

## INTERNATIONAL ECONOMIC ORDER AND ASIA-PACIFIC COOPERATION: A VIEW FROM THE PHILIPPINES

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This paper discusses how the Philippines can productively fit in to the emerging international economic environment. Current Philippine trade and investment policies are examined. The international economic order and Asia-Pacific cooperation are discussed in the context of the ASEAN, APEC and GATT. Modalities of cooperation and its direction are described, and prospects for the Philippines in relation to the international economic order are laid out.

### 1. Introduction

This paper aims to (1) describe the emerging international economic environment in Asia and the Pacific, its modalities of cooperation, and its directions, (2) examine the trade and investment policy regime in the Philippines as a setting for this environment, and (3) consider how the Philippines can productively adjust to the parameters of the international economic order. In the next section we outline the international economic order and Asia-Pacific cooperation focussing on the Association of Southeast Asian Nations (ASEAN), the Asia Pacific Economic Cooperation (APEC), and the General Agreement on Tariffs and Trade (GATT). Section 3 sketches Philippine trade and investment policies while the last section lays out some prospects for the Philippines.

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For a time, and as late as 1970, the Philippine trade performance fared better than some of the neighboring Asian economies. For instance, the country's merchandise exports of US \$1.1 B in 1970 exceeded that of South Korea, Singapore and Thailand and were not far from Taiwan, Indonesia or even Malaysia. Yet after 20 years Philippine trade progressed so slowly that by 1993, exports of US \$11.3 B were nowhere near those of South Korea, Singapore or Thailand. Table 1 clearly shows a trade stagnation.

**Table 1 - Merchandise Exports  
(in US \$ B)**

Country	1970	1980	1985	1990	1993
Philippines	1.1	5.7	4.6	8.2	11.3
S. Korea	0.8	17.5	26.4	64.0	80.4
Taiwan	1.4	19.8	30.5	66.2	108.1
Singapore	0.8	18.2	21.5	49.3	69.1
Thailand	0.7	6.5	7.1	23.4	36.2
Malaysia	1.6	12.9	15.1	28.7	43.0
Indonesia	1.1	21.9	18.5	25.7	36.8

Source: IMF, *International Financial Statistics* (various issues).

The Philippines, along with the other Asian economies in Table 1, faced a common external environment within the Asia-Pacific region and the larger global economy. The country also was subjected to the same shock as the others from the developments inside and outside the region, being a trading country. What therefore explains the Philippines poor trade performance lies not so much on an unfriendly international economic order but on an inadequate internal policy adjustment. The same is true with respect to the flows of foreign direct investments (FDI) into the country although the experiences among Asian economies are more diverse than trade.

This paper argues that there are now several modalities of Asian-Pacific cooperation in the context of the emerging international economic order for the Philippines not only to participate in and contribute to, but benefit from, especially in terms of achieving a sustained rate of economic growth. In particular, both the ASEAN Free Trade Area (AFTA) and the GATT-Uruguay Round Agreements provide potential sources for the country's structural change driven by trade. In between, APEC provides varieties of cooperation to enhance its growth process. But much depends on the country's internal policy regime and how it is fashioned in this context.

## **2. Asia-Pacific Cooperation and the International Economy**

There have been many previous efforts at cooperation in Asia-Pacific both in programmatic and institutional terms. The UN established the Economic and Social Commission for Asia and the Pacific early on to stimulate economic and social cooperation programs in the region. But, by and large, these efforts have not sustained the interests, triggered commitments, nor encouraged continuous cooperation.

Although confined only to a small subset of countries in the Asia Pacific, it has been ASEAN that has managed, over a long period of time, to foster cooperation in the region. Indeed subsequent efforts at larger cooperation recognized the importance of ASEAN as a core. Yet it also took time for ASEAN collective view to move from an earlier political and security focus to more recent modalities of economic cooperation. And even then, it first went through the motions and rhetoric of trade liberalization via the ASEAN Preferential Trading Arrangements (PTA) which grew out of the Second ASEAN Summit. This modality was long in preferences and short in actual trade expansion (Chng, 1985).

At the Third ASEAN Summit in 1987, an Enhanced PTA was agreed upon as vehicle for energizing ASEAN's economic cooperation with deeper margins of preferences (MOP), greater automaticity of items for trade liberalization, and earlier lifting of non-tariff barriers among ASEAN members (Alburol, 1987). This scheme however did not really takeoff as expected, with delays in submissions of items for trade liberalization.

The Fourth ASEAN Summit in 1992 was the watershed of economic cooperation in which the potentials of economic integration were fully acknowledged. The creation of AFTA through the instrument of the Common Effective Preferential Tariff (CEPT), among others, was agreed upon by the Governments, including the Philippines. AFTA stands out among all previous attempts at ASEAN trade liberalization and economic cooperation in several ways. For one, this is the first time that ASEAN has used free trade to describe its eventual goal, a break from its previous mind-set of cautious regional liberalization.<sup>1</sup> For another, the Heads of Governments in ASEAN identified 15 product groups for accelerated liberalization avoiding, as a start, a lengthy process of negotiations among bureaucrats to identify product groups. Finally, there is a definite timetable within which free trade will be achieved, i.e., in 15 years' time. In other words, the CEPT provides the necessary teeth to pursue what had always eluded ASEAN — economic integration among member states.

While this bold step in AFTA was being considered, another mode for Asia-Pacific cooperation was being set up. At first it was viewed simply as an informal forum among 12 economies (6 ASEAN and its dialogue partners) for consultations. The progress of APEC however was so rapid that by 1993 (or less than 5 years) it had effectively pushed

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<sup>1</sup> In the past, ASEAN had ambivalence about free trade. It went through processes of preferences yet at the same time resisted pursuing deliberate openness as common trade direction.

cooperation activities which had earlier taken ASEAN a longer period of time. Membership in APEC expanded to reach 17 economies. It had established 10 working groups promoting cooperation from education to trade and investment facilitation. It had regularly met at the ministerial level to dialogue on trade policy and related issues. And it seems the informal Leaders' meeting, began in Seattle in 1993, may become regular as well. It has been institutionalized through the creation of a permanent secretariat in Singapore. It convened an independent Eminent Persons Group (EPG) to define an APEC vision and map out steps to move in that direction.

What had prodded AFTA was partly the uncertain course of the multilateral trade negotiations, the emergence of other free trade areas, and the growing need for an ASEAN collective theme given the region's prevailing relative peace. AFTA was partly the vehicle for eventually widening intra-ASEAN trade.

For similar reasons, the APEC processes accelerated in the midst of the uncertainties surrounding the creation of a new international economic order. In fact one of the major proposals espoused by the EPG was the creation of an Asia Pacific Economic Community characterized as a free trade area (APEC, 1993).

Fortunately for the global economy, the completion of the Uruguay Round (UR) despite many weaknesses restores the importance of a multilateral trade framework and diminishes the appeal of free-trade areas or sub-global arrangements. APEC, in the form of a threat as a formidable trading bloc, may have been critical to the UR's conclusion. The initial discomfort by ASEAN of losing significance in the region was then perhaps inappropriate. After all, it is clear ASEAN could never have served this purpose.

In the UR itself, APEC in general and ASEAN in particular have cooperated in specific negotiating groups, collectively supporting coalitions such as the Cairns Group, and continuously declaring a firm commitment to the

multilateral trading system. Individual economies in the region which are GATT contracting parties or are applying into GATT are occupied with firming up offers or ratifying the UR. The breakthrough in the GATT negotiations has clearly drawn up a more orderly international economy.

Both AFTA and APEC, as modalities of economic cooperation, were initiated before the conclusion of the UR. Indeed they emerged in response to an unlikely UR completion. In the Asia-Pacific region therefore a number of specific modalities can be identified. These are (1) the ASEAN CEPT and AFTA,<sup>2</sup> (2) the concrete proposals on APEC by the EPG, in the absence of an official agreement,<sup>3</sup> and (3) trade facilitation measures adopted in the region.

The CEPT is to be implemented over a span of 15 years which at the end of the period tariff rates for ASEAN states for agreed products shall be 0.5 percent.<sup>4</sup> The implementation shall be done in two stages. The first — for products whose tariff rates are above 20 percent — aims to bring the rates to 20 percent within 5-8 years with an encouraged formula of equal annual percentage reduction. Subsequently, the reduction from 20 percent to 0.5 percent shall be within 7 years and a minimum rate of reduction of 5 percent per reduction.

The second — for products whose tariff rates are 20 percent or below — aims to bring the rates to 0.5 percent. Here the agreement calls for unilateral decision by member states of an announced schedule for reduction without a minimum percentage cut nor time frame.

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<sup>2</sup> Strictly speaking AFTA is more encompassing beyond tariff reduction. The latter is carried out by CEPT.

<sup>3</sup> The EPG proposals are not ministerial in nature but they are still important elements to whatever official agreements may eventually materialize in APEC.

<sup>4</sup> If we follow Article XXIV of GATT for Free Trade Areas, ASEAN's CEPT rate should only be zero in 15 years.

The coverage of CEPT includes all manufactured products, processed agricultural goods, and capital goods at the HS 6-digit level. Agricultural products are excluded from CEPT. Apart from the absolute exclusion of agricultural products, exclusions at the HS 8/9 digit level are allowed for those members of ASEAN which define certain manufactured goods as sensitive. See Table 2 for a summary of CEPT Product List.

Besides the CEPT, there are other elements to AFTA. There is the removal of quantitative restrictions which members commit to after inclusion of products with the CEPT. Moreover, members are to eliminate non-tariff barriers, within 5 years from the start of the CEPT concessions. Other steps include harmonization of standards, reciprocal recognition of tests, removal of barriers to foreign investments, etc.

On a larger Asia-Pacific sphere, there are a number of *ad hoc* cooperation schemes but only the EPG proposals seem to have an all-encompassing impact analogous to AFTA or based on an underlying principle. This is not meant to impute the absence of an official view of an APEC vision. Indeed the "APEC Leaders Economic Vision Statement"<sup>5</sup> articulate a future perspective about the region in the next century, including some specific programs essential to it.

In the EPG vision for APEC, there is a recommendation that APEC's ultimate goal should be free trade within the region targeted to be achieved at a specific date. This creates the Asia Pacific *Economic Community*. The proposal is careful in its emphasis of being GATT-consistent, subscribing to open regionalism and even a "temporarily

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<sup>5</sup> The *APEC Leaders Economic Vision Statement* (Seattle, November 20, 1993) contains a clear recognition of the importance of a world international economic order, not a limited Asia-Pacific area.

Table 2  
Summary of CEPT Product List

No	Country	HS Digit Level	Inclusion			%	Exclusion			Total
			Fast Track	Normal Track	Sub-Total		Temporary	General Exemption	Unprocessed Agricultural Products	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Brunei	9	2,420	3,659	6,079	92.89	208	201	56	6,544
		6	1,975	2,604	4,579	-	-	-	-	-
2	Indonesia	9	2,818	4,539	7,355	78.39	1,054	50	324	9,383
		6	1,445	2,734	4,179	60.07	834	30	170	5,212
3	Malaysia	9	3,166	5,611	8,777	87.57	627	* 96	541	10,023
		6	1,725	2,419	4,144	85.50	273	* 96	332	4,847
4	Philippines	9	1,033	3,418	4,451	79.61	714	26	388	5,501
		6	874	3,079	4,053	-	-	-	-	-
5	Singapore	9	2,205	3,517	5,722	97.95	Na	120	Na	5,842
		6	1,689	3,078	4,975	-	Na	-	Na	-
6	Thailand	Tariff Line	3,500	5,234	8,763	94.00	** 118	* 26	415	9,322
		6	1,736	2,777	4,513	-	-	* 26	380	-

Notes: \*) Products

\*\*\*) at HS-10 digit level

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conditional MFN" approach. How and what steps are to be taken to reach the regional free trade area is not spelled out, presumably to be specified once the target is accepted.

In the framework of ASEAN, to which the Philippines belongs, this implies that faster trade liberalization and tariff reduction are to be taken in APEC apart from AFTA and in addition to the global UR liberalization.

The APEC Leaders' recognition and response to this EPG vision were to reiterate support for APEC as a forum and then to suggest specific cooperation programs to enhance trade and investment, among others. These include an APEC Finance Ministers meeting to consult on broad macroeconomic development; and strengthened policy dialogue on small and medium size business enterprises; and establishment of an APEC education program.

Measures that facilitate trade and investment in the region have come from different sources such as ESCAP, the Pacific Economic Cooperation Council, ASEAN Chambers of Commerce and Industry (ASEAN-CCI) and others. Some have been raised and suggested in APEC as well. What these modalities do is increase the mutual understanding within the region of each other's economic systems and market characteristics. In this manner trade transactions costs are reduced. For instance, cooperation in harmonizing customs procedures (APEC-wide), standards, and even tariff nomenclature can facilitate trade flows. Reciprocal recognition of tests, apart from UR agreements covering technical barriers to trade, would help traders overcome market constraints. The APEC has tabled the formulation of a common investments code as means of reducing relative uncertainties of investment climates.<sup>6</sup> All these strike at the heart of the practical aspects of trading in the region.

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<sup>6</sup> The PECC has also formulated a proposed Pacific Basin Investment Agreement. See Guisinger (1993).

This description of cooperation modalities, both ASEAN and Asia-Pacific-wide, define some parameters by which to evaluate a Philippine perspective, and more generally how other economies in the region might behave in order to become an active participant. The larger success of the UR and numerous agreements therein in order to bring all tradeables into GATT rules and disciplines define the broader umbrella. While Asia-Pacific cooperation is a sub-global set of modalities, it can be seen as part of the larger global efforts at economic cooperation. The manner by which the Philippines can best fit in all these types of cooperation is perhaps a function of its own environment for international trade and commerce and as host for foreign direct investments, a description which we now turn to.

### 3. Philippine Trade and Investment Environment

In order to understand whether Asia-Pacific cooperation has a policy setting in the Philippines, we outline in this section the country's trade and investment regime. We shall then point out whether it fits in the environment.

The history of trade policy reforms can best be described as a stop-and-go process. There have been episodes of liberalization interspersed with periods of restrictions. It is not a picture of a sustained policy of liberalization. What was gained in one episode was eroded in the next which required reform in the next one.

There is a significant body of Philippine economic literature that has measured the degree of protection and liberalization of the country's trade regimes, traced the history of policy changes, compared regimes with other Asian countries, and looked at the impact on growth. Although the Philippines has indeed become more open, more recent analysis continues to point to a need for further dramatic trade policy reforms.

Protection, represented by effective protection rates, has of course declined over the years. But the magnitude of the decline has not been sharp. Thus a far greater degree of liberalization may be critical for the country's trade reforms.

This is the base for the country's pronouncements of trade policies. One important instrument of trade reform is Executive Order (E.O.) No. 470 which sets down tariff changes over a 5-year period, 1991-1995. At the end of the period 4, levels of tariff rates will prevail — 3 percent, 10 percent, 20 percent, and 30 percent — although there would still be many items with a tariff rate of 50 percent. E.O. 470 appears to be an improvement over the 1980 tariff reform program which had a range of 10-50 percent rates but short of the more drastic changes in the original, but aborted, E.O. 413.

Table 3 shows the tariff structure prevailing in 1991 and the expected structure in 1995 distributed according to tariff rates. Over 6 percent of all tariff lines (under the Harmonized Commodity Description and Coding System (HS)) have rates of 0-5 percent and will not significantly increase at the end of the program (increasing to only 6.2 percent). On the other hand, the number of items with rates greater than 20 percent remains at more than 50 percent of all tariff lines. Of course the share drops from 65.3 percent in 1991 to 58.1 percent in 1995. Notice that at the end of year 5 (i.e. July 1996, since the program began July 1991) some 208 lines will retain a tariff rate of 50 percent or 3.7 percent of total tariff lines. While this is a substantial drop from the pre-E.O. 470 share of 23 percent, the fact that rate remains in force indicates that other products can be given such a rate. Moreover, this does not signal a real alteration of the protective *regime*. Oddly enough, most of the lines for which 50 percent tariff rates have been retained are export products of the country. These include fruit items (bananas, pineapple, mangoes), plywood, beer, footwear, and coconut-related products (copra, coconut oil cake, coconut oil).

Table 3  
Frequency Distribution of Tariff Rates

Rate Level (%)	EO		No. of HS Lines				
	Current	413	E.O. 470				
			Year 1	Year 2	Year 3	Year 4	Year 5
0	33	23	45	43	43	43	43
3	0	159	277	277	304	304	285
5	42	1	11	11	16	16	16
10	1,635	2,057	1,589	1,971	1,948	1,957	1,957
15	0	0	3	3	6	32	26
20	1,273	1,085	970	743	885	912	1,036
25	0	0	30	30	102	132	19
30	1,226	2,102	978	850	1,042	1,013	1,971
35	7	0	0	102	47	622	0
40	544	0	485	376	667	32	0
45	2	0	0	624	0	0	0
50	1,431	0	1,173	531	501	496	208
Total	6,193	5,427	5,561	5,561	5,561	5,561	5,561

Tariff Commission/01 August 1991.

In terms of nominal protection, E.O. 470 envisions an average nominal tariff rate of 20.1 percent by 1995 (or a 14.4 percent weighted average nominal tariff rate). This is a reduction of about 8 percentage points from the present average (or a 4.6 percentage points reduction in weighted average).

Since E.O. 470 ends in 1995, and there does not seem to be a successor tariff structure in the horizon, the Philippines trade regime remains basically protective. This does not seem to be a conducive environment for setting AFTA, more so of a free-trade-area in Asia-Pacific. In short, the country's overall trade policy is independent of its commitment to AFTA. The overall trade policy pronouncements of further liberalization, consistent with AFTA, has to be supported by further reforms succeeding E.O. 470. In this sense, its potential trade diversion effects can be reduced over the 15-year time frame if the overall trade structure becomes more liberal in tandem with AFTA.

Indeed, in terms of effective protection rate (EPR), there has been a narrowing of protection among sectors. The disparity however remains wide, e.g., the EPRs for exportables and importables have been between -6.9 percent and 102.2 percent, respectively, in 1985 and between -4.1 percent and 74.1 percent, respectively, in 1992 (Medalla, 1993).

In terms of non-tariff measures and quantitative restrictions, there has also been substantial progress in import liberalization. From over 2,000 items under restrictions in 1986 (35 percent of import items and 33 percent of import value), there only remains 414 items under restrictions. Of these, 279 are for liberalization leaving only 135 items for continued regulation of which only 69 can really be considered absolute minimum for reasons of health, safety and national defense.

What is crucial in this regard is the importance of the remaining items for continued regulation to the outward orientation of the overall economy. Several of the items

are essential for a stronger export environment such as trucks and buses, motor vehicle parts, accessories, fertilizers and refined petroleum products. Even those covered by rationalization programs or by reasons of health and safety can be further reduced, e.g., used tires and tubes, other chemicals, pesticides; and rice.

The passage of the law "Magna Carta for Small Farmers" (Republic Act 7607) is disturbing to the progress of liberalization so far. This law promulgates the government to impose quantitative restrictions to imports of products sufficiently produced locally. While the law pertains to agriculture and the definitions of sufficiency have yet to be specified, it illustrates ways in which trade liberalization can be derailed.

The UR Agreement, and the country's eventual ratification of it, changes the complexion of this trade environment in a significant sense. For one, the country would be committed to remove existing quantitative restrictions in the next 10 years. For another, there will have to be a review and repeal of existing laws that are anti-liberal trade. Finally, further trade liberalization will be followed. Indeed the UR itself may trigger further acceleration of AFTA if ASEAN is to have palpable benefits from a free-trade-area.

There are several conclusions we can draw from this review of recent trade reforms. First, some significant trade reforms have taken place under E.O. 470. It is clear however that they have not been sufficient. Second, some of the reform efforts have slowed down, especially along the removal of remaining import restrictions. Finally, there are danger signs, illustrated by the Magna Carta, that reversals can take place in the face of liberalization. With the country's ratification of the UR, these observations may lose validity. Nevertheless these seem to suggest that the trade policy environment is yet an inadequate setting for Asia-Pacific cooperation.

The passage of the Foreign Investments Act (FIA) of 1991 also gave impetus to reforms in the investment environment. The main feature of FIA is a specification of a Foreign Investment Negative List (FINL) which identifies specific areas of investment for which there are restrictions to foreign equity participation. In all other areas not listed in FINL, foreign investors are allowed up to 100 percent equity. The FINL itself has three categories (List A, B, and C) which specify industries, products or services for which foreign equity is limited by the Constitution or existing laws. These are found in List A and List B. In the FIA, List C is supposed to contain "investment areas in which existing enterprises already adequately serve the needs of the economy and the consumers and in which foreign investments need not be encouraged further". Fortunately, so far, List C remains empty.<sup>7</sup>

Comparisons with other foreign investment environments around Asia show that the Philippines does not fare quite well (Albuero and others, 1991). The FIA in part serves to project an environment comparable to the country's neighbors and is a step in the direction of greater liberalization. But more needs to be done to signal a firm commitment. For one, failure to amend laws (even excluding constitutional provisions) which limit foreign equity, and simply listing them as prohibited areas, does not speak well of efforts to attract foreign investments. For another, the existence of an open-ended List C creates uncertainty as to which investment areas can be prohibited in a discretionary manner. Finally, there are other standard incentive provisions which have yet to be acted upon such as the net operating loss carry over.

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<sup>7</sup> The existence of such a List C creates an area where active protectionist lobby groups can influence policies. There are already noises among Filipino industrialists urging government to specify industries into List C as closed to foreign investments.

In summary, the investment regime, as in the trade regime, is still short of a strong direction towards greater liberalization. In the context of AFTA where one can expect some freer movement of capital across ASEAN members the country may need to enact special agreements to accommodate its associated investment requirements.

#### 4. Prospects and A Philippine Perspective

A Philippine perspective of the global economic order and Asia-Pacific Cooperation, especially of the modalities indicated in Section 2, in the light of the country's trade and investment environment, suggests several dimensions. One is that the country can exploit trade expansion on a smaller scale through AFTA or on a larger scale via trade facilitation measures. The UR Agreements constitute a modality the country can pursue in a non-discriminatory manner. In fact, apart from the zero tariff direction in AFTA, there are many similarities with the UR Agreements such as rollback of quantitative restrictions, harmonization of tests and technical barriers to trade. Another is the increasing importance of intra-industry trade within ASEAN and in the larger Asia-Pacific area. This suggests that there may be larger dynamic gains from trade through economic cooperation and increased liberalization (Alburol, 1994). Finally, a conclusion from the previous section that the Philippines is still basically protective is a dimension that would dictate its perspective of any cooperation in the Asia-Pacific and the world.

The prospects for the Philippines amidst these hinge on how the internal structure itself shapes up to become more consistent with a global economy that is more liberal, eager for increased trade and seeking more areas of economic cooperation not only in the Asia-Pacific but globally.

There are at least three major factors that shape how the Philippines will fit, and its ability to contribute to and benefit from this. One would be a more open Philippine



economy. This means continuous unilateral trade liberalization, neutralizing the balance of incentives, removing remaining non-price-based trade restrictions, and mapping out a long-term liberal trade policy. Indeed, much of the vigor in the Asia-Pacific region, especially among the NIEs and recently Thailand, Malaysia and Indonesia, has come from unilateral trade liberalization among these economies, not discriminatory or preferential trading. Another would be the country's clear and early commitment to the GATT System of multilateral trade rules. This is not so much to begin dismantling all barriers (since the country has a decade or so of adjustment) as giving a strong signal of openness. Within this, the country needs to reaffirm its earlier commitment to AFTA. Finally, the Philippines would have a better fit in APEC if a large part of its trade is with other member economies.

There remains a long agenda of structural reforms towards a more open Philippine economy. The balance of incentives, though narrowing in recent times, still remains protectionist. There are also important trade restrictions which have to be further rationalized or liberalized. But what is critical here is not the agenda which is well studied and known. It is the danger of policy reversals and wavering on the road to openness. Where the political economy brings the country's reforms to reversal or even uncertainty, its long-term impact will be detrimental to full global economic participation, including in ASEAN and APEC.

While the country is poised to ratify the UR Agreements, its initial position has to be made more consistent with some declared long-term trade policy and with structural changes desired in the overall economy. In particular, the agricultural sector's position seems far from being a strong vehicle for structural change and modernization. Moreover, the more integrated view of agricultural and industrial growth of the Philippines has to prevail in the eventual shape of its commitment to the UR.

On the third factor, the APEC economies are a major destination for Philippine exports and major source of

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Philippine imports. In 1991 the former amounted to 81 percent of total exports and the latter 90 percent of total imports. These figures suggest the overall importance of APEC to the Philippines. It is clear however that with or without APEC, there has to be undivided attention to a greater openness of the Philippine economy. In fact, because of the importance of unilateral, rather than preferential, trade liberalization, the GATT agenda seems to be more pressing now and gives the country the necessary environment which APEC would have otherwise provided (inappropriately). This reinforces a point that a free-trade-area in Asia-Pacific at this time is unnecessary. The Philippines can concentrate on setting its trade regime on an even keel with the global scenery.

In the context of contributing to an institutional setting for eventual integrated economic area in Asia and the Pacific, APEC provides a fruitful forum for member economies to be familiar with each other and understand their trading systems. The Philippines can define parsimonious, judicious and prioritized points of active cooperation in two specific areas. One is where the participation has direct bearing on stimulating trade flows and increasing the country's capacities for more trade. These include human resource development, trade promotion, industry, science and technology exchange, and trade and investment data/information. On the other hand, the country should strive to be aware of other APEC activities with broader externalities for the country in such areas as telecommunications, tourism, and environment without necessarily being directly involved in participation. At the Ministerial level, the country can remain a strong advocate of policies that enhance the region's development. Finally, the Philippines must continue to support APEC in a collective articulation of greater openness and trade liberalization beyond the Uruguay Round successes.

Needless to say, the country must continue its cooperation schemes with ASEAN. Indeed this scale of modalities for the country implies a concentric circle which begins on an ASEAN level, rising at Asia-Pacific wide (e.g. APEC), and

finally on a global basis. There is no doubt, however, that only with attention to the country's trade orientation will all these yield optimal benefits.

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