

Japan's Inputs towards the Formulation of
Industry Vision of the Philippines
Industrial Development Scenario for “No One
Left Poor”

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Background

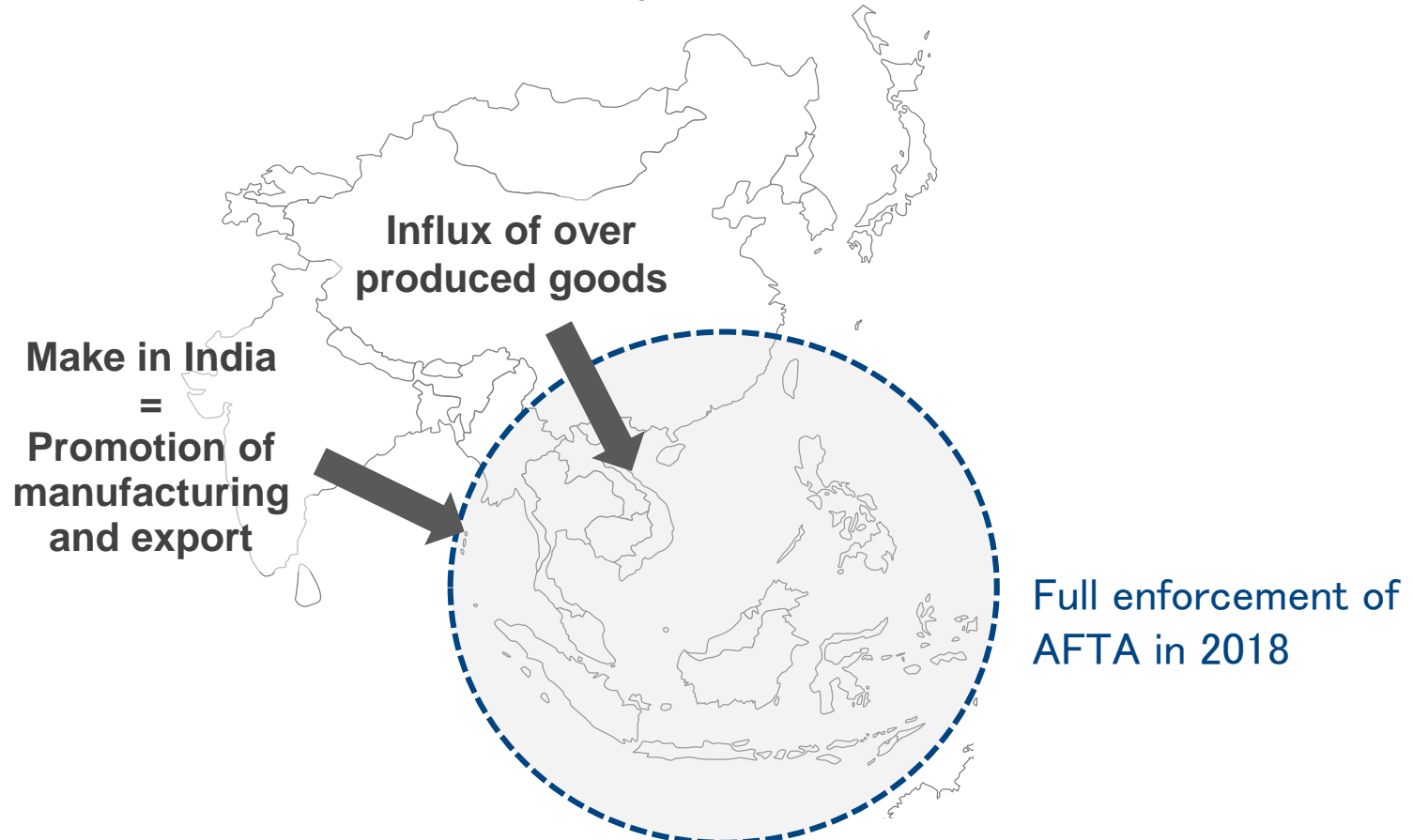
- “Philippine ambition: No more poor Filipinos by 2040,” “Philippine Development, Plan (PDP) 2017–2022,” mentions “To become a middle-income country with poverty alleviated completely” as a goal until 2040.

- “Philippine ambition” has started promoting reform for enhancing the social structure and correcting unfair inequality as well as enhancement of economic growth potential in order to achieve the goals such as:
 - establishing a clean and “Filipino first” government;
 - realizing a society where even socially-handicapped and alienated people can actually feel the economic growth,
 - and ensuring economic safety and stability by increasing the national welfare.

Global competition is becoming severer, especially after the full enforcement of AFTA in 2018.

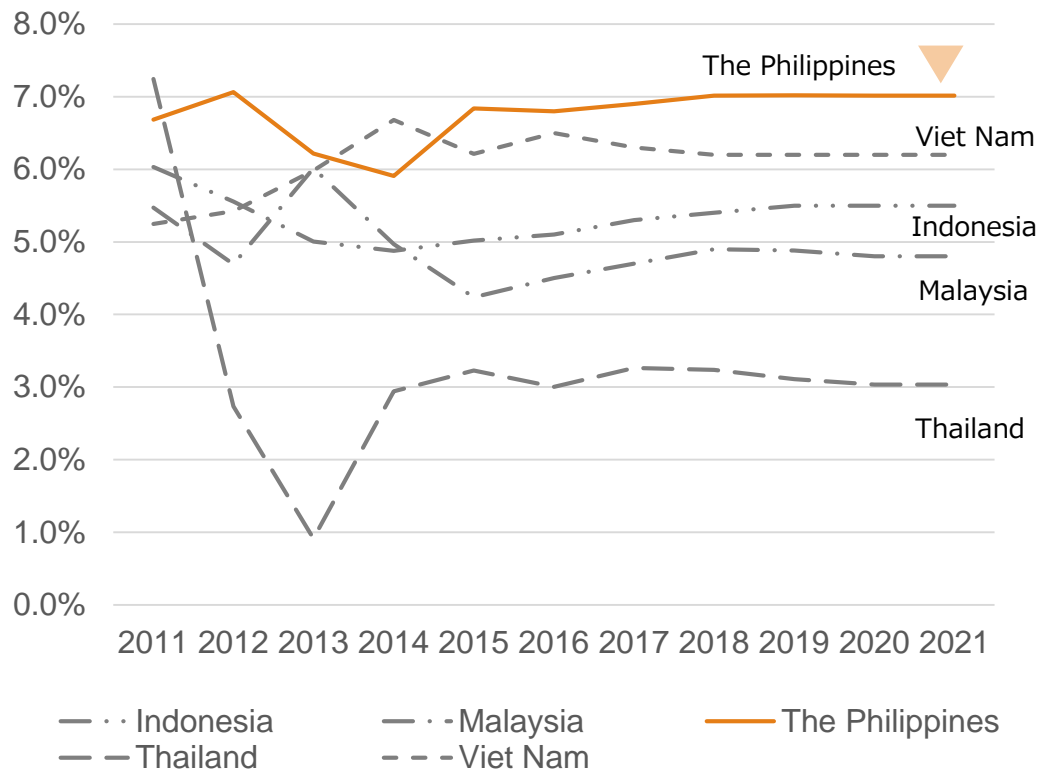
- There are export pressures from China and India, while ASEAN member states have to identify their comparative advantages.

Competition among Asian countries



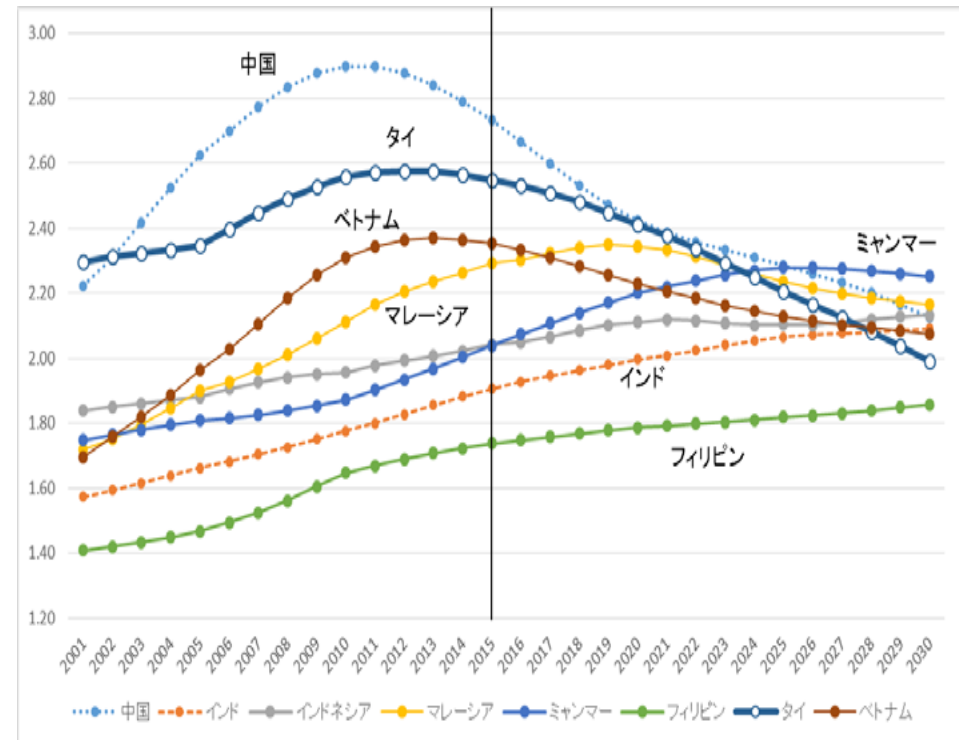
One of the advantages of the Philippines is a growing domestic market and population.

GDP growth rates and estimates for major ASEAN countries



Source: IMF World Economic Outlook

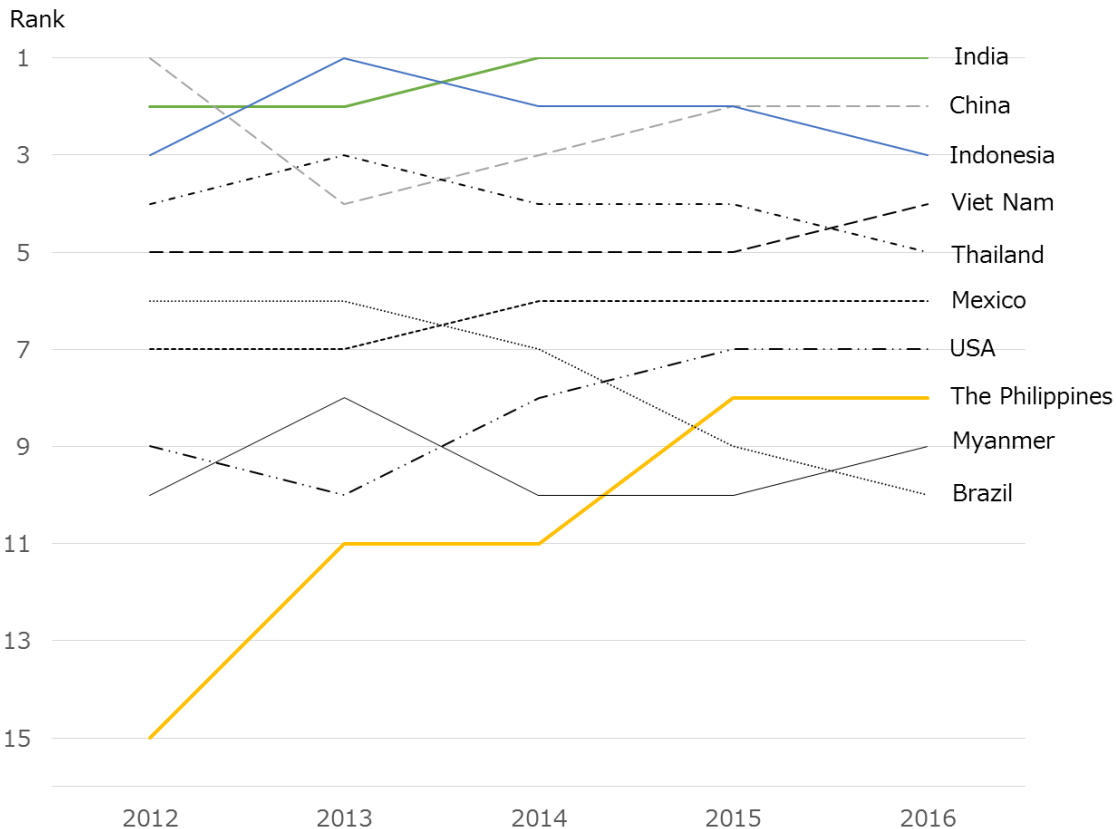
Population dividend for major Asian countries



Source: UN Population Division, 2015 estimation

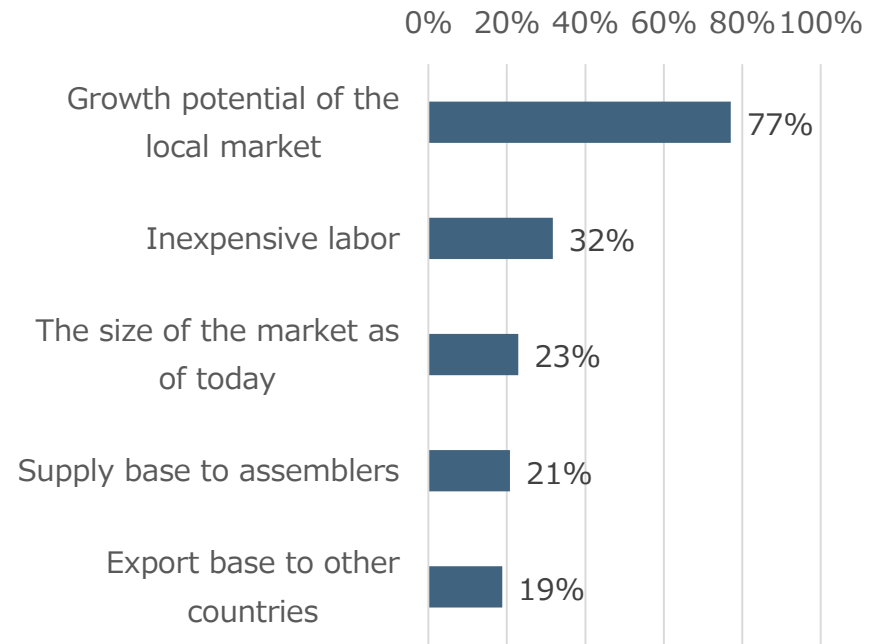
The Philippines is ranked number 8 of potential business destination of Japanese manufacturing companies.

Ranking of prospective investment destination by Japanese manufacturing companies



Source: JBIC questionnaire survey data

Reasons of prospectivity of the Philippines as investment destination



Source: JBIC questionnaire survey data

Role of Industrial Development Vision

- the Philippines has faced some challenging issues for creating the above-mentioned employment.
 - Survival among countries due to ASEAN economic integration
 - Insufficient domestic industry accumulation, outflow of highly skilled HR
 - Oligopoly of industry, unfair business circumstances, governmental capacity
- This vision indicates a scenario of creating stable employment for “No One Left Poor” and the policy direction, and introduces successful cases in other countries, including Japan.

Scenario for Realization : Pillar1

Pillar1 Creation of Large-scale Employment - Establishment of Domestic Industrial Base -

<Step 1> Introduction

- Necessity of competitiveness in both quality and cost for domestic production increase
- Lack of capital, technology, human resources, know-how
- Introduction of foreign capital / technology → Necessity of activating domestic demand

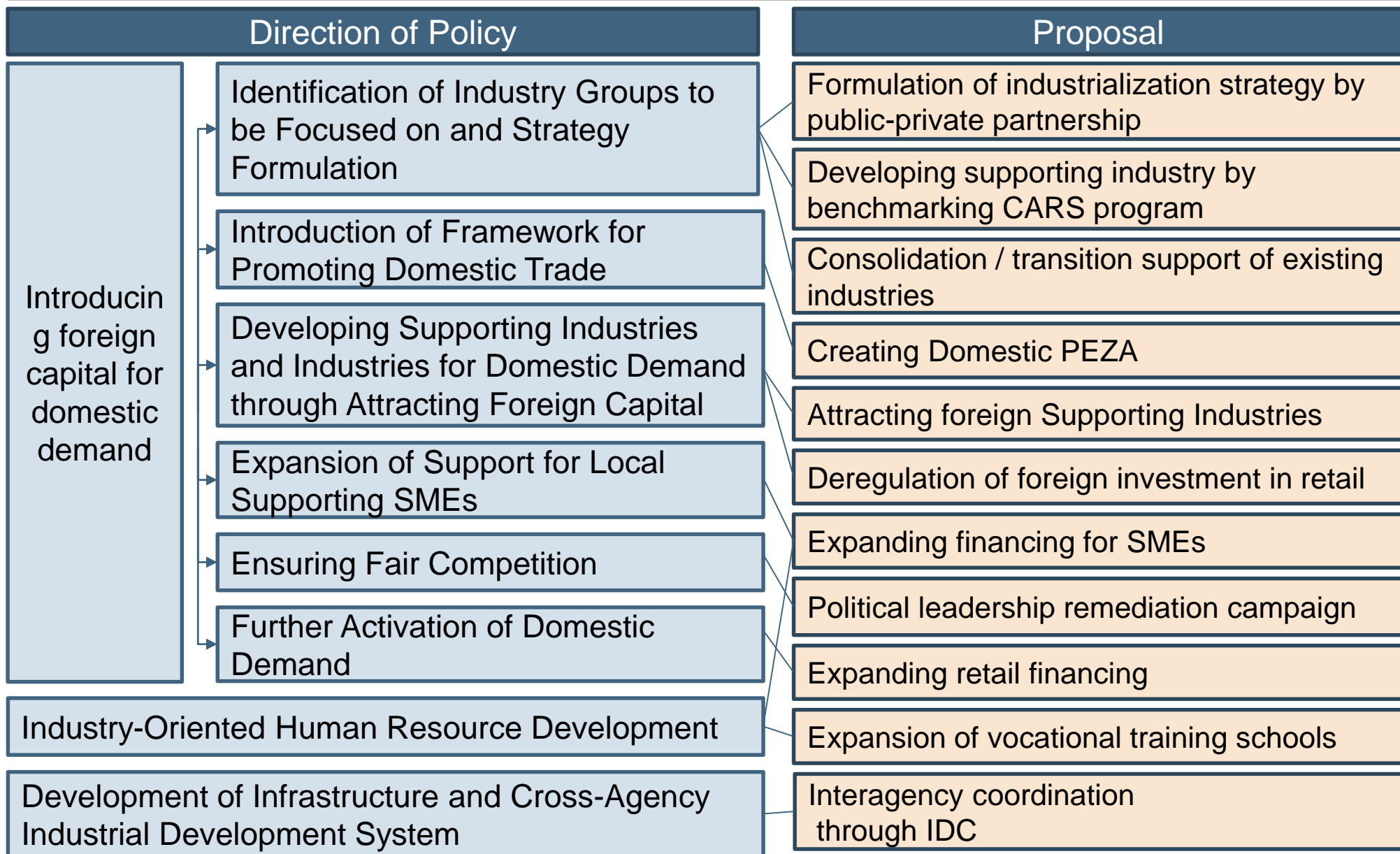
<Step 2> Spillover to local industry

- Invitation of foreign SMEs, supporting industries → Spill over of technology and management know-how to local companies → competitive local SMEs

<Step 3> Participation in global value chain

- Improvement of industrial infrastructure and creation of large-scale employment → Strengthening industrial competitiveness. Forming foundation of export industry

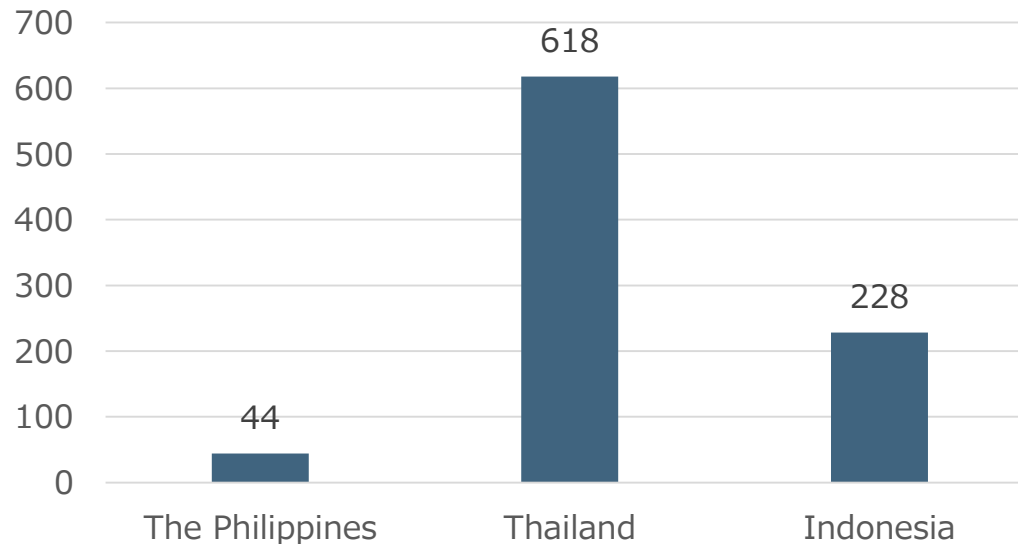
Direction of Policy & Proposal for Pillar1



For Example...

- Importance of supporting industry and attraction of foreign investments by companies with technology and cutting-edge processing equipment.

Number of member companies of auto-parts industry associations



Source: NRI based on hearing from each association

- Support for local business development in human resource development and capital investment.
- Incentive scheme and improvement of ease of doing business for promoting investments aiming the domestic market.

Scenario for Realization : Pillar2

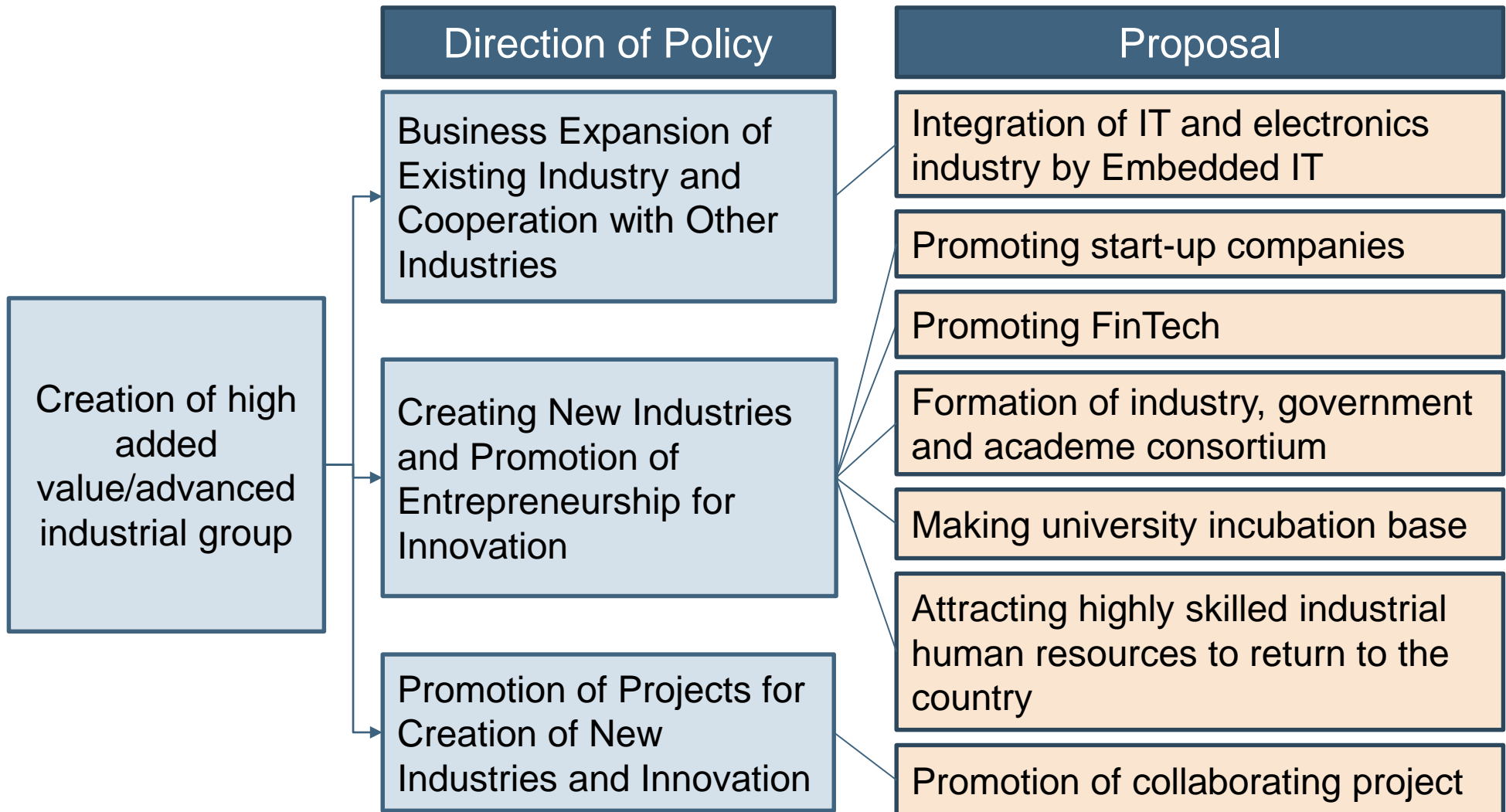
Pillar2 Creation of High Value-Added Employment -Retaining Highly Skilled Industrial Workers within the Philippines-

- Leak out of human resources with advanced knowledge, skills, ability to overseas
- Creating high value-added / advanced industrial groups to secure HR, in addition to utilizing HR in foreign companies

< possible perspective >

- Utilization of industries already having strengths (IT industry etc.) → High value added by expanding business (design, etc.) and cooperating with other industries
- Creation of new industries → Promotion of entrepreneurship such as start-up, Promotion of cross-sectoral integration projects, innovation, university incubation base, etc.

Direction of Policy & Proposal for Pillar2



For Example...

- Full utilization of Filipino who are capable of English and IT.
 - ASEAN regional engineer hub
 - ASEAN regional ESO hub
- Promotion of innovation to increase start-ups and enhance hybrid sectors of IT and other sub-sectors.



Start-ups at ASEAN-JAPAN Fair in Manila



Ministers at ASEAN-JAPAN Fair

Scenario for Realization : Pillar3

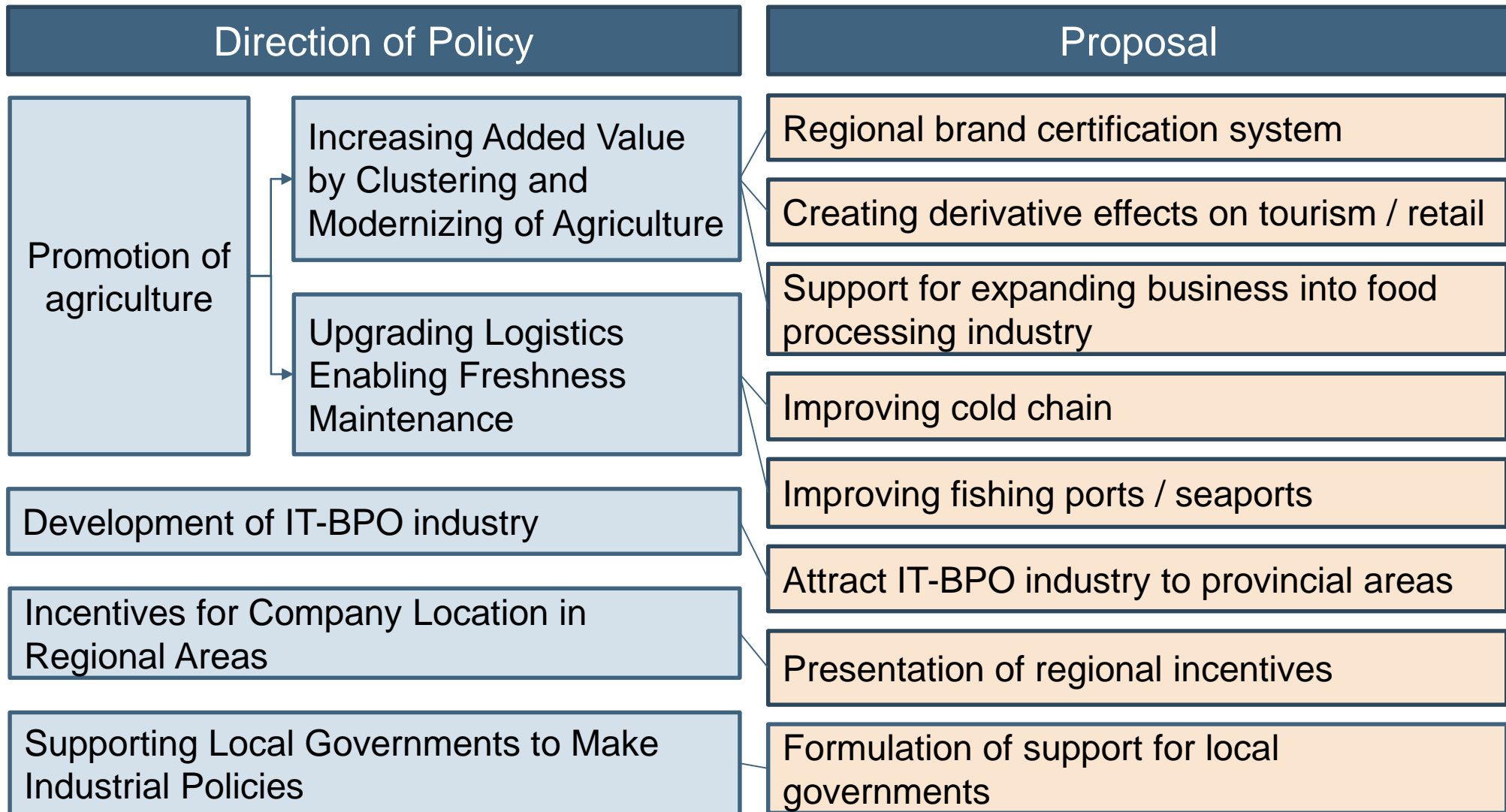
Pillar3 Creation of Employment through Local Industry Development – Agriculture, IT/BPO industry, etc.-

- Focusing on specific industries by taking advantage of the characteristics of rural areas (Central Luzon, Calabarzon, Mindanao),
→ Providing incentives to enterprises in rural areas

< Potential Target area >

- Promoting agriculture, forestry and fishery industries using attractive products / upgrading logistics system
- Promoting IT / BPO industry that can overcome geographical division
- Ripple effect for tourism and retail

Direction of Policy & Proposal for Pillar3



For Example...

- Food value chain: Value chain linkage is weak between mega consumer market such as Manila NCR and other agricultural areas.
 - Bridging agriculture and food processing sectors and establishing distribution channel and cold chain network.

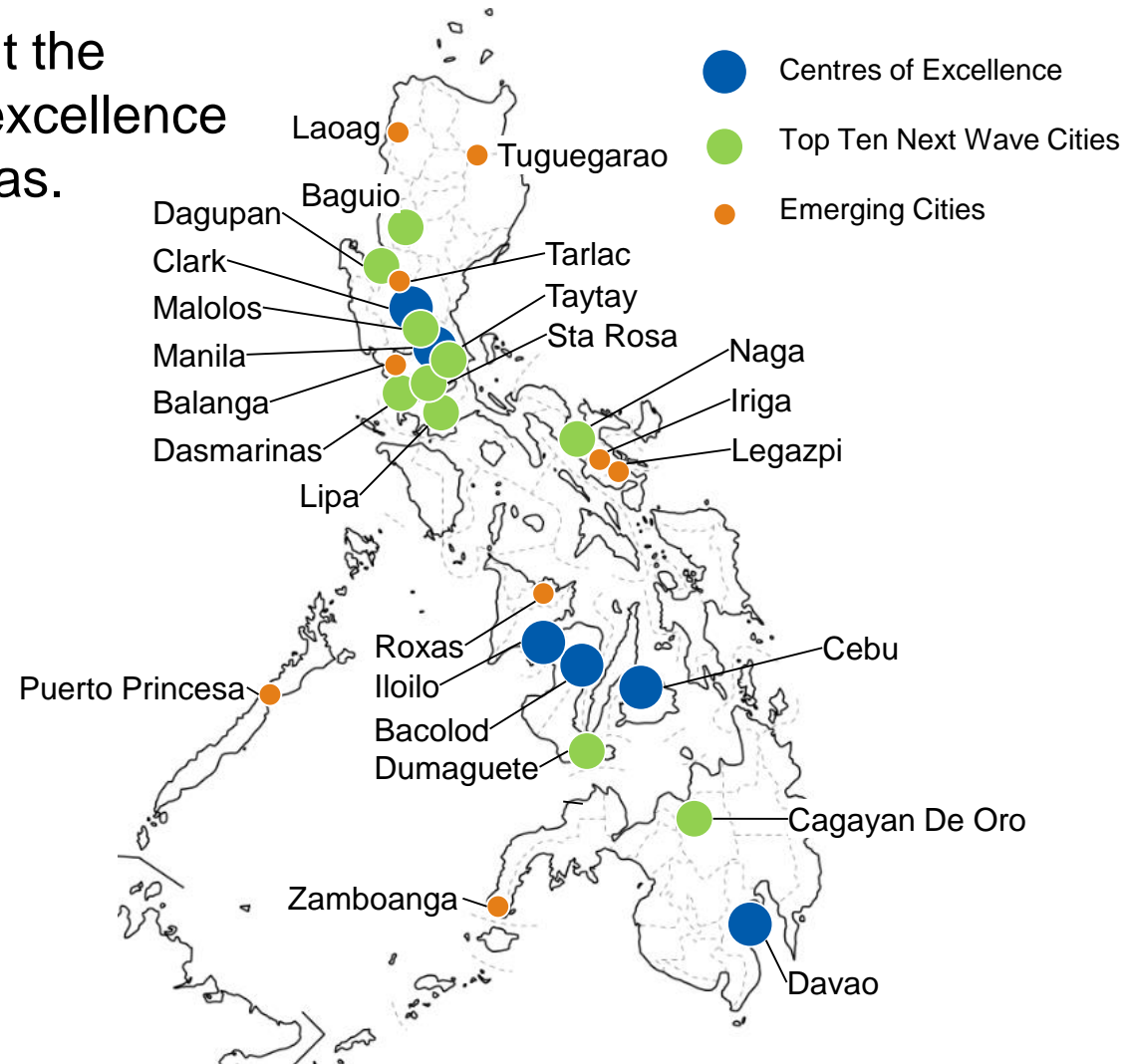
- Vitalization of service industry including retails that will be stimulated by the development of above mentioned sectors and tourism.

- IT/BPM can conquer the geographical disruption, create a large employment and utilize the English ability of the Filipino.

For Example...

■ IT/BPM is widely spread throughout the country. Four out of six centers of excellence are located in Mindanao and Visayas.

Next Wave Cities of IT/BPM



For Example...

- Thrusts of infrastructure development.
- Policy coordination among governmental agencies towards effective implementation.

Japan will cooperate for realization of Philippines industrial vision

- Japan will cooperate for Philippines industrial development and Philippines industrial policy

- For example . . .
 - For the foundation of Large-scale Employment, assisting for promoting local supporting industries, and assisting Industry human resource development

 - For creation of High Value-Added industry, cooperating for start-ups and funding pilot project for innovative business

 - Provision of information for policy making and support for capacity building utilizing various dialogues.