



PHILIPPINES: Advantage and Opportunities

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08 April 2021

The Philippine Advantage

THE PHILIPPINE ADVANTAGE



The country has a population of 108 million people with rising middle income



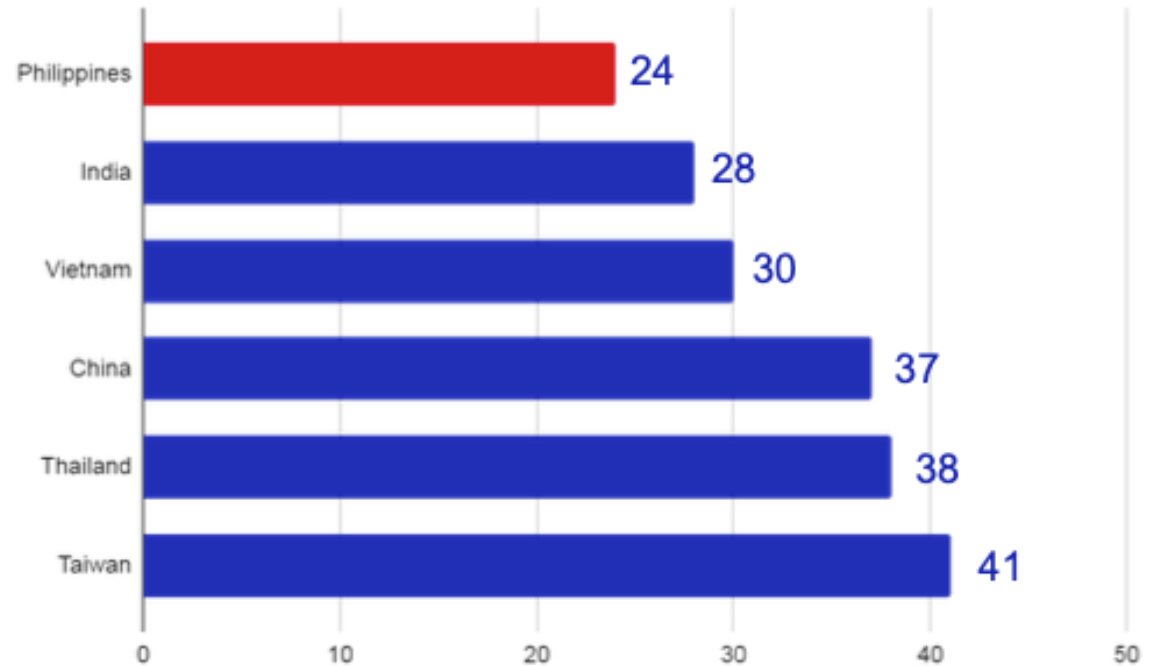
Manila is the largest city in ASEAN in terms of population



Philippine population is expected to grow by 16.8% from 2017 to 2026

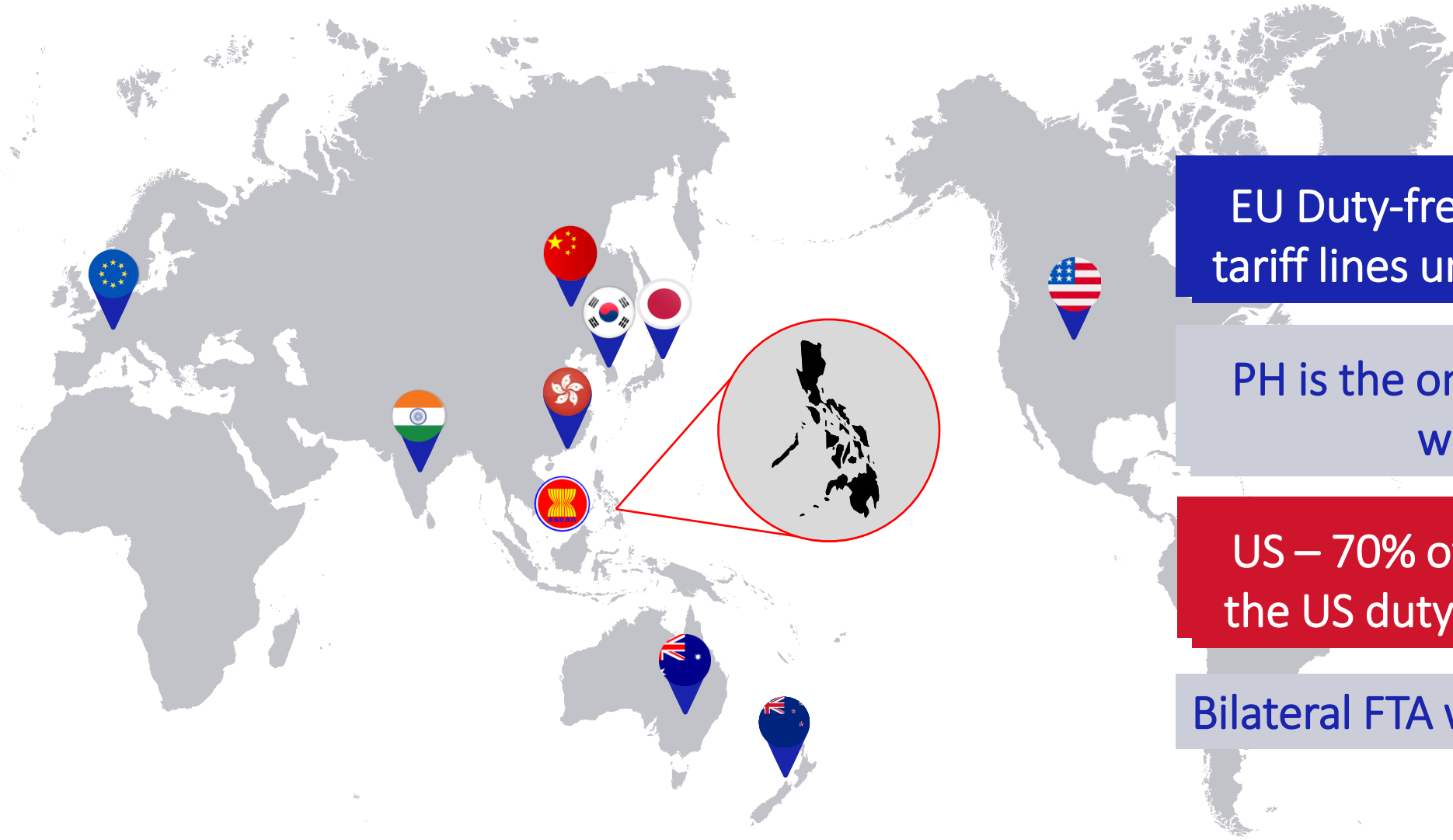
Largest domestic market with rising income

Demographic “sweet spot”



This also means significant latent demand for goods and services among the country's large population

Access to Key Markets



EU Duty-free access for 6,274 tariff lines under GSP+ Program

PH is the only ASEAN country with GSP+

US – 70% of PH Exports enter the US duty-free (GSP & MFN)

Bilateral FTA with Japan and EFTA

The ASEAN FTA Network: More prospects

- ASEAN is the 7th largest economy in the world and could be the 3rd largest by 2030
- With 642.1 million people, the ASEAN 's potential market is larger than the EU (502M) and North America (354M)
- Median age of 28.9, the ASEAN's population is younger than that of the EU (42.6), China (37) and North America (38.1)
- Total consumer expenditure is expected to grow by 108% in real terms across the ASEAN over 2015-2030



Regional Comprehensive Economic Partnership (RCEP)

Mega-regional Free Trade Agreement

FTA between the **10 ASEAN Member States** and five **(5) ASEAN trade partners**

Roughly accounts to **30% of the world's total population, GDP, and trade**

Further integration of production networks

- Enhanced Market for Goods
- Greater cumulation of Rules of Origin
- Harmonized Rules and Procedures
- Preferential Treatment for Filipino Professionals and Business Persons
- Improved Market Access for Services
- Stronger Enforcement of Intellectual Property Rights



EU GSP+

Offers a larger coverage of **6,274** products, all of which are accorded zero duty.



Products	Current Tariff	EU-GSP+
Pineapple juice	28.5 %	0 %
Garments	5 – 9 %	0 %
Preserved fruits	6 – 9 %	0 %
Tuna	20.5 %	0 %
Fruit jams and jellies	20.5 %	0 %
Footwear	11.9 %	0 %



EU-Registered Exporter System (EU-REX) Registration

590

Number of companies registered:
(as of 25 March 2021) from 78 in April 2020

PH-European Free Trade Association (PH-EFTA FTA)

- 0% tariffs on ALL industrial goods (Chapters 25-97)
- including fish & fish products (Chapter 3)

*The EFTA States score among the highest in the world in terms of **competitiveness, wealth creation per inhabitant, life expectancy and quality of life.***



Trade and Investment Opportunities

Opportunities and Strengths

Semiconductor Manufacturing Services (SMS)

- Testing (wafer probing, in-circuit testing, functional testing, RF testing, flying probe, etc.)
- Assembly and packaging

Electronic Manufacturing Services (EMS)

- Components and sub-assembly
- Turnkey capability
- Box-build assembly
- New product introduction
- Complex PCB assembly

Design and Development Services

- Design for Manufacturing (DFM)
- Digital Front-End Design
- Full custom analog design and layout
- Test development
- Product engineering
- Die and wafer processing
- Die design, Layout, Verification, Automation



Product and Technology Holistic Strategy (PATHS)



The Philippine Electronics and Semiconductor Industry

- **Top contributor** to PH's total exports accounting for around **62% or US\$39.67 Billion in 2020**
- **3rd largest contributor** to country's manufacturing GVA (**10.8% of the total manufacturing GVA**)
- Home to about **500 semiconductor and electronics companies**, employing about **3.2 million direct and indirect workers**
- **Growing base of competitive IC Design companies**, with around **1,200 engineers** employed
- **Developing medical devices manufacturing** industry supported by existing supply chain for manufacturing
- **IC Design as the next frontier** of the electronics and semiconductor industry

IT-BPM

Strengths and Capabilities



Source: IBPAP

Industry Highlights

- Robust and Diverse Talent Pool – the second most English-proficient country in Asia, with a 98% literacy rate
- Has ~700K higher education graduates, ~7K CPA Board Passers, ~2M graduates of technical and vocational courses annually.
- Cost-competitive, with the country as among the most competitive IT-BPM destinations in the world
- Mature/growing industry-specific and cross-industry capabilities: IT, F&A, HR, Procurement, ESO, Healthcare, Banking, Utilities, and Telecommunications
- Leading in voice customer care, technical support, sales, and collections

Harnessing IT-BPM strength by connecting with auto & electronics for Industry 4.0

The IT-BPM Sector is the biggest job generator in the Philippines contributing 1.23 million direct jobs and 4.08 million indirect jobs

Automotive

Engineering Service Outsourcing

- Denso PH: meter cluster, air-con, compressor, smart key, sonar sensor
- Denso Techno: software development for auto products like instrument clusters

ADAS & Electric Powertrains

- PH auto/electronics/IT capabilities
- systems/components related to ADAS & electric motor powertrains like battery for E-vehicles, E-jeepneys, E-buses, E-trikes



Aerospace

Electronics Manufacturing Services

Components and Sub-assembly, Turnkey capabilities, Box-build assembly, New Product Introduction, Traceability, Complex Equipment Assembly

Design and development services

Design for Manufacturing (DFM), Digital Front-End Design, Full custom analog design and layout, Test Development, Product Engineering, Die and Wafer Processing, Die Design, Layout and Verification, Automation Capabilities



PH is one of design centers of Denso providing global engineering capacity; 2 companies cooperate in designing electronics products



Filipino multinational **IMI** is manufacturing complex safety & control systems (auto camera modules) for ADAS applications

Food and Fishery Products

Top Global Exporter:

- 2nd in Pineapple
- 2nd in Banana
- 2nd in Coconut
- 4th in Canned Tuna
- 9th in Mango

- Premium Products: Cocoa and chocolate, Alcoholic Beverages



Other Areas for Cooperation

- Strategic Imports of raw materials for the food processing and pharmaceutical industries
- Construction
 - Innovative and digital technologies
 - Exports of construction and engineering-related services



Photo: BASF



Photo: revizto

Key Messages

1. The Philippines does not only offer a huge domestic consumer and labor market but also provides strategic market access to its key trading partners.
2. Opportunities are in complementation in intra-industry trade such as in the areas of electronics, automotive and IT-BPM / services outsourcing.
3. There are also good potentials in imports and exports products and services that address the domestic demands of each others markets but also serve as inputs to production of export products.



Thank you.

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