Headline: Economic powerhouse

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THE PAST weeks have seen a flurry of activity with global and regional impact on the Philippines. These include the Apec (Asia-Pacific Economic Cooperation) summit, the Asean Economic Community (AEC), the climate change conference, and terrorist acts in the world. All of these shine the spotlight on global issues and major changes in relationships among countries even as we are obsessed with one of our favorite sources of entertainment, the May 2016 elections.

Curiously, the AEC, the one with the most immediate relevance to our part of the world, seems to engender the least amount of attention from us. Perhaps this indifference comes from our having just hosted the Apec meetings; the discussions on climate change replete with doomsday pronouncements (either measures are taken to keep our planet's temperature rise to 2 degrees Celsius or our goose is literally cooked); and the terrorist incidents commanding, by their very nature, 24/7 international news coverage.

Is there anything to be excited about the AEC? Well, for one thing, it is a game-changer for the Philippines, for which we must prepare in order to take advantage of the opportunities it presents, rather than deal wishy-washy with the challenges we need to surmount to avoid relegating ourselves to saling pusa status.

The idea of the AEC has been evolving toward fruition from the time Asean was established in 1967 with the Philippines as one of its founders. The goal was to transform the Asean community into an economic powerhouse by harnessing the countries into a single market and production base, resulting in the freer flow of capital, goods, services and investments. This economic powerhouse now comprises a market of about 622 million people with a combined GDP of $2.6 trillion, and a growth rate of about 5 percent. One could speculate that, taken individually, each country could achieve economic wellbeing by itself sooner or later, but the continuing high incidence of poverty in the region provides a compelling argument for joining hands, as it were, in order to attain higher goals within a shorter time frame.

This was most evident during the Asean financial crisis during which I was chair of both the Apec and Asean finance ministers. Asean sought assistance from the United States, the International Monetary Fund and Japan via a financial rescue package, but only Japan reacted positively. The United States and the IMF turned the request down on grounds of "moral hazard"—i.e., the establishment of a rescue fund presents a temptation to deplete its resources rather than implement needed reforms.

In short, Asean was told to fend for itself and to swallow the usual bitter pill of economic belt-tightening. This was in sharp contrast to the response to the Mexican financial crisis, which was swiftly met with rescue packages from the United States and the IMF. Asean, therefore, concluded that it had to minimize reliance on the West and proceed on the basis of the adage "United we stand, divided we fall."

Is the AEC an Asean replica of the European Economic Community? Not really. For one thing, there is no supranational governing body, like the European Parliament, contemplated. Also, there's no move toward a common currency. Asean acts according to the principle of noninterference in the internal affairs of its member-states, strongly maintaining the individual sovereignty of each member. This principle is one of the main reasons Asean is working. While we may not see deep economic integration happening, the agreements on trade, investments, tourism and security have gained traction because of the flexibility given to its members and the focus on community-building rather than on forceful agreement.

Substantial benefits to the Philippine market have been reflected in the continued increase of intra- and extra-Asean trade, despite the volatility in the international market due to the 2007-2008 global financial crisis. The gradual lowering of tariffs for a majority of its products has made it possible for Philippine products, services and enterprises to enter the Asean market and vice versa. Asean has opened the door for more Filipino professionals, through mutual recognition agreements, to work in any Asean member-state—a boon for an economy that is dependent on overseas Filipino workers.

But there remain challenges for the Philippines to address. First, it has to take steps to ease its current position as the most restrictive economy for foreign investments among all Asean member-states. More investments flowing into the economy can mean more resources to spur domestic and regional development.

Next, it has to effectively address issues on transparency and border administration, availability and quality of transport infrastructure, and an excessively bureaucratic regulatory environment that are concerns for businesses seeking vigorous participation in the global markets. In a world of integrated markets, these savings in cost and logistics time provide significant and crucial improvements toward driving and empowering Philippine businesses to be strong regional players.

And, of course, it has to more energetically implement a program of building strategic infrastructure by allocating a greater share of the national budget to infrastructure and by a less half-hearted use of public-private partnerships.

The AEC is not just around the corner; it’s virtually on top of us and here to stay. It would be unwise for the current crop of “presidentiables” to proceed with sublime ignorance about it.

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