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AEC, APEC and the Youth: In Quest of Closer Integration and Cohesion

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AEC & APEC: Five Key Points

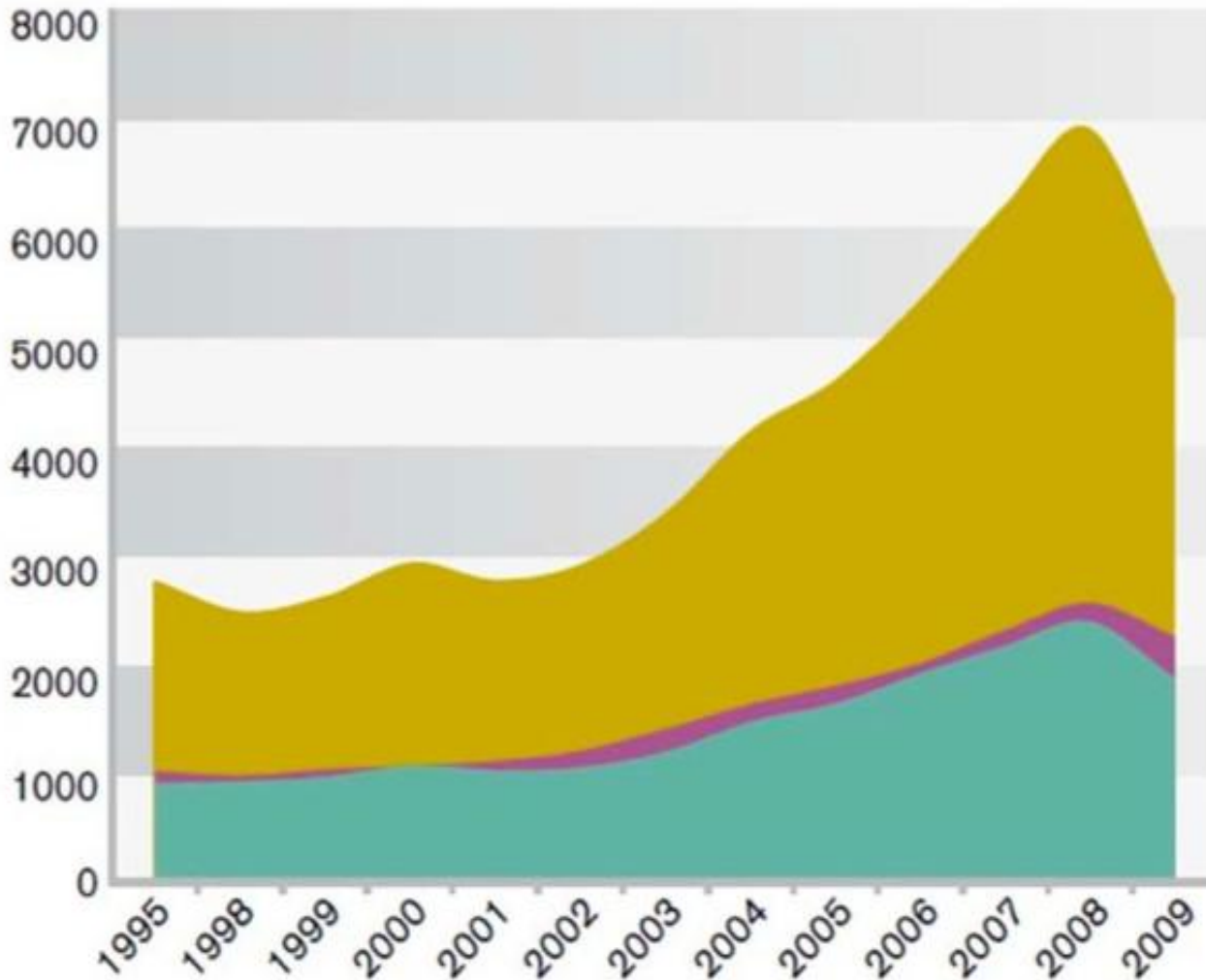
1. It's more about complementation, less of competition.
2. Overall benefits of closer regional economic integration outweigh the costs.
3. AEC & APEC are pushing us to do the right things.
4. MSMEs must be in the mainstream of regional economic integration.
5. The youth must lead the way.

1. It's more about complementation, less of competition

Regional value chains have led to more trade in products within same industries



The Changing Shape of Global Trade



Dramatic growth of trade in intermediate goods, with the development of cross-border value chains

- Intermediate goods
- Consumption goods
- Capital goods

Source:
Sherry Stephenson (2013)

Trade Patterns Have Changed

Before (1995):
Goods with almost 100% domestic content

Value chains cross national boundaries:
Boeing jets,
iPhones/iPads are
“Made in the World”
(not ‘Made in USA’ or
‘Made in China’)

Now (2005):

1. Goods with lower domestic content



2. More intra-regional trade within Asia especially South East Asia

Sources: Sherry Stephenson (2013); OECD



What Does PH Trade with its ASEAN Partners?



■ With Thailand

Top imports: Motor vehicles, electronics, petroleum and chemicals

Top exports: Motor vehicle parts, electronics & electricals, and minerals

■ With Singapore

Top imports: Electronics, machinery and petroleum

Top exports: Electronics & electricals, machinery, and petroleum

■ With Malaysia

Top imports: Electronics, petroleum and chemicals

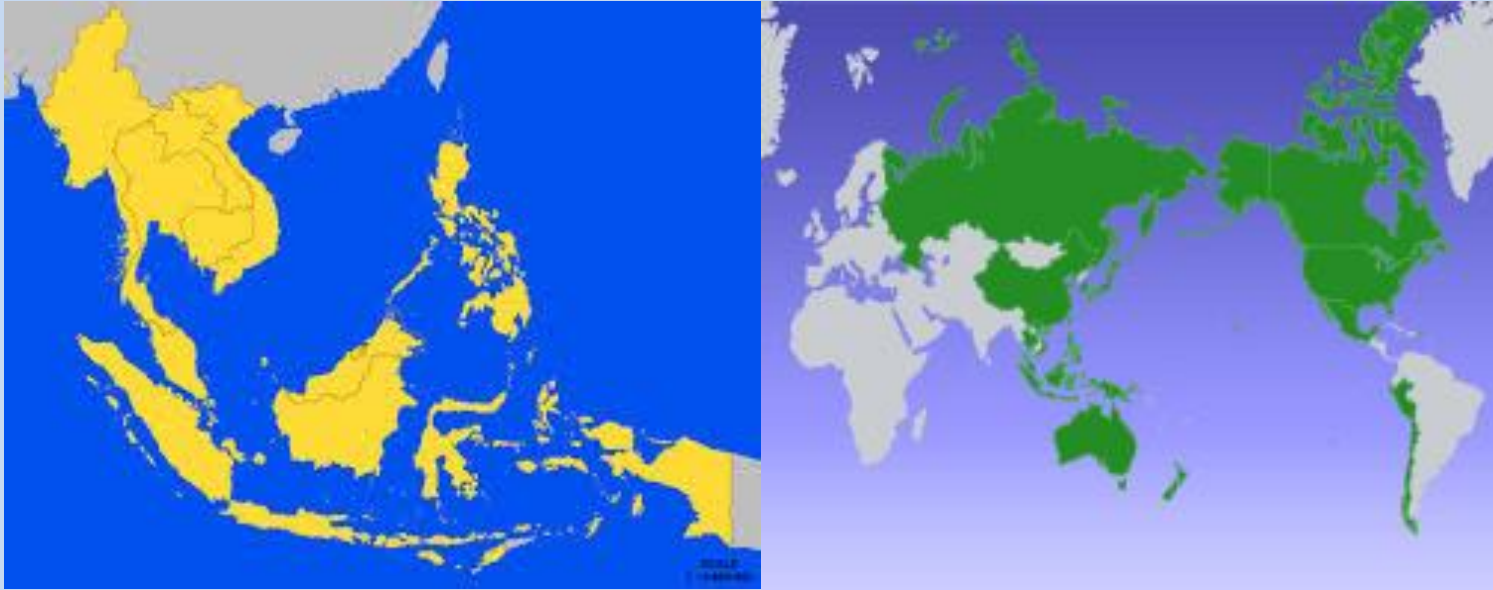
Top exports: Electronics, coconut oil, petroleum

Trade in ASEAN/AEC

Features



- Largely *intra-industry* in nature (we trade in products within the same industries, e.g. electronics, vehicles, chemicals)
- Trade relationships are increasingly complementary rather than competitive; ***trade protection can be self-penalizing***
- Opportunities lie in regional and global production networks or value chains



2. Overall benefits of integration outweigh the costs.

Economies of scale, lower costs and stronger cohesion

Regional Economic Integration



Upsides

- Economies of scale → Lower unit costs
- Technology sharing → Greater efficiency (e.g., Manila Catering) → Lower costs & prices for all
- Higher productivity → Higher incomes
- Stronger interdependence → Greater regional cohesion, harmony and peace

Downsides

- Vulnerability to supply chain disruptions
- Differential gains/benefits; inequitable growth



3. AEC, APEC are pushing us to do the right things.

Political will induced by the group's collective commitment

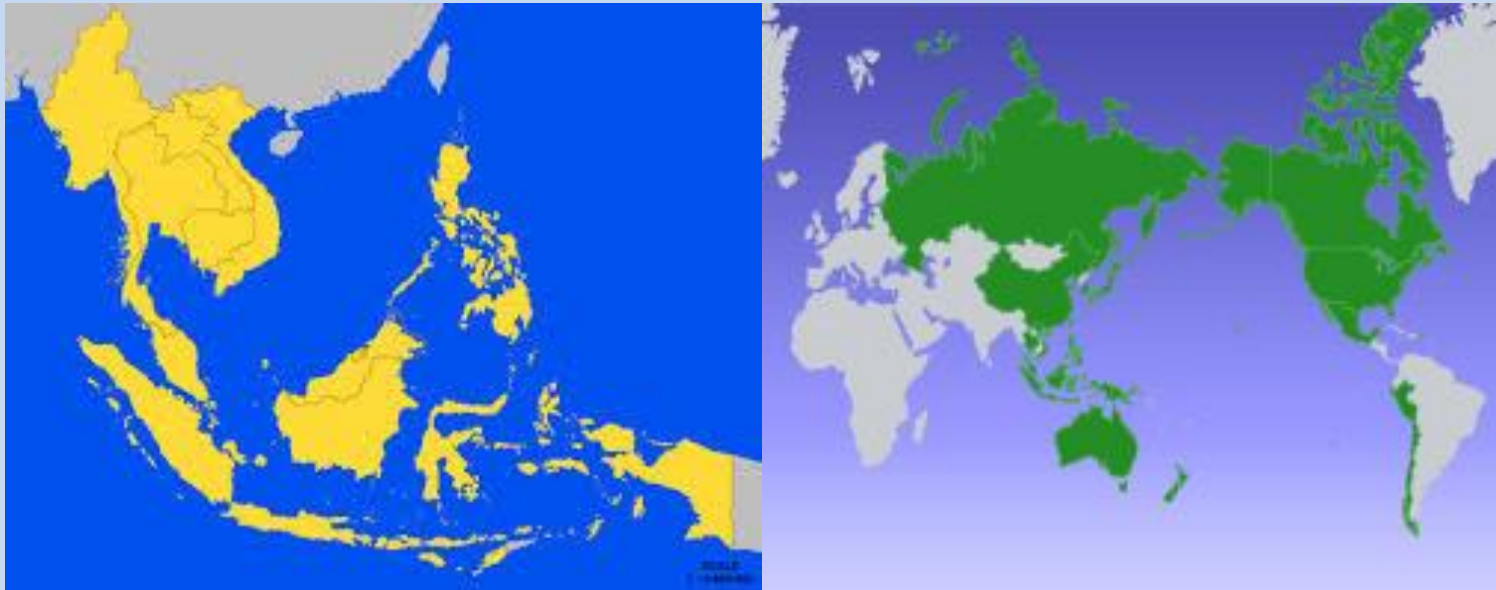
“Right Things” We Have Been/ Are Being Led to Do



- **Trade & Investment Liberalization** → Builds inherent competitiveness, widens scope for growth, and increased competition makes all consumers better off
- **Improve Trade Facilitation** → Reduces business costs; improve competitiveness for PH businesses
- **Open Skies** → Fosters tourism jobs & earnings (strong inter-industry linkages & multiplier effects)
- **Competition Law** → Curbs monopolistic & oligopolistic behavior, levels the field for SMEs toward more inclusive growth

4. MSMEs must be at the mainstream of regional economic integration.

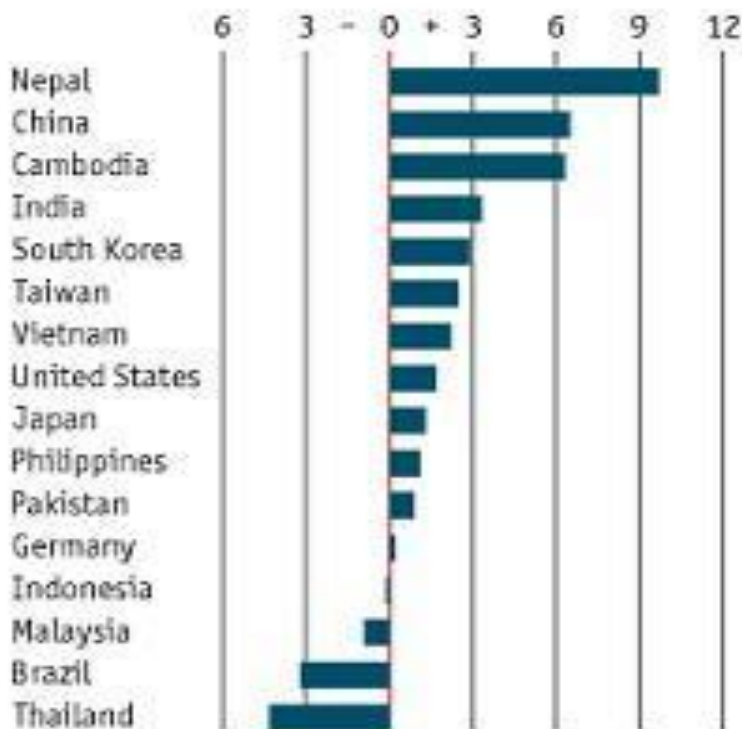
Inclusive growth is a compelling regional imperative.



Inequality has risen in Asia-Pacific

1 The widening gap

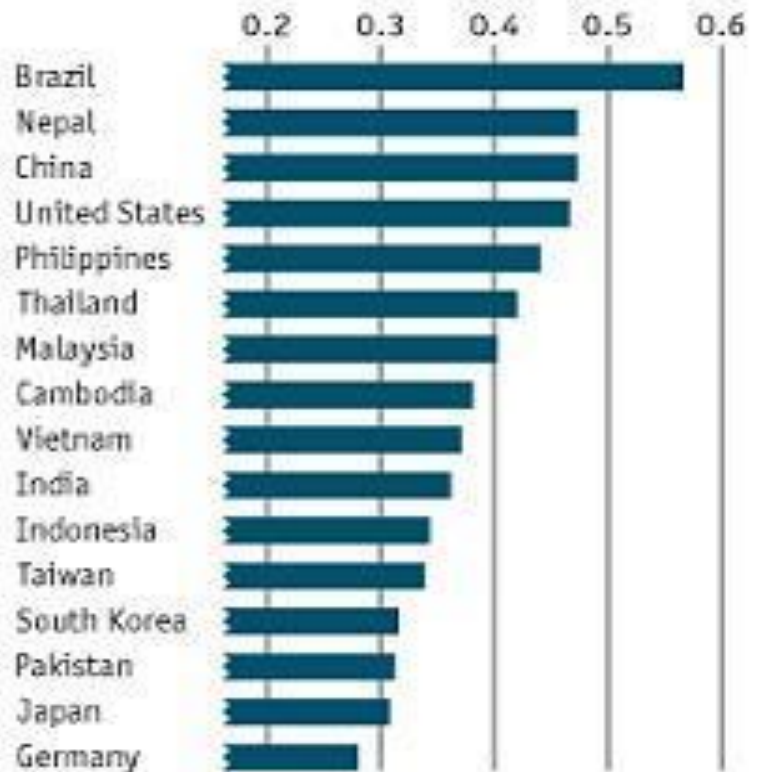
Change in Gini coefficient, 1990s-2000s
Percentage points



Source: ADB

2 Unequal stakes

Gini coefficient*, latest year available



Source: ADB

*0=perfect equality; 1=perfect inequality

Non-inclusive Growth in PH: Unusual Inequity

- Richest 1% control 60% of GDP
- Top 150,000 families have as much income as bottom 6 million families



Toward Inclusive Growth

Internationalizing Small Enterprises

- MSMEs now stand a better chance
 - Technology (esp. ICT)
 - Policy environment (competition policy)
- MSME Enablers:
 - Strengthening Business & Financial Management
 - Financial Inclusion
 - Clustering Assistance; Shared Service Facilities
 - Trade Facilitation (Boracay Action Agenda)



5. The youth must lead the way.

In pursuit of a RICH Asia-Pacific region

Toward a RICH Pacific Region



- **Resilient** – Can withstand external & internal shocks (economic, social, environmental, political)
- **Inclusive** – Narrow the disparities in income and human welfare
- **Competitive** – World-class producers who can stand up to external competition at home or overseas
- **Harmonious** – Social cohesion, peace and security amidst diversity

How the Young Can Help



- Aspire to be wealth creators, rather than mere income earners (create jobs rather than find a job)
- Bridge political, cultural, social divides within nations and across the region
- Promote the triple bottom line of ***People, Planet*** and ***Prosperity*** to help make **Inclusive Growth & Sustainable Development** a reality