TRADE STAKEHOLDER MANAGEMENT PLAN

BASED ON RECOMMENDATIONS FROM JACOBS AND ASSOCIATES

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USAID TRADE RELATED ASSISTANCE FOR DEVELOPMENT (TRADE)

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ABBREVIATIONS

ACPMS	ASEAN Community Progress Monitoring System
AEC	ASEAN Economic Community
AEO	Authorized Economic Operator
AOCG	Assessment and Operations Coordinating Group
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BoC	Bureau of Customs
CAEC	Committee for ASEAN Economic Community
CATIF	Center for the Advancement of Trade Integration and Facilitation
CBW	Customs Bonded Warehouse
CMO	Customs Memorandum Order
CMTA	Customs Modernization and Tariff Act
DTI	Department of Trade and Industry
EDC	Export Development Council
ERIA	Economic Research Institute for ASEAN and East Asia
FGD	Focus Group Discussion
GDP	Gross Domestic Product
IDG	Industry Development Group

MBC	Makati Business Club
NCC	National Competitiveness Council
NSW	National Single Window
PCCI	Philippine Chamber of Commerce and Industry
PSRC	Philippine Social Research Center
PUSTFP	Philippine-US Trade Facilitation Protocol
RKC	Revised Kyoto Convention
RTD	Roundtable Discussion
SGL	Super Green Lane
TPP	Trans-Pacific Partnership Agreement
TRADE	Trade-Related Assistance for Development Project
TRGA	Trade Regulatory Government Agency
TTPA	Trade Transactions Process Analysis
TWG	Technical Working Group
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UPecon	UPecon Foundation, Inc
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The USAID Trade-Related Assistance for Development (TRADE) Project aims to promote inclusive growth by improving the Philippines' standing in the international economy through higher levels of trade and foreign direct investment. It supports reform initiatives designed to liberalize trade and investments, encourage competition and market openness, and increase the country's readiness to enter into new advanced trade agreements. The success of TRADE's work is shaped by developments arising from several current issues, such as, but not limited to, achieving compliance with the ASEAN Economic Community (AEC) Blueprint that transforms the region into a single market and production base by 2015, and fulfilling the country's World Trade Organization (WTO) obligations; the upgrading of trade facilitation procedures and operations; and the passage of a comprehensive Competition Law that is crucial to bringing more investments into the country.

Opportunities for genuine reform come rarely—often only when crises and external pressures make clear the costs of inaction and change the balance of power that previously protected the status quo. In most countries where donors are active, the dynamic of change is controlled by public choice and captured state interests. In the Philippines, some government initiatives to effect trade and investment reforms may meet opposition for lack of knowledge and proper understanding or because of fears regarding economic uncertainty and the perceived inability to compete, or because current practices provide substantial economic rents to special interests. Another controversial factor is the call for changes to economic provisions in the Constitution which limit foreign ownership, participation and capital in many economic sectors. These pressures create a powerful bias toward the status quo. For these reasons, and more, TRADE must be able to launch a stakeholder management strategy.

Stakeholder management is the set of strategies used to change incentives, opportunities, and capacities of the competing interests who can influence the outcome of a reform process to build a winning coalition through the course of a reform. This strategy might involve efforts to change incentives, such as persuasion (informing, educating) or mobilizing pro-reform interests (involving and engaging various stakeholders), or linking reforms explicitly to other national priorities (such as trade agreements). Targeted groups might include the following categories:1. Political elites: Prime Ministers, Ministers, and Parliaments; 2. Public administration: civil servants; 3. Private sector: a wide range of private interests, both pro and against reform; 4. Civil society: non-governmental organizations (NGOs) such as anti-corruption groups, and the independent media; and, 5. International interests: donors, international institutions, and trade negotiators.

The goal of this Stakeholder Management Strategy is to engender the required support needed to effect identified specific reforms supported by TRADE.The objective is to design and develop a comprehensive stakeholder management campaign to support TRADE's objectives of readiness for AEC 2015 and for participation in the Trans-Pacific Partnership Agreement (TPP); improvement of trade facilitation, particularly in terms of greater transparency and efficiency, strengthened by administrative issuances and legislation like the Customs Modernization and Tariff Act (CMTA); and the passage in Congress of a comprehensive Anti-Trust/Competition Law that establishes a central authority for implementing, regulating and enforcing competition law and policy.

The Jacobs, Cordova & Associates (JC&A) global team is composed of top-ranked practitioners and researchers. Collectively, their five Directors provide over 100 years of

hands-on experience in regulatory reform, and authorship of numerous books and other publications that assess regulatory reforms and propose innovations to improve how governments regulate. They have an extensive network of sectoral and country experts, as needed, to provide targeted and effective teams suited to their clients' needs. Their network of companies is based in Washington, DC; Dublin, Ireland, and Mexico City, Mexico, with representative offices in South Korea and Vietnam.

JC&A offers a wide range of services in regulatory reform, rule of law and governance. They have designed the world's largest and most innovative regulatory reform projects aimed at changing the market incentives that drive business behavior in highly regulated environments. Their clients include national governments and international institutions such as the World Bank/IFC/FIAS, EBRD, the European Commission, APEC, the Asian Development Bank, the Inter-American Development Bank, ILO, UNDP, as well as many bilateral aid agencies such as the various facilities of the European Commission, USAID, DANIDA, DIFID (UK) and Germany Aid (GIZ).

The USAID Trade-Related Assistance for Development Project (TRADE) Project engaged the services of JC&A to analyse specific reforms against seven main drivers of change to determine the most effective avenues for advancing reform agendas: Globalization or competitiveness, Crisis, Political leadership, Unfolding reform synergies, Technocrats, Changes in civil society, and External pressure.

JC&A will also map pressure groups and stakeholders and assess the incentives of key stakeholders, including the development of a clear, well-designed medium-term strategy, that has room to evolve, containing an action plan for bringing stakeholders into the process through an elaborated step by step strategy of commitment, information disclosure, participation, and consultation. The strategy includes an advocacy/communication plan and strategy for various stakeholder groups of each component of the TRADE Project. Recommendations for messaging and messaging workshops; training needs analysis for media training, public speaking, managing consultations and stakeholder management; and, a schedule or timetable for implementing the entire advocacy campaign.

The JC&A report identifies as well how reformers in the Philippines can actively "manage" stakeholders to expand and sustain the capacity for these critical economic policy reforms within a resistant political economy. This report goes beyond traditional stakeholder concepts of "civil society" because many of the stakeholders of importance in the Philippines are in the public sector, as well.

The report will be used as reference to validate ongoing advocacy and outreach initiatives of the TRADE Project and in the drafting of the year three (Y3) TRADE work plan, contributing to the theory of change underlying activities and harmonizing all component efforts to achieve high level objectives in a coherent manner.

A. STAKEHOLDER MANAGEMENT PLAN FOR TRADE PROJECT

STAKEHOLDER MANAGEMENT IN POLICY REFORM IN THE PHILIPPINES: RECOMMENDATIONS FOR THE USAID TRADE PROJECT

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I. Background: The challenge

The USAID Trade-Related Assistance for Development Project (TRADE) project supports the Philippines government in carrying out long-delayed and necessary policy changes that should lead to positive structural changes in the domestic economy. These policy changes focus on 1) improving the policy and institutional environment for trade and investment , 2) modernization of the customs services to reduce trading costs, and 3) adoption of a competition policy, law, and institutions meeting ASEAN commitments to correct long-standing market/policy failures such as abusive dominance, predatory pricing, and entry barriers. All three reforms are currently advancing in the policy process, with varying chances of success.

This report suggests that these reforms would benefit from wider and more informed stakeholder debates, less dominated by concentrated interests who stand to lose the most, and suggests several actions to achieve this result.

The Philippines has not recently experienced a “shock environment” or macroeconomic crisis such as those that have helped other countries enact needed reforms. However, four years of political stability under President Benigno Aquino and popular reforms such as the anti-corruption drive provide a good opportunity to press ahead with economic reforms based on microeconomic principles such as competition, low entry barriers, and legal security. Political agreement on new laws and policies is a necessary and critical step, but is insufficient to achieve success. All of these reforms must be sustained through strong institutions, trade agreements with specific and credible commitments, and a growing awareness among the Filipino public that, with the right economic public policies, economic growth can be faster and more inclusive and broad-based.

Change, even when benefits are widespread, never comes easily without some kind of impetus. Governments are heavily biased toward the status quo, since the winners of current policies are always more alert than potential future winners of new policies. As in most countries, current efforts for competition and trade reform in the Philippines face stiff opposition, including:

- Resistance from some of the Philippines’s most powerful industries, who have been for many decades well connected to the political elite through family ties and campaign financing. Some influential members of the Congress are themselves

corporate owners/majority stockholders of dominant firms.[1] Some of those industries will gain and some will lose from a more open and competitive domestic economy, but all will enter a period of more uncertainty.

- Longstanding protectionist concerns rooted in the country's history have developed into a certain level of hostility toward foreign investors. This concern is enshrined in the Constitution's prohibition on more than 40% foreign ownership in several key sectors. That this prohibition also protects producers in those sectors from competition is also noteworthy.
- A more general barrier is that structural change always yields winners and losers, and the uncertainty about how those impacts will fall generates public anxiety that can be further manipulated by those who benefit from the status quo. Both specific resistance and generalized anxiety are familiar problems for reformers around the world.

Many critical decisions lie ahead before the new trade and competition policies are launched. Debates are still open about whether the Philippines will meet its AEC Blueprint commitments to ASEAN in 2015, whether it will engage in an effective "catch up" strategy with the frontrunners in ASEAN, and whether it will adopt a strong competition authority able to challenge strong economic interests. The TRADE project states that it must be able to inform, educate, involve and engage various stakeholders, "to engender the required support needed to effect identified reforms aimed to enhance competitiveness, facilitate compliance, realize increased trade, and establish a competition policy/law."

This report identifies how reformers in the Philippines can actively "manage" stakeholders to expand and sustain the capacity for these critical economic policy reforms within a resistant political economy. *Stakeholder management* is the set of strategies used to change incentives, opportunities, and capacities of the competing interests who can influence the outcome of a reform process to build a winning coalition through the course of a reform. In this positive view of change, stakeholder "appetite" for reform is endogenous to reform, rather than an exogenous constraint.[2] This is good news for reformers, because constraints on reform are not necessarily binding. This report goes beyond traditional stakeholder concepts of "civil society" because many of the stakeholders of importance in the Philippines are in the public sector, as well.

II. Organization of this report and major points

Because each reform is at a different stage, the stakeholder groups are, in theory, different for the three components, although there is substantial overlap. Hence, the stakeholder management strategy and recommendations are different for the three components. This report looks separately at the TRADE Components 1, 2, and 3 in Sections III, IV, and V. Each of these sections is divided into five subsections:

Subsection 1: Stakeholders and reform pressures in the Philippines

[1] http://globalcompetitionreview.com/reviews/60/sections/206/chapters/2350/philippines-overview/

[2] Some of the concepts in this report are based on **Stakeholder Management in Business Registration Reforms: Lessons from 10 Countries,** Scott Jacobs with Catherine Masinde (2009) IFC/World Bank

Most assessments of stakeholder management begin by mapping out the stakeholders involved in reform, along with their interests. The key stakeholders for the competition policy reform are summarized in subsections 1 for each component below. Mapping the stakeholders is useful as a starting point, but it is insufficient because a map is static, and does not predict how management strategies will change the stakeholder map over time.

A good stakeholder management plan looks ahead to see how interests evolve over the course of the reform. ASEAN and other trade talks, for example, will change the context for discussions on policy reform in the Philippines, and hence we will want to see how linkages between the two can strengthen one or both. While reform strategies once called for broad consensus on reform, this is now seen as impractical and unnecessary. The more realistic approach today is building effective reform coalitions, and dealing directly with resistance on a case by case basis.

The approach used here is to link the stakeholder map to recommended actions for stakeholder management, based on the phased approach developed in the 2009 report, ***Stakeholder Management in Business Registration Reforms: Lessons from 10 Countries*,**[3] and further developed in the report ***Lessons for Reformers: How to Launch, Implement and Sustain Regulatory Reform***.[4] These reports take a dynamic role in charting stakeholder management strategies over five phases of a policy reform. Different incentives, opportunities, and capacities of various stakeholder groups partly explain why different groups are more active at different phases of the reform, particularly in the political and implementation phases. A key conclusion of those reports is that reformers themselves, through the stakeholder management strategy, can increase the incentives, opportunities, and capacities of pro-reform groups and reduce the participation of antireform groups.

Subsection 2: Factors and stakeholders supporting the status quo (against reform)

Identifying the stakeholders and understanding their incentives are important in stakeholder management, as “public choice” theory states. Most stakeholder maps focus first on these stakeholders who oppose reform – those who for one reason or another prefer the status quo to any change. This group goes beyond the usual business opponents who profit financially from existing regulatory and trade regimes. It includes civil servants themselves, who can work under incentives actively opposed to reform, such as institutional preservation, information monopoly, rent seeking, and outdated professional habits and beliefs. This is a particularly dangerous group for reforms, because civil servants are usually stealthy in their opposition, and control important phases of reform. Jacobs’ study of reforms in 10 countries found that the most risky phase was implementation, where political attention is weakest, and when civil servants either opposed to reform or passive were sometimes able to control the reform, and delay, undermine, or reverse the benefits. Some of the recommendations here for performance monitoring and transparency are explicitly aimed at mitigating this risk.

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[3] Ibid.

[4] Jacobs, Scott (June 2009) **Lessons for Reformers: How to Launch, Implement and Sustain Regulatory Reform,** IFC/World Bank at www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/12/29/000334955_20101229033118/Rendered/PDF/586940WP0Lesso10Box353814B01PUBLIC1.pdf

While stakeholders differ in some respects across the three components, there is much similarity in broad pressures against reform and stakeholders who prefer the status quo. Rather than repeat the similarities in each section below, these shared elements working against these related economic reforms are reported here.

Factors that continue to bias the Filipino government toward the status quo in competition policy include:

- Long-standing interest groups with enormous economic rents under the status quo have thoroughly captured the political system, as noted above. The incentives of businesses that benefit from a distorted business environment to resist market reforms are well recognized in "public choice" theories of regulation. Lack of transparency in campaign contributions amplifies this economic power.
- Lack of understanding about the costs of the status quo is widespread. This is universal. The costs of inaction, because they are "built in" to current reality, are difficult to "make visible". This is changing, though, because of the (accurate) perception in the Philippines that several other ASEAN countries are doing better due to their reforms. The gap between the Philippines and other countries demonstrates vividly the "costs of non-action" and suggests a communication strategy based on information about making clearer the opportunity costs of failing to act.
- Low economic literacy about the costs and benefits of the market system, which increases unnecessary anxiety. The general public does not have a good understanding of how more open borders, more regional integration, and vigorous competition will impact their lives, and are faced instead with negative messages about loss of sovereignty to foreign investors and loss of market share to foreign products. Cielito Habito, chief of party of TRADE, has repeatedly refuted misunderstandings of the risks of market opening, arguing that "If AEC will indeed unleash a tsunami of ASEAN products into the Philippines, it should have already happened back in 2010"[5] when tariffs were reduced. To try to monitor changing views, TRADE has contracted for a survey by the Philippine Social Research Center (PSRC) on "awareness of market competition" that will establish a benchmark of basic attitudes. That will be useful in determining where information can have the greatest impact. There is ample opportunity for more focused, relevant, and vivid messages about the impacts of an open and competitive market.
- Lack of a strong technocratic class in the bureaucracy. In other countries such as South Korea and Mexico where reform took place against tremendous resistance, leaders of reform were from government career levels, representing reform-minded technocrats with agendas that encouraged them to challenge other parts of the public sector.[6] The Philippines ministries are not traditionally strong leaders in reform, and instead, in the trade and competition areas, are protecting institutional and sectoral interests.
- Low rates of entrepreneurship in the formal sector. The entrepreneurial class in the Philippines is much smaller than other countries in ASEAN, as shown in Table 1. The absence of an entrepreneurial class – usually focused on new opportunities and

[5] http://www.interaksyon.com/business/85222/dti-says-philippines-already-99-pct-integrated-in-asean

[6] The positive role of the reform-minded technocrats supports the *public interest* theories of regulation, in which enlightened civil servants make policies in favor of the wider public interest.

innovation – biases the political economy of the Philippines away from future opportunities and toward preservation of current market positions. This will not be changed quickly, since the building of an entrepreneurial culture is a multi-year task without clear successes in the international arena. Opening regional trading opportunities might accelerate the growth of the most prepared export-oriented medium-size companies, though.

Table 1: Number of newly registered corporations over the past nine years per 1,000 working-age people (those ages 15–64).

Philippines	0.27
Indonesia	0.29
Thailand	0.86
Malaysia	2.28
Singapore	8.04

Source: http://www.doingbusiness.org/data/exploretopics/entrepreneurship.

Subsection 3: Factors and stakeholders supporting reforms

Despite the bias toward the status quo, countries do reform and policies do change. Nothing can remain static forever. The question about the Philippines reforms is whether the forces for change are now sufficient to overcome the forces of the status quo. Reforms never begin with consensus. Rather, reforms are based on building coalitions of supporters who, over time, overcome resistance. In the best examples of national reforms, strategic expansion of successive layers of supportive stakeholders created a momentum of reform that became self-sustaining. The recommendations below suggest a range of stakeholder strategies aimed at expanding layers of stakeholders through the general public.

While stakeholders differ in some respects across the three components, there is much similarity in broad pressures for reform and stakeholders. Rather than repeat the similarities in each section below, these shared elements in favor of economic reforms are reported here.

In the Philippines, attitudes and perceptions are shifting from extreme risk aversion to acceptance that change might offer genuine benefits. Growing diversity on the supply side of the economy – with more export-oriented *Mittelstandt* firms, more global participation, and more innovation -- has produced a growing diversity of views in the business sector, undermining the monolithic preference for the status quo. Young people are more informed about the consequences of policies on their lives. These changes are difficult to estimate with precision, but they are familiar in countries in transition, and combine to create new opportunities in the political economy of the country. In many assessments of political

economy, the size of the middle class in both the business sector and in the voting population is a potent indicator of willingness to change.

To summarize the current forces for change in the Philippines that can be empowered by TRADE's communication strategy:

- There is a growing comfort level with change, since past reforms have not proven disastrous for the Philippines. Changing attitudes toward economic change and recognition of the costs of the status quo provide a more receptive environment for reform proposals. Worries about foreign investment as a threat to national sovereignty are declining.
- The current Presidential initiatives for good governance and anti-corruption provide a good linkage to a new competition policy aimed at creating a level playing field for all market actors. For example, the roots of competition policy in the United States lay in the Progressive movement aimed at cleaning up government by breaking the links between the trusts and corrupt politicians. These links are not well understood in the Philippines, but could be made much clearer in the communications plan.
- Domestic awareness of international standards is growing, supported in part by trade opening and ASEAN integration, and by the fact that the gap between the performance of the Philippines and its neighbors is clearer than ever. "Falling behind" or "catching up" can be a powerful driver of change, and the recommendations below suggest that benchmarking be part of the focused messaging of TRADE in all three components. The business community is also feeling the pressure of lagging behind other countries in preparedness for success in the AEC, and will feel more pressure with the TPP. Studies of difficult reforms in other countries have found that international benchmarks of reform practices increased transparency and success of reforms. In Australia, Korea, and Mexico, benchmarking based on good practices in similar countries were especially important. Relative economic decline was a trigger for the deep reforms in New Zealand in the 1980s and 1990s – this country had fallen from fourth highest GDP per capita among OECD countries in the 1960s to twentieth by the early 1980s, sparking intense anxiety about the future.
- Desire for inclusive growth that lifts incomes and creates more jobs and economic opportunities. The Philippines is no different from any other part of the world in wanting more jobs, higher wages, and more opportunities for young people entering the workforce. Disparities of wealth in the Philippines have been clear for a long time. A growing middle class is likely to be less patient and more demanding that the benefits of growth gush downward, rather than trickling. Generational arguments might be well understood in a country where so many youth are unemployed or go abroad seeking jobs.
- Consumer perceptions are changing. A youthful population has more positive attitudes toward choice as consumers, and more demanding about the quality of goods and services. Consumers are poorly treated in the Philippines. At the same time that consumer empowerment is growing around the world, consumer complaints about service quality still have little recourse in the Philippines. The recommendations below suggest that upholding consumer rights and consumer protection be more prominent messages particularly in competition policy reforms.
- International commitments are making the costs of failure more transparent. The AEC Scorecard provides a useful pool of comparative data that can be exploited to improve accountability. ASEAN member states have agreed to introduce competition policy by 2015. This creates a clear performance indicator – will the Philippines

comply? Upcoming trade talks should be seen as opportunities to progressively commit to an unfolding program of reforms.

Subsection 4: Assessment of the TRADE instruments for stakeholder management

TRADE has developed a range of approaches to dealing with stakeholders in the three components of its work. Almost all of these approaches are information-based, which is the usual approach to stakeholder management. It makes sense to invest in information. Information about the risks of the new system and the benefits and costs of change is the most powerful weapon for reformers seeking to build coalitions for change. Supporters are energized by precise, credible information explaining the new system, the rationale for change, and the experiences of other countries by comparative indicators. This reduces both unnecessary anxiety about unknown risks, and the opportunity for opponents to mis-inform others about the changes. Information, properly designed and targeted, is a strategy of seizing the agenda, and maintaining control of the dialogue about reform. This approach requires a stream of information from reformers to key stakeholders through the process.

There is discussion of specific TRADE communication efforts for each component below, but in all three components it is clear that TRADE has invested most of its energy in the trade and competition law debates into support of discussions on technical matters and legal design within small groups, either in the DTI or BoC (implementing agencies), with advocates for laws pending in the House and Senate, and in national business associations. These are critical efforts and should continue. TRADE has also invested heavily in generating an information base with evidence-based policy analyses and road mapping, which are also useful to stakeholder management.

However, there is scope to extend the discussions beyond these smaller groups into the broader political economy. The continued advocacy work of COP Cielito Habito in publishing essays in mainstream media is extremely useful in presenting more digestible information that can influence public thinking. More can be done in this vein, which requires that the mode and content of the messaging change in two main ways.

a. Move the discussion beyond the technical level (how) into results (why)

TRADE is playing a significant role in supplying neutral technical information on how to design a good customs agency, a good NSW, and a good competition policy through several channels in Congress, DTI, other regulators, and donors. For example, it has subcontracted the Center for the Advancement of Trade Integration and Facilitation (CATIF) to provide technical inputs, particularly on economic issues, to assist legislators and their staff in their efforts to defend and pass the proposed competition bill into law.

That kind of hands-on, real-time communication of specific technical information should continue, and even accelerate as the discussions speed up to ensure that information is available at the time it is needed. It is critical to have an informed and detailed technical discussion of the choices in policy design for the Philippines. Beyond the obvious need to ensure that the reform is well designed based on a full understanding of options, technical information in the political economy can have several positive effects:

- Technical information can reassure even non-technical observers that the reforms are not risky, but well-reasoned, based on clear logic,

information, and experience. That is, communication of technical information increases credibility of the reform.

- It can reduce unneeded anxiety by refuting unfounded claims about the nature of the reform. This requires that information be available in real-time, and the efforts of the research agencies working with TRADE (CATIF, Makati Business Club, Philippine Survey and Research Center, and others) should be assessed to determine if they are providing critical information in a relevant timeframe within a quickly unfolding discussion. Unfounded claims and attacks on the reform should be met promptly with accurate and credible information. In other words, these research agencies should be seen by TRADE as strategic players inserting critical information into a dynamic arena, rather than as academics producing their own research papers. Some of the recommendations below to recast information into a clearer understanding of winners and losers is meant to increase the value of this research work.

However, technical information, even of high quality, is not in itself a successful stakeholder strategy. In the public arena, a purely technocratic fight is an irrelevant and losing fight. In the Philippines, the discussion seems to have narrowed too quickly to the technocratic discussions of legal text. Discussion in the public arena should, by contrast, present the “why” of reform, that is, the clear benefits of reform, supported by international experience and Philippine experience where available.

This requires that reformers make the invisible visible in a compelling way. One of the things that makes reforming difficult is that reformers work with the hidden side of inefficient markets, the invisible costs, the opportunities lost, the years wasted, the lives diminished. Citizens never march down the road to applaud a more efficient National Single Window, or a better policy on dominant firms. University students never riot to demand elimination of exemptions to competition law.

The broader message for TRADE is that reformers should talk about much more than how to best design an open labor market or a new competition law. Concepts important for the broader communication include:

- Reform will succeed when consumers and workers recognize their interests. The ultimate success of reform will depend on bringing consumers an understanding of the benefits of a more competitive marketplace while maintaining necessary consumer protections. In other countries, price levels have fallen sharply -- as much as 30% --after eliminating regulations that enforced cartels, such as in airlines and trucking. Box 1 contains concrete examples from other countries that have been used to promote competition policy reforms. TRADE should develop a similar box for the Philippines that should be included in a wide range of communications recommended in Section IV below. An example of generating information relevant to job creation is this finding: “In countries that began to allow foreigners to hold shares in domestic firms (a diverse group, including Indonesia, Brazil, and Nigeria), investment rose. Growth averaged 1.1 percentage points higher after liberalization than before.” (Henry,

2003).[7] Analysts can transform these kinds of estimates into estimates of new jobs in the Philippines or whatever information seems to be effective to particular groups.

- Consumers also benefit from greater choice, quality, and convenience that typically result from reforms that permit businesses greater flexibility or that remove nontariff barriers to entry by foreign sources. Entirely new telecommunications products have appeared after reform has restructured monopolies and permitted their competitive parts to compete. New combinations of services respond to consumer demand for greater convenience, as in retailing of pharmaceuticals and eye care products. Expanding shop-opening hours is such a response to consumer demand for greater convenience, accomplished by relaxing a regulatory constraint on output.
- Trade and competition policies are jobs programs. Reforms that remove barriers to entry, lower prices, reduce regulatory and administrative burdens on businesses, open trade, and promote innovation create new opportunities for job expansion. And these are higher paying jobs. To make this point, TRADE could, for example, compare the average wage levels in the Philippines in sectors with a high inflow of foreign investment to average wages in other sectors.
- Free entry and competitive markets are a pro-poor, pro-consumer strategy. Competition in free markets empowers those with ideas, rewards hard work and merit, liberates human skills and talents for better uses, opens new opportunities for self-improvement, and increases household income through several mechanisms, such as lower prices.
- Producers throughout the supply chain also have benefited from the increased competition that reform has encouraged, and not only through the lower prices that they pay in their role as customers. In the Philippines, for example, the Open Skies policy will help generate the level of tourism needed to expand. This is an important SME message. Greater competition from reform has also led to reduction of other kinds of costs, and reforms have increased business flexibility to respond to competitive challenges.
- A benefit that is equivalent to lower prices, and equally important, is higher output. In part, this effect is a direct response to lower prices, and in part due to new services and goods on the market. Removing barriers and permitting broader market access creates a dynamic competition of new competitive strategies, new technologies, and new products. Post-reform industries have designed entirely unexpected new strategies to reduce costs or improve services. When the US deregulated airline transport, almost no one anticipated the quick re-organization of many airline operations into more efficient hub-and-spoke systems that dropped prices by 50% or more. These effects

[7] http://iis-db.stanford.edu/pubs/20668/Avoid_Hubris.pdf

boost demand and output. The domestic Filipino market will become a larger market for everyone.

Box 1: Examples of Results of More Competition from Various Countries

- **Airlines**: Permitting free entry and rate competition has reduced airline fares by 25 percent in the United Kingdom, by 33 percent in the United States, and by 50 percent in Spain in the first year after licensed charter airlines were permitted to offer scheduled service. In response, output has taken off: available seats increased nearly 30 percent so far in Spain, while over a longer period competition in the United States has been accompanied by a tripling of annual passenger-miles and a substantial increase in airline industry employment to serve the increased traffic.
- **Road transport**: Permitting rate competition and free entry into road freight service has lowered average rate levels by about 20 percent while increasing flexibility and improving productivity, without impairing safety or service to rural areas: this experience is reported wherever these deregulatory steps have been taken, in Europe, Asia, and North America.
- **Financial services**: After ending price-fixing and introducing competition in securities trading, average commissions in the United Kingdom dropped to one-third of the pre-reform level. Opening up the financial services market to new entrants and services led to such innovations as variable rate mortgages, which have helped spread home-ownership more widely.
- **Agriculture and food**: Being required to give up a more competitive, less tightly regulated system for trade in bananas may have cost German consumers several hundred million dollars. And eliminating regulatory monopsony has improved the prices that milk producers receive for their products in the United Kingdom.
- **Telecommunications**: Reform has led everywhere to new services and intense competition for them. An example: in Denmark, the one-time monopolist now offers more than 60 services, delivery times have improved dramatically, and prices are either stable or lower--for mobile services, dramatically lower. Another example: in Japan, opening the market for international service to foreign providers (through call-back arrangements) has led to discount offers up to 40 percent to attract business customers.
- **Taxicabs**: Opening the taxi industry to free entry and price competition in Sweden led to a 30 percent increase in the number of taxis in two years, while prices for most customers stabilised at pre-reform levels and prices for passengers receiving subsidy assistance actually declined. And service to rural areas was maintained.
- **Professional services**: Eliminating the lawyers' monopoly on conveyancing and the barristers' monopoly on courtroom appearances, while permitting lawyers to advertise, is estimated to produce a 12 percent drop in the cost of legal services in Australia.
- **Health care**: Where eye care professionals are free from regulatory prohibitions against advertising and other normal commercial practices, average prices are 25 percent lower--and the quality of care is the same as in the more highly regulated, higher-priced jurisdictions.
- **Electric power**: Introducing competition for generation and retail supply in Finland led half of the eligible customers to re-negotiate their supply arrangements, most of them at lower prices.
- **International trade**: Implementing the Single Market Program in the European Union has stimulated competition in manufacturing sectors, resulting in shrinking price-cost margins and restructurings to achieve greater efficiencies, and has led to lower prices for transport and financial services.

b. Clearer linkages between reforms increase the chances of success

Reforms are most vulnerable when they are isolated. This is one reason why step by step incremental reforms almost never work – they are easily stopped at the most

vulnerable step. Reforms are less vulnerable when clear linkages are demonstrated, so that the momentum of the whole carries the pieces along. The OECD suggests that linking reforms can result in a sustained and expanding reform movement. New interests can increase pressure for reform in other areas. Reform in one area can make the costs of regulations in other areas more visible and painful. Australia, for example, started on competition and regulatory reforms after trade reforms increased the costs of rigidities in the domestic economy.

The logic of progressive and related reforms – linking trade, good governance, competition policy, and regulatory reform -- should be emphasized in the Philippines. Allies for one should be allies for all.

For example, connections between the benefits of trade agreements and competition in the domestic economy should be emphasized. When domestic producers are required to compete, they should be permitted to compete. While Mexico negotiated NAFTA, the government simultaneously carried out a far-reaching program of competition and regulatory reforms that resulted in changes to over 90% of the existing laws in the country. This was necessary to reduce barriers and costs that would have handicapped Mexican companies competing in the larger market. The message is: Free Filipino companies so that they can compete in the AEC.

The role of trade agreements in locking in a progressive reform is also familiar. Over the next few years, the Philippines will negotiate a series of trade and investment agreements – ASEAN, the Regional Comprehensive Economic Partnership (or the ASEAN+6 FTA), and perhaps the Trans Pacific Partnership (TPP) – in which competition and regulatory reforms will play important roles. Negotiators should use these opportunities to lock in progressively deepening commitments, much as a mountain climber hammers in a series of pitons on a steep cliff.

The anti-corruption and good governance themes are another integral part of the economic reform agenda. Government must protect itself against entrenched interests that are able to capture too much influence. This is an important message in the Philippines, where anticorruption programs already enjoy considerable political support from the President.

And the next major challenge in Filipino reform will be a widespread program of regulatory reform across the entire administrative apparatus of government that is aimed at removing and preventing the myriad regulatory barriers to market entry and competition. It is time now to start preparing the ground for linking the competition policy reform to regulatory reform by, for example, building a strong advocacy function inside the new competition commission. The Italian competition commission championed dozens of critical deregulation reforms through its analytical, reporting, and advocacy authorities.

Subsection 5: Recommendations for the TRADE project

For each component, this report identifies specific actions that can be taken to engage stakeholders on costs and benefits of trade reform measures, and encourage wider ownership of trade and investment reform.

III. Improving the Policy and Institutional Environment for Trade and Investment

The key issues for the trade and investment environment in the Philippines are not tariff reductions. Tariffs were removed for most goods in 2010, without much disruption to domestic producers. Rice and sugar are still among the most protected products (tariff protections of 40% and 10%), and price reductions for these will be important to consumers.

The key issues for ASEAN 2015 are, rather, the more decentralized issues of nontariff barriers, which are dispersed across the regulatory structure, involving many offices and agencies across the entire government. In the Philippines, the ASEAN 2015 agenda includes reforms in banking, labor and the professions, finance, agriculture, food issues such as phytosanitary issues, infrastructure including transport and communications, and standards for intellectual property rights, government procurement, labor and environment. Some 439 measures are to be implemented. TRADE reports that 87.2% have been implemented (as of March 2014).

The reform process for nontariff barriers is much more difficult, politically and managerially, than for tariffs. While tariffs are highly transparent and are usually concentrated in a single legal instrument that can be negotiated with a single entity, nontariff barriers are often difficult to identify and involve many kinds of legal acts written, adopted, and implemented by multiple agencies. The process of organizing regulatory change across many agencies has defeated many countries.

The formidable management challenge of implementing the AEC 2015 commitments is currently being faced in the Philippines through a series of institutions whose job is to oversee, co-ordinate, and educate the process of AEC compliance. These institutions are:

- The cabinet-level Philippine Council for Regional Cooperation (PCRC), created by the President in 2011, is meant to upgrade and reinforce inter-agency coordination in the formulation and consolidation of AEC 2015 and other international and regional commitments. It is chaired by the Secretary of Foreign Affairs. It has four technical boards. The order states that “Each Technical Board shall, whenever necessary, consult with stakeholders such as the academe, civil society organizations and business sectors on important and strategic issues relevant to their respective regional or inter-regional organization.” (Section 14).[8]
- The Department of Trade and Industry (DTI) chairs the Committee for ASEAN Economic Community (CAEC), the inter-agency body responsible for preparing the Philippines for full integration into the AEC. The CAEC works through a series of sub-committees and technical working groups (TWGs) with participation of various agencies and departments. The CAEC develops and implements the workplan that sets out the roles and schedules for the expert agencies.
- Actual reform proposals are developed by the expert agencies and departments in accordance with the schedules set out in the CAEC Work Plan 2014-2015, and the operating guidelines for the TWGs.

[8] http://www.gov.ph/2011/09/06/administrative-order-no-20-s-2011/

- Monitoring and reporting on performance is not done by the CAEC. The performance of the Philippines is monitored by an international process of "Review of Implementation of AEC Blueprint," by the ASEAN Integration Monitoring Office.[9]

It should be noted that this process cannot promise to actually open the Philippine's borders. While compliance with the AEC commitments is, for good reason, at the forefront of action now, the nontariff barrier agenda cannot be resolved by a static issue of "cleaning up." It is well-documented in many countries that nontariff barriers increase substantially after tariff reductions, as interest groups find new ways to create less transparent barriers to trade.[10] While the specific targets for ASEAN 2015 will be useful in eliminating some barriers, the continuing tendency for nontariff barriers to proliferate means that the government of the Philippines should also use this opportunity of interagency coordination to set up barriers to new trade barriers, in effect reducing the power of special interests for the long-term. Countervailing measures include ongoing surveillance and quality control mechanisms, including impact and trade assessment, for new policies that might contain nontariff barriers. Without some kind of control, nontariff barriers will simply find new channels for proliferation. Sustaining the fight against nontariff barriers and showing the credibility of ongoing reforms will also be important for the Trans Pacific Partnership (TPP) and other trade commitments in future.

III.1: Stakeholders and reform pressures in the Philippines in trade and investment environment reform

This reform is already at the second stage of reform, that is, at the solution design phase. The immediate stakeholders in this process of reform are the regulatory agencies themselves, who are largely in control of specific reform commitments that fall under their jurisdiction. The counterpart of the TRADE project is the DTI, which has the difficult task of organizing their efforts but does not have direct authority beyond coordination of their efforts. This process has been internalized into the CAEC machinery, and the level of performance on individual items, such as the extent and reasons for any delays, is unclear both at the political level and to external stakeholders. In other words, stakeholder oversight has been minimized to the point that there is little corrective pressure to counteract the possibly anti-reform incentives of regulatory agencies.

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[9] The ASEAN Secretariat calculates the implementation rate with a simplebinary scoring method ("yes" for full implementation; and "no" for not fully implemented), based on self reporting by the Members

10 While technical regulations were imposed on almost 37 per cent of tariff lines in 1999, the equivalent figure for 2010 was more than 50 per cent. See THE ECONOMICS BEHIND NON-TARIFF MEASURES: THEORETICAL INSIGHTS AND EMPIRICAL EVIDENCE by Marco Fugazza, UNCTAD, Geneva, POLICY ISSUES IN INTERNATIONAL TRADE AND COMMODITIES STUDY SERIES No. 57.

Table 2: Summary of Stakeholders Over Five Phases of Reform

(Shaded areas indicate the current focus of stakeholder management in component 1 reforms)

Phase of Reform	**Trade and Investment environment in the Philippines**	**Key Stakeholders in the Philippines**	**Information needs and advocacy** role **in this phase**
Idea formulation and reform organization	Already accomplished through ASEAN Economic Community 2015 commitments.		
Solution design	Solution design is currently being developed largely by the expert regulatory bodies in accord with the CAEC work plan and schedules. This process is largely internal to the government, with little public visibility.	Cabinet-level Philippine Council for Regional Cooperation (PCRC) Department of Trade and Industry (DTI) chairs the Committee on ASEAN Economic Community (CAEC), and its series of sub-committees and technical working groups (TWGs) Various agencies and departments in the substantive policy areas to be reformed. Expert public private groups and business organizations	-- Accountability for performance requires a detailed and public list of commitments, identified by responsible agency, with frequent reporting on performance by schedule and by agency. -- Business groups should be regularly informed of progress, and participate whenever reform is lagging. Information should trigger the reformers and DTI to mobilize around lagging reforms.
Broadening and marketing of reform ideas	There has been little effort to inform the general public of the benefits of the AEC Blueprint reforms, or the costs of non-action.	SMEs, particularly those that import inputs and middle-size export-oriented firms. Young people worried about jobs. Philippine public worried about future jobs, income, and generational opportunities in a region that is	The vision of a more competitive and open country is not clear in the minds of the public. Immediate losses are too visible, and future gains, although much larger, are invisible. Digestible information on trade and the quality of life should be generated and

		advancing faster.	widely disseminated.
Political acceptance and adoption	Political authorities have exercised little direct oversight on the process of compliance coordinated by DTI. There is no reporting requirement to political levels or mechanism for forcing action by reluctant agencies.	President PCRC Various agencies and departments in the substantive policy areas to be reformed	Reporting on performance by schedule and by agency, and comparison with other ASEAN countries.
Implementation	Implementation of reforms agreed by CAEC reverts back to the regulatory agencies themselves.	Various agencies and departments in the substantive policy areas to be reformed	Reporting on performance by schedule and by agency.

III.2: Factors and stakeholders supporting the status quo (against reform)

In addition to the general forces for the status quo set out in Section II above, the key factors for the status quo for this component are the incentives of the regulatory agencies themselves. The current process of the CAEC places most of the decisions about speed and content of the reforms with the agencies themselves who created the original policies. The potential disincentives for change at the agency level are well documented.

Another problem is that reforms are fragmented into individual action items, with little political oversight of overall compliance with national commitments. This amplifies the ability of narrow interest groups to block specific reforms of most interest to them. In effect, the national action plan for the AEC Blueprint has been too decentralized and bureaucratized, with too few countervailing forces such as active political management and organized stakeholder input.

A particular problem in these trade and investment environment work is the lack of public awareness about these reforms, both specifically with respect to performance on individual items and in general with respect to why they are important to the Philippines. The Asian Development Bank in March 2014 complained that the AEC reforms were incomplete and slowing down, and that “one of the major reasons remain the seemingly unmindful stance [and] unawareness of the private sector.”[11] The ADB said that majority of those surveyed were unaware of AEC 2015 and its implications. It recommended that ASEAN countries conduct “extensive knowledge campaigns in their respective jurisdictions.”

[11] http://www.philstar.com/business/2014/03/23/1303947/asean-econ-integration-not-likely-2015-adb

III.3: Factors and stakeholders supporting reforms

Most of the factors noted in Section II are directly relevant to trade and environment. The most obvious and powerful driver of these reforms is the national commitment in a clear package of reforms that are monitored by the international community. This transparency provides a direct link to the political authorities that should be further developed. Even if the Philippines fails to comply with the entirety of its commitments, it does not want to be among the laggards in the region.

One other factor stands out for this component: Domestic awareness of international standards is growing, supported in part by trade opening and ASEAN integration, and by the fact that the gap between the performance of the Philippines and its neighbors is clearer than ever. The implications of this gap in performance go far beyond the dry report that the Philippines did not deliver on 40 important commitments. The true implications are that the Philippines will not share in the full benefit of the ASEAN community and that other countries will seize advantages. The relationship between the quality of life in the country, and maintaining pace with economic reforms in the region, has become an increasingly important element of the public dialogue in the country. This element can be reinforced in the TRADE strategy.

III.4: Assessment of the TRADE instruments for stakeholder management in improving the Policy and Institutional Environment for Trade and Investment

Two conclusions of Section II are particularly notable with respect to this component: the stakeholder strategy has become almost a purely technocratic approach, and has narrowed quickly to a few stakeholders within the much larger context.

The instruments used by TRADE in this component to provide technical advice to the DTI and CAEC and its subcommittees include the following list. These information inputs are all channeled through the DTI into discussions inside the reform process. They are probably valuable, although one wonders how useful an additional research program is to the process of implementing specific AEC Blueprint commitments. It is unclear what additional information will be provided by the UPSE and PCCI research. The recommendations that follow suggest some messages that should be developed in that research.

- A series of round table discussions (RTDs) led by the CAEC Subcommittees organized to address specific compliance gaps in the AEC Blueprint commitments.
- Technical support for upcoming AEC forums and roundtable discussions.
- Support for regular consultations by the DTI-IDTPG leadership with experts in trade policy from the academe and private sectors.
- Provision of technical advice on a sustained basis through periodic consultations called by the Undersecretary and Assistant Secretaries for DTI-IDG.
- Expanding the network and pipeline of trade policy experts by starting a research program for specialists from various academic and research institutions.
- Research on economic impacts of Philippine participation in AEC and TPP. A quantitative analysis of the economic impacts of Philippine participation in TPP is underway at the University of the Philippines School of Economics with TRADE support using a gravity model approach and a computable general equilibrium (CGE)

analysis. A similar analysis of impacts of TPP participation from the business perspective is being undertaken by subcontractors PCCI & MBC.

Some activities are also planned by TRADE that should widen the scope of stakeholders and provide more accessible information about the "why" of these trade reforms:

- Support for "awareness-raising activities such as publication of the monthly TPP Updates, a compilation of news and developments about the TPP from third-party sources." These updates do not seem to be written for the general public, though. The July 2014 edition is written for technical experts who want information about specific negotiating issues. The front page has a very promising article that reads, "A study released in July has found that, with TPP membership, the Philippines will see exports increase by $300 million in 2015, rising to $3 billion over a nine-year period or by 2024." That is an excellent message. However, the article then becomes technical, and then ends with the disappointingly vague statement, "Aside from the increase in exports, the study showed a sustained improvement in wages and returns to capital over the same nine-year period." While this study might not have contained that information, there is no further discussion of whose wages go up, or by how much, information that might be of interest to affected stakeholders.

  Award to the Makati Business Club (MBC) of a contract to organize an advocacy and information campaign on the AEC and Philippine participation in the TPP. That contract is clearly an opportunity to implement some of the recommendations below.

III.5: Recommendations for the TRADE project

Recommendation 1	Next steps
Trade measures are always difficult for the public to understand clearly, since short-term losses are very visible. Special interests will exaggerate the importance of those losses.	TRADE should move to develop communication materials around the "big picture" of trade openness, emphasizing changes in Philippine quality of life associated with more open borders.
The TRADE work is aimed at the technocrats, but there is almost no digestible information for the public. TRADE should popularize its growing body of information by making the invisible visible to the non-technocratic public. The first AEC primer produced for the April 2014 Forum: Converging on an AEC Gameplan, apparently was written for this purpose.	Develop a vision of the Philippines under the set of trade agreements – AEC 2015, TPP, and other trade matters. Show the progression over ten years (or a relevant time period) in the benefits to specific groups – consumers, the poor, SMEs, the youth seeking employment. Target circulation of this information at the groups identified. Table panels of these groups at the AEC forum to discuss benefits. Video these panels and post them on boards accessible to these groups.
It is important to increase the reform package communicated to the public beyond narrow measures to include the big picture – such as the kind of country that people want to live in,	For example, the wage effects of moving to higher value activities in a more open market, and the effects of increased infrastructure spending on rural life are part of this "big picture". How many jobs in the Philippines depends, directly or indirectly, on trade, and

for themselves and their children.	how many in 20 years? Data can be obtained from the ASEAN Community Progress Monitoring System (ACPMS) and comparative sources such as the WB *Doing Business* indicators. Develop an alternative scenario if the Philippines does not open up, while its partners do. Show the diverging quality of life among nations, with emphasis on specific groups. The costs of non-reform should always be explicitly quantified, since the Philippines will not only be standing still, but losing jobs and income as other countries move ahead. The generational aspects of reform might be appealing as a communication strategy in the Philippines, since the young are paying very high costs for non-reform.

Recommendation 2	**Next steps**
Trade barriers are easy to adopt because regulatory bodies do not know the true costs, and, even if they do, stakeholders do not. To facilitate consultation and transparency, it is important that the regulatory bodies across the government embed impact assessments and evaluations in trade policy making and standard setting. These impact assessments could be included in the mandatory WTO notifications of trade-related issues and included in the National Trade Repository.	TRADE should propose a system of impact assessments and evaluations in trade policy making and standard setting. This approach could be piloted as part of the CAEC capacity building

Recommendation 3	**Next steps**
Make progress on the AEC Blueprint more visible through public reporting of commitments and achievements by department and agency. The current DTI process is largely invisible to the public, and even supporters of the reforms do not know the status of key reforms. It is also useful to create a mechanism for supporters of the reform to have a role in pushing forward reforms that have fallen behind.	TRADE should work with DTI to develop a performance monitoring and reporting system against the CAEC workplan and AEC Blueprint, with corrective action. For example, performance reporting could trigger an automatic consultation with the business community on items that are behind schedule, with an opportunity for the business community to suggest specific reforms for

	compliance. The CAEC should be empowered in those cases to consider the proposals of the business community rather than wait for action by the responsible regulatory agency.

Recommendation 4	Next steps
Link structural reforms to transition programs to ease pain of adjustment for specific sectors. It has been noted that, for trade issues, "A challenge is SMEs' lack of access to finance, technology, skilled labor, as well as their inability to comply with standards and weak linkages to high-tech sectors. For SMEs, penetrating the export market is a major hurdle."[12]	A major investment in building export capacities for SMEs would be a welcome message in the country. TRADE should engage a research report on transition programs for SMEs that have accompanied market-opening reforms in other countries, such as assistance in accessing export markets. In this report, identify key interventions that could help the most prepared Philippine SMEs export. Include facilitative measures as part of package of reforms so that new opportunities and capacity building are linked more clearly.

Recommendation 5	Next steps
More targeted information relevant to specific groups would be more effective than general "awareness raising" information.	Rather than a general TPP update, issue a rolling series of trade reports (including all trade reforms) aimed at specific stakeholder groups – students, consumers, farmers, blue collar workers, white collar workers, SMEs. These reports should report on specific changes of benefit to these groups, and assess specific benefits to them. They should also report on who is responsible in the government, and the status of the reform discussions, with contact points for further information. Circulation should be targeted at these groups – using their preferred means for information, such as associations and other groups, social media, visual media, or meetings/ workshops/ conferences.

[12] See Status of Philippine Commitments to AEC 2015 and Recommendations, resented by Gilberto Llanto, President, Philippine Institute for Development Studies to the House of Representatives Committee on Economic Affairs in response to House Resolutions 666 (by Rep. Ma. Lourdes Acosta-Alba) and 746 (by Reps. Rufus Rodriguez and Maximo Rodriguez), May 27, 2014.

IV. Improved Trade Facilitation

ASEAN believes that trade facilitation "is the most important set of AEC measures from the point of view of the ASEAN private sector."[13] However, customs reform, a National Single Window (NSW) for electronic completion of trade-related procedures, and a National Trade Repository (NTR) are hard sells among the general public. These highly technocratic reforms are difficult to explain and difficult to understand. The benefits of electronically-facilitated international trade for increasingly complex supply chains are not easy to visualize.

They are also difficult to implement institutionally. They require highly organized and standardized systems of business process analysis, document coordination and standardization, data harmonization, privacy and data protection issues, data exchange and business interoperability. They must be closely coordinated with the clients (businesses) to ensure that they meet current needs and best practices in business operations.

Yet, while they are technocratic, they are also highly political because they require institutions to set aside their normal operations and become part of a new system of client service and transparency. No institution changes its culture easily, and particularly not when important rents and benefits accrue from lack of transparency, administrative discretion, and lack of accountability. Ahito has drawn attention to "those who have profited from antiquated manual procedures that leave much discretion to collection officers."[14] Customs agencies in particular are notorious for failing to implement planned legal reforms, and the long and painful history of customs reforms in the Philippines provides some insight into this phenomenon.

The reforms in Component 2 of the TRADE project are already well advanced in policy design.

- A Customs Modernization and Tariff Act (CMTA) has been pending in various forms in Congress since 2008, and is still being reviewed and revised. TRADE itself has been part of the process of review and revision, most recently in workshops with the Philippine Chamber of Commerce and Industry (PCCI) and the Export Development Council (EDC) which carried out detailed review and redrafting. This involvement by the private sector directly in the drafting process is a welcome initiative within TRADE's stakeholder strategy.
- Reform is moving beyond the long delayed CMTA. Even as the CMTA bills are pending in Congress, "urgent RKC provisions" can be implemented through administrative orders or issuances. For example, the establishment of an enhanced clearance process, including pre-arrival processing for Authorized Economic Operators (AEOs), can be implemented with a Customs Memorandum Order (CMO) that was drafted during a two-day workshop that TRADE supported in March. This creative use of stakeholders to develop alternative channels for feasible reforms,

[13] Economic Research Institute for ASEAN and East Asia (ERIA), Mid-Term Review of the Implementation of AEC Blueprint, October 2012, at http://www.eria.org/Mid-Term%20Review%20of%20the%20Implementation%20of%20AEC%20Blue%20Print-Executive%20Summary.pdf

[14] *http://opinion.inquirer.net/76959/laws-long-overdue#ixzz3G90NP8Q2*

even when the major reform is delayed, deserves special notice as a potentially effective stakeholder strategy.

- The NSW is already implemented in part, although with inconsistent performance,[15] and there is much work left to do. TRADE reports that the "primary purpose" of component 2 "is to give more impetus to BoC and other TRGAs (Trade-Regulatory Government Agencies) for a full utilization of a seamless NSW."

IV.1: Stakeholders and reform pressures in the Philippines

Like the other reforms supported by TRADE, the component 2 reforms are already in the solution design phase, since the reform concepts have already been accepted at the political level and enshrined in various trade agreements. The main counterpart of the TRADE project is the Bureau of Customs (BoC), a mostly independent body in the Department of Finance. The key stakeholders in this component are the BoC itself, the Congress in the discussions of the CMTA, the other ministries and agencies involved in the NSW, and the business clients of customs services. The Department of Finance is a stakeholder because of the implications higher revenue collection from a reformed customs service. The larger group of stakeholders are the downstream beneficiaries of better customs services such as businesses using imported inputs, and consumers.

Table 3: Summary of Stakeholders Over Five Phases of Reform

(Shaded areas indicate the current focus of stakeholder management in component 2 reforms)

Phase of Reform	Trade and Investment environment in the Philippines	Key Stakeholders in the Philippines	Information needs and advocacy role in this phase
Idea formulation and reform organization	Commitments are already accomplished in the AEC Blueprint and in the World Customs Organization (WCO) and Revised Kyoto Convention (RKC)		
Solution design	While solution design is underway in the	Customs reform:	A more formal PPP approach during the

[15] In April 2014, the BOC Commissioner announced that "the National Single Window System has been encountering degradation in performance severely affecting the processing of permits and licenses which resulted in the backlog of transactions for regulatory agencies and delay in customs clearance." See *http://www.competitive.org.ph/stories/982#sthash.TIrBLbmg.dpuf*

	Congress in legal drafting of the CMTA, smaller reforms are also underway through Customs Memorandum Order (CMO)	-- Congress committees such as House Committee on Ways and Means -- Bureau of Customs -- Ministry of Finance (securing revenues) -- Key business representative bodies (PCCI, EDC, Joint Foreign Chambers (JFC)) NSW: -- Bureau of Customs, -- Trade-regulatory government agencies (TRGAs) involved in transactions for trade-related permits, licenses and other authorizations -- Users of the NSW such as importers and exporters and downstream users in the supply chain	design phase of the NSW. Views of businesses on specific reform measures, through roundtables or other targeted dialogue forums. Technical briefings on pros and cons of specific options for legislative staff and legislators League tables showing specific performance indicators of customs related performance, with assessments of real costs, compared to rest of ASEAN
Broadening and marketing of reform ideas	These highly technical reforms are poorly understood by anyone outside of the expert trade community.	Two key stakeholders are the SME and logistics-dependent communities. Habito notes that the "CMTA will thus reduce the costs of doing business that modernized customs processes would bring about; small and medium enterprises should be particularly benefited by easier	League tables and communications aimed at showing the real costs of current practices, and benefits of change. Linking customs reforms to anti-corruption and good governance reforms.

		access to imported inputs."[16] The JFC has noted that "The costs of the entire logistics chain which connects Philippine agriculture and industry to foreign markets must be made as competitive as possible to support existing businesses in the Philippines as well as to attract new ones." -- Users of the NSW such as importers and exporters and downstream users in the supply chain	
Political acceptance and adoption	The CMTA will require passage through the Congress.	Congress Media and general public	League tables and communications aimed at showing the real costs of current practices, and benefits of change. Linking customs reforms to anti-corruption and good governance reforms.
Implementation	Implementation of the customs reforms will revert to the customs agency itself, whose management is little reformed by the CMTA.	Clients of customs services	Surveillance and monitoring of actual performance of the Philippines by established PPP process.

IV.*2: Factors and stakeholders supporting the status quo (against reform)*

Unlike the other two components of the TRADE project, the general pressures against reform cited in Section II are not particularly relevant to customs reform and the NSW. The

[16] Cielito Habito, July 29th, 2014, *http://opinion.inquirer.net/76959/laws-long-overdue#ixzz3G8hr5emw*

main stakeholder resistance to this reform comes from the public sector – from the Bureau of Customs itself and the many regulatory agencies involved in the NSW.

The lengthy delays in enacting the CMTA can be explained only by determined resistance over a long period of time. Whatever the specific concerns of the Bureau, it apparently has enormous influence over the policy process.

The resistance to the NSW is not particularly clear. The difficulty of that reform is so intense that delays might be attributable to that factor alone.

IV.3: Factors and stakeholders supporting reforms

Several of the supportive factors described in Section II are relevant to the component 2 reforms. In particular, the growing diversity on the supply side of the economy – with more *Mittelstandt* firms, more global participation, and more innovation – has produced a growing clientele for the services offered by the Bureau of Customs, and a growing awareness of how far away from regional good practices is the Philippines. Exporting and importing SMEs are a key but growing constituency in the Philippines, albeit still quite silent.

Awareness of the high costs in time and money of inefficient customs services also feeds the pressure in the business community of lagging behind other countries in preparedness for success in the AEC

Another important pressure point is the current Presidential initiatives for good governance and anti-corruption. The fight against smuggling can be included here, with its implications for higher revenues from duties collection.

IV.4: Assessment of the TRADE instruments for stakeholder management in Improved Trade Facilitation

Component 2 of the TRADE project has probably the most technocratic approach to stakeholder management among the three components, but also showed the most creative and effective uses of stakeholders in pushing reforms along. Its stakeholder events were organized around specific and timely outputs that were useful to the reforms – working plans, legal analyses, a draft customs order, focus group of clients of the customs services. Its specific activities included:

- Support for the National Competitiveness Council (NCC) in organizing a roundtable discussion (RTD) on the NSW. Represented at this RTD were various TRGAs who tackled the NCC's NSW Working Group Plan for 2014.
- Joint organization with the Philippine Chamber of Commerce and Industry (PCCI) and the Export Development Council (EDC) a series of twice weekly workshops where participants undertook a line-by-line gap analysis of the draft bills to ensure consistency with the RKC, WTO, AEC and the Philippines-US Trade Facilitation Protocol (PUSTFP).
- A focus group discussion (FGD) on the Bureau of Customs' (BoC) Super Green Lane (SGL) Program. The BoC Deputy Commissioner for the Assessment & Operations

Coordinating Group (AOCG) discussed with SGL members how the SGL could be further improved.

The component plans to hold training sessions for legislative staff to aid in the passage of the CMTA bill in Congress. These are probably useful if they are planned to answer the key questions of the Congress at the appropriate moment in the discussions.

IV.5: Recommendations for the TRADE project

Recommendation 6	Next steps
Improve business-government cooperation in the entire project by involving private sector formally in policy development. This work is now monopolized by the public sector, while TRADE brings in private sector input through workshops. This is insufficient as a model for cooperation. When Malaysia set up its single window project, a Public-Private Partnership was seen as a critical success factor. "Whilst the Government took a leading role in developing and implementing forward-looking and sustainable e-initiatives, the private sector was given the important role to devise and implement the paperless move to achieve a more transparent and efficient public delivery system for enhancing productivity and reducing the cost of doing business."[17]	Further develop a formal PPP for the role of the private sector in the NSW and customs reforms, such as (in customs) responsibility for developing electronic signature, data protection, and data transfer standards, and (for the NSW) business process analysis and simplification. A formal business role in surveillance of implementation of reforms is also needed. The Export Development Council or the National Competitiveness Council, both Public-Private Partnerships, might be bodies to consider for a more formal role in policy development and surveillance in the trade facilitation reforms. The EDC mandate, for example, already includes "submit quarterly reports to congress" which might be useful as accountability mechanisms.

Recommendation 7	Next steps
Accountability for performance can reduce the power of resistance and empower reformers. Information that more clearly demonstrates the importance of the work on trade facilitation should be developed and included in TRADE contacts in public and private sectors. The increasing opportunity cost of non-reform should be highlighted. The pressure of "catch-up" was noted by the	Develop league tables showing progress on key indicators such as efficiency of trade clearance processes, costs of CBWs, time for clearance, logistics chain costs, and other indicators of direct financial relevance to Philippine businesses. "Distance" between the Philippines and best practice in ASEAN and APEC should be identified, and costs associated with that gap should be calculated.

[17] Case of Malaysia's National Single Window, UNNExT, Brief No. 04, July 2010, at http://unnext.unescap.org/pub/brief4.pdf

Customs Commissioner in Nov 2013, when he "expressed hope that the Philippine Bureau of Customs (BOC) may after all, be able to catch up with the rate of modernization of its ASEAN counterparts."[18]	The Trade Transactions Process Analysis (TTPA) work might be charged with developing such indicators.

Recommendation 8	Next steps
Link customs reform to anti-crime, corruption and governance initiatives. The Joint Foreign Chambers (JFC) has commented on "The perennial problem of smuggling which contributes to revenue losses for the Philippine government and, more importantly, deters the proliferation of legitimate businesses."[19]	TRADE should contract for work to develop indicators of revenue losses due to smuggling, estimate revenue gains from reforms. Revenue gains can be passed on to the population through lower fees on popular services.

V. Competition policy

V.1. Stakeholders and reform pressures in the Philippines

As Table 4 shows, the key phases at this moment in competition policy reform in the Philippine are the "solution design" phase and the "broadening and marketing of reform ideas" phase. The target groups for each phase are identified in the third column, and specific information needs are identified in the fourth column.

The first phase, "idea formulation and reform organization" is already completed in the Philippines as shown by the government's commitment to ASEAN to adopt, by late 2015, a competition policy that complies with ASEAN guidelines.[20] This demonstrates a familiar approach to difficult economic policy reforms: locking in political leadership through international commitments. Unfortunately, there might be some back-tracking. The ASEAN commitment seems somewhat weak in the Philippines since there is already discussion that the Philippines might not meet all of its obligations by end 2015. To counter what might become a tacit agreement to fail, the messages of the stakeholder strategy should include a frank appraisal of the real costs of a failure to move with the rest of ASEAN and meet commitments important to investors in the region.

[18] http://customs.gov.ph/news/2013/11/12/customs-reforms-get-boost-with-house-interest-on-new-customs-law/

[19] http://www.abs-cbnnews.com/business/12/04/13/foreign-businessmen-support-bill-modernize-customs

[20] The Association of Southeast Asian Nations (ASEAN) includes ten countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. By promoting market reforms in its members, ASEAN is attempting to increase economic integration 'to transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital'. ASEAN member states have committed to endeavor to introduce competition policy in their territories by 2015, in compliance with the ASEAN Regional Guidelines on Competition Policy.

Competition policy reform is already well advanced in the *solution design* phase. The debate on the content of a new competition policy, taking the form of drafting a new competition law, is underway in the committees of the Congress in the House of Representatives and the Senate. Multiple drafts have been developed, and consensus seems to be centering on the draft being written by the technical working group in the House, which features an independent competition commission, as recommended by experts. Many key decisions are still to be made, including the degree of independence of the commission, definitions of dominance and abuse of dominance, penalties, and relations with sectoral regulators. Discussions are currently centered on the specific contents of this draft, rather than the impact of the law. At some point, both houses will need to agree on a single draft.

Competition policy is less well advanced in the phase called "*Broadening and marketing of reform ideas*". Several of the recommendations below suggest more attention to this phase.

Table 4: Summary of Stakeholders Over Five Phases of Reform

(Shaded areas indicate the current focus of stakeholder management in Philippine competition reforms)

Phase of Reform	Trade and Investment environment in the Philippines	Key Stakeholders in the Philippines	Information needs and advocacy role in this phase
Idea formulation and reform organization	Already accomplished through ASEAN commitments, and with technical arguments from pro-reform business groups and donors.	New political leaders, donors, technocratic reformers in economic or research areas, highly organized business interests	
Solution design	Competition policy is now in the solution design phase, which is organized through the law drafting process in the House. Discussions are still concentrated on "inner" groups, and are still based on highly technical and legalistic information. Discussions of the design of the new competition policy are occurring in multiple fora, including the Congress, business associations, and to a	Key political leaders: • President -- Key leaders in House and Senate involved in drafting new law, including Speaker of House, Chair of the Senate Committee on Trade, Commerce and Entrepreneurship, Chair of the House Committee on Trade and Industry, and staffs of the	-- Link competition policy to corruption fight. -- Focused messages on real results of competition law in addressing poverty and corruption, and Philippine's need for success in ASEAN economic area -- Technical information on specific options for design of new policy and law; respond to

	limited extent the media.	committee.	misinformation and undue anxiety. -- Feedback from countries implementing competition law in similar conditions. -- Information desk function to respond to specific questions on a real time basis.
		Donors: • USAID TRADE • World Bank • EU • JICA	-- Support analysis and communications from domestic groups -- Seek opportunities for multilateral and coordinated messages rather than bilateral messages -- Benchmark Philippines with other countries.
		Technocratic groups: • Think tanks and academics • Sectoral regulators	-- Produce analysis that focusses on concrete projected results of competition law in Philippines -- Should provide popularized or layman versions for these to make them more accessible to the public and more interesting to the media. -- Focused discussions of options and benchmarking with other countries. Workshops with Australian, South Korean competition agencies on how they manage the relationship

		Highly organized business interests: • Philippine Chamber of Commerce & Industry (PCCI) (more than 100 local chambers nationally, 30,000 members, but poorly organized) • MBC (large companies, 400 members) • Foreign chambers of commerce (Joint Foreign Chambers)[21]	-- Respond to undue fears that competition law is "anti-big business". -- Provide clear information on actual risks and implementation of new law, using information from countries as available -- Emphasize growing domestic market and new opportunities in AEC -- Link to larger agenda of trade commitments in future -- Seek opportunities to use contact information and events to get targeted messages out
Broadening and marketing of reform ideas	The competition policy debate is just entering this phase. Much of the information generated by TRADE and business groups is too technical for this phase. A much broader set of messages should be generated and a broader group of allies should be created.	Wider groups of politicians in House and Senate	-- Focus on results of law and key choices to made -- Target smaller briefings with invited foreign officials from countries such as Mexico with new competition policies, and provide more targeted messages on actual implementation

[21] The Joint Foreign Chambers include:
1. American Chamber of Commerce
2. Australian-New Zealand Chamber of Commerce
3. Canadian Chamber of Commerce
4. European Chamber of Commerce
5. Japanese Chamber of Commerce
6. Korean Chamber of Commerce
7. Philippine Association of Multinational Companies Regional Headquarters, Inc.

			-- Need more complete political mapping of reform preferences in House and Senate to target specific concerns. Once the law is adopted, continued monitoring of interests as specific and sectors issues are regulated would be useful in promoting a sound regulatory framework for implementation of the law.
		Business groups more broadly: • Connect with sectoral business groups with specific interests • Connect with small business groups	-- Specific information on new opportunities in AEC -- Specific information on likely effects on prices, demand, and input prices -- Small business messages about more opportunities to setup and expand, lower prices for key inputs
		Media	-- Need bigger media events with more focused messages on benefits of competition law for consumers and small businesses
		NGOs working on anti-corruption and good governance such as Action for Economic Reform. While consumer groups are weak in the Philippines, good government NGOs should be more involved with competition reform.	-- Broaden message to illustrate connections between corruption and market abuses. -- Specific events with experts and officials from other countries working in competition policy

		Social media	-- Use Twitter, FB, other social media to involve students and other younger people in discussion of future of Philippines. Emphasize opportunities, prices of key services. Connect to real time information on status of reform.
Political acceptance and adoption	The Philippines will reach this phase in mid-2015. The solution design and reform marketing phases should generate the momentum and public good will for this reform needed to enable political decision-makers to adopt a strong competition policy.	Political institutions, targeted coalition building to swing passive or neutral politicians, media	
Implementation	The Philippines has not entered this phase.	Public administrations, monitoring by key stakeholders to keep reform on course, media	

V.2. Factors and stakeholders supporting the status quo (against reform) in competition policy

Competition policy reform has been bruited in the Philippines for almost 20 years, and many incremental steps have been taken to implement aspects of competition policy. But none of these steps succeeded in challenging entrenched interests and opening up sectors where abuses were occurring. Competition policy faltered in the face of economic powers and lack of support or outright opposition by the general public.

The status quo forces noted in Section II are all relevant factors in the continuing inability of the political system to agree on a new competition policy system.

V.3. Factors and stakeholders supporting reforms in competition policy

The general forces described in Section II are all relevant to the fundamental shift toward a more competitive economy. The voices for change in competition policy are growing, are more organized, and are more informed. The job of the TRADE project is to provide them with information that empowers them to act within the highly resistant political economy.

V.4. Assessment of the TRADE instruments for stakeholder management in competition policy reform

TRADE has invested most of its energy in the competition law debate into support of the discussions on technical matters and legal design within small groups, mostly in the House and Senate and in national business associations. TRADE is playing a significant role in supplying neutral technical information on how to design a good competition policy through several channels in the Congress, DTI, other regulators, and donors. The TRADE project:

- Supported a PCCI initiative, with the House of Representatives Committee on Trade and Industry, and the Senate Committee on Trade, Commerce and Entrepreneurship, to organize a one-day workshop on competition policy. Forty-three (43) legislative staff members attended. This substantive public-private forum is a good example of providing information that is needed in a forum conducive to dialogue.
- Contracted with the Center for the Advancement of Trade Integration and Facilitation (CATIF) to provide technical inputs, particularly on economic issues, to assist legislators and their staff in their efforts to defend and pass the proposed competition bill into law. That continuing and real-time support for active debates is a good example of using information effectively in the reform process. Contrast that flexible approach with contracting a research report that is unlikely to be submitted at the moment it is needed or to precisely respond to the issues of the moment.
- Issued a primer on competition law and policy to be distributed to all legislators and interested stakeholders. This seems a high risk project, since the technical content of a primer can fall between all stools, being too complex for the average reader, and not complex enough for the expert. The target audience and success of the primer should be assessed.
- Hold consultations on competition policy in Luzon, Visayas and Mindanao.
- Designed a stakeholder survey on perceptions on competition and contracted the survey out. This provides a useful baseline for perceptions of stakeholders in the Philippines, although the population surveyed must be carefully chosen to represent those who will benefit from reforms.
- Planning a deliberate stakeholder analysis to identify allies and opponents (both explicit and silent) toward passage of the Competition Law, and will use this information to assist the government develop and implement a strategic advocacy thrust to ensure passage of the law. This is another good idea to exploit the value of information by careful targeting.

These are critical efforts and should continue. TRADE has also invested heavily in generating an information base with evidence-based policy analyses and road mapping, which are also useful to stakeholder management. However, there is scope to extend the

discussions beyond these smaller groups into the broader political economy. This requires that the mode and content of the messaging change in the two main ways identified in Section II: 1) Move the discussion beyond the technical level (how) into results (why); and 2) Clearer linkages between reforms to increase the chances of success.

V.5. Recommendations for the TRADE project

The TRADE project has several advocacy components that incorporate elements of good stakeholder management, and already has a range of communication tools that can be focused around key messages. The 16 recommendations below provide additional tools based on two principles: 1) successful reformers energize supporters with precise, credible information explaining the new system and the rationale for change, and documenting the costs of the system, the benefits of change, and the experiences of other successful countries; and 2) successful reformers also organize a wide variety of concrete opportunities for stakeholders to learn about the reform.

a. Focus and target the message to communicate real results

TRADE should continue to provide detailed technical information of direct interest to law drafters and to businesses directly affected, but, to broaden the message beyond a narrow group of expert, it should move beyond the technocratic into clearly stated results of reform important to the average consumer and business. Specific information should be targeted to specific stakeholders to counter misinformation, to reduce anxiety, and to change their views of benefits and costs of reform.

Recommendation 9	Next steps
Develop a set of analytical information about how competition will affect consumers, workers, SMEs, and competitors in key sectors – tobacco, shipping, telecoms, beer, air travel, pharmaceuticals, cement, retailing… The TRADE work plan already includes "research and analysis of the competition environment, focusing on strategic sectors (e.g., energy, shipping)," but this work has not produced concrete information on the visible impacts in those sectors.	TRADE should either re-orient existing studies or contract new studies of the potential impacts on consumers (perhaps using price gap analysis) and on new market entrants (using anecdotes or comparisons with other countries). What is needed is a set of concrete projections of benefits of more competition that are important to the general public, as the OECD did in Box 1 above. These studies should assess the following results for the Philippines: - Improvements in efficiency and service quality in these sectors. - Show how a family is affected by lower prices and more choice - Show how downstream businesses benefit - Show how investment increases in more competitive environment - Show how jobs increase as investment increases - Show how real wages increase as

	investment and productivity increase TRADE has issued a Competition Law 101 Primer (with case studies, info graphics) that presumably is targeted at a technical audience. This primer has the potential to fall between two needs: too technical for the layman, and too simple or late for the real-time discussions on options in the Congress. A follow-up primer, describing “why” rather than “how”, might focus solely on demonstrating and illustrating how competition affects the different sectors and political issues would be very useful. It could also help to drive debates in the coming elections. One approach could be to product detailed but easy to understand info graphics to highlight competition-related comparisons among countries. This would improve domestic awareness of the costs of “falling behind” in the region.

Recommendation 10	**Next steps**

Use the information from Recommendation 1 to re-brand competition reform in terms of clear results: consumer price reduction, consumer protection, poverty reduction, fairness for businesses. The issues at stake are not “a competition law,” but broad-based competition in the Philippines that fosters inclusive growth.	Include these key messages in important communications, including:
	
	- The media kit on competition policy that is already planned;
	- Help a Filipino institution develop a friendly website with this information;
	- Hold a series of media briefings around 5 selected “killer anecdotes” about how the reforms will help a family in the Philippines;
	- Work with the Makati Business Club to incorporate this message into its advocacy products, including its:
	  - Fact Sheet
	  - MBC Special Primer #1 & 2
	  - Dialogue with Senators and Staff
	  - Dialogue with Representatives and Staff
	  - Educational Seminar for Legislative Technical Staff
	  - PDI Business Matters Column: Focus on TPP and PH

Recommendation 11	Next steps
Organize bigger media events using the key messages. Use international examples to show "real" effects of competition reforms and reduce anxiety about the unknown consequences of this reform.	-- Organize a major conference and media event featuring high-level representatives of carefully selected competition agencies in countries that have recently introduced competition policy or have innovated. The key message is that competition policy is practical, and can produce results important to the Philippines. Countries can include: - Mexico: After introducing competition policy in the 1990s, and suffering many setbacks, competition policy is now strengthened and producing major benefits to Mexicans - South Korea: A competition agency was created in the 1990s, and its fight against dominant firms and the cabal are relevant to the Philippines. - Australia: Australia has chosen to integrate many of the sectoral regulators into a single body that ensures a consistent national competition policy across the economy -- It will be important to carefully focus the discussion at the media event around key issues such as "how did competition policy affect consumers in your country?", and not around technical issues of design. -- Package the messages from the conference through video clips, on-air interviews, and reports for broad circulation. -- As requested, follow up with study tours for key decision-makers to these competition bodies for more detailed discussions.

Recommendation 12	Next steps
Support the generation of formal joint statements for media and political audiences by coalitions of allies such as groups of NGOs or business organizations supporting the reform. These can be useful in solidifying commitments by members of the coalition, in communicating the broad base of support, and in reducing the voices of less-organized opponents. For	-- Encourage multi-stakeholder statements when positions converge. Use such statements as part of a media event to build the momentum for reform in the public debate. Organize the media event around a panel of the supporters of the joint statement. -- Encourage the MBC to draft a joint letter on behalf of the National Association of

example, the Makati Business Club organize a jointly-signed letter to President Aquino by Philippine business groups and foreign chambers on the need to amend the restrictive economic provisions in the Philippine Constitution.	Independent Business Clubs. Such a letter can be agreed at the MBC regional conference in November 2014. -- Use the discussions on the national competition policy framework with departments and stakeholders to generate an actionable statement about competition policy principles in the public sector.

Recommendation 13	**Next steps**
Organize a set of smaller dialogue opportunities between foreign competition regulators and key target groups in the Philippines. Debate-based seminars, such as already planned by the MBC, are far more effective for smaller, professional groups such as House and Senate members.	-- Organize a number of concrete opportunities where key stakeholders can sit down in smaller groups for more organized and practical dialogue with the competition agencies from other countries. -- Include the competition agencies that come for the conference in the MBC planning for the: - Dialogue with Senators and Staff - Dialogue with Representatives and Staff - Educational Seminar for Legislative Technical Staff

Recommendation 14	**Next steps**
Make clear a strong competition law is not anti-big business.	Current presentations seem unduly threatening to dominant interests. A more reassuring message should be built into presentations to the business community. - Emphasize that big businesses and competition law are entirely compatible. - Emphasize issue of conduct, not size. - Give examples from other countries. - Give examples of specific behavior that would be prohibited – with examples – but also examples of where dominant businesses exist well with competition policies. - Emphasize that open borders change the effects of dominance in the domestic economy.

b. Link competition policy with trade liberalization and good government initiatives

As noted, important reforms should be linked so they cannot be isolated and defeated. In all communications, TRADE should encourage its counterparts to bundle trade, competition and regulatory reforms into a unified package by showing links and sequencing. The trade reforms – ASEAN and the agreements that follow it -- will expose the Philippine's economic producers to new pressures of the international market economy. However, stronger competitive forces in the domestic economy will damage the private sector unless local companies are permitted more freedom to compete and more certainty about property rights. Countries that open their borders without reforming regulations develop more slowly and suffer more transition costs than countries that get the sequencing right.

Recommendation 15	Next steps
Show the real costs of a failure to move with the rest of ASEAN and meet commitments important to investors in the region. To counter what might become a tacit agreement to fail, the messages of the stakeholder strategy should include a frank appraisal of the real costs of a failure to move with the rest of ASEAN and meet commitments important to investors in the region. For example, the Philippines is already falling behind in investment – make the consequences of that clear.	-- A key message is that competition policy is integral to succeeding in ASEAN, and is part of survival strategy of the Philippines. Competition policy will help the Philippines capture its fair share of regional wealth. - Develop messages that emphasize the costs of not acting on competition within ASEAN trade agreements. Need clearer warnings of risks of acting on trade and not competition policy (use momentum of trade opportunities to secure competition policy). The hidden costs of the status quo are rising quickly, and the rationale for change is stronger than ever. -- Emphasize that benefits of trade agreements in capturing market share are maximized when competition is secured in domestic markets.

Recommendation 16	Next steps
Anxiety about falling behind in ASEAN is a potent motivator in the Philippines. Communications should clarify the relative performance of the Philippines vis-à-vis other relevant countries.	-- Develop indicators showing relative performance on the economy and on reforms in the Philippines and other ASEAN countries. Where the Philippines is falling behind, estimates of "lost opportunities" should be generated, such lost investment or lost jobs. -- Communicate the indicators as part of the general messaging in Recommendation 2.

Recommendation 17	Next steps
Emphasize links with good government and anti-corruption to broaden allies. In many countries, pro-reform sentiment has emerged in large part to concern about government corruption and government services. For many economic reforms, media and NGO attention on reform have focused primarily on fighting corruption.	-- Broaden supporters of competition law beyond the business sector into good government and anti-corruption NGOs, such as Transparency and Accountability Network (TAN), Action for Economic Reform (AER), and the Integrity Initiative Campaign. TRADE has already contacted some of these groups to integrate relevant messages into their communication efforts. -- Work with these groups to generate fora and statements that link competition policy to the anticorruption initiative. Competition policy lead Gigo Alampay has suggested that “The connection can be made with government procurement - specifically, with how bidders collude or rig the process - to the detriment of government, and of competition.” Another connection can be made through by describing the competition agency as a watchdog over cozy relationships between the public sector and producers that harm consumers and workers.

Recommendation 18	Next steps
Link competition policy to environmental protection. Some current competition problems increase environmental degradation, and priority should be given to reform in those areas. For example, in other countries, deregulation of cabotage in the transport sector reduced highway congestion and air pollution, since empty runs by trucks accounted for up to 30 percent of total vehicle kilometers for freight haulers.	-- Seek examples of where increased efficiency and innovation has positive effects on the environment, and build case studies and international experiences around those examples. -- Make contact with environmental groups to discuss these cases and determine their interest in promoting competition policy reform as part of the environmental agenda. -- Incorporate examples into the media package and social media initiatives recommended above.

c. Be strategic about choosing fights to build a winning coalition

Reformers cannot win every fight before the law is signed. Every political system has inherent constraints that ultimately determine how much reform is possible. The stakeholder management strategy should expand the space for reform in the political economy, but in the end a critical mass of supporters will be needed to push the reform through resistance. This requires a carefully calibrated sense of which allies are needed, and what compromises can be reached without giving up the key goals of the reform.

Recommendation 19	Next steps
As a legal package is developed that can be adopted, crucial decisions have to be made about what is possible in the political economy of the Philippines. This requires a deliberate approach to stakeholder management approach at the political level.	-- Work with relevant bodies to support a political mapping exercise to determine the key issues for resolution to reach agreement on a strong competition law. The political map can also provide indications of where more focused information can be useful in increasing support for the reform.

Recommendation 20	Next steps
Ideally, a competition law should have no sectoral exemptions. But, in practice, it is difficult to fight every battle before the law is adopted. Setting up a credible institution is more important than overcoming every sectoral interest at the outset. A strong institution can continue to battle to extend competition policy after it is well established.	-- Considering postponing big fights until after the new competition institution is up and performing. -- Consider, as necessary, sectoral exemptions in the law that can defuse threats to the institution's ability to perform. -- The detailed political mapping recommended in 10 can provide a clearer understanding of the minimum compromise on exemptions needed to gain the critical threshold of support in the Congress.

Recommendation 21	Next steps
Link structural reforms to transition programs to ease pain of adjustment for specific sectors. For example, the Agriculture Competitiveness Enhancement Fund was intended to ease the	-- Engage a research report on transition programs that have accompanied market-opening reforms in other countries. Use this information strategically in dialogues to disarm

transition in agriculture sectors, although it never worked well. MBC, in a 25 September 2013, policy paper to the Senate Committee on Trade Commerce and Entrepreneurship, has already highlighted the need in the trade area to "Assist SMMEs by implementing identified safety nets and support interventions to vulnerable industries." Rather or not such interventions are needed empirically, they might be needed politically.	opposition in lieu of compromising the law itself. -- However, ensure that programs designed to ease the potential costs of regulatory reform, especially in relation to employment, are focused, transitional, and facilitate, rather than delay, reform.

d. Expand the message to important groups not now involved in the debate on competition policy

Many possible allies of reform in the Philippines are not yet involved in the dialogue on competition policy, mostly because they do not recognize their interests in this reform. In these cases, targeted information can be very powerful in mobilizing networks of interests across the country. To use a metaphor, information is circulated through narrowly focused cable channels rather than a radio broadcast. The recommendations below suggest that TRADE increase selective and progressive stakeholder involvement aimed at building a critical mass of allies across a range of interests and networks.

Recommendation 22	Next steps
SMEs are missing in action in the current dialogue on competition policy reform. This reflects a general lack of organization by SMEs in the national trade associations, but their interests should clear in an economy evolving from dominance in key sectors to far more diverse sectors, including a growing SME sector. Appeal to SMEs and entrepreneurs by showing how pro-competition environment gives new opportunities for their expansion. Recommendation 1 suggests that analytical information be focused on clear results important to the lives of people. This information is particularly useful in motivating SMEs to support their interests in the reform.	-- As part of the analytical information developed in Recommendation 1, show the benefits to SMEs within the supply chain, such as lower prices and more choice. -- Appeal to export oriented sectors and firms by showing cost decreases of inputs and their business costs, making them more price competitive in the AEC region. Organize an event for export-oriented SMEs and middle size firms on the benefits of the competition policy for their competitiveness in the region. This might be done with the Export Development Council (EDC). -- Develop cases showing where competition policy contributes to expansion of SMEs. Telecom prices in the Philippines are a good example of how small businesses are affected by lack of competition. The media is already reporting messages such as: "Homegrown small and medium enterprises have appealed to telecommunications firms for SME-friendly connectivity stressing that this tool is critical to growing their businesses."

	-- Include an SME discussion in the media event involving competition agencies from other countries, as recommended in 3 above.

Recommendation 23	Next steps
Consumers in the Philippines suffer from a lack of redress when abused, and affording them more rights to protect their interests can be a powerful motivation to support reform. The messaging to consumers should show how consumer rights are protected under the new law.	-- Create, in the new law, new legal rights for citizens and businesses, such as the right to ask for investigation of market abuses such as coordinated prices or barriers to entry. Alampay has noted that "If a competition law is in place, citizens will have an additional, powerful avenue to get questionable awards of government procurement contracts reviewed and cancelled. I.e., by going to the new Competition Authority to have such contracts annulled on the basis of collusion as a criminal offence under the new Competition Law." -- Include a discussion of citizen rights for redress in the major media event involving competition agencies from other countries.

Recommendation 24	Next steps
Use social media and relevant examples to target the 18-30 year old "youth" demographic.	-- The media package being by TRADE should include a strategy for using social media to communicate with younger citizens. While TRADE is not experienced with social media, some of the Filipino counterparts are experienced and can spearhead this effort. -- Alampay has already begun discussions with AER, which says "they can also mobilize student groups to start a social media campaign, and to mount a number of symposia and fora in leading universities to highlight the importance of competition to the youth and to students - all in the context this time of the lack of competition in the telecoms and information technology sector. They can highlight the worsening quality of service in cellphones, as well as the woeful state of broadband in the Philippines relative to other countries, as examples for why we need a new competition law."

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