

OUR INDUSTRIAL EMERGENCE

Benjamin O. Yao
Chairman
SteelAsia Manufacturing Corporation

Keynote Speech
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Department of Trade and Industry Secretary Ramon Lopez,

Board of Investments Managing Director and Undersecretary Ceferino Rodolfo,

Our speakers for this session,
Mr. Kunihiko Shinoda, Deputy Director General for Trade Policy, Ministry of Economy, Trade and Industry

Assistant Secretary Rafaelita Aldaba, for Industry Development and Trade Policy of the Department of Trade and Industry

Our hardworking counterparts at the DTI and the BOI, colleagues in industry, friends,
Good afternoon.

Allow me to begin by thanking the organizers of this Manufacturing Summit for this opportunity to exchange ideas on the prospects of industrialization. This free exchange will input into the formulation of indicative plans and cogent policies helpful to the growth of Philippine manufacturing.

The latest numbers from the National Statistics Authority are encouraging. GDP growth of 6.9% outperformed expectations. Even more remarkable, the manufacturing sector is leading the growth. In the third quarter, our manufacturing grew by 9.6%. This is reinforced by the government's over-all economic strategy that puts emphasis on shifting from consumption- to investments-led growth.

This strategy will enable our economy to create meaningful jobs for the demographic surge we anticipate. It will enhance backward- and forward-linkages in the economy that will shape a more inclusive growth pattern. The diaspora of skilled workers seen over the decades will ease and favor a reverse migration of our skilled workers, returning with more years of experience, new skills, knowledge of modern technologies, and valuable tenure in cross-cultural work environments.

Domestic manufacturing industries built on latest generation technologies, including those born out of this 4th industrial revolution, will be the best in the world – that is, the most responsive to customer's evolving needs, the highest quality, the most cost efficient, environmentally sustainable, and occupationally safe. Certainly, the most competitive and quite possibly, the most profitable.

Our basic manufacturing industries should have a philosophy of building on a platform of technology. This should be applied to all industries but most especially to our basic industries. Strong basic industries act as catalysts for industry clustering and a foundation for MSME growth and development. With longer linkages along supply chains, there will greater value created and preserved domestically. However, this is possible only if all these linked industries embrace modern technology as the chain of competitiveness is only as strong as its weakest link.

To make this leap forward, we must embrace collaborations with foreign partners to transfer the technology, operational know-how and shorten learning curves during the most critical period of the investment. We need not go through the pains of trial and error when we can benefit from the experience and templates of 'how to' repeated over and over again in developed countries. Our companies must prepare for a mindset aligned with international standards of management and governance. Ultimately, greater shareholder values will also be created.

We trust that the government will support industries with enlightened policy that do not favor unfair trade, oligopolies nor handicap industries supplying domestic demand. We shall build competitive industries with a highly skilled labor force from public investments in our human capital – in education, training and social service.

Notwithstanding the challenges, this is a good time to grow our industrial base. Our comparatively younger labor force is an asset. Capital is abundant and accessible to the deserving. We are assured of fiscal stability and continuity in our economic policies. The infrastructure program and the reforms in the power sector should encourage more robust investment flows into our manufacturing sector.

This is a good time to invest in manufacturing. Government must be a partner in cutting down red tape to a minimum and reducing corruption as an unwanted cost hampering viability.

Ultimately, however, our ability to nurture our industrial base rests on the strength of our enterprises. Our industries should look at the benchmarks and try to do better. Our corporate governance must be kept at the highest grade. Our business culture must be weaned away from instant gratification and reward those who invest for the long haul.

This might sound like stressing the obvious: to have strong industries, we need good industrialists. We need those passionately committed to build sound enterprises. We need those with the foresight to invest in order to have a better product, to trade in an open marketplace confident in their ability to surpass. We need those who hold on to a vision enough to venture in building a plant and putting together a network. The risks are always there and gratification never happens instantly.

Steel manufacturing around the world began as state-owned or state-supported enterprises before they were privatized. This might explain why Vietnam's per capita steel consumption is two-and-a-half times ours. In our case, the policy on what should come first was never clear.

Steel is the mother of all manufacturing. Manufacturing, in turn, creates employment even for the moderately skilled. Eight of ten jobs in manufacturing do not require tertiary education. Manufacturing is the means to create jobs for our people.

Every emerging economy today needs core industries such as steel, petrochemicals and semi-conductors. Around these core industries, other manufactures could be supported. Government policy must clearly support the core industries if it wants a manufacturing base.

In this regard, I am happy to announce today that SteelAsia, in a consortium with foreign partners, is building an ecosystem of steel-based industries. These projects involve initial investments of USD 1.5 billion. This is the first step towards building an integrated steel industry for the country.

The Industry Development Council (IDC) created by the DTI is a good start for the government and the private sector to craft policy and set standards for these core industries. However, there are certain core industries that require more focus and attention due to the technical demands and special circumstances. Steel is one of those. This is why all our neighbors have special bodies to coordinate policies, monitor the industry's development, set standards and so forth. All of them – Malaysia, Thailand, Indonesia, China – have their own Iron and Steel Authority. It is time for the Philippines to have its own. A council for Iron and Steel chaired by the DTI Secretary and reporting directly to the President could be created to serve this purpose.

Through the council for Iron and Steel, the government could sharpen its policy to support cutting edge manufacturing. In a competitive, market-driven environment, industrial policies must be biased in favor of the efficient, of the technologically driven, of the enterprises driven by a passion for excellence. It is ultimately futile to try and keep balancing the interests of the uncompetitive with those of the competitive, the inefficient with those of the efficient. The market will decide.

Those venturing into manufacturing must be inclined to build strong partnerships not only with suppliers but also with customers. Under present conditions, no enterprise can be an island. Those with the best synergies will thrive. Those that fail to build linkages from the start will perish.

Thank you and good day.

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