

ASEAN Connectivity and Business Competitiveness: The Opportunities for SMEs



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Philippine Board of Investments
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ASEAN Vision 2025



“Envisions a peaceful, stable, and resilient Community with enhanced capacity to respond effectively to challenges, and ASEAN as an outward-looking region within a global community of nations, while maintaining ASEAN centrality.”

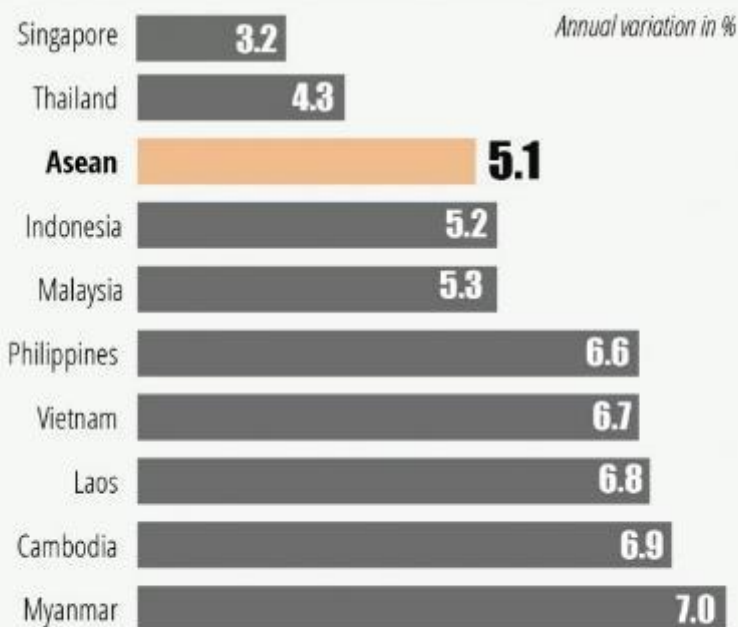
ASEAN Connectivity 2025

Vision: "To achieve a seamlessly and comprehensively connected and integrated ASEAN that will promote competitiveness, inclusiveness, and a greater sense of Community."



ASEAN 2018 Economic Outlook

2018 Regional GDP Forecasts



Highlights

ASEAN: Economic fundamentals are robust, but trade war fears cast a growing shadow over the region

INDONESIA: Growth picks up in Q2, president presents fiscally cautious 2019 budget

THAILAND: Domestic demand fuels growth in the second quarter

MALAYSIA: Growth slackens in the second quarter on a weaker external sector

FOCUSECONOMICS

FocusEconomics Consensus Forecast for ASEAN - September 2018

Macroeconomic Performance: PH Remarkable Growth

- 2017 GDP Growth:
China: 6.9%,
Vietnam: 6.8%,
Philippines: 6.7%,
Malaysia: 5.9%,
Indonesia: 5.1%,
Thailand: 3.9%
- PH impressive growth – Asia's new economic tiger

Philippine
Economy

3rd fastest
growing
economy in Asia
(2017)

The Philippines is expected to
be **the fastest growing**
economy in Southeast Asia
and **second fastest in the**
world over the next two years
as it remains resilient to
external shocks”

Sustained
Economic
Growth

- International Monetary Fund,
April 2018



Inclusive Innovation- led Industrial Strategy

Manufacturing Resurgence
Industry Development Program
Program

IDP MRP

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Overall Goal

- ◆ Build innovation & entrepreneurship ecosystem
-> upgrade & develop new industries
- ◆ Remove obstacles to growth
-> attract investments, create jobs
- ◆ Strengthen domestic supply chains & deepen participation in global/regional value chains

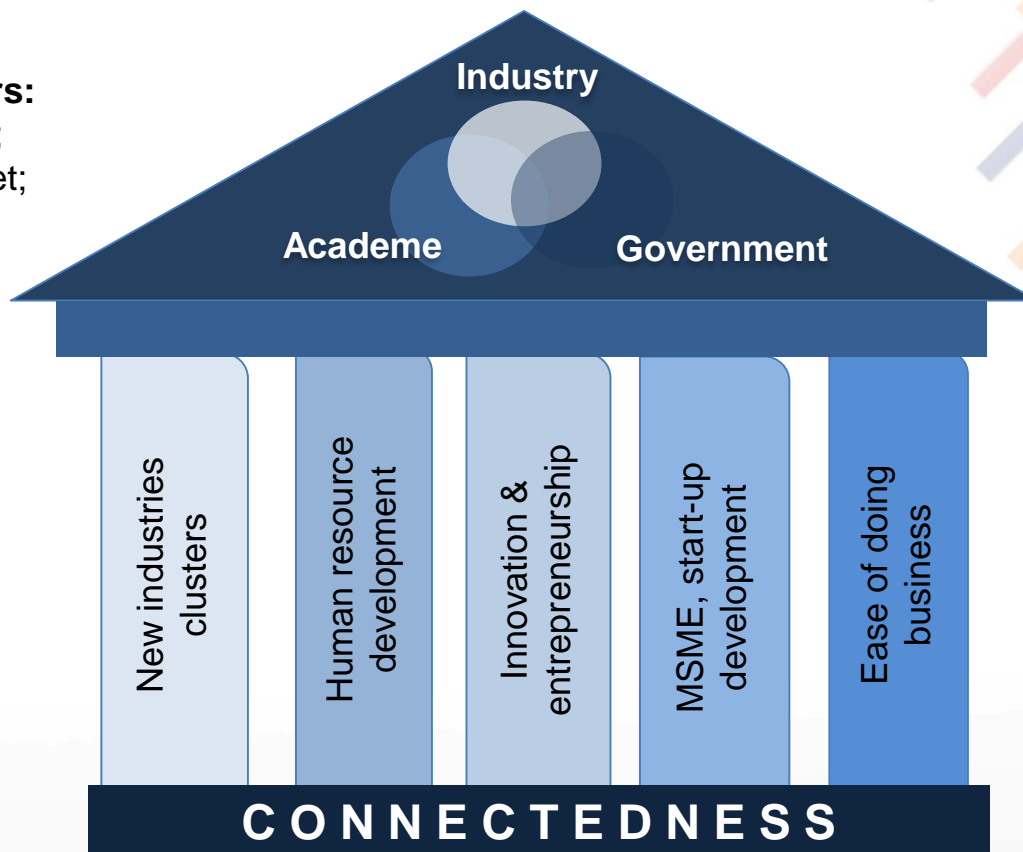


Role of Government: address coordination & market failures; create proper environment for private sector growth

New Industries, clusters:
supply/value chain gaps;
domestic & export market;
trade & investment
promotion; incentives

**Human Resource
Development**
upgrading education
curricula, skills training
programs, improving
digital skills

MSMEs: access to
finance, markets,
skilled labor,
technology
7Ms: mindset, mastery,
mentoring, money,
machine, market,
models



Strong government-academe-industry collaboration

i3S Five Major Pillars

Innovation & Entrepreneurship:
government-academe-industry
linkage, market-oriented research;
R&D centers, innovation
incentives; shared
facilities & support
for startups, regional
inclusive innovation
hubs

**Ease of Doing
Business:**
simplification of
processes, automation;
power, logistics,
infrastructure

Investment activities that are efficiency-seeking & would cater to both domestic & export markets

Opportunities

- ◆ New high level growth trajectory
- ◆ Growing market, middle class
- ◆ Political stability
- ◆ Young, English speaking workforce
- ◆ Stable business confidence

100+ Million Consumer Market as springboard



PH as regional hub, linked with GVCs

Strategic Policies

- | | |
|-------------------------------|------------------------------|
| • Trade & Industry | • Innovation, R&D |
| • Infrastructure | • Green growth |
| • Investment Promotion | • MSME & startup development |
| • Skills training, HRD | |

- ◆ Complex regulations
- ◆ High cost of power
- ◆ Lack of ports, airports, roads
- ◆ SME access to finance
- ◆ Supply chain gaps
- ◆ Industry 4.0

Challenges

- AEC & FTAs
- Industry 4.0
- With the increasing globalization, **investment incentives have highly significant impact on survival of SMEs** (Aldaba 2014, ERIA Research Project Report)

Top 12 Priorities for Both Domestic & Export Markets



Electrical & Electronics



IT BPM, E-Commerce



Agri-business



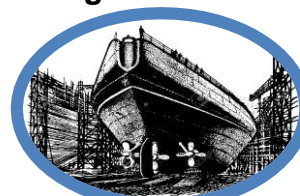
Transport, Logistics,
Construction



Auto & Auto Parts



Tool & Die, Iron &
Steel



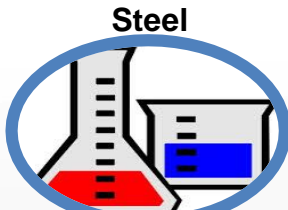
Shipbuilding, RORO



Innovation,
R&D



Aerospace Parts



Chemicals



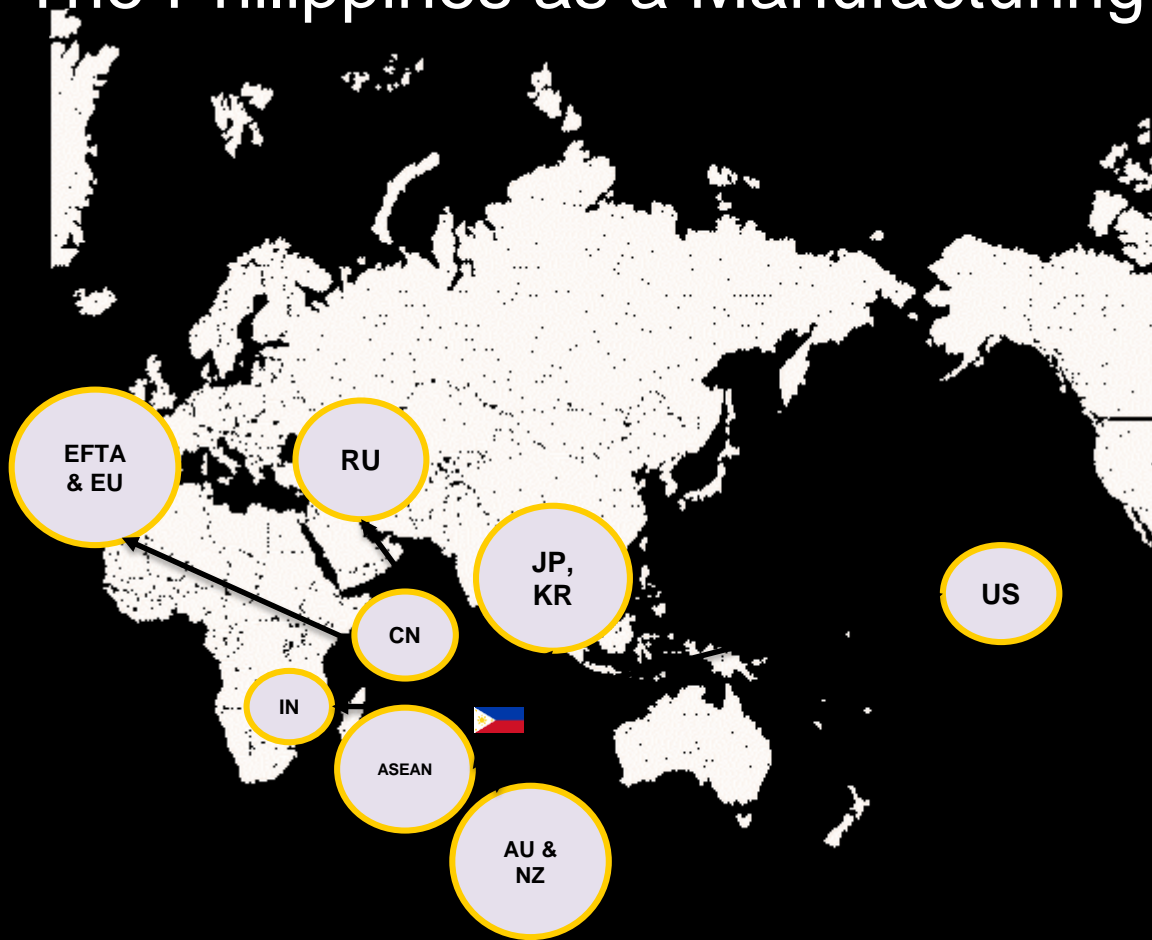
Furniture, Garments, Creative



Inclusive Business,
Climate Change

Hi-technology, innovation/R&D, infrastructure, regional imbalance, labor-intensity, sustainability, spill-over/multiplier effects, value/supply chain linkage

The Philippines as a Manufacturing Hub



- At the center of the Asia Pacific Region
- Within 4-5 hours away from other key cities in Asia
- Export to various markets at 0% using preferential rates (FTA or GSP)

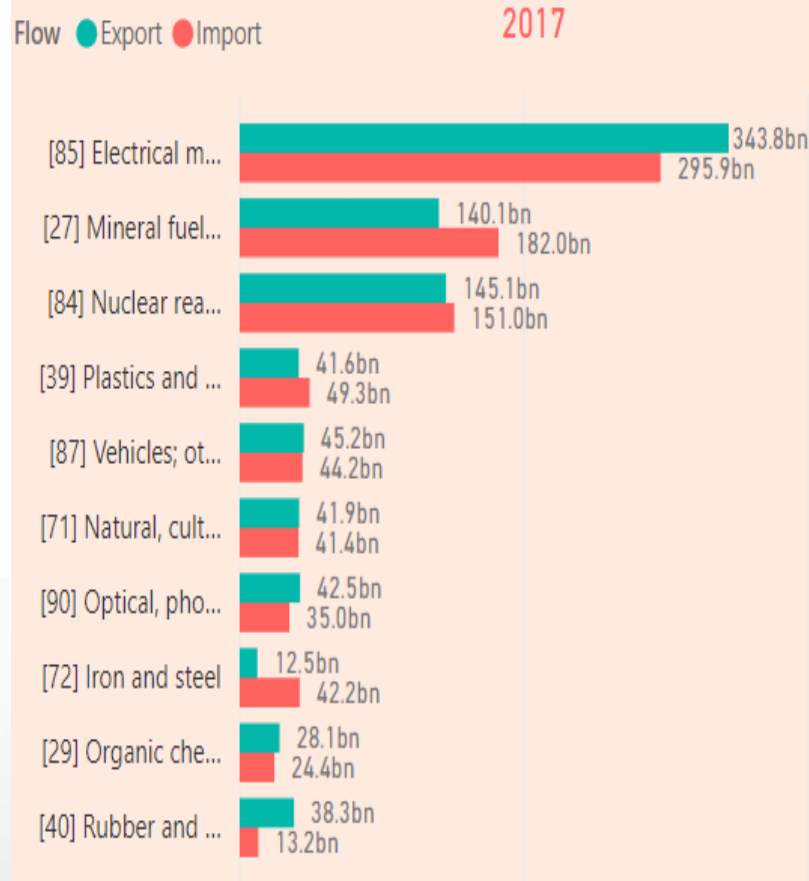
**“NO. 1 Country
to INVEST in”**

-US News & World Report 2018

● Markets with PH preferential access

ASEAN Top Ten Traded Commodities, 2017

Top Products by Selected Year, Reporters & Products



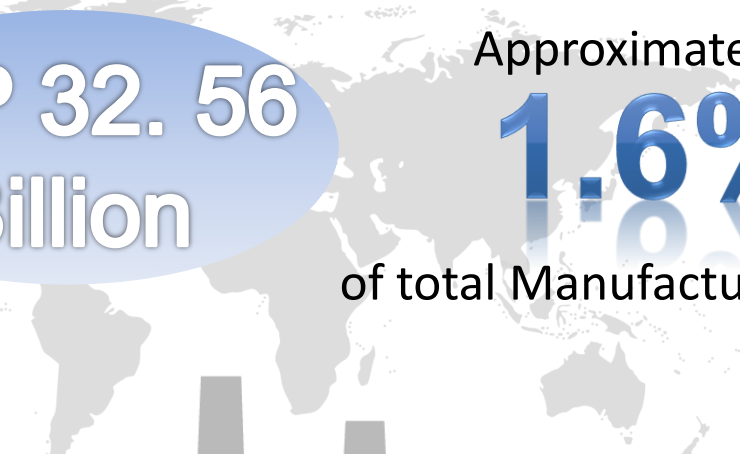
Description	Value (US\$) Exports	Value (US\$) Imports
[85] Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	343.8 Billion	295.9 Billion
[27] Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	140.1 Billion	182 Billion
[84] Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	145.1 Billion	151 Billion
[39] Plastics and articles thereof	41.6 Billion	49.3 Billion
[87] Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof	45.2 Billion	44.2 Billion
[71] Natural, cultured pearls; precious, semi-precious stones; precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	41.9 Billion	41.4 Billion
[90] Optical, photographic, cinematographic, measuring, checking, medical or surgical instruments and apparatus; parts and accessories	42.5 Billion	35 Billion
[72] Iron and steel	12.5 Billion	42.2 Billion
[29] Organic chemicals	28.1 Billion	24.4 Billion
[40] Rubber and articles thereof	38.3 Billion	13.2 Billion

ASEAN Stats, 2018

The Philippine Plastics Industry



PhP 32.56
Billion



Approximately
1.6%
of total Manufacturing GVA

7.2%
Average growth
rate from
2010-2017



1,088
Plastics
Manufacturers



96,000
Direct workers
(for the Plastics and
Rubber sector)

The Philippine Plastics Industry:

Leveraging on strengths of allied industries

Automotive Industry

\$3.6 billion parts exports (2017)

Source: Export Marketing Bureau (EMB)

~67,000 employees as of 2016

Source: EMB

380 companies producing 330 parts and components made of metals, **PLASTIC**, rubber and composite materials.

Electronics Industry

\$32.71 B exports
\$23.33 B imports

Source: Philippine Statistics Authority (PSA), 2017

10.29%
share in mfg. GVA

Source: PSA, 2017

~3.2 M employees

(direct and indirect)
as of 2016

Source: PSA

Aerospace

USD 736 million Exports of Aerospace parts 2016

Source: PSA, 2017

USD 1.8 billion PH imports of aircrafts and aerospace parts 2016

Source: PSA, 2017

42% CAGR of PH exports of aircraft/spacecraft products, 2012-2016

Source: PSA, 2017

The Philippine Plastic Industry: Towards increasing integration

- The Plastics Industry is in the Priority List of the 2017 Investment Priorities Plan (IPP)
- Plastics, including its allied industries, are among the priority sectors for industry development under the Inclusive Innovation Industrial Strategy of the DTI. In addition, it is also prioritized under the Promotion of Green Economic Development (ProGED) Program.

VISION of the Philippine Plastic Industry

“

The Philippine plastics industry envisions itself to be a proactively adaptive downstream industry that is able to fully supply the growing and changing demands of the domestic and export market, create employment opportunities with a positive well-informed on the environmental image and perception.

”

“By improving our processes and products, we would like everyone to see plastic, not as deterrent to the environment, but something that is reusable, and in a more sustainable light,” – Go, PPIA



ASEAN 
SINGAPORE
2018 RESILIENT
AND INNOVATIVE



ASEAN 50
PHILIPPINES 2017



PARTNERING FOR CHANGE, ENGAGING THE WORLD

THANK YOU!



Ms. EVARISTE M. CAGATAN

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