

# **RIISING AS ONE:** THE FILIPINO NATION TOWARDS THE ASEAN ECONOMIC INTEGRATION



## **2015 ASEAN Economic Integration FAQ**

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Local Government Academy (LGA)

Department of the Interior and Local Government

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**RISING AS ONE:**  
**THE FILIPINO NATION TOWARDS**  
THE ASEAN ECONOMIC COMMUNITY



# PREFACE

In the advent of the new age in the Southeast Asian region, the Philippines stands at a crossroads. In 2015, the ASEAN economies will integrate to create the ASEAN Economic Community (AEC). There is a daunting reality at hand and the only thing we can do is accept it whole-heartedly, but not without proper preparations. With that in mind, this ‘Frequently Asked Questions’ (FAQ) material on the AEC serves to help that cause.

The main purpose of this FAQ Manual is to enlighten the readers, particularly the local government officials and DILG personnel, with what the ASEAN Economic Community entails. The media coverage of this new era has been considerably limited in the country and, while it is two years away, there is little time to waste. Most, if not all, sectors of the country will be affected by this shift in regional economic paradigm. The DILG through the LGA, with its reach stretching across all LGUs, need to help foster preparedness for the AEC and its only possible if the DILG itself knows the challenges it is up against.

It contains concise and straightforward information on the statistics, basic figures, estimates, and fact-based answers to the layman’s questions regarding the ASEAN Economic Community. It covers topics ranging from the basics of the prospective AEC; Its intentions for the region-wide integration; its impacts on the Philippines’ different sectors (including but not limited to the private, public, financial, agricultural, Small and Medium enterprises, and the general public); how prepared we are; and more importantly, if we are prepared at all. These questions are what ordinary Filipinos wants answered.

Hundreds of pages’ worth of materials on the concepts behind the ASEAN integration and its effects on the region and the Philippines abound. This material does not take credence away from nor tries to replace the knowledge publicly available, rather it serves as a jump off point for those who seek to know more about the ASEAN economic integration to look into more specific and specialized sources.

We also would like to acknowledge the Department of Foreign Affairs and the Department of Trade and Industry for their contribution in enhancing this material. Their expertise on the subject matter has certainly helped in making it more in line with the ASEAN Vision.

In the end, it is with great hope that this FAQ Manual is presented to the reader, whom should not be fearful for the AEC, but steadfast and open to more possibilities. This FAQ material is not the end of what we should know about the AEC, but only the beginning.

## MESSAGE FROM THE SECRETARY OF THE INTERIOR AND LOCAL GOVERNMENT

Our elders tell us of the time when the Philippines was the gold standard in Southeast Asia. Once, people looked up to the Philippines and saw progress at an astonishing level. Our cash crops and other products were selling well; our production of several goods was humming along; we were financially stable; we were making it look easy. Then over the years, we found ourselves, as some economists would point out, as the 'Sick Man of Asia'.

What happened?

Along the way, something went wrong, be it a string of bad decisions or simply fate. But that does not matter anymore. Blaming will not solve anything, but learning from the past will. We move forward with the intention of managing ourselves better than we did before. We must simply adjust.

The belief that good governance can propel a country towards greener pastures might be preposterous to some, but not to us. In a short amount of time removed from some of our darker years, we have come to see the gains of real change. We have braved too many treacherous waters before, from the literal waters of typhoons and floods to the figurative waters of corruption and ineptitude that have seemingly destroyed numerous bright prospects. Yet here we stand, stronger, better, and more vigilant.

The ASEAN Economic Community that will be formally launched in 2015 will be a test of this new found resolve. We have accepted the mandate of the people to be leaders in this era of change. We are here, together with those who are willing from all walks of life, to bring back the golden age and make it shine brighter with the opportunity that the AEC presents.

The Filipinos trust this government to bring out what we are fully capable of and we have been delivering left and right. Gains in the economy are undeniable. Developments on many policies on several lingering issues are moving along. Still, there are doubters and naysayers that all of these are flashes in the pan or what we would colloquially term as *Ningas Kugon*. It is up to us, however, to make sure that this high level of performance continues to propel us forward without leaving anyone behind.


The DILG is entrusted with the responsibility to translate the national policies of the government down to the local level and we accept it wholeheartedly. I liken our role to that of the peripheral nervous system, making the body move as our brains tell us. And our 'brain' has been telling us to do good things.

Chief among these good things is advancing a more progressive vision for the Philippines based on clean and sound principles. Our ongoing and prospective programs aim to make sure that we foster LGUs that are: Business-Friendly and Competitive; Environmentally Protective, Climate Change Adaptive and Disaster Resilient; and Socially Protective and Safe. What we aim to translate with all these targets are LGUs that are Development-oriented, overall. In the light of the AEC, these LGUs are groomed to be ready.

Part of the efforts of the department in this so-called grooming of LGUs is this FAQ material on the AEC. I commend the Local Government Academy (LGA) for helping with our efforts in bringing relevant information regarding the AEC to those who need it in a simple straightforward manner. There is a lot to be done, but steps like this go a long way.

Someday, the younger generations will hear stories of a golden age of progress like we do from our elders today. The difference of now and that time is that the line will have been blurred. They shall not ask us 'when was our country rich?' rather 'when did we become so much better off?' There will be growing pains along the way before we can reach this prosperous point of our lives. The AEC will be a crucial phase needed to reach that. There are a lot of ways to tackle it, but we know that the Philippines must thread it along the *Daang Matuwid*.

Mabuhay Tayong Lahat. Mabuhay ang Pilipinas!



**MAR ROXAS**

*Secretary, Department of the Interior and Local Government*



## A MESSAGE FROM THE UNDERSECRETARY FOR LOCAL GOVERNMENT

In the 21 years since the passing of the Local Government Code of 1991 it can be argued that the Local Government Units have been able to adapt to their expanded powers. There are scores of LGUs and elected local chief executives and legislators who have exemplified excellent usage of these devolved powers and have become model leaders for the rest of the country. While there are still a considerable number of LGUs who are yet to maximize these powers, a new torrent is heading towards the Philippines and the rest of the Southeast Asian region: The ASEAN Economic Community (AEC).

While this will be a region-wide phenomenon with ripples to be felt around the world, the macro effects of this will have its own unique impacts to the individual LGUs in the country. It is with great concern that the AEC will be advanced at the local level. There will be shocks as the need for a higher level of competitiveness and more cooperation arise.

The ASEAN will be flush with possibilities with the scale that it has never seen before. Although at the Macro-level the Philippines has recently been doing exceptionally well in terms of improving competitiveness compared to other nations in Asia and some parts of the world, we need to dig deeper and look into the micro level. This level refers to that of the LGUs from the provincial, to the cities and municipalities, and even down to the barangay level. No matter how strong the national economy is, if the thousands of LGUs will not prepare and anticipate the possibilities and benefits of this phenomenon will bring, then we will have failed to maximize this tremendous chance for progress.

The LGUs are the building blocks of this country and have massive potential as a driving force in so many ways. Tourism hubs can be further promoted, agriculture and aquaculture can be modernized, provincial economic zones can be made more competitive, and local businesses can be bolstered. All of these will be particularly challenging for the LGUs but we have no other choice but to be more competitive at the local level.

For its' part, the DILG has made efforts to empower the LGUs with its programs. Among the most crucial of them are the streamlining of the Business Permits and Licensing System (BPLS), and several specific Local Economic Development (LED) programs. The former makes it easier for businesses to acquire and renew permits while the latter is a cluster of programs aimed towards improving the different income generating sectors of an LGU based on its needs. These programs, along with other capacity building programs, help bolster the resilience and competitiveness of the LGUs. There are, however, more things to be done by the LGUs, and we are there in every step of the way for the building blocks of our nation.

On that note, I appreciate the effort that the Local Government Academy (LGA) has put in to creating this FAQ material. The information contained herein should provide readers, especially the LGU officials, on what the AEC will mean for them. More effort is expected to come from the national government that will hopefully further enlighten all of us in our way to the AEC; this is just among the first steps.

The AEC will come and stay, and we can hope and work to make it work out and seize the opportunity that will arise. Let us stand steadfast as we look forward with synergy up from the National level down to the smallest barangays. Block by block, we shall build higher and climb up the ASEAN ladder.



**AUSTERE A. PANADERO, CESO I**

Undersecretary for Local Government,  
Department of the Interior and Local Government

# INTRODUCTION

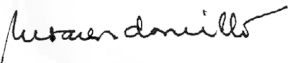
“United we stand, Divided we fall” is a motto that has been commonly used for centuries to emphasize how teamwork and solidarity enables survival while the opposite leads to demise. The motto is considerably cliché and has been used ad nauseam, but it is not without its merits. It still runs true up to this very day and is thus the basis for the success of many organizations, unions, and associations on both small and large scale.

The Philippines, and most of the Southeast Asian region, has been experiencing robust growth over the past few years and is gradually becoming a formidable driving force in the global market for years to come. With success being achieved as segmented economies, what can be attained when bonded together? This is the main question for what the Association of Southeast Asian Nations (ASEAN) wants to see answered favorably when the ten members launch regional economic integration to form the ASEAN Economic Community in 2015.

It is purportedly for synergy, growth, and prosperity but the radical plan for a region-wide virtual free market economy is a staggering one; shocks are inevitable. While the risks are present the opportunities unification presents is one that is justifiably worth every risk. The initial pains of the AEC can and will outweigh the socio-economic benefits that it gives to the Filipinos for the medium term and the long term. There is no turning back, and the only thing that can be done is to prepare for the inevitable.

With this in mind, knowledge is our most dependable ally at this point. The Department of the Interior and Local Government, along with the rest of the government agencies, is crucial to the preparations for the AEC. The challenges for each sector, both in the public realm and the private realm, will be something not seen since the liberalization in the 90s. Some will lose in the short term, but all will win, eventually. Together, armed with knowledge and willingness to adapt, the change can be faced handily. It is up to us on how to use this knowledge.

United as one nation in an economically integrated region, we shall not only stand and overcome: We shall rise above.



**MARIVEL C. SACENDONCILLO, CESO III**  
Executive Director, Local Government Academy

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## What is the ASEAN?

The Association of South East Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok, Thailand with the signing of the Bangkok Declaration by the Foreign Ministers of Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei eventually joined ASEAN in 1984, followed by Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. In 2007, the 10 ASEAN Leaders signed the Cebu Declaration accelerating the establishment of an ASEAN Community by 2015.

The ASEAN Community is composed of three pillars, namely the ASEAN Political-Security Community (APSC), the ASEAN Socio-Cultural Community (ASCC) and the ASEAN Economic Community (AEC). The main aims of ASEAN is to achieve regional economic growth, social progress, cultural preservation and development, heightened security and stability, and provide a forum for resolution of members' differences.

## What is the ASEAN Economic Community?

The ASEAN Economic Community shall be the goal of regional economic integration by 2015. AEC envisages the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.

The AEC areas of cooperation include human resources development and capacity building; recognition of professional qualifications; closer consultation on macroeconomic and financial policies; trade financing measures; enhanced infrastructure and communications connectivity; development of electronic transactions through e-ASEAN; integrating industries across the region to promote regional sourcing; and enhancing private sector involvement for

the building of the AEC. In short, the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and freer flow of capital. It means that the ASEAN will compete globally as one market base with each member gaining from each other's strength in the long run, increasing its total competitiveness and chances for prosperity.

## What factors will help with the AEC?

The ASEAN member nations' economies have been performing very well over the past couple of years and have become a considerable driving force in the world economy. With the said, the AEC can unify and improve the ASEAN member economies.

- The region's population is around 600 Million people or 8.8 % of the world's population
- Total income of around \$2Trillion in 2011
- The ninth largest economy combined behind the G8.
- Outside of China and Japan, the ASEAN has the largest economy combined in Asia
- In 2011 Alone, ASEAN countries had a combined growth rate of 4.7 %
- Trade surplus totalling \$90Billion in 2011



**Fig 1.**

**Basic ASEAN Indicators**


**ASEANstats**  
 Building knowledge in the ASEAN Community

**Selected basic ASEAN indicators**  
as of 15 February 2011

Indicators	Unit	2008	2009	Remarks
Total land area	km <sup>2</sup>	4,435,830	4,435,670	
Total population	thousand	583,673	590,844	2009 population is preliminary figure
Gross domestic product at current prices	US\$ million	1,512,707	1,496,341	2008 and 2009 annual figures for Lao PDR were taken from IMF-WEO Apr 2010. While figures for Brunei Darussalam, Cambodia, Indonesia, Myanmar, Malaysia, Philippines, Singapore, Thailand and Viet Nam are release figures from National Statistical Office's websites.
GDP growth	percent	4.4	1.5	ASEAN figure is estimated using country growth rates and country share of world GDP valued in PPP\$ from the IMF WEO Database April 2010.
Gross domestic product per capita at current prices	US\$	2,592	2,533	
International merchandise trade	US\$ million	1,897,127	1,536,843	2009 figure is as of September 2010
Export	US\$ million	977,537	810,489	
Import	US\$ million	919,591	726,354	
Foreign direct investments infow	US\$ million	49,469	39,387	2009 figure is as of 31 December 2010
Visitor arrivals	thousand	65,605.5	65,808.6	2009 figure is as of 26 January 2011

Sources: ASEANstats, ASEAN Secretariat

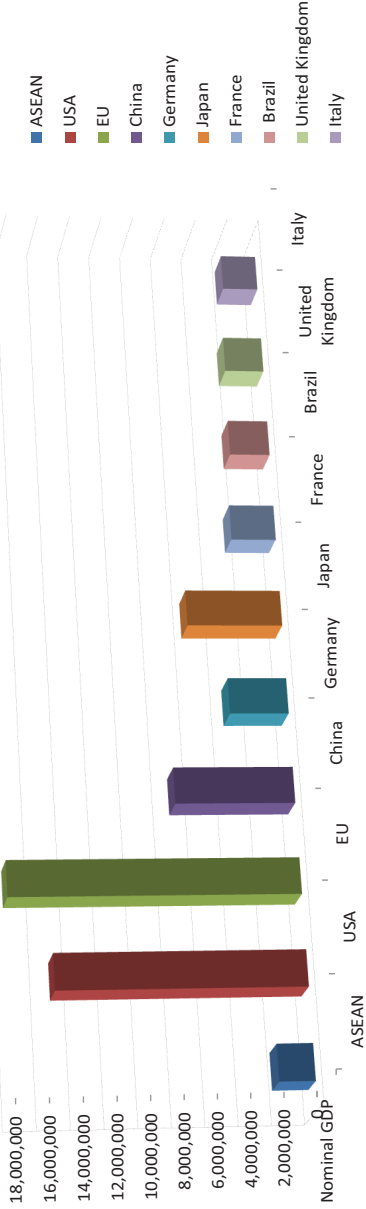
Symbols used

- not available as of publication time
- n.a. not applicable or not stated compiled

Data in *italics* are the latest updated/revised figures from previous posting.

**Fig 2.**

**Combined ASEAN GDP Compared to the World's Biggest Economies in USD Millions**



*Seen above is how the ASEAN compares to the rest of the world (including the EU) in terms of economic value.*

## How did the AEC start?

The ASEAN implemented the ASEAN Free Trade Area (AFTA) and the Common Effective Preferential Tariff (CEPT) both signed on January 28, 1992 in preparation for the AEC.

The AFTA lowered the tariffs applied to inter-ASEAN trades. The plan is to have it lowered to zero or near zero percent on most products except those that are economically and culturally vital to member states.

The CEPT was enacted so that local industries integral to a member state's well-being (such as rice and other commodities) will be partially protected from the inflow of goods from other member nations. CEPT provides mechanisms to settle tariff disputes among member nations and regulate the overall tariff rates. Tariffs allowed by the CEPT are categorized as:

- 1.) Temporary exclusions (*on products that will gradually have tariffs rates reduced to 0 or 0.5% at a slower pace*)
- 2.) Sensitive agricultural products
- 3.) General exceptions

## What does AEC mean for each member country?

It is basically having zero or near zero trade barriers among the ASEAN members (with few exceptions). This means that the trading of products between the ASEAN nations would be made easier and free-flowing from nation to nation. Tariffs and other trade burdens would be substantially removed or significantly lessened. Another effect of this AEC is the free flow of the work force. Essentially, it is back to basics where people can buy, sell, work and invest anywhere in the ASEAN if they wanted to (with limited restrictions).

## What safety nets are there?

For the member countries, the freer market system could open up the region for several threats. In reaction to the 1997 Asian Financial Crisis, the ASEAN has set up safety nets to mitigate the possible impact of this potential risk in 2000. The ASEAN (Plus China, Japan, and South Korea) via the Chiang Mai Initiative Multilateralisation (CMIM) aims to raise the said fund to US\$240 billion by 2015.

This fund can be used if a member nation's economy is near collapse and that might threaten the regional economic health. It is basically an emergency stimulus package for the ASEAN.

## What is being done to speed up integration?

On the proactive side, the ASEAN also aims to speed up integration and development with the ASEAN Infrastructure Fund (AIF) which has been in its plans for decades. The soon to be launched AIF aims to increase the development of infrastructures that connect member nations internally and externally like roads, bridges, and ports. It will allow lending to member states to reach a maximum of \$75Million a year. The funds are meant to fund six or so projects a year to cut poverty, increase trade or boost investment. It will be a highlighted component for the ASEAN 10 en route to the AEC. The initial fund will be established with \$485 million with \$335 million from contributions from the ASEAN members and the \$150 million provided by the Asian Development Bank (ADB). The fund will be based in Malaysia and the ADB is being requested to administer the fund.

# What could challenge the success of the AEC?

There are several major threats that could make it difficult for the AEC to work:

- Territorial disputes among nations
- Excessive protectionism (particularly, protecting local industries via tariffs without the CEPT)
- Uneven revenue of member nations
- Initial shock to the local markets by the inflow of more competition
- Internal inefficiencies (such as procurement procedures, licensing, etc)
- Negative public reaction to changes
- Sudden changes in the member countries' market
- Trade slowing down in EU and US markets
- Unforeseen political shifts in member nations

# What does it mean for the Philippines?

It means a lot of new opportunities and threats for the Philippines, a nation rich human and natural resources. It means that there would be a need for the whole country (the private sector, civil society, and the government) to be ready for the new demands brought by the AEC.

- To AEC will ultimately lead to a competitive single market and production base, thus the country along with the rest of the ASEAN will compete globally as one market and production base.

- The Philippines needs to improve its competitiveness as it would have to cope with the requirements of the cooperation and complementarity that the ASEAN envisions for itself through the AEC.
- It may open up more opportunities for the Philippines to improve its communications and transportation facilities.
- What it means for the country depends on how ready the country is in terms of competitiveness and its ability to integrate itself with the rest of the ASEAN as it moves towards a 'single market and production base'.

## How will it the different sectors of society?

The effect will vary from sector to sector:

- The banking/financing sector will have to adjust as the financial structure of the ASEAN will loosen up allowing for easier lending and borrowing regionally
- People and companies engaged in the stock market will sharply feel the gains and losses of more exposure to investors. "Blue chip" (in demand) stocks will rise and people investing in them will be richer, but weaker stocks, if they don't improve, will lose out.
- Large conglomerates will have more opportunities to invest in the region furthering their expansion
- The agriculture sector, particularly those unaffected by exemptions, will have to compete with other ASEAN producers. Considering the competitive advantage of other countries agriculture sector, there is a definite challenge to unprotected crop producers.
- The aquaculture sector will have to improve in order to increase its income given its potential due to rich marine resources in the country. Improvements are possible due to an increase of government support in recent years.
- It would be easier for skilled workers to work abroad in other ASEAN countries

- Tourism will most likely increase due to improved ease of travel
- The informal business sector will largely be unaffected due to their isolation from international trade
- Generally, ordinary consumers will enjoy lower prices brought by the entry of more competitors in the local market

## How will it affect the provinces?

The provinces are given especially unique high reward prospects as well as some risks. There are several scenarios possible depending on the current major industries in a given province.

- Provinces with major tourist spots or blossoming ones will have more tourist coming due to the current efforts to improve provincial transportation hubs
- Industrial parks and economic in the countryside will have to improve its competitiveness so that it would be in tune with the AEC's aim to have internal cooperation and complementarity
- Local manufacturers of indigenous products will have an opportunity to expose more of their products to a wider market within the ASEAN and to markets outside of it
- Non-protected crop producing provinces will have to compete with ASEAN member producers
- Possibility of more connective infrastructure projects in key provinces with significant industrialization and tourism prospects aided by the AIF

## How will it affect the cities?

Major metropolitans with thriving economic activity (like Metro Manila, Cebu, Davao and others) and emerging ones like (Sta. Rosa & Calamba, both in Laguna and Angeles, Pampanga) will receive most of the anticipated gains from the AEC.

- Metro Manila (particularly the already rich business districts like Ayala, Bonifacio Global City, Ortigas Business District, and others) will receive a boost of investments from potential international (including regional) investors
- Construction boom comprising of office and residential high rises will follow the said inflow of investments
- Emerging metros, particularly those with industrial and tech parks, will likely receive more investments in the form of new plants or increased operations/expansion of existing companies in the areas
- If the investments come in the form of physical capital (new factories etc) there is a possibility of a strain on energy and other resources
- In both the case of growth in highly urbanized traditional metros (Metro Manila, Cebu, Davao) and that in emerging one will likely increase employment both manual (due to the probable construction boom) and otherwise
- The increase in jobs opportunities will create an inflow of jobseekers which could strain local resources including living spaces, water, and power and would congest certain parts of the said metros.



# How prepared are we?

According to former NSCB Secretary General Romulo A. Virola, statistics show that the Philippines is not completely ready to compete with the rest of the ASEAN.

- The Philippines is fifth in GDP in the ASEAN (as of 2011)
- Last in export growth rate (as of 2011); Ninth in direct investment flows (as of 2010)
- The highest or second highest unemployment rate in the ASEAN from 2000 to 2008 (official numbers)
- Third highest in population growth rate and
- Fifth in maternal mortality and under-5 mortality.
- Second highest gross enrolment ratio in secondary education but fourth highest number of teaching staff (high student to teacher ratio)

These weaknesses can still be improved upon and based on the gains above; it is likely that positive momentum will pick up. But the country has several things going for it. Currently, the Philippines has made several gains in terms of economic performance:

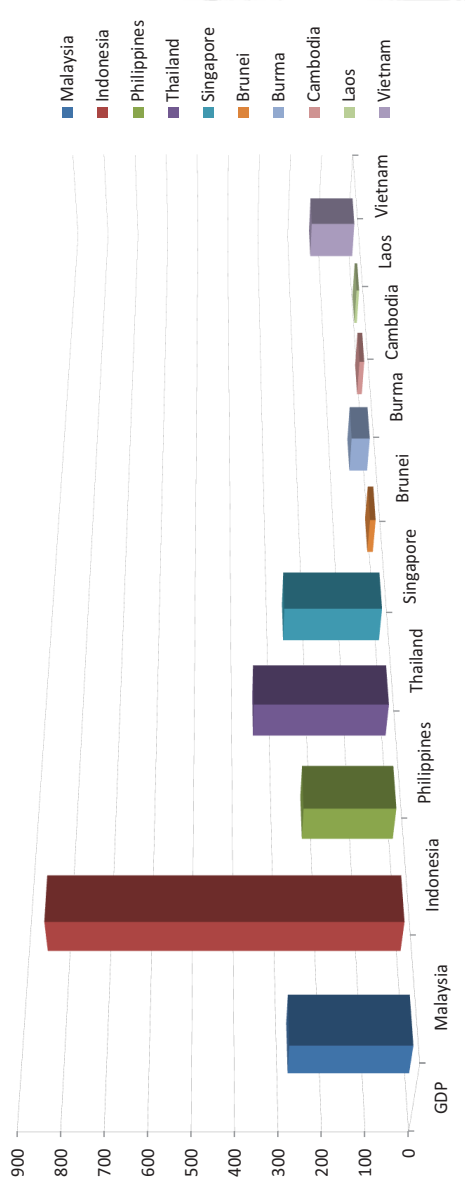
- We have had several credit upgrades (making the country more attractive to potential investors)
- Local public and private investment grew 7.9 percent in the first nine months of 2012 (in contrast to just 1.1 percent in 2011)
- The country's stock market has been deemed one of the strongest in East Asia as a result of strong foreign portfolio investments (FPI).
- The Philippines is number one in terms of adult literacy rate, ahead of all other members, including economically top tier nations.

- Improvement of teacher-student ratio (35:1 in 2002 to 31:1 in 2009 for primary education, and from 38 in 2002 to 35 in 2009 for secondary education)

This could be played to the Philippines' advantage, but it is absolutely necessary that the weaknesses be addressed before 2015.

Fig. 3

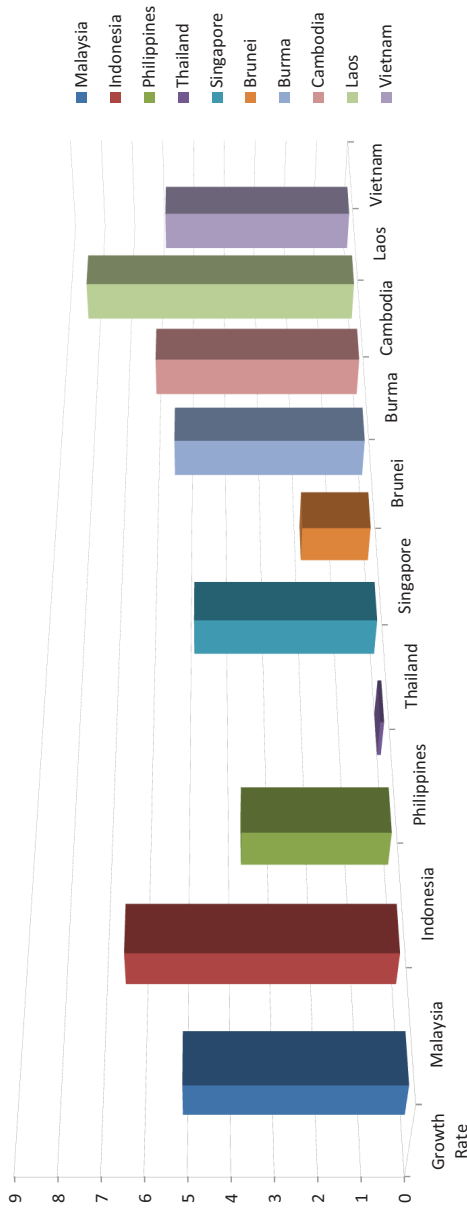
### 2011 Nominal GDP Estimates:



*Nominal GDP= the total value of the economy of a country*  
*Source: International Monetary Fund*

2011 GDP Growth Rate in %:

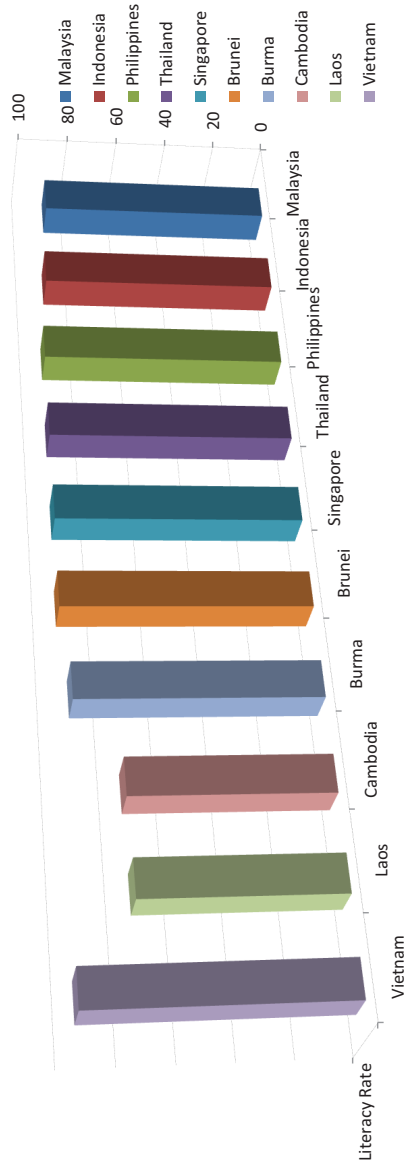
Fig. 4



*Growth Rate = the rate of the increase of the value of a country's economy*  
 Source: CIA Factbook

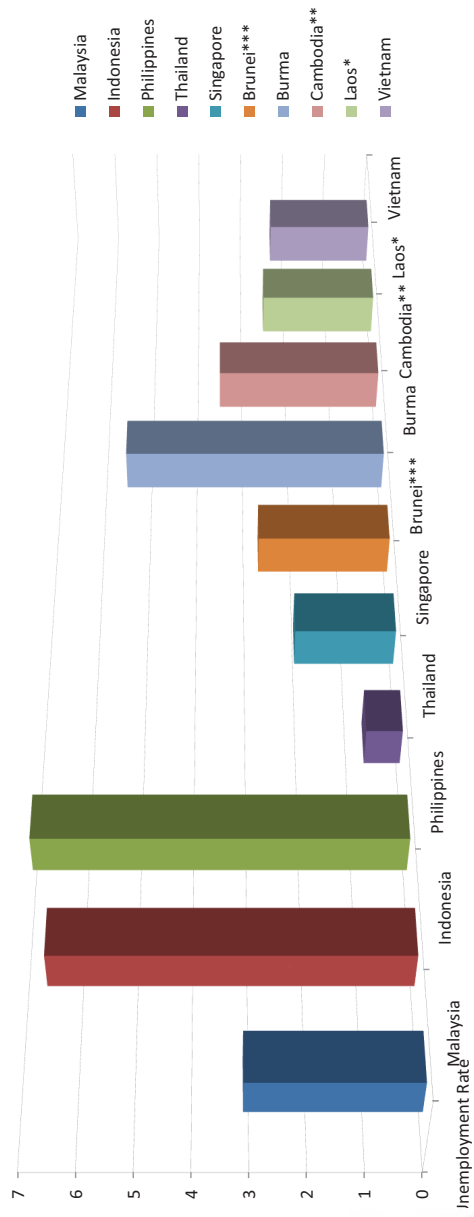
Fig. 5

## 2011 15+ Literacy Rate:



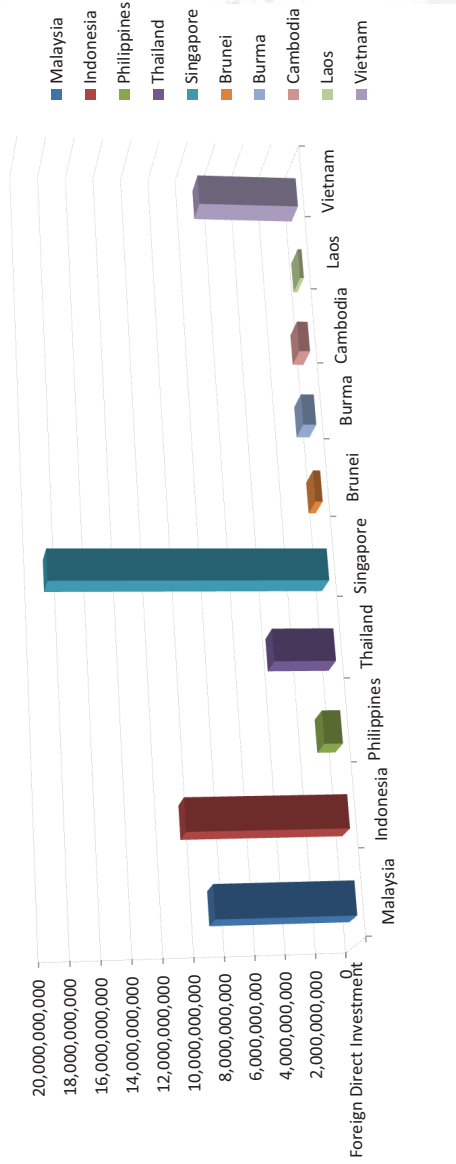
Source: CIA Factbook Literacy= the ability to read, write and do basic arithmetic skills \*Former NSCB Secretary Virola's assertion is not based on the 2011 numbers, rather estimates from 2012

**Fig 6.** Estimated Unemployment Rate:



\*Laos: 2009 estimates  
 \*\*Cambodia: 2007 estimates  
 \*\*\*Brunei: 2010 estimates

**Fig.7 Foreign Direct Investment in USD as of 2010:**



Source: World Bank via Index Mundi Foreign Direct Investment= Investments from companies from one country to another. The statistics above show that the Philippines is either middle of the pack or very low in most important competitiveness indicators. However, signs point to a faster improvement of GDP growth and FDI's over the next few years.

## What is being done in preparation for the ASEAN Economic Community?

In terms of formal and direct preparations for the AEC, the Philippines is slowly easing into it. In terms of moves meant to improve the overall state of the Philippine competitiveness, several projects are underway.

- Executive Order 044 that expands the Public-Private Sector Task Force on Philippine Competitiveness to include the private sector and more National Agencies while effectively renaming it the National Competitiveness Council
- Transportation infrastructure projects
  - Construction of more connective roads in Metro Manila (such as NLEX-SLEX Connector road among others)
  - Train line extensions (including the MRT southern extension to Cavite)
  - Possible railway project for cargo transportation
  - Airport and seaport improvements
  - Planned centralized bus terminals on the North and South boundaries of Metro Manila
- Investments on agriculture to reduce cost and increase the quantity of production
- K-12 Education Program to capacitate future labor force at a younger age



- Conditional Cash Transfers as a form of human capital investment
- *Banko Sentral ng Pilipinas (BSP)* encouraging major banks to merge to have less than ten major banks to be more competitive in the region.
- Utilization of various government assets, particularly lands, that can be used in the construction of high-income generating business and tourism areas. (i.e. plans of the development of reclaimed lands and unutilized lands into business and entertainment districts in Metro Manila)
- Establishment of Regional Competitiveness Committees (present in 12 regions) by the National Competitiveness Council to help carry out National Government's initiatives. This is in addition to more dialogues and monitoring efforts.
- Launch of the 'Smarter Philippines' campaign that aim to bolster the various sectors of the country via Information and Communications Technology.
- The establishment of Business Permits & Licensing System (BPLS) that aims to streamline and fast track the entire business permit application processes among others.
- Bottom-Up Budgeting for the 609 poorest municipalities will be implemented. This involves the creation programs and projects borne out of the cooperation of LGUs and CSOs.
- Completion of industrial roadmaps for several industries. As of October 2012, the following industries have said roadmaps: rubber and rubber products; copper and copper products; auto parts; biodiesel with others to follow.

## What can the National Government do to prepare?

To prepare for the AEC, the national government needs to address several basic issues and points of improvements:

- Have a more thorough inter-agency study regarding the possible impact of the AEC
- Come up with safety nets for the identified sectors and industries that will be immediately affected by the AEC:
  - Loans and grants
  - Technical support
  - Preferentially lower taxes
  - Re-orientation of industry leaders and organizations
  - Extensive competitiveness trainings
- Fast-tracking connective infrastructure projects
- Financial support for small and medium enterprises in anticipation of new competition
- Renovating existing transportation and communication infrastructure
- Increasing the competitiveness of TESDA (and other) trainings and current educational standards
- Re-imagining of the national budget centered on economic competitiveness particularly in infrastructure development, efficient cost-cutting projects, and human capital development
- Advancing policies to improve the country's ability to attract more foreign direct investments (FDI)

- Boosting incentives in key industrial prospects outside of Metro Manila to foster growth in the provinces
- Creation of more farm to market roads and better irrigation for farmlands as well as increasing knowledge-based support to increase quality and lower local market prices of produce
- Increasing the synchronization of the economies and LGUs and the provinces and major cities to improve efficient delivery of goods and services
- Integrate regional integration to trainings and workshops for government agency officials, employees, and LGUs to increase awareness
- General information drive for the public regarding regional integration

## What can the LGUs do to prepare?

Given the LGUs devolved powers, there are ways to improve their respective province/ city/town:

- Thorough coordination with government agencies to increase knowledge regarding the AEC
- Identification of current major industries that might be exposed to regional competition
- Identification of current major and niche industries that can compete regionally and consultation with experts to improve marketing of strategies of said industries

- Identification of possible tourist destinations and proper maintenance and promotion of existing ones
- Improvement of the current local transportation and communication infrastructure
- Providing technical and financial assistance to local small and medium enterprises
- Providing technical and financial support to local farmers/ fisher folk
- Provide trainings and orientation to labor forces who would potentially go abroad to other ASEAN nations for work

## What can the DILG do to help LGUs in AEC preparations?

The Department of the Interior and Local Government is an expansive agency that has several bodies in its arsenal. It has control of the Philippine National Police; it is responsible for improving the capacity of LGUs; it is partly responsible for local public security and safety. As such, while the DILG is not responsible for national economic planning, it does play a large role in helping the LGUs (both in Metro Manila and the provinces) be more efficient and effective in improving the quality of life of the citizens. A large part of this effort is tied to the economic development of the different LGUs via the effective capacitating of the LGUs and their partners to carry out the general economic plans on a local scale.

- Building the capacity of the LGUs to be more efficient in terms of improving the local economy (i.e. improving ease of doing business, income generation and tax collection)
- Improving the capacity of LGUs to handle disasters and calamities thereby increasing the resilience of their local economies and reducing recovery time and return to normal market activity
- Empowering the local businesses to be more competitive by informing them of training and financing opportunities
- Making the LGUs aware of the AEC with the cooperation of the major agencies handling the said issue (NEDA, DFA, DTI, etc) via knowledge dissemination activities
- Helping in the popularization of the national economic agenda by injecting the 2015 AEC in its plans for the LGU training activities
- Engaging Civil Society Organizations to be a more proactive part of the efforts to increase the overall competitiveness of the LGUs
- Providing support to the local police force and local security officials (barangay watches) to be more effective keepers of the peace in order to further attract potential investors and tourists

Sources: World Bank, Philippine Institute for Development Studies, National Statistics and Coordination Board, The CIA Factbook, aseansec.org, Index mundi, Philippine Information Agency, Malaya news, Manila Bulletin, Yahoo News, Inquirer News, Rappler.com, Business World Online, Manila Times, ASEAN Exchanges, The Jakarta Post, and the American Society of International Law







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