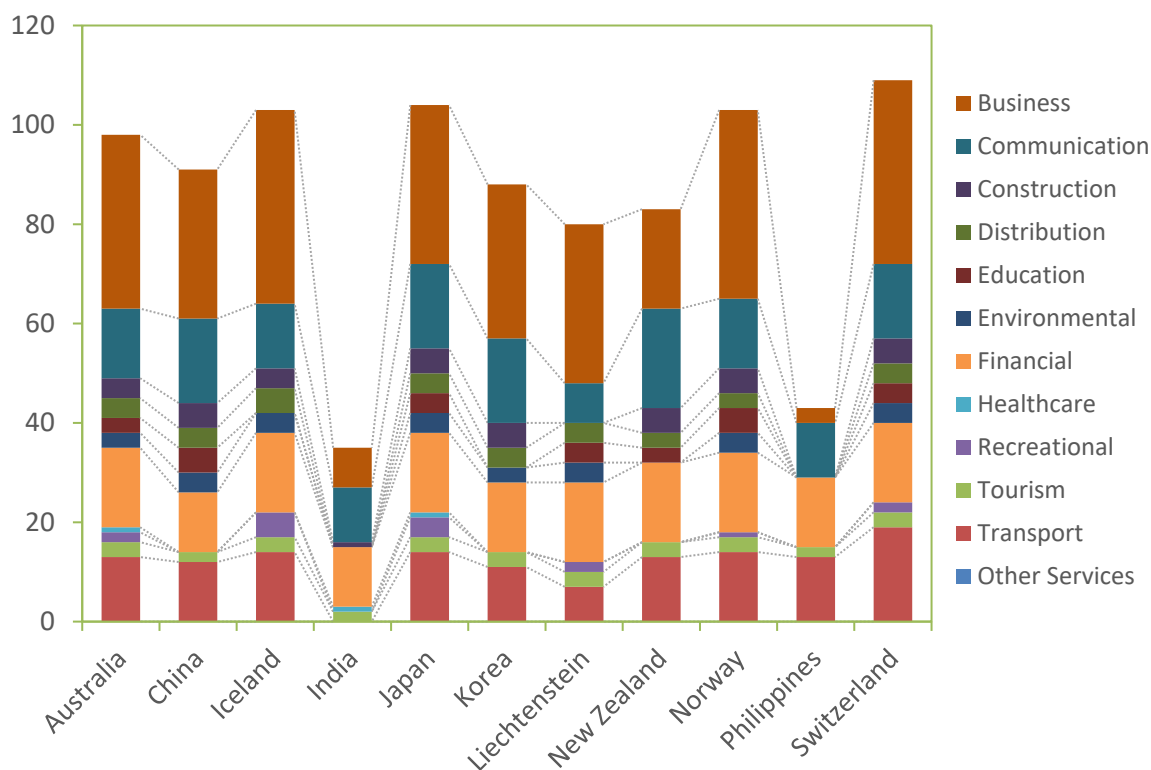


Financial Services (17)	5	16	12	11	14	0	14	16	13	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	0	1	0	1	1	0	0	0	0	2
Tourism and Travel Related Services (4)	0	3	3	3	2	2	2	3	3	2
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	0	1	0	0	2	0	0	1	1	2
Transport Services (35)	1	11	2	2	4	3	13	3	12	15
Other Services Not Included Elsewhere (1)	0	0	0	0	1	0	0	0	0	0
Total (155)	22	91	41	71	68	5	43	61	71	100

NOTES: BN - Brunei Darussalam; KH - Cambodia; ID - Indonesia; LA - Lao People's Democratic Republic; MY - Malaysia; MM - Myanmar; PH - Philippines; SG - Singapore; TH - Thailand; VN - Viet Nam  
Source: WTO and World Bank, I-TIP Services, <http://i-tip.wto.org/services/Search.aspx> accessed on 16 September 2021)

Figure 4 and Table 4 also show the sub-sectors committed by our trade partners in FTAs indicating fewer commitments by the Philippines except for India,

**Figure 4. Sub-sectors Scheduled under the GATS by the Philippines and other trade partners**



Source: WTO and World Bank, I-TIP Services, <http://i-tip.wto.org/services/Search.aspx> accessed on 16 September 2021)

**Table 4. GATS Commitments of the Philippines and other trade partners**

Sector	AU	CN	IS	IN	JP	KR	LI	NZ	NO	PH	CH
Business Services (46)	35	30	39	8	32	31	32	20	38	3	37
Communication Services (24)	14	17	13	11	17	17	8	20	14	11	15
Construction and Related Engineering Services (5)	4	5	4	1	5	5	0	5	5	0	5
Distribution Services (5)	4	4	5	0	4	4	4	3	3	0	4
Educational Services (5)	3	5	0	0	4	0	4	3	5	0	4
Environmental Services (4)	3	4	4	0	4	3	4	0	4	0	4
Financial Services (17)	16	12	16	12	16	14	16	16	16	14	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	1	0	0	1	1	0	0	0	0	0	0
Tourism and Travel Related Services (4)	3	2	3	2	3	3	3	3	3	2	3
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	2	0	5	0	4	0	2	0	1	0	2
Transport Services (35)	13	12	14	0	14	11	7	13	14	13	19
Other Services Not Included Elsewhere (1)	0	0	0	0	0	0	0	0	0	0	0
Total (155)	98	91	103	35	104	88	80	83	103	43	109

NOTES: AU – Australia; CN - China; IS - Iceland; IN - India; JP - Japan; KR - Republic of Korea; LI - Liechtenstein; NZ - New Zealand; NO - Norway; PH - Philippines; SG - Singapore; CH – Switzerland.

Source: WTO and World Bank, I-TIP Services, <http://i-tip.wto.org/services/Search.aspx> accessed on 16 September 2021)

Further multilateral services negotiations under the GATS had started since November 2001 under the Doha Development Agenda (DDA), but no outcomes have been achieved to date in terms of additional market openings.

### 3.2 Bilateral Agreements

#### 3.2.1 The Philippines-Japan Economic Partnership Agreement (PJEPA)

The Philippines-Japan Economic Partnership Agreement (PJEPA) was the first bilateral FTA signed by the Philippines in 2006. It was ratified and entered into force in 2008. The Agreement contains a chapter on Trade in Services (Ch. 7) with an annex of Financial Services and the Schedule of Specific Commitments and List of Most-Favored-Nation Treatment Exemptions. There is a chapter on the Movement of Natural Persons (Ch. 9) with an annex of the Specific Commitments.

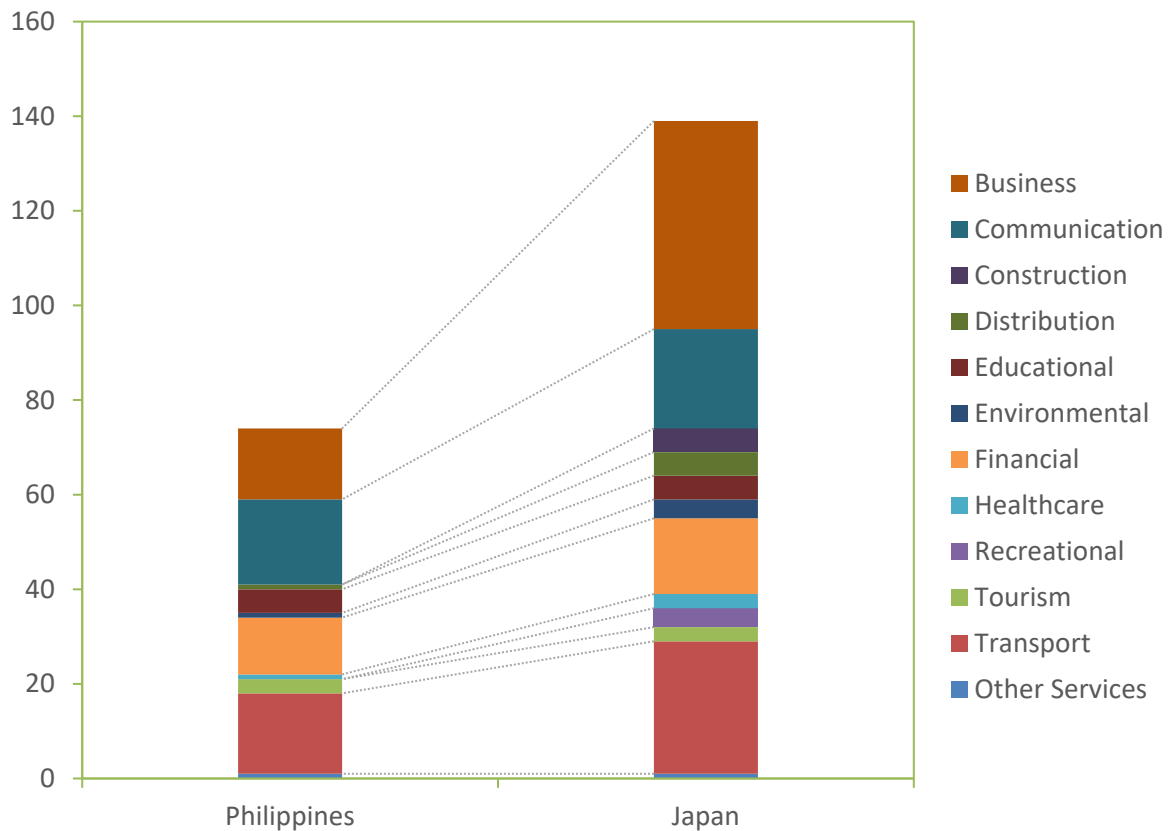
Commitments were made using the “positive list” similar to GATS. See Figure 5 and Table 5. These commitments also include a standstill obligation, which means they do not deviate from the current laws and regulations (or status quo). These sectors were marked with and “SS” (the

abbreviation for “short for standstill”). Of the 74 sub-sectors scheduled by the Philippines, it made SS commitments in 70 sub-sectors while for Japan 125 of the 139 scheduled sub-sectors reflected the status quo. This ensures transparency and stability of the Philippines’ domestic laws and regulations under which Japanese enterprises conduct business operations in the Philippines and vice versa. The Japan-Philippines EPA was the first agreement that adopted this approach with respect to services; it was then followed by the Japan-Malaysia and Japan-Indonesia EPAs (METI, p. 779).

In addition, as the Japan-Philippines EPA contains an MFN obligation, both parties unconditionally and automatically are entitled to the preferential treatment accorded to a non-party country under any other FTA/EPA (except in sectors in sectors where reservations on MFN treatment were made) (METI, p. 788).

The Japan-Philippines EPA also requires the preparation of a transparency list which is a list of existing measures not conforming to the market access and national treatment obligations, regardless of whether a specific commitment covers the relevant sector. A transparency list is prepared solely for the purpose of increasing the transparency of restrictions.

**Figure 5. Sub-sectors Scheduled under the PJEPA**



Source: Author’s compilation

**Table 5. Summary of commitments in the Philippines-Japan Economic Partnership Agreement (PJEPA)**

Sector (Number of sub-sectors)	Philippines	Japan
Business Services (46)	15	44
Communication Services (24)	18	21
Construction and Related Engineering Services (5)	0	5
Distribution Services (5)	1	5
Educational Services (5)	5	5
Environmental Services (4)	1	4
Financial Services (17)	12	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	1	3
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	0	4
Tourism and Travel Related Services (4)	3	3
Transport Services (35)	17	28
Other Services Not Included Elsewhere (1)	1	1
<b>Total (155)</b>	<b>74</b>	<b>139</b>

Source: Author's compilation

In terms of new commitments made under the PJEPA compared to GATS, the Philippines added 14 commitments under Business services, particularly on Professional services (8), Computer and related services (3), and Other businesses services sub-sectors (3). Commitments on all (5) sub-sectors under Education services were included, as well as six (6) under Transport services, and five (5) under Telecommunications services. The Philippines also made commitments on Distribution services, Audiovisual services, Postal services, Sewage services, Banking and other financial services, Tourist guides services, and Hospital services. In addition, the schedule of commitments mentioned Other services not included elsewhere, such as Services related to power generation – operation of power plants (as provided under the BOT scheme), Oil refinery, and Oil terminals/depots. In contrast, Japan made 14 commitments under Transport services, 12 commitments under Business services, and four (4) under Communication services. It also included commitments on Social services, Other distribution services, Other education services, Other human health services, and Other services not included elsewhere: Home helper services (excluding the services classified in Social Services). See Table 6.

**Table 6. Commitments of PJEPA countries**

Sector (Number of sub-sectors)	Philippines		Japan	
	GATS	PJEPA	GATS	PJEPA
Business Services (46)	3	15	32	44
Communication Services (24)	11	18	17	21
Construction and Related Engineering Services (5)	0	0	5	5

Distribution Services (5)	0	1	4	5
Educational Services (5)	0	5	4	5
Environmental Services (4)	0	1	4	4
Financial Services (17)	14	12	16	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	0	1	1	3
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	0	0	4	4
Tourism and Travel Related Services (4)	2	3	3	3
Transport Services (35)	13	17	14	28
Other Services Not Included Elsewhere (1)	0	1	0	1
Total (155)	43	74	104	139

Source: Author's compilation

Regarding commitments made in GATS compared to the commitments under the PJEPA agreement, Japan also incorporated all GATS committed sectors and sub-sectors in PJEPA. However, the Philippines have not included two (2) commitments under Business services (Relating to aircraft and Convention services); three (3) under Financial services (Direct Insurance (including co-insurance), Reinsurance and retrocession, and Services auxiliary to insurance; and two (2) under Transport services (Maintenance and repair of rail and road transport equipment). See Table 7 for the summary of new commitments made by PJEPA members compared to commitments made under the multilateral agreement.

**Table 7. Commitments under PJEPA, compared with GATS**

PJEPA members	New commitments under PJEPA	PJEPA commitments	GATS commitments	GATS commitments not found in PJEPA agreement
Philippines	38	74	43	7
Japan	35	139	104	0

Source: Author's compilation

Through the PJEPA, Japan included various categories in its list of categories of natural persons allowed to supply services and specifically included nurses and caregivers. Professional and skilled workers are given one to three years (extendable), nurses are given one year (extendable), and caregivers are given a maximum of three years (extendable) to provide healthcare services in Japan. It allowed professional Filipino nurses with at least three years of experience to work in Japan as trainees. However, they need to have at least six months of language training, and they have to pass the Japanese licensure exam to become a licensed nurse in Japan (Peji, 2010; Medalla, Vidar-Vale, & Balboa, 2013). As of 2019, only about 30 percent of 547 nurses and 20 percent of 1,694 care workers (2,241 healthcare workers) passed the Japanese qualification exams (DTI, n.d.).

While Japan remains conservative through rigorous qualifications, their aging population will eventually need them to be more open for migrant labor (Tullao & Cortez, 2013). The stringent qualifications imposed by Japan in healthcare and other types of services also provided a way for Filipinos to take globally recognized examinations. It includes the Philippine National IT Standards (PhilNITS)<sup>5</sup>, supported by Japan and the Philippine government, which provides an

<sup>5</sup> Formerly known as Information Technology Standard Examination of the Philippines

IT certification program (Palanca-Tan, 2014; PhilNITS, n.d.). Qualification exams will also encourage the improvement of the quality of universities and training centers in the Philippines as they aim to align their competence with global standards. PJEPA can also be an instrument to protect the welfare of Filipino workers in Japan. For instance, workers in the entertainment sector are not given employment contracts. They are regarded as guest performing artists, making them vulnerable to exploitation (Tullao & Cortez, 2013).

Besides market access in mode 4, PJEPA is also promoting better cooperation and capacity-building projects, which will benefit the services sector. Cooperation includes activities in the information and communications, transportation, financial, and tourism services, among others. In terms of capacity-building, the country can benefit from the technical assistance programs, training, and technology and skills transfers from the partner country. PJEPA also has committees and subcommittees to refine provisions and mechanisms and monitor the implementation of the agreement (Medalla & Ledda, 2013).

In the latest General Review, two working groups are created to study the inclusion of Micro, Small, and Medium Enterprises (MSMEs) and e-commerce in the agreement. The country also continues to negotiate on improving the market access to the mode four (4) supply for the Filipino skilled workers' entry to Japan (DTI, n.d.b).

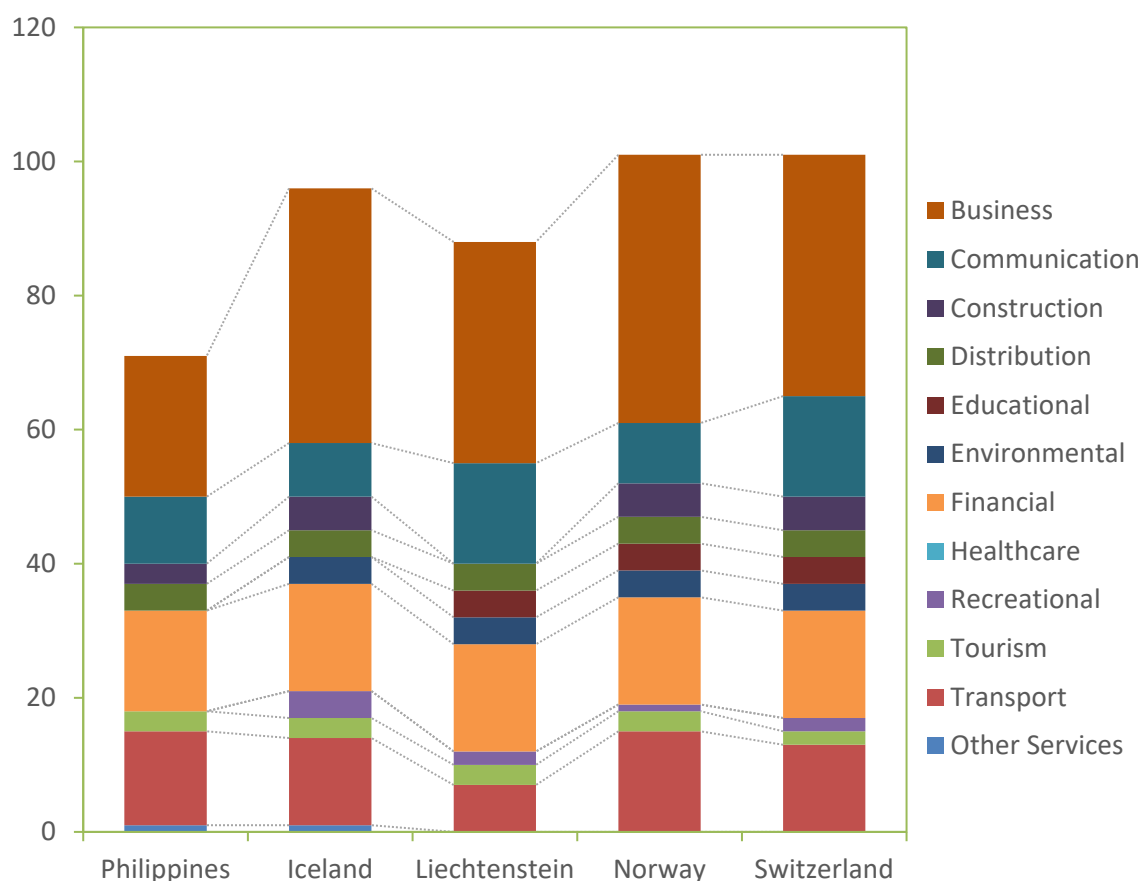
### 3.2.2 The Philippines- European Free Trade Association (PH-EFTA) Free Trade Agreement

The Philippines- European Free Trade Association (PH-EFTA) FTA was signed in 2016 and entered into force in 2018 for the Philippines. The EFTA States, Iceland, Liechtenstein, Norway and Switzerland, signed a Free Trade Agreement (FTA) with the Philippines in Bern, Switzerland, on 28 April 2016. The EFTA-Philippines FTA entered into force on 1 June 2018 for the Philippines, Norway, Liechtenstein and Switzerland and on 1 January 2020 for Iceland.

The chapter on trade in services (Chapter 6) closely follows the GATS approach. It covers trade in all services sectors under all four modes of supply. Separate Annexes on financial services (Annex XIII), telecommunication services (Annex XIV), movement of natural persons (Annex XV), maritime transport services (Annex XVI) and energy related services (Annex XVII) complements the chapter with additional disciplines specific to those sectors. The Parties' lists of specific commitments and exemptions from most-favoured-nation (MFN) treatment are contained in Annexes XI and XII, respectively.

As Figure 6 and Table 8 show, the Philippines committed fewer sub-sectors compared to EFTA member states.

**Figure 6. Sub-sectors Scheduled under the PH-EFTA FTA**



Source: Author's compilation

**Table 8. Summary of commitments in the Philippines- European Free Trade Association (PH-EFTA)**

Sector (Number of sub-sectors)	PH	IS	LI	NO	CH
Business Services (46)	21	38	33	40	36
Communication Services (24)	10	8	15	9	15
Construction and Related Engineering Services (5)	3	5	0	5	5
Distribution Services (5)	4	4	4	4	4
Educational Services (5)	0	0	4	4	4
Environmental Services (4)	0	4	4	4	4
Financial Services (17)	15	16	16	16	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	0	0	0	0	0
Tourism and Travel Related Services (4)	3	3	3	3	2
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	0	4	2	1	2
Transport Services (35)	14	13	7	15	13
Other Services Not Included Elsewhere (1)	1	1	0	0	0
<b>Total (155)</b>	<b>71</b>	<b>96</b>	<b>88</b>	<b>101</b>	<b>101</b>

Source: Author's compilation

In terms of new commitments made, the Philippines added 20 commitments under Business services, three (3) under both Communications and Construction and related engineering services, four (4) under Distribution services, one for each other Financial services and Tourism and travel-related services, eight (8) under Transport services, and one (1) under Other services not included elsewhere. The Philippines became more liberal by opening 41 new commitments in the PH-EFTA agreement, with 71 commitments under the PH-EFTA agreement, compared to 43 commitments under GATS. Up to eight (8) commitments were opened by the EFTA countries, noting that EFTA countries previously allotted 80 to 109 commitments under the multilateral agreement.

Liechtenstein added a commitment on Other services and seven (7) under telecommunication services. Norway added two (2) commitments under Other business services (Services incidental to mining and Convention services), one (1) under distribution services (Commission agents' services), and three (3) under transport services. Iceland added commitments on Other construction and related engineering services and Other services not included elsewhere. Commitments to new services sectors or sub-sectors were not found for Switzerland. See Table 9.

**Table 9. GATS vs PH-EFTA FTA commitments**

Sector (Number of sub-sectors)	Philippines		Iceland		Liechtenstein		Norway		Switzerland	
	GATS	PH-EFTA	GATS	PH-EFTA	GATS	PH-EFTA	GATS	PH-EFTA	GATS	PH-EFTA
Business Services (46)	3	21	39	38	32	33	38	40	37	36
Communication Services (24)	11	10	13	8	8	15	14	9	15	15
Construction and Related Engineering Services (5)	0	3	4	5	0	0	5	5	5	5
Distribution Services (5)	0	4	5	4	4	4	3	4	4	4
Educational Services (5)	0	0	0	0	4	4	5	4	4	4
Environmental Services (4)	0	0	4	4	4	4	4	4	4	4
Financial Services (17)	14	15	16	16	16	16	16	16	16	16
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.) (4)	0	0	0	0	0	0	0	0	0	0
Tourism and Travel Related Services (4)	2	3	3	3	3	3	3	3	3	2
Recreational, Cultural and Sporting Services (Other than Audiovisual Services) (5)	0	0	5	4	2	2	1	1	2	2
Transport Services (35)	13	14	14	13	7	7	14	15	19	13
Other Services Not Included Elsewhere (1)	0	1	0	1	0	0	0	0	0	0
<b>Total (155)</b>	<b>43</b>	<b>71</b>	<b>103</b>	<b>96</b>	<b>80</b>	<b>88</b>	<b>103</b>	<b>101</b>	<b>109</b>	<b>101</b>

Source: Author's compilation

In terms of commitments made with GATS but were not committed in the PH-EFTA agreement, the Philippines did not include two (2) commitments under Business services (Relating to aircraft and Convention services) in the PH-EFTA schedule of commitments.



Telecommunication services: Voice mail, On-line information and data base retrieval, and electronic data interchange (EDI) are also not included. Some commitments under transport services were also not found, such as rail passenger and freight transportation, Maintenance and repair of rail transport equipment, road passenger and freight transportation, and Maintenance and repair of road transport equipment. Iceland did not mention commitments under Other business services, Other distribution services, Other recreational services, and Other transport services, which were otherwise mentioned in GATS. Liechtenstein incorporated all of its GATS commitments under the PH-EFTA agreement. Norway did not include five (5) commitments under telecommunication services, which were otherwise listed in its commitments under the multilateral agreement. These are Electronic mail, Voice mail, On-line information and data base retrieval, Electronic data interchange (EDI), and Enhanced/value-added facsimile services, incl. store and forward, store and retrieve. Apart from this, Other education services, Freight transport agency services, and Other services auxiliary to all modes of transport were also not mentioned. See Table 10 for the summary of new commitments made by PH-EFTA members, GATS commitments, and their comparison.

**Table 10. Commitments under PH-EFTA, compared with GATS**

<b>PH-EFTA members</b>	<b>New commitments under PH-EFTA</b>	<b>PH-EFTA commitments</b>	<b>GATS commitments</b>	<b>GATS commitments not found in PH-EFTA agreement</b>
Philippines	41	71	43	13
Liechtenstein	8	88	80	0
Norway	6	101	103	8
Iceland	2	96	103	9
Switzerland	0	101	109	8

Source: Author's compilation

The agreement can benefit Filipino services suppliers, particularly for the skilled and professionals (mode 4 supply) (DTI, n.d.c). The PH-EFTA agreement opened Mode 1 (cross-border supply) and mode 4 (movement of natural persons), benefitting services suppliers and skills and professional workers, particularly in architecture and engineering. Entry and temporary presence of services suppliers, such as business visitors, intra-corporate transferees (i.e., specialists, managers, and executives), contractual service providers, and installers of equipment or machinery are allowed. Economic tests are also waived in some services sectors. The annex on maritime transport and related services listed opportunities, including non-discriminatory treatment on access to ports, use of infrastructure, and market access to maritime transport service suppliers. It also allows companies and industry organizations to establish their presence in the territory of an EFTA country. EFTA authorities can aid crew and passengers of Filipino vessels.

Some EFTA countries offered additional commitments. Switzerland added a new category of “installers and maintainers” in most of the sub-sectors of the agreement. Additionally, it also allowed maintenance and repair of swiss aircraft in the Philippines. For most of the services sectors, Norway allowed independent professionals and graduate trainees to provide services temporarily. Furthermore, the Philippines can benefit from the EFTA countries’ investments in services sub-sectors, namely, IT services (IT-BPM), renewable energy, construction and related engineering, environmental, maritime transport, and finance services. For future negotiations, the Philippines may request preferential treatment offered by EFTA countries to non-party countries ( (DTI, 2021; Embassy of the Philippines Bern, n.d.).

### 3.3 Regional Agreements<sup>6</sup>

Through its membership in ASEAN, the Philippines has engaged in various regional trade agreements which include a services chapter.

#### 3.3.1 ASEAN

##### 3.3.1.1 ASEAN Framework Agreement on Services (AFAS)

The formal process of liberalisation of trade in services in ASEAN started with the signing of the ASEAN Framework Agreement on Services (AFAS) by the ASEAN Economic Ministers (AEM) on 15 December 1995 during the 5th ASEAN Summit in Bangkok, Thailand. As stated in its objectives, AFAS aims to (Art. 1):

(a) Enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity, and supply and distribution of services of their service suppliers within and outside ASEAN.

(b) Eliminate substantially restrictions to trade in services amongst Member States.

(c) Liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by Member States under the GATS with the aim to realising a free trade area in services .

AFAS rules are consistent with international rules for trade in services as provided for under the GATS. In addition, it adopts a **GATS-plus principle**, which means that ASEAN Member States shall schedule commitments under AFAS that go beyond their GATS commitments or offer new service sectors/sub-sectors that have not been scheduled under GATS.

AFAS Article IV requires ASEAN Member States to enter into negotiations on measures affecting trade in specific service sectors, and the results shall be set out in schedules of commitments. Initially, the negotiations were organized through rounds of negotiations where the approach and parameter for liberalization were set for each respective round. Each succeeding Package contributes to progressively deeper level and wider coverage of ASEAN Member States' commitment to substantially eliminate restrictions to trade in services among them. After four rounds, liberalization was undertaken based on a set of targets and timelines stipulated in the ASEAN Economic Community (AEC) and other decisions of the ASEAN Economic Ministers (AEM). The results of negotiations are formalized as Packages of Schedules of Commitments under the AFAS, which provide for details of the liberalization commitments made by each Member States in the various services sectors and sub-sectors. Starting from the 5th Package, all the previous AFAS commitments were consolidated into a single comprehensive schedule along with new and improved commitments made under this and subsequent packages.

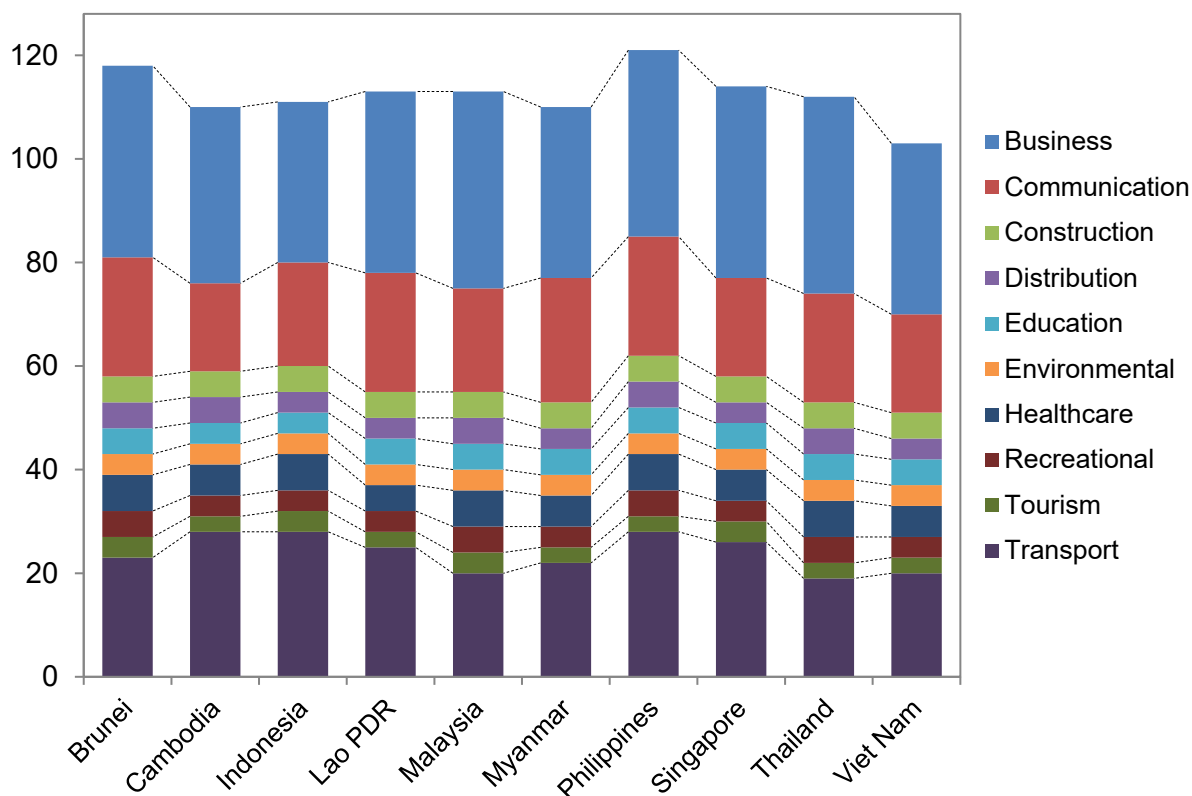
ASEAN has concluded ten packages of commitments under the AFAS signed by the AEM through five rounds of negotiations since 1 January 1996. These packages provide for details of commitments of each ASEAN Member State in various services sectors and sub-sectors. As of the 10th AFAS Package signed by the ASEAN Economic Ministers (AEM), ASEAN Member States have made commitments to liberalize almost all of the services sectors and sub-

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<sup>6</sup> Unless otherwise specified, this section is adapted from ASEAN Secretariat (2021).

sectors under the purview of the AEM, ranging from 111 to 122 sub-sectors out of total universe of 128 sub-sectors, typically only leaving out those sensitive and/or commercially insignificant sub-sectors. See Figure 7 for assessment of the ASEAN Secretariat.

**Figure 7. Sub-sectors Scheduled under the 10<sup>th</sup> AFAS Package signed by the AEM**



Note: Sub-sectoral coverage does not reflect the level of openness of any sector since that each country may make varying degree of openness in their commitments in the different modes of supply in each services sub-sector. The relative size of the sectoral coverage does not necessarily reflect the relative commercial significance of the sectors either. Note that the Philippine schedule is not yet final (interim package). Source: ASEAN Secretariat (2021, p. 27)

In addition, there has also been seven additional packages of commitments in financial services under the AFAS signed by the ASEAN Finance Ministers (AFMM) (the second, third, fourth, fifth, sixth, seventh and **eighth** Packages of Commitments of Financial Services under the AFAS) and eight additional packages of commitments in air transport under the AFAS signed by the ASEAN Transport Ministers (ATM) (the fourth, fifth, sixth, seventh, eighth, ninth, tenth, and **eleventh** Packages of Commitments on Air Transport Services under the AFAS). The successive AFAS Packages signed by AFMM and the ATM provide for increasingly wider and deeper commitment in financial and air transport services, respectively.

### 3.3.1.2 ASEAN Trade in Services Agreement (ATISA)

In April 2012, the ASEAN Economic Community (AEC) Council mandated the review and enhancement of the AFAS into a comprehensive agreement, which eventually came to be the ASEAN Trade in Services Agreement (ATISA).

At the 27th ASEAN Summit held on 22 November 2015 in Kuala Lumpur, Malaysia, ASEAN Heads of States/Governments issued the Kuala Lumpur Declaration on the Establishment of the ASEAN Community welcoming the formal establishment of the ASEAN Community 2015 comprising the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC). One of the key documents adopted was the ASEAN Economic Blueprint 2025. In terms of trade in services, the 2025 Blueprint set an overall objective to further broaden and deepen services integration within ASEAN, ASEAN’s integration into the global supply chains in both goods and services, and enhance ASEAN Member States’ competitiveness in services.

The Blueprint sets ASEAN’s next agenda to facilitate the negotiations and implementation of the ATISA as the legal instrument for further integration of services sectors in the region. The ATISA text, which was substantially concluded in 2017, was finalized in August 2018 and was signed by all ASEAN Member States on 7 October 2020 in Manila, the Philippines.

The ATISA provides greater clarity by stipulating all of the obligations within the agreement. Moreover, it outlined the specific timelines for all ASEAN Member States to transition their final AFAS commitments which have been scheduled using GATS-type positive list scheduling of specific commitments, into a negative-list scheduling of reservations, or technically referred to as Schedules of Non-Conforming Measures (NCM). This approach provides greater transparency on the details of current services regime, by listing down all measures that are not “conforming” to, or in compliance with, obligations under the ATISA. Therefore, the ATISA increases transparency and predictability, thus providing service-suppliers with higher level of confidence in the economy of the region.

Upon the specific timelines for transition into the negative-list scheduling, ATISA will supersede the AFAS, including all of its Implementing Protocols as signed by ASEAN Economic Ministers, ASEAN Transport Ministers and ASEAN Finance Ministers. There are three sectoral annexes under ATISA, namely: Annex on Financial Services, Annex on Telecommunication Services and Annex on Air Transport Ancillary Services. These annexes include sector-specific obligations intended for deeper commitments and strengthened regulatory cooperation.

### 3.3.1.3 Mobility of service suppliers in ASEAN

There are three key ASEAN initiatives that promote the mobility of service suppliers in the ASEAN region. See Table 11.

**Table 11. ASEAN initiatives**

<b>ASEAN initiative</b>	<b>Purpose</b>
<b>Movement of Natural Persons</b>	Regulates the access of foreign service suppliers into the domestic market
<b>Mutual Recognition Arrangements</b>	Regulates the recognition of the qualification of foreign services suppliers by authorities in another country
<b>ASEAN Qualifications Reference Framework</b>	Provides a translation mechanism to understand the qualification level of service suppliers from another country

ASEAN Secretariat (2021, p. 42)

## **Movement of Natural Persons (MNP)**

The ASEAN Agreement on Movement of Natural Persons (MNP) was signed by ASEAN Economic Ministers (AEM) on 19 November 2012 in Phnom Penh, Cambodia. It provides the legal framework to work towards elimination of substantially all restrictions in the temporary cross-border movement of natural persons involved in the provision of trade in goods, trade in services and investment.

It is also intended to be the mechanism to further liberalize and facilitate movement of natural persons towards free flow of skilled labor in ASEAN through close cooperation among related ASEAN bodies in the areas, including trade in goods, trade in services, investment, immigration, and labor. The objectives of MNP Agreement are to:

Provide rights and obligations in relation to the MNP as set out in ASEAN Framework Agreement on Services (AFAS).

Facilitate the movement of natural persons engaged in the conduct of trade: in goods, trade in services and investment.

Establish streamlined and transparent procedures for immigration applications.

Protect the integrity of Member States' borders and protect the domestic labour force and permanent employment in the territories of Member States.

Cross-border entry by natural persons for the purpose of permanent employment or permanent migration (such as for permanent residency or citizenship) are not covered. The scope of MNP Agreement applies to Business Visitors (BV), Intra-Corporate Transferees (ICT), and Contractual Service Suppliers (CSS) as defined in the Agreement, as well as other categories as may be specified in the Schedules of Commitments for the temporary entry and temporary stay of natural persons of the Member States. Unskilled labor is not included.

The MNP Agreement entered into force on 14 June 2016 following completion of its ratification by all ASEAN member states (AMS). With entry into force of this agreement, Mode 4 commitments made by Member States under the previous AFAS packages, including those signed by the AEM, ASEAN Finance Ministers (AFMM), and ASEAN Transport Ministers (ATM), will be superseded by the Schedule of Commitments of Member States under this MNP Agreement.

## **Mutual Recognition Arrangements**

To facilitate the movement of professionals in ASEAN, Mutual Recognition Arrangements (MRAs) in 7 professional services have been concluded and signed by the ASEAN Economic Ministers (AEM):

MRA on Engineering Services (9 December 2005 in Kuala Lumpur, Malaysia);

MRA on Nursing Services (8 December 2006 in Cebu, the Philippines);

MRA on Architectural Services (19 November 2007 in Singapore);

Framework Arrangement for the Mutual Recognition of Surveying Qualifications (19 November 2007 in Singapore);

MRA on Medical Practitioners (26 February 2009 in Cha-am, Thailand);

MRA on Dental Practitioners (26 February 2009 in Cha-am, Thailand); and

MRA Framework on Accountancy Services (26 February 2009 in Cha-am, Thailand), subsequently amended as MRA on Accountancy Services (13 November 2014, Nay Pyi Taw, Myanmar).

In addition, there is also an ASEAN Mutual Recognition Arrangement on Tourism Professionals signed by the ASEAN Tourism Ministers on 9 November 2012 in Bangkok, Thailand. ASEAN is focusing effort on implementing the MRAs and improve mobility of the professionals in all of these services.

Table 12 shows the number of professionals that are participating in 3 of the MRAs to date.

**Table 12. Registered ASEAN Professionals**

	<b>ASEAN Accountant</b>	<b>ASEAN Architect</b>	<b>ASEAN Engineer</b>
Brunei Darussalam	5	18	33
Cambodia	0	29	84
Indonesia	2,047	182	1,235
Lao PDR	0	21	17
Malaysia	1,368	51	1,577
Myanmar	477	16	618
<b>Philippines</b>	<b>113</b>	<b>139</b>	<b>610</b>
Singapore	965	132	310
Thailand	722	29	231
Viet Nam	0	30	302
<b>TOTAL</b>	<b>5,697</b>	<b>647</b>	<b>5,017</b>

Accountant – ASEAN Chartered Professional Accountant Coordinating Committee (as of 31 October 2021) ([aseancpa.org](http://aseancpa.org) accessed on 1 November 2021)

Architect – ASEAN Architect Council (<https://aseanarchitectcouncil.net/home> accessed on 1 November 2021)

Engineering – ASEAN Chartered Professional Engineering Coordinating Committee (<http://acpecc.net/v2/index.php> accessed on 1 November 2021)

### **ASEAN Qualifications Reference Framework (AQRF)**

The ASEAN Qualification Reference Framework (AQRF) is a regional initiative that promotes transparency of the higher qualifications systems in the region and also enhances each country’s National Qualification Framework (NQF). Endorsed by the Economic, Education, and Labor Ministers of ASEAN, the AQRF is a common reference that enables comparisons of qualifications across ASEAN Member States thereby promoting learner and worker mobility (ASEAN Secretariat, 2021, p. 40).

#### **3.3.2 ASEAN and dialogue partners**

ASEAN is not only integrating its economy among its Member States, but is also working beyond its region to actively engage its key Dialogue Partners through Free Trade Area (FTA) and/or Comprehensive Economic Partnership (CEP) agreements. The liberalization of the services sector has always been an important feature of these agreements.

### 3.3.2.1 Comprehensive Economic Partnership (CEP) agreements with its major Dialogue Partners

ASEAN is actively engaging its key Dialogue Partners through Free Trade Area (FTA) and/or Comprehensive Economic Partnership (CEP) agreements (Table 13).

**Table 13. ASEAN plus 1 FTA/CEP**

ASEAN plus 1 FTAs	Dialogue partner	Date and place signed
<b>Framework Agreement on Comprehensive Economic Cooperation</b>	People’s Republic of China	17 January 2007 Cebu, Philippines
	Republic of Korea	21 November 2007 Singapore
	India	13 November 2014 Nay Pyi Taw, Myanmar
<b>Comprehensive Free Trade Agreement</b>	Australia-New Zealand	27 February 2009 Cha-am, Thailand
	Hong Kong	28 March 2018 Nay Pyi Taw, Myanmar
<b>Comprehensive Economic Partnership</b>	Japan	24 April 2019 Ha Noi, Viet Nam

Source: ASEAN Secretariat (2021, p. 42)

The liberalization of the services sector is an important feature of these agreements.

#### China

The first concluded services agreement under an FTA between ASEAN and a Dialogue Partner is the Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People’s Republic of China, signed by ASEAN Economic Ministers and Minister of Commerce of China on 17 January 2007 in Cebu, the Philippines. The market access commitments of the Parties to this Agreement are contained in the First Package of Specific Schedule of Commitments attached to the Agreement. The second package of commitments under this FTA had been subsequently concluded and signed by the Ministers on 16 November 2011 in Bali, Indonesia. The further upgraded third package of commitments was concluded as part of overall improvement to the ASEAN-China FTA through the Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation and Certain Agreements thereunder between ASEAN and China, signed by the Trade Ministers on 21 November 2015 in Kuala Lumpur, Malaysia.

#### Korea

The second partner of ASEAN’s FTA agreement in trade in services is Korea, through the conclusion and signing of the Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea on 21 November 2007 in Singapore. The Agreement includes an Annex on Financial Services and a Letter of Understanding. The

schedules of specific commitments for the first package of commitments are annexed to this Agreement.

### **Australia-New Zealand**

The next major FTA Agreement is the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area which was signed on 27 February 2009 in Cha-am, Thailand. This is a comprehensive FTA agreement covering trade in goods, trade in services, investment, e-commerce, and various other areas. With respect to trade in services, the Agreement also contains a separate chapter on Movement of Natural Persons (MNP) and annexes on financial and telecommunications services. Accordingly, there are two separate schedules of commitments: one on specific services commitments and the other one on MNP.

### **India**

The fourth completed services FTA is the Agreement on Trade in Services under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of India which was signed on 13 November 2014 in Nay Pyi Taw, Myanmar. The Agreement includes an Annex on Movement of Natural Persons (MNP). The schedules of specific commitments are annexed to this Agreement.

### **Hong Kong**

ASEAN's FTA with Hong Kong, through the ASEAN-Hong Kong Free Trade Agreement which was signed on 28 March 2018 in Nay Pyi Taw, Myanmar. This is also a comprehensive Agreement covering several chapters related to trade in goods, trade in services, and intellectual property. Investment was concluded as a separate agreement, which was signed on 18 May 2018 in Ha Noi, Viet Nam.

### **Japan**

The Agreement on Comprehensive Economic Partnership among ASEAN and Japan signed on 14 April 2008 contains an article providing mandate for further negotiations on trade in services and investment to be consolidated into the Agreement. Subsequently, the First Protocol to Amend the Agreement on Comprehensive Economic Partnership among ASEAN and Japan was signed on 24 April 2019 in Ha Noi, Viet Nam. In addition to incorporation of the expanded Chapters on trade in services and investment, it also includes additional Chapter on Movement of Natural Persons (MNP) and two annexes on financial and telecommunication services. There are also two separate schedules of commitments: one on specific services commitments and the other one on MNP.

#### **3.3.2.2 RCEP**

The Regional Economic Comprehensive Partnership (RCEP), an agreement between ASEAN member states and ASEAN FTA partners – Australia, People's Republic of China, India, Japan, Republic of Korea, and New Zealand, was signed by trade ministers in November 2020 (DTI, n.d.a).

The RCEP negotiation was launched by the Heads of States/Governments of ASEAN and these 6 Partners on 20 November 2012 in Phnom Penh, Cambodia. The RCEP Agreement was eventually signed on 15 November 2020 by Ministers from 15 countries, recognizing that India



is not in a position to sign the RCEP Agreement in 2020. The RCEP is a significantly broader and deeper compared to all of ASEAN’s previous FTAs. In the area of trade in services, this includes a separate Chapter for MNP, three annexes on financial, telecommunication and professional services, and most significantly, the scheduling of market access commitments using negative list approach either at the conclusion of the negotiations or within a specific timeline after the entry into force of RCEP.

The recent conclusion and signing of the Regional Comprehensive Economic Partnership (RCEP), as one of the most significant FTA in the world, marked significant upgrade of ASEAN’s economic engagement with its existing FTA partners, and even economic engagement level among these partners of ASEAN as well. The resulting Trade in Services and Temporary Movement of Natural Persons Chapters, along with the resulting market access commitments under these Chapters, have been significantly better than any of ASEAN’s previous FTAs. See Table 14 which identifies new sub-sectors committed in RCEP.

**Table 14. Examples of improved commitments under RCEP compared to ASEAN plus 1**

RCEP partner	Sub-sector
Australia	Other Business Services (e.g., professional and management consulting services, and technical, trade-related services) Telecommunication Services Audio Visual Services
China	Legal services and accounting (excluding Chinese law practice); Auditing and bookkeeping services; Taxation services; Architectural services; Hairdressing and other beauty services Passenger and Freight Transport Services
Japan	Professional Services; Hotel Management Services; Transport Services
Korea	Financial Services Game Development Services Transport Services particularly in Rail Transport Services and Maintenance and Repair of Rail Transport Equipment
New Zealand	Air Transport Services, particularly Cargo and Baggage Handling Services and Airport Management Services, Banking and Other Financial Services

Source: Department of Trade and Industry (n.d.)

RCEP members accord preferential treatment for skilled professionals and business persons such as in legal, construction, engineering, and banking services. A chapter on economic and technical cooperation support is built into the agreement.

Table 15 shows the number of sub-sectors that the Philippines committed in RCEP.

**Table 15. Sub-sectors Scheduled by the Philippines in RCEP**

Sector	Total Number of sub-sectors	Number of sub-sectors in RCEP
Business Services	46	30
Communication Services	24	16
Construction and Related Engineering Services	5	3
Distribution Services	5	3
Educational Services	5	2
Environmental Services	4	4
Financial Services	17	15
Health Related and Social Services (Other Than Those Listed Under 1.A.H-J.)	4	2
Tourism and Travel Related Services	4	3
Recreational, Cultural and Sporting Services (Other than Audiovisual Services)	5	2
Transport Services	35	22
Other Services Not Included Elsewhere	1	1
<b>Total</b>	<b>155</b>	<b>103</b>

Source: Authors' compilation

RCEP was signed by President Duterte on 02 September 2021 and is now being discussed in the senate for concurrence (Department of Trade and Industry (DTI), 2021).

## 4. Challenges and way forward

### 4.1 Breadth and depth of commitments

Since it first participated in a services trade agreement in the 1990s, the Philippines has expanded the coverage of sub-sectors in its schedule of commitments. See Table 16.

**Table 16. Sub-sectors scheduled by the Philippines under different agreements**

Sectors	Total	GATS	PJEP A	PHEFTA	AFAS10 (AEM)	RCEP
Business Services	41	2	14	20	36	29
Communication Services	24	11	18	10	23	16
Construction and Related Engineering Services	5	0	0	3	5	3
Distribution Services	5	0	1	4	5	3
Educational Services	5	0	5	0	5	2
Environmental Services	4	0	1	0	4	4
Health Related and Social Services	4	0	1	0	7	2
Tourism and Travel Related Services	4	2	3	3	5	3

Recreational, Cultural and Sporting Services (Other than Audiovisual Services)	5	0	0	0	3	2
Transport Services	30	12	16	12	28	19
Other Services Not Included Elsewhere	1	0	1	1	0	1
Total	128	27	60	53	121	84

Note: For comparability with the AFAS Package 10 under the AEM, commitments in other agreements in the following sub-sectors were removed: Financial Services, Air Transport Services, and Services covered under the ASEAN Comprehensive Investment Agreement (ACIA)

Source: Authors' compilation

While the coverage has increased, the degree of liberalization is another issue. 'Water' in the schedule of commitments refers to the difference between the bound level of restrictiveness and the actual trade regime and is analogous with the 'water' in tariffs (which is the difference between bound and applied tariffs) (Miroudot & Pertel, 2015). This could occur by not including any sector or sub-sector (or the highest level of water). The fewer the sectors where countries have commitments, the higher the water. Another type of water is created when, for example, quantitative limitations are more restrictive than what the domestic laws allow. This binding overhang as described by Egger, Francois, Hoekman, & Manchin (2019) gives a country substantial leeway to increase the restrictiveness of trade policies without violating their trade obligations, thus according them policy space. Furthermore, while it provides countries some flexibility to raise barriers, it sets an upper bound on the level of protection that a firm may face.

For the Philippines, the Negative Investment List contains the limitations on foreign participation in the various industries as stipulated in the various laws and the Constitution. As indicated in the previous tables, not all sectors have been included in the schedule of commitments of the Philippines. In addition, in cases where sub-sectors were included, the limitations set are more restrictive than existing laws. For example, in GATS, the Philippines committed tourism accommodation facilities but limited foreign ownership to 40%. In later agreements starting with Japan and EFTA countries, the limitation was removed since there is nothing in our domestic laws that restrict foreign equity participation in these sectors. Another example of water is in RCEP where only 103 sub-sectors were included. Moreover, in the case of hospital services, foreign ownership was limited to 40% even if there is no law that sets such a restriction.

'Water' in the services policy commitments is not unique to the Philippines. Moreover, the extent of water could be significant (Miroudot and Pertel, 2015; Egger, Francois, Hoekman, & Manchin, 2019; Gootiiz & Mattoo, 2009). While countries are entitled to have the policy space, it is important to have a sound basis for these commitments as there may be a trade off involved. Reducing the gap between bound and applied policies lessen uncertainty and could be welfare enhancing. Moreover, commitments that bind the status quo spur more trade (Hoekman and Shepherd 2020, Roy 2019).

Egger, Francois, Hoekman, & Manchin (2019) examined the uncertainty linked to the gap between bound policy commitments under the GATS and actual applied policy. For the Philippines, they estimate that the tariff equivalent from eliminating binding overhang is 2.95% of the cost of exporting services. Ciuriak, Dadkhah, & Lysenko (2020) compared the effect on services trade of actual restrictions and the gap between the applied and binding commitments. They found that water in services bindings is associated with less services trade but the effect

of reducing the gap is weaker than the effect of reducing actual restrictions. Specifically, the effect on services trade of reductions in actual restrictions is 2.4 times as strong as the effect of comparable reductions in water. Moreover, compared to GATS, there is less water in FTA commitments resulting in a 4.7% increase in trade due to lower uncertainty. Lamprecht and Miroudot (2018) also found that services commitments that bind the status quo result in more trade than commitments that have 'water'. Overall, commitments that bind the existing regime is preferred to one with water although the latter would still be better than an unbound policy regime.

For the Philippines, the existing policy regime is considered restrictive particularly in terms of foreign equity limitations which are inconsistent with market access and national treatment obligations. Current legislative efforts to amend relevant laws such as the Public Service Act, the Retail Trade Liberalization Act, and the Foreign Investment Act will relax limitations in key sectors of the economy, providing the government with more policy space that it should judiciously exercise in the context of international trade agreements.

#### *4.2 Seizing market opportunities and enhancing the capacity to supply*

As earlier presented, a trade agreement does not end with the signing of the document. The next steps involve implementing the agreement and ensuring that domestic service suppliers are able to take advantage of market opportunities.

Countries can obtain market access on better terms by participating in trade agreements (Marconini and Sauvé 2010). Through the FTAs, Philippine service suppliers obtained market access in various partner countries, as presented in the previous chapter. Although these may not be different from the actual policy, such access is secured under the agreement. In at least one case, actual preference was given. As reported above, the category of nurses and caregivers was included in the commitment on the movement of natural persons under the PJEPA. As of 2019, only about 30 percent of 547 nurses and 20 percent of 1,694 care workers (2,241 healthcare workers) passed the Japanese qualification exams (DTI, n.d.). There is no similar report on Philippine companies that have expanded to partners' markets through the various FTAs. Similarly, there are no official statistics on Outward FDI and/or Foreign Affiliates Trade Statistics that could provide information on the direct investment or sales of Philippine companies overseas.

Unlike trade in goods where FTA utilization can be determined from customs data, in general attributing the impact on the business sector or domestic regulatory reforms to free trade agreements is difficult to ascertain in the case of services. From the perspective of a developed country, businesses surveyed in Australia said FTAs influence business activity and strategy in terms of overseas expansion and investment, including in the services sector. However, FTAs are viewed as complementary only to business strategy and not a silver bullet. Moreover, while FTAs provide greater regulatory certainty for service suppliers, they recognize that it will take time before the desired market access outcomes are achieved (PwC 2018).

Services exporters from developing countries face common problems. Challenges include (Marconini & Sauvé, 2010 p. 65): (1) market development constraints flowing from low brand recognition and difficulties in establishing credibility with international suppliers; (2) lack of access to financing for export or business development; (3) limited prospects to serve foreign markets through an established presence (that is, more limited returns on Mode 3 commitments by trading partners); (4) lack of access to reliable and inexpensive infrastructure and key input services, notably, finance, information technology, and telecommunications; and (5) lack of

access to the range of formal and informal networks and institutional facilities necessary for trade. Note that some of the difficulties for services exporters listed here are precisely the kind of services that could be made available or significantly improved if domestic markets were more open to foreign suppliers.

Regarding SMEs' participation in international trade, the APEC Small and Medium Enterprises Working Group (2004) prepared a checklist of best practices to support SMEs for greater access to the global market. This includes developing a national plan for both existing and potential services exporters; conducting research to study SMEs' barriers from participating in trade in services; and improving trade in services statistics. These are essential input in developing relevant programs to increase market opportunities for SMEs. It also looks into providing institutional and policy support for SMEs. Institutional support includes establishing an office that shall regularly assist SMEs in exporting services and plan initiatives to promote trade in services, delegating services champions to coordinate issues between government and private sector, and creating a database of SME service exporters. Policy support covers lowering minimum size requirements for SMEs eligible for assistance, encouraging SMEs to comply with international standards, and prioritizing telecommunication and digital infrastructure improvement. It also suggests ways on increasing SMEs' awareness of their potential to supply to the global market; assisting them in trade promotion (e.g., creating a partnership database of services exporters and potential partners in the international market and introducing SMEs to foreign investors, trade missions, and other potential partners); and increasing their credibility in the foreign market. It also incorporates supporting women entrepreneurs by organizing events for them, generating gender-disaggregated statistics, and publishing success stories of women in trade in services. Moreover, providing skills development for SMEs, assessing the efficacy of initiatives for services exporters, and forming advisory groups and consultations with services exporters are also valuable capacity-building efforts for SMEs.

The government and the private sector must collaborate to foster competitive supply responses. Marconini & Sauv  (2010) noted that this could be the most difficult component of the service negotiating cycle because matters relating to private sector development tend to involve expertise and institutions not centrally involved in previous parts of the negotiating life cycle. Thus, it is important to engage and capacitate private sector associations, support structures for small and medium enterprises, and engage in public-private dialogue and partnering activities.

Indeed, consultation with the private sector should be done early on in the process. Pasadilla and Liao (2011) observed that a defined set of trade and commercial interests is missing whenever the Philippines negotiates. While industry players may be fully aware of their defensive interests, often, they do not have a clear idea of the offensive interests or the concessions they would like to obtain from the nation's trading partners. The government should engage with domestic stakeholders to negotiate effectively, identify the interests, competitive strengths, and weaknesses of domestic suppliers more accurately, and direct policy attention to the need for more supply capacity (Marconini & Sauv , 2010). Much preparation is needed to put together development-enhancing requests. Request lists are offensive (as opposed to defensive). They focus on sectors, sub-sectors, and modes of supply relative to which the requesting countries are asking partner countries progressively to remove or lessen access-impairing regulatory measures. The main motivation behind request lists is promoting the export interests of the leading service providers of the requesting country. The content of a country's request list should therefore be based on an assessment of these interests, which is

absent in the approach many developing countries take to the negotiation (Marconini & Sauvé, 2010).

An organization such as the Philippine Services Coalition, could be instrumental in making sure that industry stakeholders are actively involved in each stage of the services negotiation life cycle. See Box 1.

#### **Box 1. The Philippine Services Coalition (PSC)**

The Philippine Services Coalition (PSC) was first convened in 2004 to promote the services sector in the country. It was revitalized in 2014 to represent various services sectors and industries and advocate reforms and services agenda to advance the services sector in the domestic and international market. The PSC envisions global competitiveness of services sector, provision of higher value-added services, structural transformation, and pursuit of trade in services.

Among their accomplishments include integration of the Services Export Competitiveness Roadmap in the Philippine Export Development Program and action agenda of the Public-Private Sector Task Force on National Competitiveness which was later renamed National Competitiveness Council (NCC). PSC also conducted the National Workshop on Services held in 2014, in collaboration with APEC Business Advisory Council (ABAC) Philippines and the Department of Foreign Affairs (DFA). The PSC also leads the services discussions of NCC meetings and co-chaired the NCC Services Working Group, which consisted of representatives from the government (e.g., NEDA, DTI, and DOLE) and private sectors from the relevant services sector (e.g., IT-BPM).

PSC became the official representative of the Philippines in the Asia-Pacific Services Coalition. Together with ABAC Philippines, the PSC led several public-private dialogues (PPDs) on services during APEC hosting in 2015. Since then, the PSC has focused on conducting small meetings with key stakeholders to promote the services sector. With the help of ABAC Philippines, the PSC members were reconvened in 2019 with representatives from the IT-BPM, creative industries, maritime, tourism, construction, and engineering industries. Although the COVID-19 pandemic disrupted the activities of PSC, it was able to conduct a virtual PPD on Services in October 2021 in partnership with Asia Pacific Services Coalition, ABAC Philippines, and Globe Telecom. It was also supported by the Australian Department of Foreign Affairs and Trade and the Institute for International Trade at the University of Adelaide. This initiative provided inputs to advocate for the Philippines to participate in the WTO Joint Statement Initiative on Services Domestic Regulation. PSC also invites business associations and industries to regional efforts, such as signing the global industry statement for the extension of the WTO moratorium on duties in electronic transmissions.

#### **4.3 Improving the governance structure for services trade policy formulation and negotiations**

The range of sectors and stakeholders involved make services trade negotiations especially challenging (Pasadilla & Liao, 2011; Avila, 2011). Two key issues are highlighted below:

**Overlapping functions.** The present setup shows an overlapping of roles and responsibilities wherein several line agencies and ad hoc committees are mandated to handle trade negotiations. Different inter-agency consultation mechanisms are in place. The lead agency that consolidates and negotiates the Philippine position differs depending on the trading bloc or partner (i.e., TRM for WTO and other matters, PCRC for regional and ad hoc Coordinating Committees for

bilateral talks). Services negotiations for ASEAN plus 1 FTAs are handled by the BITR-DTI, while services negotiations for WTO and bilateral agreements are handled by the Trade, Services, and Industry Staff (TSIS) of NEDA.

Such an arrangement implies issues on the flow of coordination affecting the quality of produced policy agenda. The lack of legal mandate to delineate the scope of role and authority of government agencies leads trade negotiators to take a "minimalist approach" on making positions on trade negotiations. Since different mechanisms handle trade agreements, the lack of a centralized institution also results in the loss of institutional memory.

**Multi-stakeholder environment.** The services sector involves various government departments and non-government stakeholders who have different insights and priorities and are more likely to have conflicting interests. As a result, due to the difficulty of balancing multiple interests, creating trade negotiating positions and outlining strategies for trade in services becomes complex and challenging.

Avila (2011) suggested having a network approach to services. This involves creating a network to promote the exchange of knowledge and information and manage complicated interactions and differing perspectives and preferences of private parties and government agencies. Consultations with various industries and relevant agencies are essential to gain support and information for creating and implementing a sound policy on services.

The updated Philippine development plan recognizes the need to strengthen the governance structure of international trade negotiations through the following (NEDA 2020, p. 274):

- Effective coordination among different interagency bodies involved in international trade agreements,
- Timely monitoring and assessment of gains and challenges, and
- Capacity building activities to develop a continuing pool of trade negotiations.

For trade in services, the first step towards strengthening the governance structure would be to consolidate negotiations in one agency instead of the current set up where the lead coordination role is split between two agencies depending on the trade partner and scope of agreement. This would ensure coherence and consistency in the negotiating positions developed across our trade partners at the bilateral, regional, plurilateral or multilateral levels. The costs associated with various aspects of negotiations could be streamlined and focused on building capacities and stakeholder engagement.

The DTI, rather than NEDA, would be a better fit since it already has the infrastructure for trade negotiations, although additional resources including more staff would be needed to effectively undertake this role. It is also in the best position to engage various stakeholders particularly service industries to ensure that their concerns are addressed and that trade negotiation outcomes are aligned with industrial policies. NEDA should be involved in setting overall trade policy guidance particularly in reference to national priorities and later, in the assessment of gains and impacts. Thus, NEDA could focus on identifying and championing the domestic reforms needed to advance services trade rather than participating in negotiations.

Private sector participation should be harnessed as discussed in the previous section. In crafting trade policy and positions on trade negotiations, the private sector, industry associations, and

coalitions engaged in services-related matters can share their expertise and resources in various activities. Their contributions are relevant in mapping a national strategy for services. They are essential in identifying inefficient domestic regulations that hinder the growth of the services sector and trade in services. Businesses can also specify trade barriers encountered with foreign markets and their impacts on business operations. Industry associations and coalitions may initiate dialogues between private and public stakeholders to identify opportunities and challenges in opening services sectors to the international market; convene services symposiums to raise awareness of its members' interests and inform and educate public officials about service industry operations and issues at the domestic and international levels; and act as resource persons to explain issues from the business perspective. Moreover, it is important to adopt a whole-of-economy approach where interests of various sectors and stakeholders are taken into account. Suggestions from the Philippine Service Coalition to help raise more awareness and participation in FTAs include:

- Establish coordination channels of relevant networks for more effective dissemination of information and feedback mechanism.
- Maintain an updated directory and have a core group of representatives of key organizations to strengthen public-private sector engagement.
- Break down the content into more focused topics and turn into simpler communication points for sharing with concerned parties.
- Translate technical terms into “business language” that will be understood and appreciated by the business sector.
- Organize learning sessions inviting experts from both public and private sector to digest the agreement and provide useful inputs to the negotiating team.
- Partner with concerned associations or groups in organizing meetings and events to expand reach of information and advocacy.
- To ensure accurate, credible and timely sharing of information, it is important for government to maintain a dedicated platform (within or outside their respective sites) where all relevant information can be accessed, including provisions for feedback. Important notices and updates must be sent regularly via email, and when necessary, call for a short meeting, for quick updates and alignments.



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