PHILIPPINE EXPORT DEVELOPMENT PLAN 2023-2028

EXPORT DEVELOPMENT COUNCIL

This Export Development Plan was developed by the Philippine exporting community under the leadership of the Export Development Council, with supervision from the Department of Trade and Industry and in collaboration with key national government agencies and the Philippine Exporters Confederation, Inc.

CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

AI	Artificial Intelligence
AO	Administrative Order
ARISE Plus	ASEAN Regional Integration Support by the EU
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
B2C	Business to Consumer
BES	Business Expectations Survey
BIR	Bureau of Internal Revenue
BOC	Bureau of Customs
BOI	Board of Investments
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
CAGR	Compounded Annual Growth Rate
CDA	Cooperative Development Authority
CGE	Computable general equilibrium
CHED	Commission on Higher Education
CITEM	Center for International Trade Expositions and Missions
COMELEC	Commission on Elections
COVID	Coronavirus Disease
CREATE	Corporate Recover and Tax Incentives for Enterprises
DA	Department of Agriculture
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
DICT	Department of Information and Communication Technology
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSO	Direct shipping ore
DTI	Department of Trade and Industry
EDA	Export Development Act
EDC	Export Development Council
EES	Exporters' Expectations Survey
EMB	Export Marketing Bureau
EO	Executive Order
EPA	Export Potential Assessment
EPIRA	Electric Power Industry Reform Act

EU	European Union
EV	Electric Vehicle
FDI	Foreign Direct Investment
FIRB	Fiscal Incentives Review Board
FOB	Free on board
FTA	Free Trade Agreement
FTSC	Foreign Trade Service Corps
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GI	Geographic Indication
GIA	Global Industry Analysts, Inc.
GSP	Generalized System of Preferences
GVC	Global Value Chain
HLS	Health and Life Sciences
HTS	Harmonized Tariff System
HVCC	High Value Commercial Crops
IBPAP	IT and Business Process Association of the Philippines
ICE	Internal Combustion Engine
ICT	Information and Communications Technology
ILO	International Labour Organization
IMT	Industrial, manufacturing and transportation
IPA	Investment Promotion Agency
IPRA	Indigenous Peoples' Rights Act
IT	Information Technology
IT-BPM	Information Technology – Business Process Management
ITC	International Trade Centre
LGC	Local Government Code
LGU	Local Government Unit
LPI	Logistics Performance Index
M&E	Monitoring and evaluation
MERC	Monitoring, evaluation, reporting and communication
MICC	Mining Industry Coordinating Council
MO	Memorandum Order
MRO	Maintenance, Repairs and Overhaul
MSME	Micro, small, and medium enterprises
NEDA	National Economic and Development Authority
NTM	Non-tariff measures
OECD	Organization for Economic Cooperation and Development

PASAR	Philippine Associated Smelting and Refining Corporation
PDI	Product Diversification Indicator
PDP	Philippine Development Plan
PEDP	Philippine Export Development Plan
PEZA	Philippine Economic Zone Authority
PHILEXPORT	Philippine Exporters Confederation, Inc.
PPP	Public-Private Partnership
PSA	Philippine Statistics Authority
PTA	Preferential Trade Arrangement
R&D	Research and Development
RCA	Revealed Comparative Advantage
SME	Small and medium enterprise
TESDA	Technical Education and Skills Development Authority
TIVA	Trade in Value Added
TMT	Technology, media and telecommunications
TR	Trade Representative
TRAIN	Tax Reform for Acceleration and Inclusion Law
TRIPS	Trade Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
VA	Value added
VAT	Value added tax
VUCA	Volatility, uncertainty, complexity and ambiguity
WTO	World Trade Organization
YAGO	Year-ago

CHAPTER 1

Overview

"Our vision is to establish the Philippines as a leading exporter of high-value products and services by 2028 while leveraging our superior knowledge and talent to cater to the diverse needs of global consumers and producers. This PEDP vision reinforces our broader vision of the Export Development Act (EDA), paving the way for a dynamic exporting nation that provides a wide variety of high-value products and services by 2040."

- **PEDP 2023-2028 Agenda**

The Export Development Act of 1994 (EDA) mandates the Department of Trade and Industry (DTI) to prepare a rolling three (3)-year Philippine Export Development Plan (PEDP) that defines export thrusts, strategies, policies, programs, and projects to be jointly implemented by the government, export sector and other stakeholders.

However, despite the carefully crafted PEDPs over the last 28 years, the Philippines' export performance lags behind its comparable ASEAN neighbors. While the country's export earnings nearly doubled over the past 21 years, growing 1.9 times, its neighbors saw their exports multiply by three (3) to more than 23 times in the same period. Indonesia's export earnings were 3.1 times that of the Philippines, while those of Thailand were 3.6 times, Malaysia four (4) times, Vietnam 4.5 times, and Singapore 6.1 times in 2021.[1]

Despite these challenges, the Philippines is a service export powerhouse, boosting its services exports by nearly 10% per year, reaching USD 33 billion in 2020. Services exports significantly contribute to and increase the domestic content of total exports. The Information Technology and Business Process Management (IT-BPM) sector is one of the best-performing and employment-generating activities in the past years, showing a promising growth trajectory. The sector's global leadership in voice-based services as well as continuing improvements in non-voice and complex process outsourcing have significant implications in terms of the level and composition of consumption and investment, especially in the Metro Manila and Cebu areas. However, substantive analysis of service sector development is constrained by the weakness of the data.[2]

The Philippines' wide export gap relative to its ASEAN neighbors suggests underlying fundamental shortcomings that a development plan focused on the export sector alone may be unable to address adequately. This could reflect more

[1] From 2000 to 2021, Malaysia's export earnings grew 3.1 times, Indonesia 3.7 times, Singapore 3.3 times, Thailand 3.9 times, and Vietnam, a phenomenal 23.2 times

[2] Mitra, 2013

basic structural weaknesses in the overall economy that may be rooted in policy, governance, and institutions. The weakness of the country's agriculture sector also mirrors the weak export performance, as the Philippines' agricultural exports are an outlier among its ASEAN peers. The COVID-19 pandemic and the more recent Russia-Ukraine conflict present a particularly challenging environment to plan export development in the years ahead.

However, there is wide scope for further growth in Philippine exports. Its ASEAN neighbors have long shown that export potentials are vast, and while past PEDPs have largely achieved their defined targets, the robust export performance of ASEAN neighbors indicates room for much greater ambition, aggressiveness, and creativity in plotting and pursuing future directions for Philippine exports. The new PEDP seeks to identify and fill past gaps and, at the same time, break new ground in plotting the country's export trajectory over the next five years, adapting to the post-pandemic "new normal."

Aligning Strategies with the Philippine Development Plan (PDP) 2023-2028

The PEDP is part of the Philippine Development Plan (PDP), which serves as the platform for attaining the Sustainable Development Goals (SDGs) by 2030 and the Filipino vision and aspirations by 2040. The Plan has adopted the twin national development thrusts of agro-industrial development and poverty alleviation. Furthermore, export development is a whole-of-government approach, and the PEDP is aligned with relevant and supportive sectoral strategic frameworks such as those for agriculture, tourism, power, infrastructure, finance, and others.

In developing this PEDP, careful consideration was given to the strategies outlined in Chapter 9 of the PDP 2023-2038, which focuses on promoting trade and investment. The plan has identified several strategies to enhance the country's export performance and competitiveness, summarized as follows:

1. Resolve key constraints to export growth and competitiveness;
2. Proactively monitor, and implement preventive measures and interventions for distressed firms;
3. Implement targeted, granular strategies to increase exports on three fronts (1) Global Value Chain (GVC) Export Clusters, (2) Food and Agri-Marine, and (3) Labor Intensive Manufacturing.
4. Significantly diversify exports by fortifying backward and forward linkages;
5. Advance purposive, assertive, and forward-looking Free Trade Agreement (FTA) strategies;

6. Position the Philippines as the foremost supplier of tradeable intermediate services; and
7. Ensure integrated, whole-of-government commitment to deliver broad access to the National Quality Infrastructure (NQI).

The Plan is also fully aligned and supportive of the prevailing international, national, and sectoral frameworks and priorities. The PEDP ensures a coordinated and coherent approach toward achieving the country's overall development goals and objectives by aligning and integrating with these frameworks and policies.

The Plan contributes to the attainment of the SDGs under the **Global Sustainable Development Agenda 2030.** We are committed to achieving SDGs such as: No poverty (SDG 1), Zero hunger (SDG 2), Decent work and economic development (SDG 8), Industry, innovation, and infrastructure (SDG 9), and Responsible consumption and production (SDG 12) by 2030.

At the national level, the Plan is aligned with the **EDA** of 1994, which aims to make the Philippines an exporting nation and considers exporting the key to national survival, agro-industrial development, and poverty alleviation. The PEDP is geared towards promoting an export sector that generates higher revenues, sells higher-value finished and green products and services, and reaches wider markets. The Plan is also aligned with **AmBisyon Natin 2040**, which aspires for the country to become a major player in the global knowledge, products, and services economy.

At the sectoral level, the Plan aligns with DTI's priority cluster approach for transforming the country from exporting commodities and intermediate goods to exporting high-value products and services. The priority clusters consist of Industrial, Manufacturing, and Transport (IMT), Technology, Media, and Telecommunication (TMT), Health and Life Sciences (HLS), and Modern Basic Needs and Resilient Economy (MBNRE). To support these clusters, the PEDP coordinates and aligns with the science, technology, and innovation industrialization strategy to ensure the growth of globally competitive and innovative industries. The Plan also takes advantage of global value chains for IMT, TMT, and HLS, which are undergoing global reconfigurations, to enter new product markets where the Philippines has a comparative advantage.

The Plan is also attuned to recent key policies such as:

- **Agriculture, Fisheries, and Rural Development Financing Enhancement Act of 2022 (RA 11901)** institutionalizes a responsive financing framework for the agriculture and fisheries sector;
- **Philippine Innovation Act of 2019 (RA 11293)** fosters innovation as a vital component of national

development and sustainable economic growth;

- **Philippine Creative Industries Development Act of 2022 (RA 11904)** provides centralized state support to the creative industries;

- **Innovative Startup Act of 2019 (RA 11337)** develops and promotes the Philippine startup ecosystem;

- **Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (RA 11032)** aims to streamline the procedures of government services; and the

- **Philippine Halal Export Development and Promotion Act of 2016 (RA 10817)** mandates the establishment of the Philippine Halal Export Development and Promotion Program, which is the "comprehensive set of objectives, targets, strategies, and activities for the growth of Halal industries producing or providing products, processes, and services and resulting to increased exports of Halal products";

- **Inclusive Innovation Industrial Strategy (I3s)** aims to address pressing constraints to the development of industries. It aims to create globally innovative and competitive industries through (1) building an innovation and entrepreneurship ecosystem that will help in forming new industry clusters; (2) removing obstacles to growth that will allow the Philippines to attract more investments; (3) strengthening domestic supply chain to encourage inclusivity and promote self-sufficiency; and (4) deepening the participation of the industries in global and regional value chains to maximize economic benefits.

Global Market Trends and Prospects

The following trends identified by the Philippine Development Plan (PDP) with potentially significant impacts on exports have been considered:

- **Muted global economic recovery.** Global economies are trying to recover from the impacts of the COVID-19 pandemic but are being stymied by the continuing emergence of new variants and new viruses. China, where some major cities have been imposing lockdowns, is leading the pack and contributing to the global economic slowdown. The Russia-Ukraine conflict has brought long-term adverse effects on the global economy. These two factors have escalated commodity prices, especially fuel and agriculture inputs, and tightened monetary policy.

- **Sluggish international trade.** UNCTAD[3] reported that global trade values reached a high of USD 7.7 trillion in the first quarter of 2022, an increase of 30% from the pre-pandemic levels (2019). However, trade volume was sluggish, growing by only 6% during the same period, indicating that export growth was due to high commodity prices, particularly energy products. UNCTAD sees this uptrend reversing in late 2022 due to rising interest rates, a winding down of stimulus packages, volatility of commodity prices, and geopolitical factors. Growth of export values is expected to slow down to 3.2% in 2022 and 2.9% in 2023.

- **Surge in Foreign Direct Investments (FDI).** Global FDI grew by 88% to USD 1.8 trillion[4] in 2021, besting pre-pandemic levels by 37%. The rebound was driven by reinvested earnings, especially in OECD countries, led by Japan, where equity outflows grew by 83%, largely due to mergers and acquisitions. But greenfield investment was subdued, especially in developing economies. Manufacturing, especially semiconductors, and the communications sectors received the biggest boost in greenfield investment. However, the outlook for 2022 remains uncertain due to the Russia-Ukraine conflict.

- **Tighter monetary policy in advanced economies[5].** Central banks around the world have raised interest rates to curb high inflation brought about by measures to ease financial conditions during the height of the pandemic and in support of economic recovery. The pace of monetary tightening has been synchronized and accelerating in frequency and magnitude around the world, especially among advanced economies. The economic and inflation outlook remains highly uncertain.

- **Growing import restrictions.** The latest World Trade Organization (WTO) Trade Monitoring report shows that restrictions on trade are increasing due to economic uncertainty exacerbated by the COVID-19 pandemic, the Ukraine-Russia war, and the food security crisis. It was revealed in a Trade Policy Review Body's meeting on 06 December 2022 that WTO members are imposing restrictions, particularly on food, feeds, and fertilizers, at an accelerated pace which resulted in accumulating import restrictions in place. The WTO reported that the total number of new trade-facilitating measures (376) outnumbered new trade-

[3] UNCTAD (2022). "Inflation and rising commodity prices drive global trade," Global Trade Update, July 2022. https://unctad.org/system/files/official-document/ditcinf2022d2_en.pdf

[4] OECD, FDI in Figures, April 2022. https://www.oecd.org/investment/investment-policy/FDI-in-Figures-April-2022.pdf

[5] International Monetary Fund, "Central Banks Hike Interest Rates in Sync to Tame Inflation Pressures," IMF Blog, August 10, 2022. https://blogs.imf.org/2022/08/10/central-banks-hike-interest-rates-in-sync-to-tame-inflation-pressures/

restrictive measures (214) during the period October 2021-October 2022. However, the report also noted that since the first Trade Policy Review exercise in 2009, this was the first time that the number of export restrictions was greater than the import restrictions. Of the 78 export restrictions on food, feed, and fertilizers imposed since the start of the war in February 2022, 58 are still being implemented, covering roughly USD 5.6 billion of trade.

In recent years, there has been a noticeable trend in the increase of non-trade-related regulations that the Philippines' trade partners have required for importation. These regulations, often linked to social and environmental concerns, include compliance with international labor standards, intellectual property protection, sustainable sourcing, and environmental laws. Such regulations are not limited to specific industries or countries and are often imposed to ensure that products and services are produced socially and environmentally sustainable.

- **Emerging technologies.** Technological trends have been rapid and unpredictable. Some relevant to exports is the Internet of Things (IOT), big data analytics, artificial intelligence (AI), additive manufacturing (3D printing), energy storage technology, and blockchain. While some are already being applied in developing economies, their benefits, possible adverse impacts, or usability (e.g., which energy storage technology to use for Philippine nickel) remain uncertain. The passing of the Philippine Innovation Act of 2019 was timely and useful in addressing technological challenges affecting exports, including the early determination of possible impacts of upcoming technologies.

- **Climate change.** The impacts of climate change on highly vulnerable countries like the Philippines are well known. Production and exports, especially of agricultural products, are usually hit hard. Unfortunately, the Philippines lacks control over global and regional climate trends and continues to be challenged in managing climate impacts. While global efforts to meet national climate action commitments under the Paris Agreement provide some level of comfort, the Philippines will continue to be at the receiving end of adverse climate impacts indefinitely. Its weak adaptation and mitigation efforts can unnecessarily prolong this period.

This PEDP acknowledges these global trends and uncertainties, but its ability to execute responsive measures remains limited. Consequently, it calls for a concerted national effort to overcome adverse impacts and leverage the benefits of these trends, particularly in boosting and stabilizing exports.

The Evolving Philippine Export Landscape

The Philippine export landscape has undergone significant changes and advancements over the past few years. With new opportunities in emerging markets and sectors, exploring the evolving Philippine export landscape and its implications for the country's economy and its role in the global marketplace is essential.

The Philippines has fallen behind its neighboring economies in exports of goods and services.

Compared to its neighboring peers (Table 1), the Philippines lags far behind in generating foreign exchange as a share of GDP. In contrast, Vietnam's exports exceeded its GDP as early as 2019, fueling high import levels and net factor payment outflows. Both exports and imports in Vietnam have grown dramatically as shares of GDP since 2015, making it the second-largest exporter in the region.

On the other hand, Thailand had exports equivalent to more than half of its GDP in 2020, while imports were less at 46.5%, resulting in a positive trade balance. Despite this, Thailand's trade shares were declining, which exceeded the net factor income deficit. Meanwhile, Indonesia's exports and imports relative to GDP were all in the low range.

Table 1 Foreign trade and transfer activities as shares in GDP, 2000 – 2020 (%)

	2000	2005	2010	2015	2019	2020
Indonesia						
Exports of goods and services	41.0	34.1	24.3	21.2	18.4	17.2
Imports of goods and services	30.5	29.9	22.4	20.8	19.0	16.0
Net factor income from abroad	(6.6)	(4.9)	(2.7)	(3.3)	(3.0)	(2.7)
Net income from abroad	3.9	(0.7)	(0.8)	(2.9)	(3.6)	(1.5)
Philippines						
Exports of goods and services	43.3	41.2	32.9	27.2	28.4	25.2
Imports of goods and services	41.8	42.6	33.2	31.9	40.5	33.0
Net factor income from abroad	9.4	9.8	11.2	11.4	10.0	7.7
Net income from abroad	11.0	8.4	10.9	6.7	(2.1)	(0.1)
Thailand						
Exports of goods and services	64.8	68.4	66.5	67.6	59.5	51.4
Imports of goods and services	56.5	69.5	60.8	57.2	50.1	46.5
Net factor income from abroad	(2.0)	(4.5)	(4.2)	(5.2)	(3.7)	(2.8)
Net income from abroad	6.4	-5.5	1.5	5.2	5.7	2.1
Vietnam						
Exports of goods and services	55.0	63.7	72.0	89.8	106.8	105.5
Imports of goods and services	57.5	67.0	80.2	89.0	104.7	102.7
Net factor income from abroad	(1.4)	(1.8)	(3.8)	(5.1)	(5.8)	(5.8)
Net income from abroad	(3.9)	(5.2)	(12.0)	(4.3)	(3.7)	(2.9)

Note: 2019 is shown because 2020 is an abnormal year, Source: ADB Key Indicators 2022.

Although the magnitude of the Philippines' exports of goods and services is smaller than Thailand's, it is larger than Indonesia's. In 2020, exports accounted for a quarter of the Philippines' GDP, while imports accounted for nearly one-third. However, both exports and imports as a share of GDP have been declining since 2000. A striking difference between the Philippines and its neighbors is the large share of net factor income from abroad, which rose from 9.4% to 11.4% between 2000 and 2015 but fell to 7.7% in 2020 due to the COVID-19 pandemic. These numbers demonstrate significant room for improvement in the Philippines' export performance.

Merchandise export values have steadily increased but not as fast compared to ASEAN neighbors

By the turn of the century, the Philippines had significantly increased its merchandise export earnings, reaching USD 38.1 billion - almost three (3) times the amount in 1994. During this six (6)-year period, the country's goods export growth rate surpassed that of its comparable ASEAN neighbors, whose exports grew by only 1.4 to 2.6 times. However, the Philippines was still playing catch-up, as it had the second-lowest level of export earnings in 1994, at USD 13.5 billion, exceeding only Vietnam's USD 5.5 billion, but far below Indonesia's USD 40.1 billion, Thailand's USD 45.2 billion, Malaysia's USD 58.8 billion, and Singapore's USD 96.8 billion (Table 2

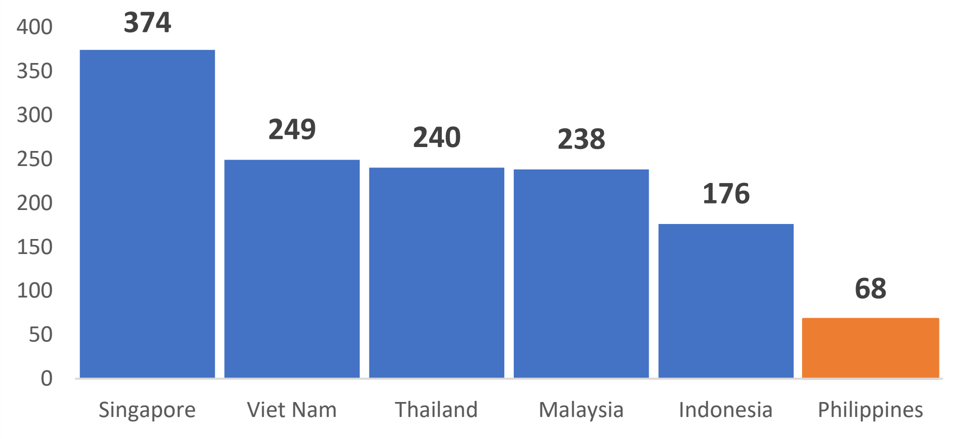
Table 2 ASEAN-6 Export Earnings, 1994-2021 (USD million)

Year	PH	MY	ID	TH	SG	VN
1994	13.5	58.8	40.1	45.2	96.8	5.5
2000	38.1	98.2	62.1	68.8	137.8	14.5
2010	51.5	198.8	157.8	195.3	353.2	72.2
2020	65.2	233.4	163.3	226.7	373.7	282.7
2021	74.7	299.2	231.5	271.2	457.1	336.1
Ratio 2000/1994	2.8	1.7	1.6	1.5	1.4	2.6
Ratio 2021/2000	2.0	3.1	3.7	3.9	3.3	23.2
Ratio to PHL, 2021	1.0	4.0	3.1	3.6	6.1	4.5

Source of Data: Bangko Sentral ng Pilipinas (BSP)

Despite continued growth in Philippine merchandise export earnings to USD 74.6 billion in 2021, its lead in exports dwindled and reversed in subsequent years, while its comparable ASEAN neighbors continued to expand rapidly. Over the past 21 years, the country's export earnings nearly doubled, growing 1.96 times, whereas its comparable ASEAN neighbors saw their exports multiply by three (3) to more than 23 times during the same period. In 2021, Indonesia's export earnings were 3.1 times that of the Philippines, while those of Thailand were 3.6 times, Malaysia four (4) times, Vietnam 4.5 times, and Singapore 6.1 times. As shown in Figure 1, the Philippines trailed significantly behind its comparable ASEAN neighbors in annual merchandise export earnings from 2016 to 2021.

Figure 1. ASEAN Annual Merchandise Export Earnings, AverFigure 2 ASEAN Industrial Power Costs as of September 2021 (USD per Kilowatt-Hour)ngFigure 3. Nominal Exchange Rate and REER, 1990-



The Philippines is a service export powerhouse.

Trends in the share of services in total exports (Table 3) underscore the strength of the Philippines in services export. The major exporters of Asia tend to be merchandise-based, with merchandise trade accounting for 85% or more of total exports. Among the major exporters, only India, Singapore, and the Philippines generate a third or more of their exports from services. From 2005 to 2020, the Philippines managed to expand its services exports by nearly 10% per year, enabling its services share to rise from 17% to 33%.

Table 3 Share of services in total exports, by country, 2005–2020, in %.

	2005	2010	2015	2016	2017	2018	2019	2020
India	34.2	34.7	37.2	38.3	38.5	38.7	39.9	42.5
Singapore	16.5	22.1	30.6	31.5	31.4	33.4	35.7	33.4
Philippines	17.3	25.7	33.1	35.7	35.5	36.3	37.0	33.0
Sri Lanka	20.0	23.0	38.0	40.4	39.7	100.0	38.4	22.1
Myanmar	100.0	4.0	24.7	24.5	21.6	21.8	27.0	20.7
Japan	14.6	14.9	20.6	21.4	21.1	20.8	22.7	20.0
Pakistan	18.6	23.5	21.1	19.7	22.4	20.0	19.8	19.4
South Korea	15.1	15.1	15.6	16.1	13.5	14.1	15.5	14.5
Thailand	15.3	15.0	21.6	23.0	23.1	23.7	24.9	12.1
Cambodia	27.0	26.6	31.6	28.8	29.0	30.0	29.1	9.9
China	9.3	10.2	8.7	9.0	9.1	9.8	10.2	9.8
Malaysia	12.2	14.9	14.8	15.8	14.6	14.0	14.7	8.6
Indonesia	13.2	9.7	12.9	13.9	13.0	14.8	15.9	8.4
Vietnam	11.6	9.4	6.5	10.7	8.9	9.2	9.4	6.2
Lao PDR	100.0	21.1	22.0	21.1	13.7	14.5	19.1	6.1

Source: International Trade Centre (ITC), 2022.

Among middle-income economies, the Philippines has an intermediate level of domestic content.

High-export middle-income economies tend to have low shares of domestic content compared with advanced economies. Table 4 shows that the Philippines earned USD 102 billion in gross exports in 2018, Indonesia earned more than twice that, Viet Nam two-and-a-half times, and Thailand more than three times.

There is also wide variation in domestic content, measured as domestic value added (VA) as a share in gross exports. The wealthy economies in the Organisation for Economic Cooperation and Development (OECD) have high domestic content, i.e., nine-tenth of what they export on average is due to behind-the-border factors of production (land, labor, and capital). On the other hand, for a middle-income economy such as Vietnam, less than half of exports consist of domestic content. This means that their high levels of gross output have been achieved in part by embedding considerable quantities of imported intermediate goods.

Over time, domestic content of OECD exports had been declining by under five (5) percentage points. Among the ASEAN countries, only Malaysia has managed to raise the domestic content of exports. Domestic content has remained broadly stable, i.e., Philippines and Indonesia, and declining over time for Thailand, Viet Nam, and ASEAN as a whole. This suggests a global value chain (GVC) trend, which involves increasing imports of intermediate goods to generate exports.

Interestingly, at 76% domestic content, the domestic VA of the Philippines is higher than the average for ASEAN countries. But despite its higher domestic VA content as a share of gross exports, the total payment to domestic factors in the Philippines has still been lower compared to Vietnam and Thailand.

Table 4 Gross exports and domestic VA share, 1995 – 2018

	1995	2000	2005	2010	2015	2018
Gross exports (USD billion)						
Indonesia	62.2	69.1	101.7	183.1	181.2	219.8
Myanmar	1.1	1.9	3.4	8.0	14.5	21.9
Malaysia	74.7	96.9	137.4	195.1	185.8	218.4
Philippines	**25.0**	**27.4**	**38.9**	**67.4**	**81.1**	**102.0**
Thailand	70.6	81.9	132.6	219.5	263.4	328.0
Vietnam	6.8	17.3	36.7	82.1	166.2	246.8
OECD	955.5	1,053.1	1,786.4	3,081.0	3,657.9	4,179.2
ASEAN	280.4	333.6	507.9	851.6	1,038.9	1,301.3
Share of Domestic value added (%)						
Indonesia	87.3	81.9	82.1	85.7	85.8	85.6
Myanmar	79.4	82.3	89.4	89.6	85.7	82.8
Malaysia	53.7	51.3	56.4	61.8	65.5	65.2
Philippines	**77.0**	**76.3**	**65.8**	**74.3**	**79.7**	**76.3**
Thailand	74.7	63.9	59.1	61.1	64.9	65.4
Vietnam	77.1	70.1	63.8	57.2	52.8	48.9
OECD	96.5	95.3	93.4	91.3	91.9	91.6
ASEAN	73.2	68.7	67.3	69.6	69.0	68.0

Source: OECD (2022).

The share of intermediate goods in Philippine exports has been high and growing.

The level of intermediate goods export is an indicator of participation in the global value chain. More than half of exports in OECD and ASEAN take the form of intermediate goods but the shares for Indonesia, Philippines, and Thailand are even higher (Table 5). The shares of intermediate goods for all economies gradually increased over time.

Table 5 Share of intermediate goods in gross exports (%)

	1995	2000	2005	2010	2015	2016	2017	2018
Indonesia	64.2	65.9	68.5	70.2	64.2	62.4	63.0	63.6
Myanmar	51.6	58.9	60.3	64.3	54.9	54.2	55.8	58.7
Malaysia	56.2	60.8	61.3	59.8	61.1	60.4	60.7	61.3
Philippines	**53.4**	**51.2**	**59.2**	**60.2**	**61.0**	**60.2**	**59.3**	**60.0**
Thailand	45.7	51.1	54.2	51.5	46.8	47.3	46.1	46.5
Vietnam	50.0	51.0	58.8	53.3	53.9	54.3	54.9	57.1
ASEAN	53.7	56.1	58.5	57.9	55.4	55.2	54.9	55.5
OECD	52.2	56.8	57.3	57.1	56.9	56.9	58.0	58.1

Source: OECD (2022)

For merchandise exports, domestic content is highest in agriculture and lowest in manufacturing.

The bulk of merchandise exports has been coming from manufacturing (USD 46.7 billion in 2018) for which domestic content ranged from 59 to 73%. (Table 6). The domestic VA share for Agriculture is highest at 90% to 4% and that for Mining and quarrying ranged from 89% to 92%.

The share of merchandise exports in final form is highest in Manufacturing and lowest in mining.

Participation in the GVC can be seen in the share of Intermediate goods in industry exports, which are greatest by far for Mining and quarrying (nearly 100%), dropping to 63% to 67% for Agriculture, and even lower (53 % to 61%) for Manufacturing

Table 6 VA shares in gross merchandise exports, Philippines, 1995-2018 (%)

	1995	2000	2005	2010	2015	2018
Agriculture						
Exports, million	2,198	660	777	2,733	2,934	3,743
Domestic VA share (%)	91.3	92.3	90.2	93.4	94.2	92.6
Intermediate goods share (%)	63.5	64.5	66.5	64.3	64.2	63.4
Mining and quarrying						
Exports, USD million	855	296	525	1,663	1,803	2,327
Domestic VA share (%)	89.2	92.0	85.9	88.3	88.8	85.9
Intermediate goods share (%)	98.0	90.9	97.3	96.4	95.3	95.9
Manufacturing						
Exports, USD million	16,336	20,257	27,722	38,223	39,074	46,718
Domestic VA share (%)	71.3	73.0	58.5	66.3	73.2	68.4
Intermediate goods share (%)	53.4	52.7	60.1	60.4	61.0	59.4

Source: OECD (2022).

Services exports significantly contribute to and increase the domestic content of total exports.

Total services exports reached USD 49.2 billion in 2018, of which USD 46.4 billion was in the form of Business sector services (Table 7). Almost half of the services exports were also in intermediate form (49% in 2018) and have a much higher domestic content than merchandise exports. Compared with manufactured goods exports, services exports have high domestic VA share, with similar domestic content as Mining and quarrying (though slightly lower than Agriculture). Owing to the significant contribution of services to overall exports, the Philippines has managed to post a relatively high domestic content for its exports. (see Table 7).

Table 7 VA indicators for services, Philippines, 1995 – 2018 (%)

	1995	2000	2005	2010	2015	2018
Total services						
Gross Exports (USD million)	5,650	6,165	9,868	24,794	37,258	49,206
Domestic VA share (%)	86.3	84.7	83.5	83.6	84.9	82.0
Intermediate goods share (%)	42.6	43.1	54.1	56.9	59.1	58.5
Business sector services						
Exports (USD million)	5,410	6,051	9,684	23,898	35,225	46,336
Domestic VA share (%)	86.3	84.7	83.6	83.6	84.8	81.9
Intermediate goods share (%)	43.9	43.9	55.0	58.6	61.9	61.3

Key Philippine exports are competitive according to Revealed Comparative Advantage (RCA)[6] estimates.

RCA estimates for key export sectors (defined sectors earning more than USD 500 million in 2021) show that nearly all products are exhibiting comparative advantage (i.e., RCA>1). Plastic and articles and Rubber and articles are exceptions. The largest export commodities of the country, namely integrated circuits, computers, computer parts, and transistors, maintain an RCA > 1. For the majority of products with RCA>1, product shares have been increasing in the world market.

Table 8 RCA and product share, Key exports of Philippines, 2002 –2021 (%)

HS Code	Product	RCA			Product share (%)		
		2002	2010	2021	2002	2010	2021
0803	Bananas	12.65	11.24	22.41	0.07	0.06	0.07
1513	Coconut oil	52.39	70.26	53.35	0.02	0.03	0.03
16	Processed fish and meat	1.28	2.44	2.76	0.26	0.25	0.27
2008	Processed fruit	6.09	6.55	8.62	0.07	0.07	0.08
2604	Nickel ores	8.50	37.49	101.06	0.01	0.02	0.02
2701	Coal	0.00	0.55	1.40	0.32	0.69	0.57
39	Plastics and articles	0.20	0.24	0.46	3.15	3.20	3.66
40	Rubber and articles	0.25	0.63	0.75	0.93	1.12	1.03
4202	Bags and cases	1.79	0.51	2.55	0.25	0.27	0.34
44	Wood products	0.38	2.95	1.04	1.07	0.70	0.85
7108	Semi-manufactured gold	0.70	0.65	0.70	0.34	0.98	1.83
7403	Refined copper	3.36	3.44	7.62	0.19	0.46	0.39
75	Nickel and articles	0.00	0.00	5.51	0.14	0.19	0.12
8443	Printing machines	0.01	0.01	8.39	0.17	0.75	0.41
8471	Computers	4.68	3.90	2.57	2.85	1.99	1.95
8473	Computer parts	3.25	3.40	2.41	2.20	0.93	0.73
8504	Electrical transformers	0.49	4.25	4.24	0.50	0.57	0.57
8517	Telephone sets	0.72	0.01	0.55	0.84	2.15	2.78
8528	Display devices	0.34	0.00	2.35	0.50	0.79	0.48
8532	Electrical capacitors	1.74	6.22	9.22	0.22	0.16	0.19
8534	Printed circuits	6.22	1.52	3.41	0.29	0.27	0.27
8536	Electrical switches	1.07	2.38	2.11	0.58	0.55	0.56
8541	Transistors	6.22	5.92	3.45	0.50	0.85	0.65
8542	Integrated circuits	12.31	4.71	6.84	3.18	2.65	4.72
8544	Insulated wires	2.87	3.84	5.24	0.57	0.58	0.69
8708	Vehicle parts	0.93	1.68	0.73	2.31	1.93	1.86
8901	Boats and ships	0.23	0.92	2.47	0.53	0.83	0.33
9030	Electrical instruments	0.15	0.01	6.18	0.18	0.13	0.16
94	Furniture	0.79	0.32	0.53	1.29	1.10	1.46

N.B. Computation is limited to merchandise exports. Source: ITC (2022).

[6] Revealed comparative advantage - The revealed comparative advantage (RCA) measure is a useful index of competitiveness; RCA > 1 implies that the Philippines is an above average exporter of that product, while RCA < implies that the Philippines is a below average exporter.

IT and Manufacturing services have high comparative advantage but their shares in world exports have been declining.

Table 9 shows that the RCA for Travel and Transport services is below 1, while that of Manufacturing services exceeds 1. Across the board, product shares for these categories have been declining between 2005 and 2020. In particular, IT services now account for 7.2% share in global services exports. Advances in machine learning and artificial intelligence are likely to force an upgrading of IT exports away from low-end services (i.e., customer care) to higher value-added products.

Table 9 Services exports, RCA and product share in world exports, 2005 – 2020

Code	Category	2005	2010	2015	2020
	RCA				
1	Manufacturing services	-	-	-	7.2
3	Transport	0.6	0.4	0.4	0.3
4	Travel	1.1	0.6	0.8	0.6
9	IT services	1.5	1.6	1.2	1.3
S	All services				
	Product share	1.9	2.1	1.8	1.8
1	Manufacturing services	1.1	1.2	1.5	1.5
3	Transport	19.7	20.7	17.9	16.5
4	Travel	24.8	24.2	24.1	10.7
9	IT services	-	-	-	7.2
S	All services	0.6	0.4	0.4	0.3

N.B. Computation is limited to services exports. Source: ITC (2022).

The Philippines has wide scope to increase exports and become a major global exporter.

The total untapped export potential of the Philippines is estimated at USD 49 billion. (Table 10). Sectors with the most untapped potential are Smart cards, electronic integrated circuits, and LED lamps. Despite actual exports already amounting to USD 23 billion, their unrealized potential is still high at almost the same amount. Computer data storage devices and office machine parts have the next largest potential. The product with the 4th largest potential is bananas, already a major agricultural export.

Table 10 Top 20 products ranked by potential exports, USD billions (as of 2022)

HS Code	Category	Actual exports	Potential exports	Unrealized potential
85xxxd	Smart cards, electronic ICs, LED lamps	23.00	45.00	22.00
847170	Computer data storage	4.40	8.00	3.60
84xxxd	Office machine parts	3.90	5.60	2.40
803	Bananas	1.70	3.50	2.00
84xxxc	other office machines	2.10	3.20	1.30

HS Code	Category	Actual exports	Potential exports	Unrealized potential
854430	Ignition wiring	2.00	2.90	1.20
85044	Static converters	1.50	2.40	1.10
854129	Transistors	0.94	1.70	0.76
740311	Copper cathodes	1.20	1.60	0.52
85xx	Parts of telephone sets	0.84	1.10	0.29
850450	Inductors	0.54	0.98	0.53
854140	Photosensitive semiconductors	0.65	0.97	0.53
8708xx	Vehicle parts	0.69	0.95	0.57
151311	Coconut oil	0.69	0.94	0.27
750120	Nickel oxide sinters	0.49	0.93	0.46
8528Xb	Projectors	0.67	0.92	0.28
85xxxb	Telephone sets	0.62	0.88	0.37
853224	Electrical capacitors	0.72	0.83	0.27
853690	Electrical switches	0.37	0.74	0.41
80430	Pineapples, fresh or dried	0.32	0.73	0.43

Note: "Actual exports" are averages for 2016-2020. Source: ITC (2022).

The Atlas of Economic Complexity ranks the Philippines 28th in the world in terms of economic complexity, which is more than expected given its income level. Its economy is projected to grow moderately (4.6% in the next 10 years). Based on the configuration of the product space, the top 40 products by proximate product complexity are shown in Table 12. The export opportunities are to be found in rather arcane product categories (HS4 level) across various industry classes, though there is a large number of chemical products; these are followed by several equipment or machinery manufactures, such as appliances for thermostatically controlled valves, apparatus and equipment for photographic laboratories, liquid crystal devices, computers, vacuum cleaners, instruments for measuring properties of liquids and gases, parts of motor vehicles, etc.

Table 11 Export opportunities based on product space measures, Philippines, 2019

HS Code	Product name	"Nearby" distance	Opportunity gain	Product complexity
2851	Inorganic compounds, liquid or compressed air	5	3.5	5
3707	Chemical preparations for photographic uses	4	3.5	5
2920	Esters of other inorganic acids of nonmetals	3	5	5
3702	Photographic film in rolls	3.5	4	5
2812	Halides of nonmetals	3	4.5	5
2910	Epoxides	4	5	5
8458	Lathes for removing metal	2.5	5	5
7006	Worked glass	5	4	5
8456	Machines for working materials by laser and similar means	3	5	5
3818	Chemical elements for electronics	5	4.5	5
8479	Machines n.e.c.	2.5	5	5
3910	Silicones in primary forms	2.5	5	5
7003	Glass, cast or rolled	4.5	4	5
2907	Phenols, phenol-alcohols	3	5	5
2934	Nucleic acids and their salts	3	4.5	5
3911	Petroleum resins	4	5	5
2931	Other organo-inorganic compounds	4.5	5	5
8481	Appliances for thermostatically controlled valves	3	5	5
9010	Apparatus and equipment for photographic laboratories, n.e.c.	3	4.5	5
3810	Pickling preparations for metal surfaces	4.5	5	5
9110	Clock movements, complete, unassembled	5	4.5	5
5502	Artificial filament tow	4.5	4.5	5
9013	Liquid crystal devices	5	4	5
8471	Computers	4.5	4.5	5
8508	Vacuum cleaners	3.5	5	5
9026	Instruments for measuring properties of liquids or gases	2.5	5	5
9017	Drafting tables and machines	3.5	5	5
6903	Other refractory ceramic goods	3	5	5
8708	Parts of motor vehicles	3	5	5
7014	Signaling glassware	4	5	5
2915	Saturated acyclic monocarboxylic acids	3.5	4.5	5
2930	Organo-sulfur compounds	4	4.5	5
2916	Unsaturated acyclic monocarboxylic acids	4.5	4.5	4.5
8407	Spark-ignition reciprocating internal combustion piston engines	3	5	4.5
9025	Thermometers, hydrometers etc.	4.5	5	4.5
5903	Textile fabrics impregnated with plastics	3.5	4.5	4.5
2929	Isocyanates	4	5	4.5
7020	Other articles of glass	4	4.5	4.5
7319	Articles for sewing of iron or steel	5	4.5	4.5
8482	Ball or roller bearings	3	5	4.5

Source: Harvard Growth Lab (2022).

Export Performance Review in the Context of the PEDP 2018-2022

The export industry is still impacted by COVID-19, despite improving public health conditions in many countries. The "new normal" and sporadic resurgences of infections in various countries are leading to changes in the global supply chain and consumer behavior. The acceleration of digitalization is also rapidly changing the dynamics in merchandise and services exports. In addition, the traditional channels of distribution for goods and services have been altered due to a mix of online and on-premises activities. Climate change and the Russia-Ukraine war are also redefining the challenges and opportunities in the global export markets.

The performance review of Philippine exports under PEDP 2018-2022 must thus be viewed in this context of unanticipated stresses and changes at the time of its crafting. The pre-pandemic (2018-2019) and pandemic (2020-2021) periods are examined separately in the ensuing discussion.

Pre-Pandemic Export Performance

Table 12 shows the Philippine export earnings targeted and achieved under PEDP 2018-2022 during the pre-pandemic period of 2017-2019. In 2018, aggregate exports exceeded the target by 3.9%, with a growth rate of 4.4% compared to the previous year. However, the actual growth rate fell short of the targeted growth rate by 4.2 percentage points due to the 8.1% overshoot of the 2017 value. On the other hand, merchandise exports exceeded the target by 7.7% but grew by only 0.4%, which was 6.0 percentage points lower than the targeted growth rate. Service exports slightly missed the target by 0.8% and grew by 10.3%, slower than the targeted growth rate by 1.2 percentage points.

In 2019, aggregate exports fell slightly short of the target at 98.2% but grew by 4.8% from the previous year, missing the targeted growth rate by 6.0 percentage points. Merchandise exports exceeded the target by 1.5% but only grew by 2.9%, which was 6.2 percentage points lower than the targeted growth rate. Service exports fell short of the target by 5.5% and grew by 7.6%, missing the targeted growth rate by 5.4 percentage points.

The slowdown of merchandise exports in 2018 and 2019, which grew by less than 0.5% and 2.9%, respectively, could be attributed to the conservative stance of global export buyers and destination markets due to the US-China trade war. This has disrupted international commerce, distorted the global supply chain, and forced multinational businesses to adopt contingency plans. Nonetheless, services exports remained strong, with a growth rate of 10.3% in 2018 and 7.6% in 2019, although at a slower rate. The IT-BPM industry witnessed a significant increase of more than 70,000 personnel in 2019, reflecting the continued migration from developed to developing economies due to trade war-induced domestic economy concerns. Despite the challenges posed by automation and digitization, especially artificial intelligence, the IT-BPM services sector remains confident of sustained growth.

Table 12. Actual Export Earnings vs. PEDP 2018-2022 Targets, 2017-2019 (Pre-Pandemic), FOB, USD Billion

GROUP	2017 Targets		2018 Targets		2019 Targets	
	Value	Growth vs. Year-Ago	Value	Growth vs. Year-Ago	Value	Growth vs. Year-Ago
TARGETS:*						
Total PH Exports	**80.1**	**6.0%**	**87.0**	**8.6%**	**96.4**	**10.8%**
Goods	45.4	5.1%	48.3	6.4%	52.7	9.1%
Services	34.7	7.3%	38.7	11.5%	43.7	12.9%
ACTUAL:						
Total PH Exports	**86.6**	**17.0%**	**90.4**	**4.4%**	**94.7**	**4.8%**
Goods	51.8	21.3%	52.0	0.4%	53.5	2.9%
Services	34.8	11.2%	38.4	10.3%	41.3	7.6%
ACTUAL VS. TARGETS**						
Total PH Exports	**108.1%**	**11.0%**	**103.9%**	**-4.2%**	**98.2%**	**-6.0%**
Goods	114.1%	16.2%	107.7%	-6.0%	101.5%	-6.2%
Services	100.3%	3.9%	99.2%	-1.2%	94.5%	-5.4%

*Target values here are derived as the the average of the Low and High targets in the PEDP 2018-2022
**Ratio of actual vs. target for values; percentage point difference between actual vs. target for growth rates
Source: BSP BPM6 Exports Data; PEDP 2018-2020

Overall, export performance relative to targets in the first year of the PEDP 2018-2022 plan period was good. However, services exports started to weaken in 2019, even before the pandemic, which affected overall export performance compared to targets. Despite this, merchandise exports remained on track.

In the first year of the PEDP 2018-2022 plan period, the overall export performance did well relative to targets. However, services exports began to show a weakening in 2019, even prior to the onset of the pandemic. This weakening affected the overall export performance versus target, while merchandise exports managed to stay on track.

Pandemic Period Export Performance

Table 13 presents export targets and actual figures for 2020-2022, including projections until year-end 2022. In 2020, export earnings decreased significantly to USD 80 billion, with goods at USD 48.2 billion and services at USD 31.8 billion, resulting in a 15.5% decline in Philippine exports. Merchandise exports fell by 9.9% from the previous year, while services exports experienced a steeper drop of 23%.

Actual export earnings in 2020 were below the original targets, with goods exports achieving 86.2% of the target, and services exports only managed 66.1%, reflecting the pandemic's severe impact on service industries. In 2021, there was a recovery as total exports grew by 9.8%, driven by merchandise exports that grew by 12.4%, but slowed down by services' 5.7% growth. Performance relative to the PEDP 2018-2022 target slightly improved to 76.7%, with merchandise exports marginally boosting performance to 89.4%, but services exports declining to 62.3% of the target.

Table 13 Actual Export Earnings vs. PEDP 2018-2022 Targets, 2020-2020 (Pandemic Period)

GROUP	2020		2021		2022	
	Value	Growth vs. Year-Ago (%)	Value	Growth vs. Year-Ago (%)	Value	Growth vs. Year-Ago (%)
TARGETS:*						
Total PH Exports	**105.9**	**9.9%**	**114.5**	**8.1%**	**126.4**	**10.4%**
Goods	55.9	6.1%	60.6	8.4%	61.6	1.7%
Services	48.1	10.1%	53.9	12.1%	64.8	20.2%
ACTUAL:						
Total PH Exports	**80.0**	**-15.5%**	**87.8**	**9.8%**	**113.3**	**29.0%**
Goods	48.2	-9.9%	54.2	12.4%	76.7	41.5%
Services	31.8	-23.0%	33.6	5.7%	36.5	8.6%
ACTUAL VS. TARGETS**						
Total PH Exports	**75.5%**	**-25.4%**	**76.7%**	**1.7%**	**89.6%**	**18.6%**
Goods	86.2%	-16.0%	89.4%	4.0%	124.5%	39.9%
Services	66.1%	-33.1%	62.3%	-6.4%	56.3%	-11.6%

*Target values here are derived as the the average of the Low and High targets in the PEDP 2018-2022
**Ratio of actual vs. target for values; percentage point difference between actual vs. target for growth rates
Source: BSP BPM6 Exports Data; PEDP 2018-2020

In 2020, Philippine exports experienced a significant decline of 15.5%, with merchandise exports dropping by 9.9% and services exports by 23%, resulting in actual earnings falling short of targets at 75.5%. Goods exports achieved 86.2% of the target, while services exports only managed 66.1%, as the pandemic hit services industries particularly hard. However, in 2021, total exports grew by 9.8%, driven by a 12.4% growth in merchandise exports but limited by a slower 5.7% growth in services. Although export performance in 2021 slightly improved relative to the PEDP 2018-2022 target at 76.7%, services exports performed poorly at 62.3%, while merchandise exports slightly improved performance to 89.4% of the target.

It's worth noting that the USD 87.8 billion total exports in 2021 were 21.5% higher than before 2016. Since 2016, cumulative exports amounted to USD 513.5 billion, with USD 302.4 billion coming from merchandise exports. Goods exports in 2021 reached the highest level in the last 12 years at USD 54.2 billion, 25.4% higher than pre-2016.

PEDP 2018-2022 Strategies Assessment

The PEDP 2018-2022 pursued three (3) fundamental strategies toward achieving the export targets, namely:

1. Improve the overall climate for export development;
2. Exploit existing and prospective opportunities from trading arrangements; and
3. Design comprehensive packages of support for selected products and services sector.

The following is an assessment of the pursuit of these strategies and the results they achieved under the PEDP 2018-2022 plan period.

Improve the overall climate for export development.

From 2018 to 2022, the Philippine government enacted and implemented laws and investment regulations that directly impacted the development of exports and the rebuilding of businesses in the aftermath of the global COVID-19 pandemic. Some of these are as follows:

1. **The Corporate Recovery and Tax Incentives for Enterprises Act or the CREATE Act (RA 11 534)** is the largest fiscal stimulus for businesses in the Philippines' recent history. Enacted in April 2021, private enterprises are estimated to receive more than PHP 1 trillion worth of tax relief over the next 10 years. An example of one of its salient features is that the Corporate Income Tax rate is reduced from 30% to 25% for large corporations and 20% for small and medium corporations with net taxable income not exceeding PHP 5 million and total assets not exceeding PHP 100 million (excluding land).

   The CREATE Act is primarily intended to stimulate the economy in the aftermath of the COVID-19 pandemic. Its provisions apply to all enterprises, including exporting companies, and were designed to extend fiscal incentives without impairing the government's capacity to generate public funds on a continuing basis. It has also provided the foundation for a fiscal incentive package that includes exporter activities/projects under the Strategic Investment Priority Plan (SIPP) to be formulated by the Board of Investments (BOI).

   However, under the CREATE Act, VAT Zero-rating on local purchases of raw materials and packaging supplies are now limited to exporters registered with Investment Promotion Agencies (IPAs) or Registered Business Enterprises (RBEs), as implemented through Regulation No. 21-2021, which took effect on 10 December 2021 and Revenue Memo Circular No. 24-2022 issued on 09 March 2022. IPAs, as defined by the CREATE Act, are limited to PEZA, BOI, and other ecozone authorities. Thus, exporters that are not registered or not qualified for registration with said IPAs will now be subjected to 12% VAT on raw materials and packaging supplies which entails additional production costs Affecting their competitiveness in the global market.

2. The **Strategic Investment Priority Plan (SIPP)** is a three-year plan formulated by the BOI that identifies business enterprise and exports investment areas that will significantly raise revenues and job creation to sustain Philippine economic growth. On the basis of pre-selected criteria, the SIPP offers a range of fiscal incentives to fuel the growth of these enterprises. What is distinct about the 2022 SIPP is that it patterns its

incentive programs with the provisions of the CREATE Act. The SIPP lists activities that qualify for investment incentives under CREATE Act. Operating under a "tiered system" of enterprise classification and investments within pre-defined geographic locations, SIPP covers a meaningful range of industries that compete in rapidly growing global markets and vital supply chains. Examples of activities in the SIPP are agricultural and agro-processed products, Integrated Circuit (IC) design, creative industries, telecommunications, green enterprises, healthcare, transformative industrial enterprises, and similar others.

The SIPP, as defined by the CREATE Act, shall be formulated by the BOI, in coordination with the Fiscal Incentives Review Board (FIRB), IPAs, and other government agencies administering tax incentives, and "contains recommendations for types of non-fiscal support needed to create high-skilled jobs to grow a local pool of enterprises, particularly micro, small and medium enterprises (MSMEs), that can supply to domestic and global value chains, to increase the sophistication of products and services that are produced and/or sourced domestically, to expand domestic supply and reduce dependence on imports, and to attract significant foreign capital or investment. The SIPP shall be valid for a period of three (3) years, subject to review and amendment every three (3) years thereafter unless there would be a supervening event that would necessitate its review".

While CREATE Act and SIPP are expected to improve the overall climate for Philippine business enterprises and exporters, the country's two largest exports sectors which contribute more than 60% of Philippine exports, have expressed serious concerns with CREATE and are engaged in continuous dialogue with the government to resolve these issues and concerns. These sectors are the electronics and semiconductor industry and the IT-BPM sector.

3. The **Ease of Doing Business Law (R.A. 11032) and the Anti-Red Tape Authority (ARTA),** activated in May 2018, aim to ease unnecessarily cumbersome government processes, a traditional impediment that raises costs of doing business, including for exporters. The Law and its implementing agency ARTA improved on similar legislation and government offices established in the past.

   The consultations conducted for PEDP 2023-2028 revealed serious problems encountered by ARTA, resulting in continued difficulties for the exporting community to conduct business with some LGUs and government agencies. These difficulties pertain to cumbersome requirements and long turn-around time for securing licenses and permits, multiple fees and licenses in some LGUs and government agencies, and similar red tape impediments. This situation continues to set back business growth initiatives among affected exporters.

4. **The Agriculture, Fisheries, and Rural Development Financing Enhancement Act of 2022 (R.A. 11901)** lapsed into law on 28 July 2022. It repealed The Agri-Agra Credit Act of 2009 (R.A. 10000) and introduced improvements that recommend a financing approach that considers the requirements of the broader agricultural ecosystem. The improvements are envisioned to facilitate access of agricultural and rural community beneficiaries to financing.

   Specifically, it removed the distinction between the 15% mandatory compliance requirement for "agriculture" and the 10% mandatory compliance requirement for "agrarian reform beneficiaries (ARBs)". The law instead sets a credit quota, or a minimum mandatory agricultural and fisheries financing requirement, of at least 25% of banks' total loanable funds.

   It also broadens the scope of rural financing beneficiaries to include members of an agricultural, fisheries, and agrarian reform beneficiary household, and their MSMEs in rural communities. Furthermore, it expands the types of activities eligible for private sector financing to include other economic activities that are complementary to the development of the agriculture sector and are crucial for export growth of agri-based products, i.e., agricultural value chain, digitalization in agriculture, agricultural mechanization."

Exploit existing and prospective opportunities in trading arrangements.

The Philippines has several active Preferential Trade Arrangements (PTAs) with its trading partners. These include Free Trade Agreements (FTAs) and Preferential Trading Schemes.

1. **Free Trade Agreements (FTAs)** are agreements where two or more countries establish a free trade area. In these free trade areas, countries agree to reduce or eliminate tariffs, non-tariff barriers to trade in goods, and impediments to trade in services, and to negotiate rules governing investments in each other's territories, among others.

   a. Bilateral FTAs

   1. Philippines-Japan Economic Partnership Agreement (PJEPA), 2008.

   2. Philippines-European Free Trade Association FTA (EFTA) FTA, 2018.

b. Multilateral and Regional FTAs

1. ASEAN Trade in Goods Agreement (ATIGA), 2010[7]

2. ASEAN Trade in Services Agreement (ATISA),

3. ASEAN FTAs with China, Hongkong, India, Japan, South Korea, Australia & New Zealand, comprising 6 FTAs with 7 economies, 2005 – 2018.

4. Regional Comprehensive Economic Partnership (RCEP) among 15 Asia Pacific countries, which the Philippines officially joined in 2 June 2023

2. **Preferential Trading Schemes.** In addition to its active FTAs, the Philippines has benefited from unilateral preferential trading schemes from developed countries that allow developing countries such as the Philippines to pay lower or zero tariffs on their exports. Developed countries offer such schemes unilaterally, meaning they are not negotiated between countries and are usually based on criteria such as economic need, export competitiveness, and good governance. These are typically time-limited and subject to review and renewal by the granting country.

The Philippines can take advantage of preferential trading schemes from its major trading partners, such as:
European Union – Generalized Scheme of Preferences + (EU-GSP+);

1. Canada's General Preferential Tariff (GPT);

2. United Kingdom's Developing Countries Trading Scheme (DCTS); and the

3. Eurasian Economic Union's Generalized System of Preference (GSP).

The Philippines is currently lobbying for the renewal of the US GSP, which expired in 2020. Meanwhile, before the current EU GSP+ scheme expires on December 31, 2023, the Philippines will re-apply for the new scheme to be implemented from 2024-2034. It is important to note that GSP schemes are unilateral preferential trading agreements that are not negotiated. The renewal of the US GSP, like the EU-GSP+, requires the approval of the US Congress.

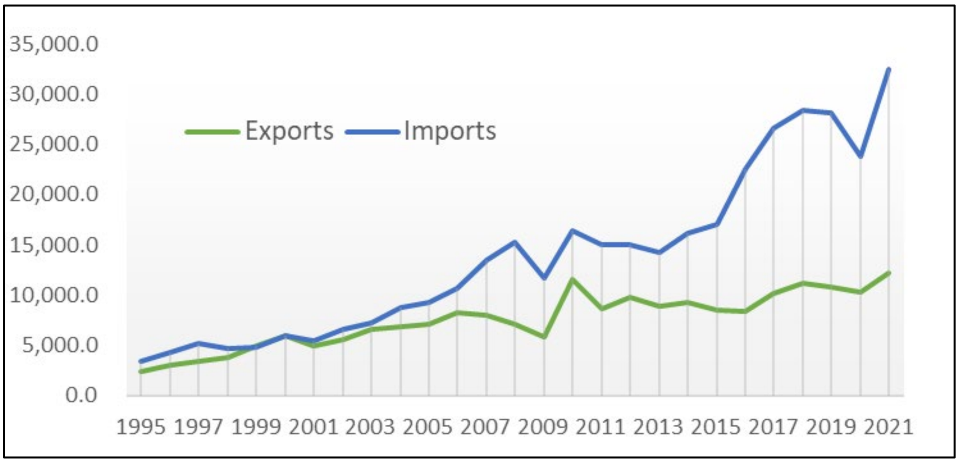
Impacts on Philippine Exports and Trade

With ASEAN, the Philippines had its first preferential trading arrangement, starting with the Common Effective Preferential Tariff

[7] Started with the ASEAN Free Trade Area (AFTA), 1993.

(CEPT) under the envisaged AFTA agreed upon in 1992. **AFTA** and **ATIGA** have since prominently shaped trade policies and directions of the Philippines, and ASEAN taken collectively as a bloc has become the country's largest trading partner; total trade and exports with ASEAN exceed that with China, Japan, or the USA. AFTA covers trade in goods, trade in services, investment, and other areas of cooperation. Philippine exports to ASEAN increased through the years under the AFTA and saw a jump in 2010 when ATIGA came into effect (Figure 2). Philippine exports to ASEAN are dominated by electrical and office machineries, non-ferrous metals, road vehicles, and petroleum products.

Figure 7 Philippine-ASEAN Trade (USD Million), 1995-2021



Source: PSA

The Philippines-Japan Economic Partnership Agreement (PJEPA), the country's first bilateral agreement, boosted the country's trade with Japan by eliminating tariffs on 6,738 tariff lines, including shrimp, processed foods, fashion accessories, footwear, carpets, and textile floor coverings. Tariffs on other goods were gradually reduced and eliminated, resulting in a trade surplus with Japan. After consistent trade deficits prior to 2006, the Philippines achieved a modest surplus shortly before PJEPA was enacted in 2008. The surplus grew significantly, reaching a peak of USD 8.4 billion in 2014, from a trade deficit of USD 1.26 billion in 2005.[8]

The **Philippines - European Free Trade Area Free Trade Agreement (PH-EFTA FTA)**, the Philippines' second bilateral FTA, has boosted trade with the EFTA region (Switzerland, Norway, Liechtenstein, and Iceland), particularly with Switzerland and Norway. (Table 14). Since its effectivity in 2018, Philippine exports to EFTA have grown by 46% and trade surpluses have been posted, compared to deficits before the agreement. Switzerland, being the largest economy among the four, has contributed significantly to this improvement.

[8] Data from UNCTADStat.

Table 14 PH-EFTA Trade, 2016-2021 (FOB Value in USD Million)

TRADE BLOC	2016	2017	2018	2019	2020	2021	% CAGR
Total Trade							
EFTA	**884.4**	**816.8**	**802.2**	**821.4**	**821.8**	**953.6**	
Switzerland	807.4	752.7	746.2	771.5	771.3	849.2	
Norway	60.0	51.6	42.1	37.4	44.7	98.6	
Liechtenstein	13.2	11.9	12.2	12.0	5.3	5.4	
Iceland	3.8	0.6	1.6	0.6	0.6	0.4	
Exports To							
EFTA	**428.9**	**378.1**	**370.4**	**434.3**	**461.7**	**541.7**	**4.8**
Switzerland	409.0	362.1	354.7	417.3	450.4	528.2	5.3
Norway	5.5	6.5	5.6	6.3	6.7	9.1	10.6
Liechtenstein	10.9	9.3	9.4	10.2	4.3	4.2	(17.4)
Iceland	3.4	0.2	0.7	0.4	0.3	0.2	(42.2)
Imports From							
EFTA	**455.6**	**438.7**	**431.7**	**387.1**	**360.2**	**411.8**	**(2.0)**
Switzerland	398.4	390.6	391.5	354.2	320.9	321.0	(4.2)
Norway	54.5	45.1	36.5	31.0	38.0	89.6	10.4
Liechtenstein	2.3	2.6	2.8	1.8	1.0	1.1	(12.9)
Iceland	0.3	0.4	0.9	0.2	0.3	0.2	(12.2)
Balance Of Trade							
EFTA	**(26.7)**	**(60.7)**	**(61.3)**	**47.1**	**101.5**	**129.9**	
Switzerland	10.6	(28.5)	(36.8)	63.1	129.5	207.3	
Norway	(49.0)	(38.7)	(30.9)	(24.7)	(31.4)	(80.5)	
Liechtenstein	8.7	6.7	6.5	8.5	3.3	3.1	
Iceland	3.1	(0.1)	(0.1)	0.2	0.1	0.0	

Note: Based on international trade data from the Philippine Statistics Authority (PSA), as of 14 October 2022, Source: DTI Tradeline

The **ASEAN-China FTA (ACFTA)** took effect in 2010, although a framework agreement had been adopted much earlier in 2002. The ACFTA allows zero tariffs for all Normal Track (NT) products exported to China consisting of 7,521 products including bananas, copra oil, mineral oils and fuels, selenium, industrial fatty alcohol, copper, machinery and mechanical appliances and vehicles including parts and accessories. The Philippines had trade surpluses with China in 2005 and 2010, and exports to the country have steadily increased over time, from USD 5.7 billion in 2010 to USD 11.6 billion in 2021. However, imports have grown faster than exports in recent years, leading to a trade deficit with China that has ballooned from USD 5.1 billion in 2015 to USD 15.2 billion in 2021.

The **ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEPA)** that started in 2008 led to a spike in trade between ASEAN and Japan in that year. As the PJEPA also took effect in the same year, the jump in the Philippines' trade surplus with Japan in that year reflects the combined effect of both bilateral and regional agreements.

The **ASEAN-Korea FTA (AKFTA)** was signed in 2006 and entered into force in 2008, the ASEAN-Korea Trade in Goods Agreement provides for the substantial reduction and/or elimination of tariffs which established the AKFTA in 2010. Philippine trade with Korea rose from USD 4.8 billion in 2009 to USD 6.0 billion in 2010 (with exports rising correspondingly from USD 1.8 billion to USD 2.2 billion).

The **ASEAN-India FTA (AIFTA)** took effect in 2010 and led to a surge in ASEAN-India trade from USD 57.2 billion in 2010 to USD 75.2 billion in 2011, while Philippine trade with India correspondingly rose from USD 952 million to USD 1.1 billion. Under this agreement, India eliminated tariffs on goods that account for 94% of the total value exported by the Philippines to India while the Philippines eliminated tariffs on goods that account for 75% of the total value exported by India to the Philippines.

The **ASEAN-Australia and New Zealand FTA (AANZFTA)** was signed in 2009, after which Philippine trade with Australia grew from USD 1.03 billion in 2009 to USD 1.19 billion in 2010, while trade with New Zealand grew from USD 329.5 million to USD 441.5 million. Trade with Australia as of 2021 stood at USD 2.13 billion, and USD 530.2 million with New Zealand. On 01 January 2010, 96.4% of Australian tariffs and 84.7% of New Zealand tariffs fell to zero %. Among these products are major Philippine exports including auto and auto parts, ships and boats, minerals, chemicals, handicrafts, jewelry, and food items like canned pineapples, pineapple juice, and tuna. By 2020, all products exported by the Philippines to Australia and New Zealand will enjoy zero tariffs.

Finally, the **ASEAN-Hong Kong, China FTA (AHKFTA)** is the most recent FTA that ASEAN has entered into, having taken effect in June 2019. Since then, Philippine exports to Hong Kong have risen from USD 9.6 billion to USD 9.9 billion in 2021. Effects appear to be minimal, as only partial tariff reductions have been implemented, and full implementation of the agreement will only happen in 2032. The AHKFTA contains 14 chapters covering broad areas of market access liberalization, trade facilitation, rules to promote confidence in trade, and cooperation aimed at facilitating trade in goods and services in the region.

Regional Comprehensive Economic Partnership (RCEP)

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement between 15 Asia-Pacific countries, including the ten-member states of the Association of Southeast Asian Nations (ASEAN), as well as China, Japan, South Korea, Australia, and New Zealand. It is the largest free trade agreement in the world, covering nearly one-third of the global population and GDP.

RCEP aims to create a more integrated economic region by reducing or eliminating tariffs on goods and services, promoting investment, and improving trade rules and regulations. The agreement covers a wide range of areas, including trade in goods and services, investment, intellectual property, e-commerce, competition, and dispute settlement.

The Philippine Senate concurred with the RCEP ratification on 21 February 2023 and will enter into force on 02 June 2023, sixty (60) days after the government deposited the instrument of ratification on 03 April 2023. An Executive Order (EO) will operationalize the implementation of the country's tariff commitments under the RCEP agreement. The EO shall be the basis of the Bureau of Customs for the issuance of Customs Administrative Order, which shall be distributed to all ports to allow for the implementation of the preferential tariffs on imports from RCEP member countries.

Generalized System of Preferences (GSP)

Meanwhile, the **US GSP** and **EU GSP Plus** trade schemes have substantially improved market access for eligible Philippine exports to these two large markets. In the US, preferential rates for Philippine exports under GSP were renewed in March 2018. The country exports to the US more than 2,000 products that are GSP-eligible, with a utilization rate of 74%, or 1,557 out of 2,094 eligible exports (see Table 15). There was a notable increase in the export of travel goods after 23 articles under this category were included in the GSP program in 2017. Total Philippine merchandise exports to the US amounted to USD 12.9 billion in 2019, which declined to USD 11.2 billion in 2020 owing to the COVID-19 pandemic.

Table 15 Philippine Utilization of US GSP, 2016-2020

Year	Total PH Exports to US (USD million)	PH Exports to us under GSP (USD million)		US GSP Utilization Rate of PH (%)
		Total Eligible Products	GSP Claimed	
2016	10,031	2,076	1,491	72
2017	9,661	2,217	1,492	67
2018	10,623	2,414	1,728	72
2019	12,887	2,525	1,870	74
2020	11,209	2,094	1,557	74

Note: Data from USITC Dataweb, Source: DTI-EMB

The EU GSP+ was extended to Philippine exports in 2014, thereby permitting greater market access to the EU, which led to a significant increase in exports (Table 16). The Philippines has been enjoying duty-free preferences for more than 6,000 types of products since 2015 (after successfully applying the year prior). With GSP+, quality exports from the Philippines are able to enter the EU market at competitive rates. Total exports to the EU amounted to EUR 7.77 billion in 2021, of which EUR 2.68 billion were eligible for GSP+. EUR 2.03 billion of Philippine exports to the EU availed of GSP+ preference, for a utilization rate of 76%, an all-time high representing a growth of 12 percentage points from 63.8% in 2015.

Table 16 PH Utilization of EU GSP+, 2015-2021

	2015	2016	2017	2018	2019	2020	2021
Total GSP Eligible Exports (in billion EUR)	2.3	2.3	2.6	2.6	2.7	2.2	2.7
Total GSP Utilized (in billion EUR)	1.6	1.7	1.9	1.9	2.0	1.6	2.0
Utilization Rate	68.3%	71%	74%	73%	72%	75%	76%
Total PH Exports to EU (in billion EUR)	6.7	6.2	7.2	7.5	7.6	6.2	7.8
Export Growth Rate	27%	-7%	16%	3%	2%	-19%	25%

Source: Eurostat; processed by BITR

For 2018 until 2021, eight of the top ten export markets of the Philippines were part of at least one of the trade agreements currently in force. While there is some level of utilization of the preferential tariffs by the Philippines in relation to the participating countries in these agreements, Philippine exports to these markets indicate further scope for widening the range of export products being sold to these partner countries. Additionally, marginal exports to the four members of EFTA (Iceland, Norway, Switzerland, and Liechtenstein) suggest under-utilization of this multilateral agreement. The indicated action is to intensify product-market matching with the EFTA members to maximize the benefits of this agreement.

A similar expansion of the market-product mix also needs to be continually undertaken with partner countries in all the 5 groups of trade agreements currently in force with the Philippines.

Design comprehensive packages of support for selected products and services sector.

The country's exports have predominantly been medium and high-technology products and ICT exports, accounting for 81.2% of its total exports, the highest level relative to its ASEAN peers. Moreover, the Philippines has managed to maintain a relatively high domestic value addition, accounting for nearly 60% of the total value of exports.

In 2020, the Philippines is among the top 10 global suppliers for 152 product lines (at the 6-digit level). Philippine exports of these products amounted to USD 40.20 billion, representing 62.9% of the total Philippine exports to the world (ITC Trademap, n.d.)

In 2016-2021, the Philippines was able to export 1,696 new product lines (at the 10-digit level) and tap seven new markets. More than 3,700 exporters accessed new markets in 2021, which helped mitigate the impact of the COVID-19 pandemic on the Philippine economy.

Services exports remained above USD 30 billion despite continuous challenges brought by COVID-19 restrictions. This is still 15.7% higher compared to its pre-2016 level.

The Philippines is now ASEAN's second-biggest ICT services exporter and third-largest. With the strong growth of the Philippine IT-BPM industry, it is poised to overtake electronics as the country's top export sector.

The DTI has pursued various initiatives to support key export industries since 2016. These include supporting MSMEs through online platforms like Tradeline Philippines, facilitating stronger trade relations, and leveraging partnerships to provide stronger support for export development initiatives. DTI-EMB has also conducted various initiatives to build public and private sector capability to analyze markets, identify export opportunities, and requirements. In addition, the Center for International Trade Expositions and Missions (CITEM) conducted 20 expositions and missions, including digital events, in 2021 alone.

It is difficult to secure hard data on export promotional spending by ASEAN countries, but third-party sources have indicated that Thailand, Indonesia, Malaysia, and especially Vietnam spend the equivalent of between 2 to 5% of their gross profits from non-oil merchandise exports for market promotion and advertising. Their promotional spending and aggressive investor-servicing (i.e., fiscal incentives, customized support) help maintain and grow their exports beyond USD 21250 billion a year. The Philippines cannot but follow suit or continue falling behind.[9]

Challenges and Impediments[10]

The EDA came into force to "transform the Philippines into an exporting nation" – a vision that remains yet to be fulfilled, if one is to define "exporting nation" status as having exports that amount to at least half the value of GDP. Such is the case for Thailand where the exports-to-GDP ratio averaged 62% from 2016-2020; Taiwan with an average ratio of 65%; Malaysia with 66%; Vietnam with 103%; and Singapore with 173%. For the Philippines, the ratio averaged a mere 28% in the same period, even as it had in fact been higher at over 40% in the early 2000s. As shown in Figure 1 earlier, it has lagged far behind its neighbors in total merchandise exports, and not even its services exports of around USD 33 billion annually and foreign remittances of about the same amount combined could close the gap with Indonesia on merchandise exports alone.

Unrealized Requisites

The PEDP aspires to narrow down and eventually close that gap, which has in fact widened in recent years. The lack of significant progress in implementing the key operating principles outlined in Article 1, Section 3 of the EDA has

[9] PEDP Full Draft, Chapter 3, The Export Landscape, then and Now

[10] PEDP Full Draft, Chapter IV, Challenges and Impediments

hindered the success of past PEDPs. These principles are crucial to the development of exports and must be asserted to make meaningful progress:

- Monetary and foreign exchange policies that pursue a market-determined and flexible exchange rate;
- Fiscal and credit policies that provide adequate financing for public and private investments for export business expansion, including for SMEs, especially in the countryside;
- Agricultural policies that build up viability and competitiveness in agriculture and linking it with industry to pursue an agri-industrial export thrust;
- Trade, tariff and customs policies that engender industries' competitiveness and facilitate their participation in international trade.
- Technology support to improve the quality of export products with colleges and universities assisting the DA and DOST in the diffusion of technology, information, and training;
- Urgent infrastructure development to ensure adequate supply and quality of power, water for irrigation, transport and communication;
- Countryside development in support of export growth driven by SMEs, regional industrial centers, and export processing zones;
- Labor and industrial relations policies that are responsive to inevitable industrial shifts that come with the pursuit of international competitiveness through sustained productivity improvement and education matched with needed skills, with appropriate price and income policies;
- Government procedures that are simplified and minimize bureaucratic red tape, such as in the Board of Investments (BOI), Bureau of Customs (BOC) and Bureau of Internal Revenue (BIR); and
- Repeal of laws deemed detrimental to the export sector.

Nearly three decades since the EDA's enactment, export stakeholders still highlight the same concerns and imperatives that need to be addressed. While past PEDPs have made progress through sectoral and industry-level initiatives, it is essential to address the overarching elements in the enabling environment to make significant improvements in the country's export performance. Achieving this is crucial to narrowing the export gap with neighboring countries and creating employment opportunities for over two million jobless Filipino workers while retaining more workers to work at home rather than seek employment overseas. Therefore, it is crucial for the PEDP to be owned by the entire government bureaucracy. A "whole-of-government" effort, and even a whole-of-nation endeavor, is required to ensure that the PEDP makes a real difference for the country in the coming years.

Demand Side Factors

This export development planning exercise follows the analytical framework, which examines constraints and drivers on either side of the export supply-demand equation. As a small exporting country within the global economy, the **demand side** of the export markets may be considered virtually unlimited from the Philippines' point of view, although global shocks leading to periodic recessions would also impact on any country's export trends. But these global demand fluctuations are generally beyond the country's control and must be taken as a given. Hence, measures to enhance demand for the country's exports mainly involves three types of actions:

1. Marketing its exports to overseas buyers via trade promotion, branding initiatives, etc.,
2. Expanding market access through PTAs or trade concessions, and
3. Deliberate diversification of export markets via the pursuit of new and non-traditional markets.

Supply Side Factors

The limiting barriers to Philippine export expansion appear to lie more prominently on the **supply side**, i.e., the ability to produce the range and quantities of various goods and services to respond to demands in the international markets. At the aggregate level, supply capability depends on the country's endowments of the basic factors of production **capital, labor,** and **land,** and how these affect the country's export capabilities. Various factors related to capital and labor impinge on domestic producers' ability to provide the goods and services sought in the world markets, including domestic and foreign direct investments, public capital investments in infrastructure (e.g., power, water, transport & logistics, telecoms), access to financing (especially by small farms and firms), and labor availability and productivity as affected by workers' education and skills, and public investments in public health & nutrition, education, and skills training.

Land, as the other primary factor of production, has been a limiting factor, especially for agricultural exports, where economies of scale are precluded by a fragmented farm structure brought about by decades of agrarian reform, and exacerbated by generational partitioning. Farm clustering and consolidation would be a desirable approach to achieve scale economies, along with contract-growing arrangements that have been used to great advantage in Thailand to overcome a similarly small farm structure. However, the agrarian reform program has rules that hinder the application of certain approaches to consolidation.

Further impinging on the supply capability of domestic producers are value chain gaps and weaknesses, and lack of coordination within the export ecosystem: among firms producing the same export products and services; among firms comprising various links in the value chain; among government entities, which are prone to working in silos; and across government, private business sector and civil society. Governance weaknesses in terms of inappropriate policies and institutional rigidities take many forms, ranging from macroeconomic (monetary and fiscal) policies to graft and corruption, which also have profound implications on Philippine export producers' ability to do business.

Challenging Investment Climate

Foreign direct investments (FDI). The growth in the manufacturing sector was significantly supported by the surge in the country's FDI net inflows last year to reach an all-time high of USD 10.518B, 54.2% higher than USD 6.822B in 2020, according to the data from Bangko Sentral ng Pilipinas (BSP). However, one of the primary challenges on the supply side is that the Philippines has not been as successful as its more dynamic exporting neighbors in attracting job-creating foreign investments, which have propelled rapid export growth in the past years. In a 2021 Report, Oxford Economics noted that the country ranked low in terms of quality of infrastructure and performed worse than its neighboring economies in the 2020 World Bank Ease of Doing Business report. The country's relatively low attractiveness to foreign investments compared to its Asia-Pacific (APAC) neighbors is the result of many perennial shortcomings commonly identified by export stakeholders.

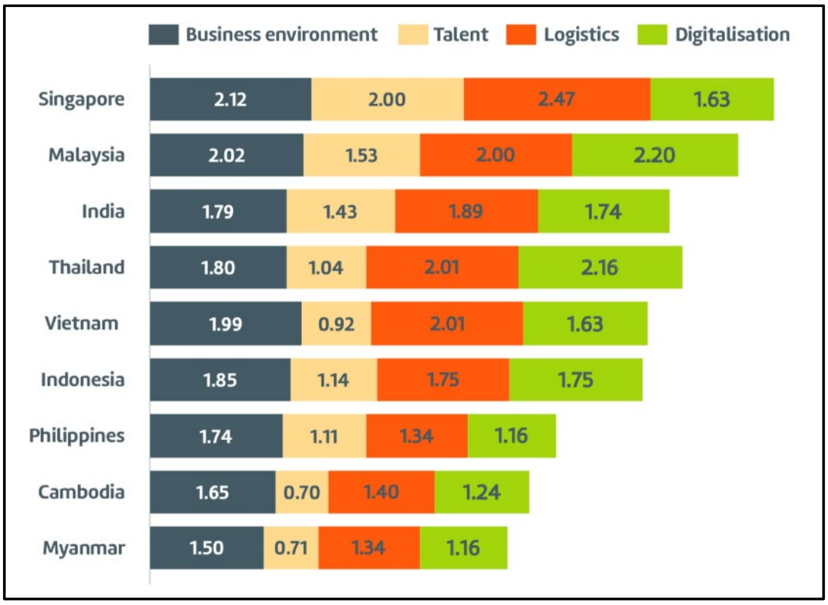
Nonetheless, the country offers many comparative advantages, including an English-speaking and well-skilled workforce, strong cultural proximity to the U.S., exposure to emerging markets, and a geographical location in a dynamic region. Furthermore, the Philippines have been substantially improving
its business climate in recent years and minority investor protection has also been strengthened.[11]

Cost of doing business. The Philippines ranks low in assessments on the cost of doing business. This includes costs associated with the business environment as conditioned by governance, regulatory burden, policy stability and consistency, and political risk; availability of talent, logistics costs; and state of digitalization. TMX, an Australian business transformation consultancy focused on Asia-Pacific, ranks the Philippines 7th among nine (9) countries in ASEAN and South Asia on business costs, better than only Cambodia and Myanmar (Figure 3).

[11] Lloyds Bank and Trade. Foreign direct investment (FDI) in the Philippines

The Philippines is rated 7th in business environment, 6th in talent, and is tied with Myanmar for last place in logistics and digitalization.

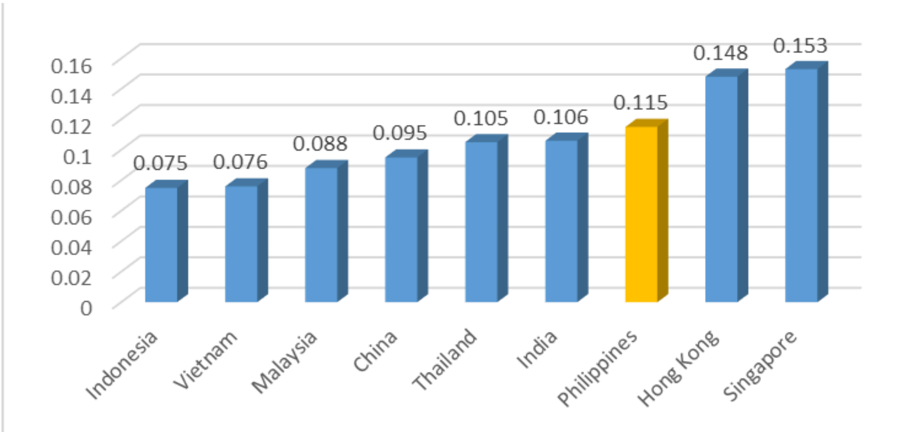
Figure 9. TMX Country Competitiveness Scorecard, November 2021



Infrastructure Inadequacies. Infrastructure is the manifestation of "hard" public investments in support of economic development in general, and export development in particular. Here, the critical elements are electric power; transport and logistics; water supply and irrigation; and telecommunications and internet connectivity.

Power. Cost, stability, and reliability of electric power are commonly cited by export manufacturers as a handicap to their competitiveness. As of 2021, power in the Philippines was more expensive compared with its neighboring countries: Indonesia 53%, Vietnam 51%, Malaysia 31%, China 21%, and Thailand 10% (Figure 4).

Figure 10 ASEAN Industrial Power Costs as of September 2021 (USD per Kilowatt-Hour)



Source: globalpetrolprices.com

Stability and reliability of power supply is a function of installed capacity that includes reserve capacity. The Philippines had 26,286 MW of installed power capacity in 2020, against 71,017 MW for Indonesia, 68,789 MW for Vietnam, 49,385 MW for Thailand, and 34,379 MW for Myanmar (Table 17). Myanmar, with half the population of the Philippines and a far lower level of industrialization, notably had 31% more installed power capacity than the Philippines, and services part of the requirements of Thailand, with which it has a contiguous land border. The Philippines' major trade competitors in ASEAN – Vietnam, Thailand, and Indonesia – all have higher installed power capacity than the Philippines, reflecting much higher levels of industrialization. While Malaysia has less installed power, it has the advantage of lower power costs than those prevailing in the Philippines

Table 17 GDP, Population, and Installed Power Capacity in ASEAN, 2020

ASEAN Member States	GDP (billion, current USD)	Population (million)	Installed Power Capacity (MW)
Brunei	12.02	0.44	893.63
Cambodia	25.29	16.72	2,916.02
Indonesia	1,058.42	273.52	71,017
Lao FDR	19.14	7.28	11,950
Myanmar	76.19	54.41	34,379.3
Malaysia	336.66	32.37	6,891
Philippines	361.49	109.58	26,286
Singapore	340	5.69	12,582.2
Thailand	501.79	69.8	49,385
Vietnam	271.16	97.34	68,789

Transport and Logistics. The Philippines rates significantly below its ASEAN peers in the World Bank Logistics Performance Index (LPI), with its 60th rank on overall logistics performance being well below Indonesia's 46th, Malaysia's 41st, Vietnam's 39th, Thailand's 32nd, and Singapore's 7th. On logistics infrastructure specifically, the Philippines ranks even lower at 85th place, against Indonesia at 62nd, Malaysia at 43rd, Vietnam at 41st, Thailand at 36th, and Singapore at 6th. These translate to producers and exporters in the Philippines incurring higher logistics costs when they import their inputs or export their products, translating to higher costs that lower their price competitiveness in the markets.

As an archipelago, the Philippines rely mostly on maritime transport to move goods for the domestic and international markets, and land transport is used to move goods to and from ports and within each island.

As the country tries to recover from the impact of the pandemic and the continuing rise in petroleum product prices compounded by Russia's invasion of Ukraine, the Philippine Inter-island Shipping Association (PISA) raised that the domestic shipping industry still faces challenges, particularly on the government policies and regulations being implemented which add substantial costs and complicate shipping lines' operations and way of doing business.[12]

Nonetheless, under the 'Build, Better, More' program, the Philippines government is currently emphasizing building several infrastructure projects, including road transport, seaports, airports, railways, and bridges. All the initiatives by the government and the eCommerce market growth shows a huge potential for the supply chain and logistics sector. The country is still 80% not digitalized, but the pandemic has pushed to accelerate the importance of digitalization, especially in the logistics and supply chain industry.[13]

Water and irrigation. Widely cited as a brewing crisis worldwide, water supply has traditionally been a limiting factor for agricultural production. With higher vulnerability to climate change and periodic spells of drought brought about by the recurring El Niño phenomenon, lack of irrigation has constrained the production of exportable agricultural products, especially given the historical focus of public irrigation development in the country almost solely on rice. To ease this constraint, it is now compounded by the presence of open-pit mining around agricultural areas.

Recognition has only been recent of the irrigation needs of export crops, which have almost entirely been dependent on rainfed cropping systems. If the country is to tap the

[12] Port Calls. November 2022. Domestic shipping lines send wish list to DOTr

[13] Port Calls. January 2023. Digital Transformation in the Philippines Logistics Industry: Why & How?

wide scope for growth in its agricultural and agri-based export products, infrastructure for corresponding water requirements would have to be a deliberate and integral part of the country's infrastructure development roadmap.

Telecommunications and Connectivity. Connectivity is critical in a world already in the Fourth Industrial Revolution (Industry 4.0), where automation and digitalization have become critical element in the development not only of industry but of agriculture and services as well.

In OOKLA's April 2022 Speedtest Global Index, the Philippines fixed broadband internet speed was 55.21 Mbps and ranked 59th out of 182 countries, while mobile internet speed was 19.45 Mbps and ranked 95th out of 141 countries. The Philippines only has 22,405 cellular towers compared to other ASEAN countries like Vietnam with 90,000 and Thailand with 60,000. The Philippines' geographical set-up requires more than 70,000 towers to cover the entire country.

The Philippines has traditionally lagged in this area, hampered by inadequate investment to upgrade coverage and quality of connectivity services, and lack of competition to spur it. Even as recent improvements have been made, there remains much scope to widen area coverage, improve internet speeds, and lower the cost of connectivity relative to that in its neighboring peers.

Limited Access to Finance

Both existing and potential export industry stakeholders have been hampered from many opportunities due to lack of access to capital. In particular, small farms and firms and start-ups normally are commonly unable to access formal sources of additional capital, hence unable to acquire needed resources, tap new technologies, and hire skilled manpower needed to service their export markets or local principals (under subcontracting arrangements).

RA No. 11901 or the "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" passed into law on 28 July 2022. The Law recommends a financing approach that considers the requirements of the broader agricultural ecosystem. The improvements are envisioned to facilitate access of agricultural and rural community beneficiaries to financing.

Pursuant to Section 332 of the Manual of Regulations of Banks (MORB), banks are mandated to allocate at least eight (8)% for micro and small enterprises and at least two (2)% for medium enterprises of their total loan portfolio for a period of 10 years from 17 June 2008 to 16 June 2018. It may be noted that the period requiring banks' compliance with the mandatory credit to MSMEs has already lapsed. Nonetheless, there are ongoing legislative proposals that seek to extend the period of the mandatory credit allocation to MSMEs for another ten years (i.e., House Bill Nos. 337, 641, 713, 1178, 2179, 2279, 2463, 2603, 2622, 2825, 4501, 4821, 6465, 7276 and 774; and Senate Bill Nos. 8, 261, 317 and 368).

Education and Skills Mismatch

A persistent jobs-skills mismatch in the country suggests the need for closer linkage between the academe and the ultimate users of graduates from the schools, colleges, universities, and technical-vocational education institutions. There have been attempts on the part of both industry and academe to institutionalize linkages, but these have been sporadic and unsustained. There have also been private sector initiatives by industry groups to bridge the gap, but there remains much room for improvement.

There is a generation gap between the technological equipment used in the schools and the equipment actually used in the factory. Aware of the financial limitations of the schools, some industry players have offered surplus factory equipment to them, but government regulations that impede rather than enable such initiatives have been an obstacle.

DTI's primary initiative to address the industry-academe skills mismatch is through the development of Philippine Skills Frameworks (PSF) for various industries. PSFs on export-oriented industries should be developed and implemented. The PSF Initiative involves the development of sector-specific skills frameworks for our priority industries that will guide the country's workers in enhancing their skills for particular job roles. It serves as a common reference or language that employers, workers, and training institutions share in order to ensure the match between jobs in the market and skills needed in the industry.

Moreover, The DTI has made a step in the right direction, having recently signed a Memorandum of Understanding between BOI and CHED to strengthen industry-academe linkages for the IT-BPM sector and electronics industry. More of such is needed in other sectors as well.

Land Availability and Fragmentation

The country's inability to ramp up agricultural and agri-based exports to levels comparable to its ASEAN peers' traces to the inability of exporters and processors to achieve sufficient volumes and sustained reliable supplies of primary agricultural products. Whether as primary product exports or as raw materials to feed agri-based industries producing food or non-food products, it is extremely difficult to achieve scale economies under a generally fragmented land structure brought about by decades of agrarian reform and generational partitioning. The average farm holding is barely over a hectare (1.29 hectares, based on the latest PSA estimates) and with the individual and corporate land ownership limited and regulated by the restrictions set in Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Program (CARP), has become a traditional barrier to investments in agriculture and agribusiness that could have helped raise productivity in the sector and achieve competitiveness. With the CARP's safeguards in place, agricultural investments have flowed either through direct negotiations with the government to lease agricultural lands still under the public domain, or through cash-crop-based contractual farming arrangements with individual farmers. This contributed to a relatively weakened agricultural output for both domestic consumption and export overseas.

Value Chain Gaps

To establish the Philippines as a dependable, reliable, and trustworthy supplier of goods, it is crucial to acknowledge, identify, and address significant supply-side issues. These issues limit production capacity, hinder competitive quality, and disrupt continuous supply and production. By recognizing and addressing these challenges, the country can promote a more stable and sustainable manufacturing industry, increase its competitiveness in the global market, and maintain its position as a trusted supplier of goods.

Often, the impediment to greater export capability is the lack of certain links in the export value chains, especially where the country is endowed with the primary products, raw materials for finished export products. A case in point is copper and wiring harnesses, two significant export products of the Philippines that are on extreme ends of their value chain. The domestic copper industry can only offer cathodes, which are exported, while electronics exporters need copper products from further downstream such as rods and wires. Worse, mining firms export their copper concentrates for smelting while the Philippine copper smelter, which was established by the government precisely to process local concentrates, imports copper concentrates.

Battery manufacturing is an attractive proposition for the Philippines to service the needs of the emerging electric vehicles industry. But while nickel, a key ingredient in battery manufacturing, is a major export of the country, hardly any processing is done within the country, and substantial investments will be needed to bridge the gap in the battery value chain.

In the case of agricultural export products, the lack of domestic irradiation facilities to prolong shelf life and ensure the safety of various food and non-food products is an impediment to expanding perishable food exports[14]. In contrast, the country's active agricultural exporting neighbors each possess several of such facilities in support of their export industries. Testing laboratories that will permit exporters of products that must conform to certain standards are also inadequate and usually concentrated in urban

[14] See Habito (2017), https://opinion.inquirer.net/107137/agris-missing-link

centers, which is a disadvantage to export producers located in the countryside.

Boosting agricultural exports requires government support for state-of-the-art laboratories, technical skills upgrading, and research and development (R&D) to address pests and diseases, and to develop processed food with a longer shelf life. The high transport costs for agricultural products, both for export and domestic markets, are further compounded by the collection of "informal taxes" at every municipality from the farm to the port or market. To promote fair trade practices, reduce transport costs, and increase competitiveness, it is necessary for the Department of the Interior and Local Government (DILG), which oversees local government units, to address this issue. By investing in the agricultural sector and addressing these challenges, the Philippine government can create a more vibrant and sustainable agricultural industry.

The bulk of the interventions needed for export development lies on the supply side. In particular, we need to continue emphasizing the role of investments and technology in increasing exports, especially in the areas where the investments/technologies can plug value chain gaps and also help move our export mix towards higher value-added products.

Coordination Failures

Growing and sustaining export industries requires good coordination a) across firms for marketing and achieving scale to meet volume demands; b) among industries to achieve efficient value chains and promote circular economy linkages; c) across government agencies for effective institutional support and delivery of support services; and d) across government, private sector and civil society to address macro level and/or long term concerns such as jobs-skills mismatch, environmental sustainability, and disaster resilience. Horizontal cooperation among SMEs is a particular challenge when called for to meet volume demands (see Box A) and may be rooted in the socio-cultural peculiarities of Filipinos as entrepreneurs. Numerous export opportunities may have been foregone by the country over the years because of this peculiar difficulty.

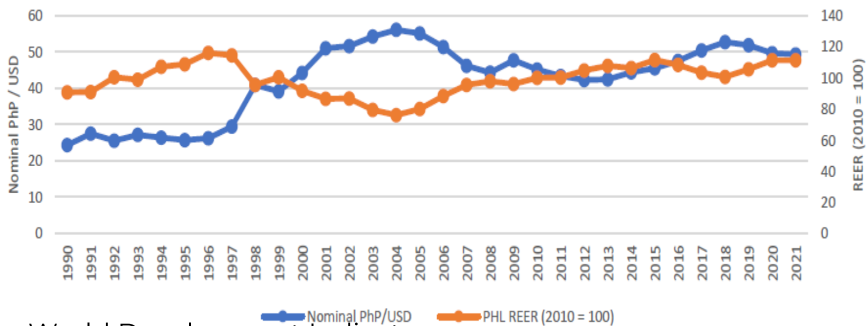
Government Policies and Processes

Perceived lack of clear government export policy. Stakeholders have expressed a belief that the government does not view exports as a priority since the actions of various government entities have occasionally been contradictory. This perception is claimed to impact on investment decisions of top management in multinationals overseas who make the decisions on how much of the global business to allocate to the Philippines and translates into lower foreign direct investments coming into the Philippines than otherwise.

The situation is projected to get worse with the fast pace of technological development especially in the global electronics industry driven by automation, robotics, big data, artificial intelligence, 6G communications, the Internet of Things (IoT), and quantum computing. Electronics exporters fear that the Philippines risks being stricken off or placed very low in the list of preferred investment destinations for new technology. With the pipeline limited to legacy products, a steady, possibly dramatic decline is projected in the Philippines' share in the global electronics manufacturing industry.

Exchange rate competitiveness. In the 1990s, the nominal exchange rate remained largely unchanged for an extended period even as the economy was seeing more than 7% inflation. This meant that the peso had experienced real appreciation at the same rate, eroding the competitiveness of Philippine exports. China and Indonesia are two countries that deliberately undervalued their currency as a policy to encourage exports.[15] While it is true that the peso has significantly depreciated since the 1990s, the trend of the real effective exchange rate (REER) has relatively been more stable throughout the last three (3) decades. The REER considers not only the nominal exchange rate movements but also the relative inflation rates among trading and competing countries. As such, it is a more comprehensive and appropriate measure of external price competitiveness.

Figure 13. Nominal Exchange Rate and REER, 1990-2021



Source: World Development Indicators

Although a weak peso favors exporters because it makes their products cheaper in the world market, peso depreciation also increases the cost of imported inputs. It should be noted that a weaker exchange rate does not resolve the fundamental or structural issues that contribute to a country's low competitiveness. An economy's external competitiveness is not determined solely by the nominal exchange rate, but also by a few other factors such as trade policies, incentive structures, and the overall macroeconomic environment that affects productivity and the cost of doing business.

[15] The literature is mixed, however, on whether the policy worked for both countries.

Monetary and foreign exchange policies that pursue a market-determined and flexible exchange rate as a requisite in developing Philippine export. The Bangko Sentral ng Pilipinas (BSP) policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the peso to be determined by the supply and demand for foreign exchange. On occasions of excessive movements, the BSP enters the market mainly to maintain order and stability. When warranted, the BSP also stands ready to provide some liquidity and ensure legitimate demands for foreign exchange are satisfied.

Taxation and incentives. Passage of Republic Act No. 11534, the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act has met with mixed reactions from the business community. The law's main feature of reducing the corporate income tax rate from 30% to 25% and to 20% after five years has been overshadowed by provisions that have rationalized the granting of fiscal incentives, including VAT exemption of direct and indirect exporters. Three major export sectors, namely electronics, mining, and the IT-BPM industries, claim to have been adversely affected.

Under the CREATE Act, the 5% gross on income tax earned is targeted for export-oriented RBEs, in which they can enjoy a 5% special tax rate for 10 years. Also contentious are the tighter rules on VAT exemption of input suppliers of exporting firms (indirect exporters). For business process outsourcing (BPO) firms, the Fiscal Incentives Review Board (FIRB) recently resolved to allow a 100% work-from-home arrangement for the IT-BPM and BPO sectors. Firms will still be able to enjoy tax incentives by shifting their registration from the Philippine Economic Zone Authority (PEZA) to the BOI. However, debates and discussions on both issues continue, and a favorable consensus and resolution would help sustain a growth momentum in the country's top exports.

Regulatory burden and red tape. Excessive and often unnecessary regulations increase the cost of doing business in the country, where government agencies are prone to find ways to constantly throw more hurdles in the way of enterprises, especially SMEs, rather than adopt a facilitative and enabling attitude towards them.

Trade facilitation issues. Traders must go through multiple hurdles and costly requirements while undertaking import and export transactions. Because exporters commonly import inputs ranging from raw materials to processing and manufacturing equipment, cumbersome and costly import processes and transactions ultimately discourage exports and dampen their growth. These cumbersome processes are from various government agencies that require clearances, licenses, and permits on the importation of thousands of products, often duplicating, overlapping, or even outdated. In 2015, the USAID TRADE project comprehensively documented these various regulatory requirements, covering more than 7,000 products, in a Customs Regulated Imports List (CRIL). As requested by the Customs Commissioner, the aim was to have an official reference to stop front-line customs examiners from imposing arbitrary requirements on importers to elicit bribes. An unintended result of the exercise was the discovery of numerous outdated, duplicating, or overlapping requirements that unduly burden importers.

To address the problem, the pursuit of a Single Window at the national and regional (ASEAN) levels has been ongoing for years, to permit obtaining these various clearances from the involved agencies in one online platform, hence avoiding costly legwork. Even as the Philippines has championed the establishment of the National Single Window and the ASEAN Single Window since its ASEAN chairmanship in 2007, it has also been among the slowest to implement it. Trading costs are further raised by high and arbitrary charges often imposed by logistics firms, including customs brokers, freight forwarders, warehouse operators, and trucking companies. Attempts to regulate these charges have been sporadic and not sustained.

Standards and conformance. Importing countries or firms often require that imports of various products satisfy certain standards, whether sanitary or phytosanitary in nature, or in terms of product specifications of particular manufactured products. One major challenge in meeting these SPS and TBT-related standards is the lack of capital/financial resources of food business operators to implement food safety and quality systems, which will require necessary equipment, facilities, infrastructure, and competent personnel. The government also lacks the necessary laboratory equipment and facilities to test conformance to food safety and quality standards. Regulatory agencies also have limited inspectors to determine compliance with food safety programs such as Good Agricultural Practices (GAP), Good Animal Husbandry Practices (GAHP), Good Aquaculture Practices (GAqP), Good Manufacturing Practices (GMP), and Hazard Analysis Critical Control Points (HACCP). Jurisdictional issues between the Department of Agriculture (DA) and the Department of Health (DOH) also have to be addressed in terms of their food safety regulatory functions under Republic Act No. 10611 (Food Safety Act of 2013).

Legislation to establish the National Quality Infrastructure that will help to address this issue and bring the country at par with its ASEAN neighbors who have long had their NQIs has been pending in Congress for many years but has not been accorded due priority by legislators. Moreover, the implementation of the Food Safety Act of 2013 also needs to be equally looked into by the DA and

DOH through the Food Safety Regulation Coordinating Board (FSRCB). In particular, DA and DOH Food Safety Regulatory Agencies (FSRA) should use Philippine National Standards (PNS) in developing/implementing food safety regulations, consistent with Rule 16.6 of the IRR of the Food Safety Act of 2013.

Institutional support mechanisms. Support for exporters on their various needs, spanning financing, technology access, value chain matching, merchandising, and general promotion and marketing are often spotty and inadequate. Exporters have voiced out the need for government support in participation in international trade shows and exhibitions, which they can ill afford, and where they note strong government support for their counterparts from other ASEAN countries.

Nonetheless, the country has recently enacted laws that mandate the institutionalization of financing support mechanisms for these sectors. Republic Act No. 11901 or The Agri-Agra Reform Credit Act of 2009, has already institutionalized a framework that is more responsive to the financing needs of the agriculture and fisheries sector and rural communities. Moreover, an institutionalized support mechanism for startup firms has been laid out through the enactment of Republic Act No. 11293 or the Philippine Innovation Act which requires the banks to set aside at least 4.0% of their total loanable funds for innovation development credit. Borrowers who are eligible for innovation development credit include MSMEs, startups, innovation centers and business incubators, and other entities which facilitate and support the development of new technologies and innovative goods or services. The Implementing Rules and Regulations of this Act have been developed in coordination with the National Development Council and will be released for comments of the industry and concerned stakeholders.

Political risk and policy consistency. Over the years, the government has been faulted for making doing business in the Philippines risky because of changes in rules "in the middle of the game," or political persecution of firms owned by persons seen to be enemies of the political leadership. The judicial branch of government has occasionally been party to the problem, when past court rulings effectively dishonored contracts signed with business entities beforehand. This perceived political risk has been a real deterrent to investment by both Filipino and foreign investors.

Inter-agency coordination. There are numerous coordination bodies in government to deal with specific concerns such as trade policy, trade facilitation, fiscal incentives management, and many more. In such bodies, a common challenge is the lack of institutional memory in member agencies/offices represented in the coordinative body, due to lack of continuity in representation.

Graft and corruption. Little needs to be further said about the persistent and pervasive problem of graft and corruption in government. This could lead to massive leakage of valuable funds that should otherwise be used for support and assistance to stakeholders and citizens. It could also lead to decisions that unduly favor certain parties at the expense of justice, fairness, and a level playing field, which are fundamental requisites for a favorable business environment and a dynamic economy conducive to investment, including in export industries. The Philippines ranks low in international scorecards on control of corruption, which has impinged on its ability to attract investments in export-oriented industries.

CHAPTER 2

The Export Development Agenda and Strategic Imperatives

Pursuing export development as a national agenda: Exports as a key measure of the country's competitiveness.

A strong Philippine export sector means that the country is able to: (a) attract investments to increase domestic capacities and capabilities; (b) develop local industries that are able to cater to both domestic and global demand (quality and quantity); and (c) provide an enabling environment for businesses to thrive amidst a highly competitive global environment.

Learnings from the Past

Export competitiveness is crucial for the Philippines to achieve economic growth and development. However, several challenges and limitations must be addressed in the implementation of previous interventions and take a more pragmatic approach to developing and strengthening the country's export competitiveness.

1. **Financial and human resources are often stretched** to develop and assist numerous sectors, resulting in the limited impact of assistance that mostly focuses on broad interventions.
2. The **impact of broad-based interventions has been limited.** These include sectoral promotion, information sessions, and capacity building. These interventions often lack firm-level follow-through and commitment to ensure the sustainability of initiatives.
3. **Development needs vary by sector and by firm**. The levels of export development of sectors and the firms within them vary highly. Hence, one-size-fits-all interventions may have different impacts on sectors and firms.

Framework for Export Development

The PEDP adopts the Pareto principle, which highlights the 20% that are responsible for 80% of outcomes, in its examination of the prospects for Philippine exports and development of strategic outcomes to ensure that proposed interventions will more likely yield greater aggregate impact, This entails giving special focus on electronic and electrical products, agricultural and agro-based products, transport equipment, minerals, wearables and textiles, chemicals, home furnishings, and information technology-business process management (IT-BPM) services. Together, these product groups, which have all been in the top 10 exports, account for nearly 90% of the country's total export earnings from goods and services.

Even so, recent events and global trends suggest the need for an eagle eye for emerging opportunities arising from a dynamically changing global market, both in terms of consumer preferences and demands, and geographical shifts in patterns of consumption, with socio-cultural dimensions. Thus, beyond the "Pareto 20%," this PEDP identifies products and services which, with the right enablers, can rapidly assume greater importance in the overall export picture. Identification of these potential export winners requires perceptive industry analyses, both quantitative and qualitative.

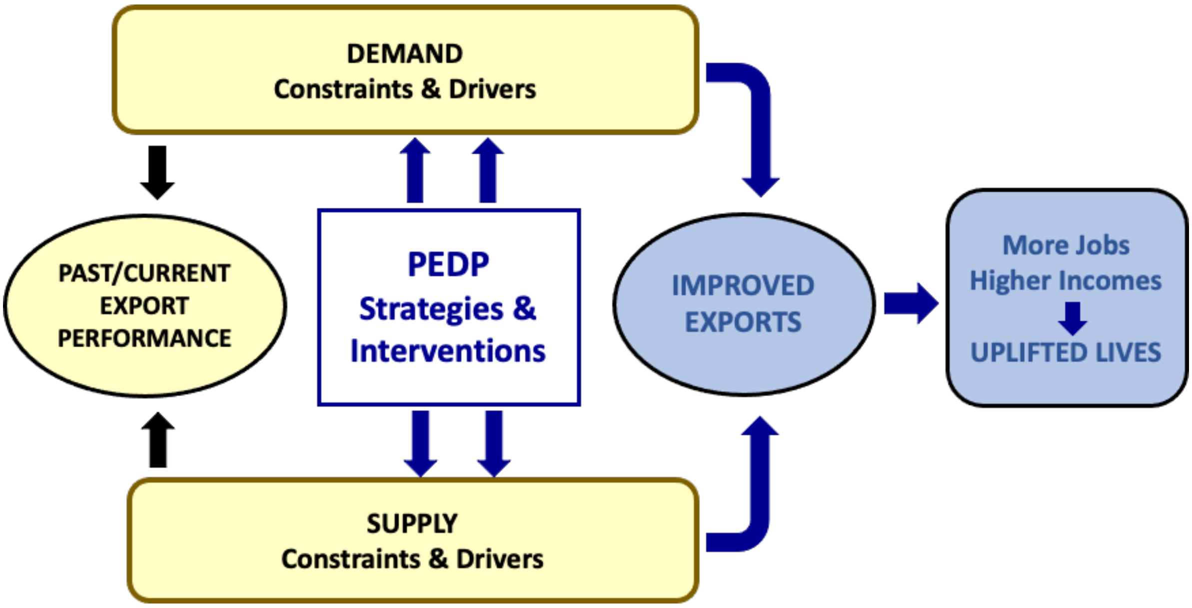


Figure 15 Framework for Export Development (BTI, PEPD Consultant)

Prominent among these promising potential export performers that are already seeing growing and widening demand are products based in or originating in agriculture: natural fiber-based textiles, jatropha (for fuel), aquaculture products, coconut water, Hass avocado, ube (purple yam), and more. In manufacturing, looming large on the horizon are batteries for electric vehicles and for long-duration power storage, and aftermarket automotive parts. In services, data centers, especially those catering to large-scale users like "hyperscalers" (e.g. Amazon, eBay, Google), and maintenance, repair, and overhaul (MRO) services for the aerospace industry are seeing growing interest, as seen in their recent robust growth performance.

Conceptually, the PEDP closely examines the demand and supply sides of the export: the enabling drivers and constraining impediments to export growth. This facilitates the development of a corresponding agenda for action to achieve the desired export outcomes, which ultimately leads to the shared goal of increased employment and incomes in the economy, hence uplifted lives for the Filipinos under the PDP (Figure 15).

The PEDP examines the key factors on the demand and supply sides of the export as listed in Figure 3. On the demand side, cost and price trends in the world markets are largely taken as given from the country's perspective, being a small player relative to the global economy. External shocks of a political, economic, and most recently, public health nature is beyond the country's control or influence. Trends in income and purchasing power in the various export markets are likewise beyond the country's control, but export stakeholders wishing to expand export sales and earnings can at best analyze, identify, and pursue the markets wherein incomes are high and rising. What the country can influence on the demand side, to expand markets for Philippine exports, would mainly be (1) consumer tastes and preferences in export markets, via marketing, promotion, and branding strategies, (2) expanded market access via the pursuit of trade concessions and membership in preferential trade arrangements (PTAs), and (3) access to new and non-traditional export markets and distribution channels specifically e-commerce.

Through the years, the more limiting constraints, and correspondingly, the more potent levers to drive Philippine export growth, appear to lie more prominently on the supply side. At the aggregate level, the capability to supply products and services to the world markets depends on the country's endowments of the basic factors of production (land, labor, and capital) and non-factor-related determinants (i.e., technology, value chains, and government policies and processes). Various impediments to access and productive use of these assets limit the ability of exporters to respond to export demands and are in the nature of institutional and governance shortcomings and rigidities (right side of Figure 16).

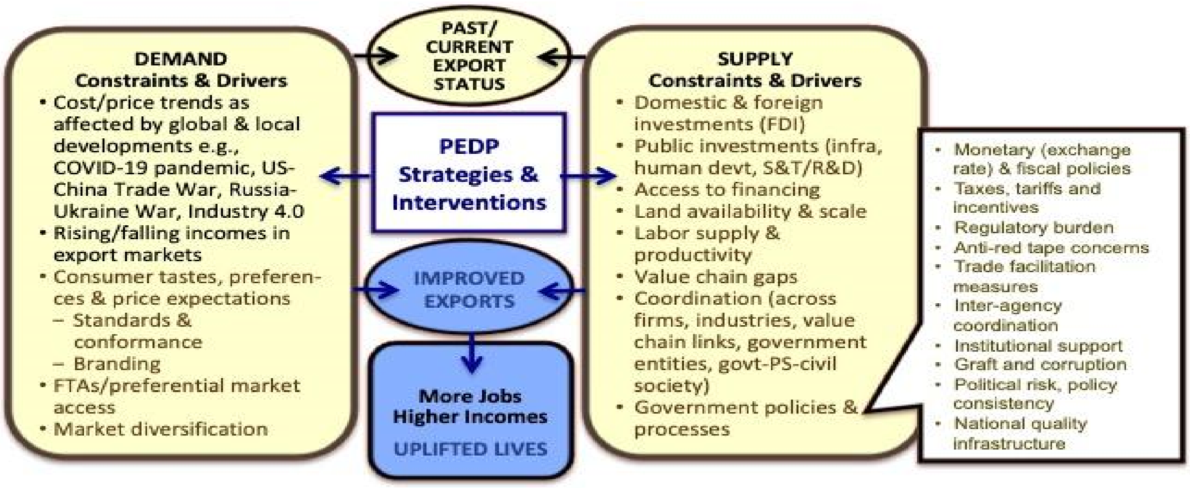


Figure 16 Export Demand, Supply Constraints and Drivers

Developing the Philippines as an Agile Export Powerhouse

There are several factors to consider in order for the Philippines to become an Agile Export Powerhouse in Priority Key Industries. To accomplish this, the Philippines needs to address key factors that can help achieve this goal.

Ultimately, Philippine export competitiveness lies in the competitiveness of Philippine exporters and the ecosystem that supports it. Thus, in developing and positioning the Philippines as an agile export powerhouse in key industries, it must strive to develop exporters that are:

1. **Reliable**. It is important to be a reliable supplier, particularly in a world that is volatile, uncertain, complex, and ambiguous (VUCA). This means being able to quickly adapt to global shifts and changes in customer preferences and seize opportunities in the market.

2. **Design-Driven.** A customer-centric approach to design ensures that products are tailored to meet the target audience's needs, resulting in greater customer satisfaction and loyalty.

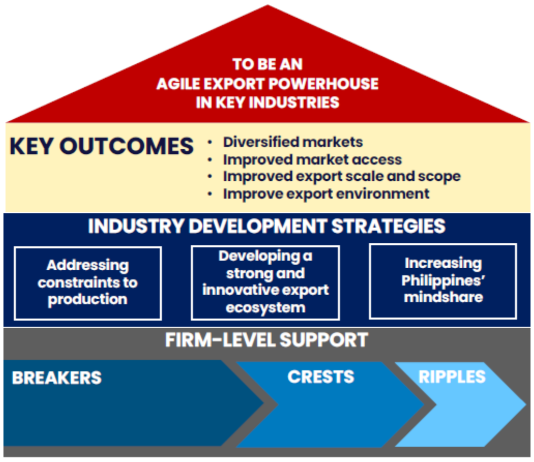
3. **Technology-Driven.** Technology is also critical in achieving global recognition and capabilities as an Agile Export Powerhouse. A technology-enabled company driven by science, technology, and innovation (STI) can stay ahead of emerging trends and remain competitive in the global market.

4. **Sustainable.** Adopting sustainable business practices is essential in minimizing the impact of environmental degradation. This benefits the environment and promotes a positive image and commitment to social responsibility.

5. **Forward-Looking.** Finally, a forward-looking approach is necessary to anticipate emerging trends and stay ahead of the curve. This requires a constant evaluation of the industry landscape and a willingness to innovate and adapt to changes in the market. By incorporating these key factors, a company can become an Agile Export Powerhouse in Priority Key Industries.

Industry development-centric approach to increase exports

Figure 17 PEDP 2023-2028 Strategy Framework



The PEDP 2023-2028 will prioritize three (3) strategic actions:

1. **Addressing constraints to production** in terms of scale and scope by improving innovation and value addition, developing human resources, enhancing the business environment, strengthening finance and infrastructure.

    a. Attracting investments to broaden and develop capabilities, facilitate technology and knowledge transfer, and create an ecosystem of suppliers in the country.

    b. Capacitating firms to be able to compete beyond pricing and to amplify the quality, value-addition, sustainability, and reliability of Philippine exports in the global market.

    c. Providing an enabling export environment that will allow businesses to thrive.

2. **Developing a strong and innovative export ecosystem** by improving backward and forward linkages, increasing participation in preferential trade agreements, and providing institutional support. A strong export ecosystem will contribute to increasing export scale and scope, improving market access, and diversifying markets. developing the export ecosystem would entail:

    a. Creating and linking supplier networks in the country to reduce import dependence and facilitate greater participation in GVCs either as a direct or indirect exporter.

    b. Identifying and partnering with key export enablers that can provide support services to exporters.

3. **Increasing the Philippines' mindshare in the global market** through targeted efforts to raise awareness of Philippine exports and build

the country's reputation as a reliable and high-quality source of goods and services. The Philippines, as an export powerhouse, means that we are in the consciousness of global industry players, both as a supplier of goods and services and as an investment destination. Global recognition of PH capabilities would allow PH firms to increase their market base and increase the scale and scope of their products and services.

a. Leveraging capabilities

b. Promoting trade and investments

These strategic actions define what we mean by an industry-development-centric approach to growing our export sector and will guide developing the programs to be implemented. In summary, industry development is about developing and expanding our current export capabilities.

CHAPTER 3

Key Industry Clusters and Export Strategies

Clustering Approach

Building on the recommendations of the World Bank in its publication "A New Dawn for Global Value Chain (GVC) Participation in the Philippines," PEDP 2023-2028 will prioritize interventions on GVC clusters that will allow the Philippines to leverage on its existing capabilities in seizing opportunities in current and emerging global trends.

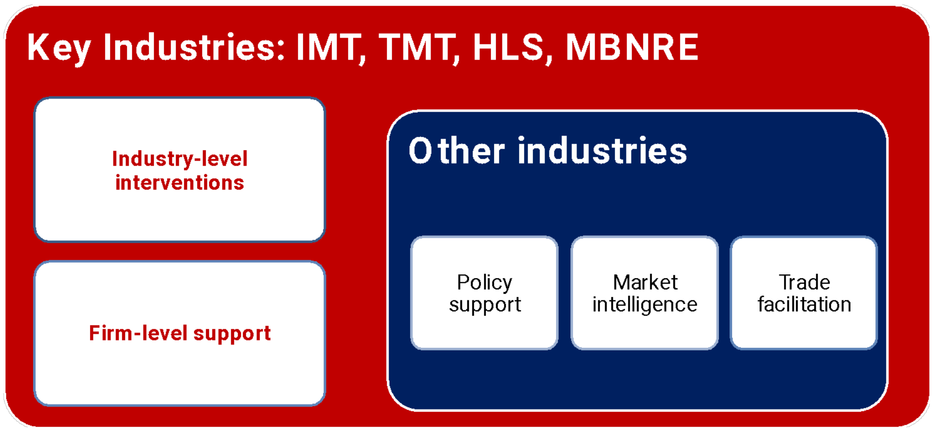
In addition to the GVC clusters identified in the World Bank study, the Philippines will pursue the development of industries that will address the country's basic needs and build a stronger foundation that will support the GVC clusters.

The four identified clusters are:

1. **Industrial Machinery and Transport (IMT)** which aims to upgrade opportunities in aerospace, automotive, maritime, and semiconductors by focusing on maintenance, repair, and overhaul of aircraft, pollution reduction, green vehicles, IT in vehicles, precision metal components, and electronics R&D. The cluster will also support businesses in outsourced semiconductor assembly and testing.
2. **Technology Media and Telecommunications (TMT)** presents opportunities to digitalize services, allowing the IT-BPM sector to contribute to the competitiveness and efficiency of other global value chains while creating an enabling environment for the development of creative industries.
3. **Health and Life Sciences (HLS)** will make the Philippines self-sufficient in pharmaceuticals, medical devices, healthcare services, and therapeutic systems.
4. **Modern Basic Needs, Resilient Economy (MBNRE)** focuses on ensuring agriculture development, food security, and sustainability, supporting, and strengthening the other three clusters.

The new PEDP represents a strategic shift in the government's approach to export development, with a greater focus on targeted support for priority industries, while still offering essential assistance to other sectors.

Figure 9 Differentiated Level of Support



Strategic industries will receive differentiated levels of support, tailored to their specific needs. Meanwhile, other industries will still benefit from government assistance, albeit to a more limited extent. This would include policy support, particularly with regards to improving the ease of doing business, and other export services such as trade information and intelligence services and trade facilitation.

Pragmatic and Stratified Interventions

Guided by the strategic imperatives in pursuing an industry development-centric approach to export growth, identified interventions for key industries will be pragmatic and stratified to ensure that: (1) gains and learnings from past and current initiatives are considered based on their effectiveness and potential to strengthen existing and latent capabilities of government and stakeholders, and (2) initiatives take into consideration the varying levels of development of the industries and the players that comprise it.

Pragmatic Industry-level Interventions

Building on the gains and learnings in the implementation of the previous PEDPs, various industry roadmaps, and initiatives for the key industry clusters, the Plan will carry out initiatives that will **expand, transform, develop, and acquire** capabilities toward the overall development of Philippine exports.

EXPAND

- These are ongoing initiatives and measures that have already demonstrated positive effects and need to be sustained, widened, and deepened for greater efficacy and improved impacts.

TRANSFORM

- These initiatives and measures require a departure from past and current mindsets and practices that have failed to bring significant results. They represent bold and innovative approaches that may have the potential to bring game-changing shifts in the country's export trajectory.

DEVELOP

- These initiatives aim to build and strengthen the existing and latent capabilities of government and non-government stakeholders, enabling them to achieve more and sustain positive outcomes.

ACQUIRE

- These initiatives focus on acquiring or accessing capabilities, capacities, and resources that are currently unavailable in the country, such as advanced technologies, new skills, and material and knowledge resources, to improve export performance.

PEDP Planning Tool for Key Industries

Strategic Imperatives/ Industry Interventions	**Expand**	**Transform**	**Develop**	**Acquire**
Addressing constraints to production				
Developing a strong and innovative export ecosystem				
Increasing the Philippines' mindshare in the global market				

Stratified Firm-level Interventions

Philippine export competitiveness is underpinned on the competitiveness of Philippine exporters and its ecosystem. Hence, it is crucial that firm-level support initiatives are implemented to amplify the impact of industry-level interventions and continuously build a pool of exporters that will serve as frontrunners in driving Philippine export growth.

The PEDP classifies firms in the key industry clusters into three (3) groups based on their overall impact on exports and the level of interventions needed to maximize their potential. This segmentation facilitates the allocation of appropriate resources and support to each firm and helps to identify areas that may require further interventions.

Figure 10 Visualization of the Categories of Strategic Sectors

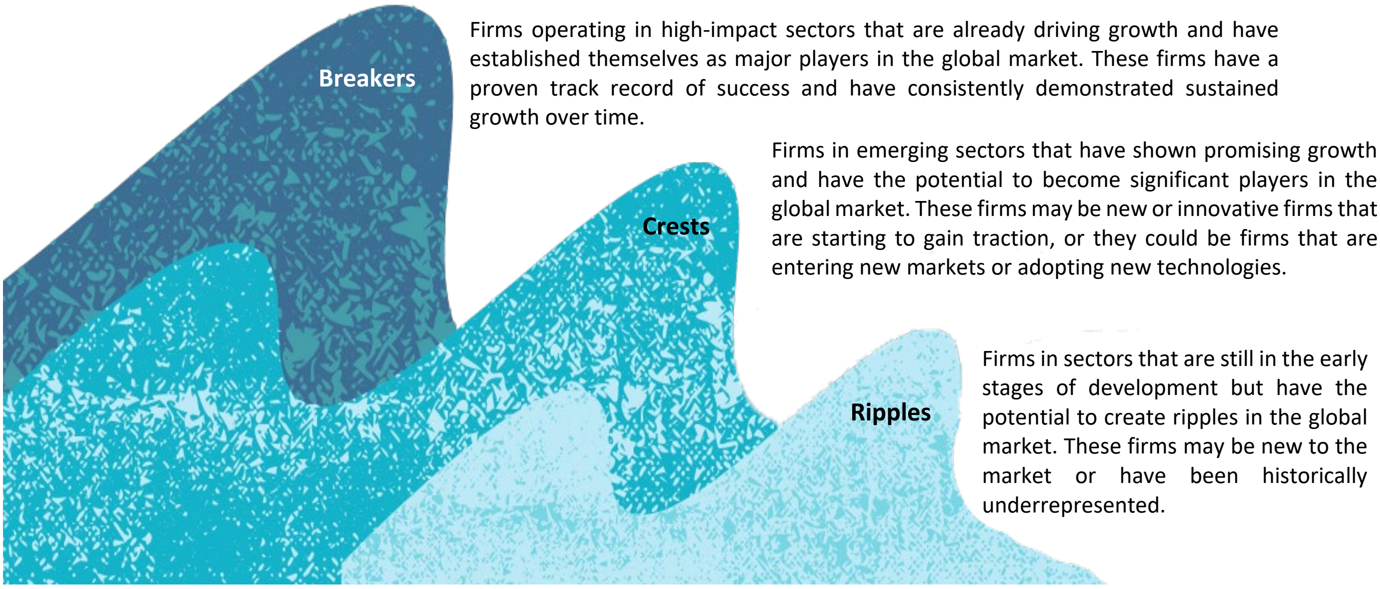


Figure 11 Criteria in Classifying Strategic Sector Groups

Breakers	*Crests*	*Ripples*
1. High demand for the sector's products or services in the global market 2. Strong competitiveness and market share of the sector's products or services 3. Consistent growth in exports and revenue over time	1. Growing demand for the sector's products or services in the global market 2. Potential for the sector to disrupt traditional industries and create new markets. 3. High level of innovation and adoption of new technologies in the sector	1. Emerging demand for the sector's products or services in the global market 2. Potential for the sector to create new markets and opportunities 4. Growing potential for innovation and technological advancement in the sector

Framework for Package of Support for Firms

The appropriate level of government intervention for firms would depend on various factors such as the nature of the sector, its potential for growth, and the existing government policies and regulations. However, in general, the following packages of support could be considered:

	Package of Support
Breakers	**As these firms have already established themselves as major players in the global market, the government's intervention should focus on maintaining their competitiveness and ensuring their sustained growth.** **This could involve measures such as:** ● providing infrastructure support, ● promoting research and development ● offering incentives for innovation and export expansion ● ensure that policies and regulations do not hinder their growth
Crests	**For emerging firms that show promising growth potential, the interventions should focus on providing support to accelerate their growth and help them establish themselves in the global market.** **This could involve providing:** ● financial and technical assistance ● creating favorable policies and regulations ● facilitating access to export markets ● monitor the sector's progress and adjust its intervention as necessary.
Ripples	**As these firms are still in the early stages of development, the interventions should focus on creating an enabling environment that supports their growth and encourages innovation.** **This could involve providing:** ● financial and technical assistance ● promoting research and development ● facilitating access to export market ● work closely with industry stakeholders to identify emerging trends and market opportunities and ● provide support for product development and market entry ● create policies and regulations that support their growth while also ensuring consumer protection and environmental sustainability.

CHAPTER 4

Enabling Export Competitiveness

Key Industries and Sectors

Electronics and Electrical Industry[16]

In 2021, the Philippine electronics and electrical export industry shipped USD 45.9 billion of merchandise, which was 61.5% of total Philippine merchandise exports of USD 74.6 billion. This represented a 12.9% increase from the 2020 figure of USD 40.7 billion. In 2021, the major export markets for Philippine electronics exports were Hong Kong, the USA, China, Japan, and Singapore. The semiconductor segment of the electronics export industry in the Philippines is still evolving from the assembly, packaging, and testing (APT) stage of the global electronics supply chain to higher value stages like wafer fabrication, semiconductor design and front-end manufacturing. Stakeholders believe that 15% CAGR or better is feasible if foreign investors are convinced that the Philippine government prioritizes electronics exports.

Strategic actions to achieve high growth include compensatory incentives to offset cost handicaps and joint government and private sector programs for skills development and raising local value added.

Transport Export Products[17]

The Philippine transport export industry, composed of automotive, maritime, and aerospace products, shipped USD 5.2 billion worth of goods in 2021, from USD 4.6 billion in 2020, or a growth of 13.8%. However, the CAGR from 2017-2021 of the sector was a negative 4.0%.

For *automotive*, projections are pessimistic as existing plants in Thailand and Indonesia can supply the demand in other ASEAN countries under the ASEAN free trade market. The Philippine automotive parts exports for vehicle manufacturing will only be able to survive and grow with a strong domestic vehicle manufacturing industry. Like other export industries, it needs the government to address the infrastructure inefficiencies or the cost of doing business. It needs the government to address the 20% higher logistics costs in comparison to our ASEAN

[16] PEDP Full Draft, Chapter VIII, Electronics and Electricals
[17] PEDP Full Draft, Chapter IX, Transport Export Products

neighbors, and simplify government processes and requirements.

Maritime transport exports recorded USD 1.7 billion in 2017, falling to USD 629 million in 2020 and up to USD 701 million in 2021. The sector consists of: 1) shipbuilders who produce a wide range of maritime vessels from motorboats, fishing vessels, sailboats, inflatables, and ships of varying tonnage including those above 5,000 tons, 2) builders of dredgers, boat or dock fenders, fire-floats, buoys, and other nautical structures and 3) maritime equipment or parts manufacturers. The current concerns for the shipbuilding sector lie in sudden and drastic changes in government policies that hamper the business environment. Big ticket items that complement exports, like those in the transport sector, should be supported with government procurement to institutionalize domestic preference. There is a need for government assistance for an export marketing program for maritime equipment and parts. Deficiencies in power, logistics, bureaucratic red tape, and other costs of doing business are major impediments calling for corrective and/or offsetting measures.

The *aerospace sector* contributed exports totaling USD 405 million in 2021. The sector saw export growth from 2017 to 2019, but dramatic declines in 2020 and 2021. In 2021, product distribution was dominated by "Other aircraft parts." There are also three (3) aerospace MRO enterprises in the country. Exporters report increased documentation required by PEZA and FIRB; increased visits from Customs, BIR, LGUs, and even NBI. Power cost is cited as a drawback, with factories requiring controlled environments. Under the PEDP scenario, aerospace exports can grow by 9.7%, but are straddled by various constraints. A development program for the space sub-sector awaits finalization, and needs a supporting export marketing program, ideally under the auspices of the DTI-EMB. Current export documentation and reporting should be reviewed to better assess the export values generated by MRO services.

Mining/mineral exports[18]

The Philippines is the fifth most mineralized country in the world with untapped reserves estimated at USD 1 trillion. Nine million hectares of land area are potentially mineralized but only 763,378 ha are covered by mining tenements and only 9,940 ha are being mined. In 2021, the total minerals exports were USD 6.3 billion, of which USD 6 billion were metallic mineral products. Gold, processed copper, and nickel are among the country's top mineral exports, buoyed by a recent commodity price boom. Japan,

[18] PEDP Full Draft, Chapter X, Mining/Minerals Export

Australia, Canada, and China are their major countries of destination.

The Philippine copper industry was initially given a strong boost from government investment to set up the Philippine Associated Smelting and Refining (PASAR) Corporation in 1983 (later privatized). Cathode exports account for the bulk of exports, which is processed abroad into a broad range of semi-finished products. As all of PASAR production is exported, there is a lack of locally-produced cathodes and a facility that could further process these into required forms to feed various downstream export industries like wiring harnesses. Gold has been a long-time major contributor to the economy. In 2021, total gold production was estimated at 25,332 kilograms valued at P72.2 billion, and accounted for 40% of total mineral production. Gold produced by small-scale miners must be sold to the BSP to help shore up international reserves, curb gold smuggling, and protect miners from unscrupulous transactions. The nickel mining industry has been the biggest contributor to the mining and quarrying sector and has been the fastest growing in production (12.3% per year) and value (27.2% per year) in the past 12 years. There are currently 23 operating nickel mines, most of which export direct shipping ore (DSO). Major links are missing in the value chains of the copper and nickel industries. PASAR is prepared to supply local copper cathode requirements, but downstream industries do not have the capability to transform cathodes into manageable sizes. Meanwhile, copper producers are open to supplying the needs of PASAR, but they find its smelting fees uncompetitive. The nickel industry is in dire need of attention for upscaling production values to attain the country's ambition to participate in global decarbonization efforts through the development of electric vehicles and their battery components.

Unstable government policies have adversely affected the mining industry. Cost of doing business is high, owing to an expensive permitting process, notwithstanding the Ease of Doing Business Law. Power costs are cited as a key factor affecting the competitiveness of power-intensive downstream processes (i.e., smelting and refining) and industries (e.g. wire and battery making).

The recent lifting of the moratorium on new mining permits and the ban on open pit mining have revitalized the mining industry. The global drive for decarbonization, digitalization, and telecommunication development provides great opportunities for the industry. Imperatives for boosting mining exports include the following actions to address areas such as industry integration, policy stability, and environmental challenges.

Information Technology – Business Process Management (IT-BPM) Services[19]

The IT-BPM sector is the most prominent industry under the TMT priority cluster of DTI and reported export revenues of USD 29.5 billion and generated jobs for 1.44 million Filipinos in 2021. The sector employs the largest number of call center agents in the world; the IT-BPM overall business is the second biggest in the world next to India. The industry has organized itself over the years in a trade and industry association known as the IT and Business Process Association of the Philippines (IBPAP). Contact centers and BPOs (Business Process Outsourcing) is the biggest revenue stream of the IT-BPM sector, followed by global in-house centers (e.g. IBM, HSBC, Deutsche Bank, Shell, American Express, J.P. Morgan Chase. Third is outsourcing, corresponding to multinational IT Solutions companies such as KMS Solutions and eCloudvalley Digital Technology.

Other contributors are Health Information Management and animation and game development as the new frontier. The key to the global position of the industry is the availability of talent for the requirements of the industry, with a constant stream of capable graduates from the country's educational institutions.

A continuing constraint to faster and wider expansion of the IT-BPM export sector has been reliable internet connectivity in areas outside the primary urban centers of the country. A new challenge involves government policy on work-from-home (WFH), with IT-BPM firms being required to bring back workers physically to the workplace as a condition for keeping fiscal incentives.

The IT-BPM sector aims to double its 2021 revenues by the end of 2028, gain 6 percentage points in market share from 12% in 2021 to 18% by the end of 2028, and expand and diversify service offers to the higher value categories of Health Information Management, Animation and Game Development, and Software Development. To achieve this, export imperatives include the following:

- Build the talent pool in target disciplines.
- Build executive and managerial capabilities.
- Identify and penetrate emerging new markets.
- Empower IBPAP in implementing roadmaps.
- Enable an enhanced business-friendly environment
- Provide additional benefits to IT-BPM companies to promote digital skills (e.g., training grants) to help in

[19] PEDP Full Draft, Chapter XI, Information Technology – Business Process Management (IT-BPM) Services

building the technology capability.

- Streamline regulatory compliance requirements for organizations.

Agricultural and Agri-based Exports[20]

Leading the MBNRE priority cluster of DTI is the agriculture and agribusiness sector. In 2019, agricultural exports delivered USD 6.7 billion, contributing a relatively low 9.4% to total merchandise export receipts. This reflects the narrow mix of products, i.e., coconut oil, fresh bananas, pineapple, fish, fresh or preserved shrimps and prawns; seaweeds and carrageenan, and other fruits and vegetables.

Export-oriented agriculture particularly suffers from lack of scale, difficulties in clustering and consolidation, low farm-level productivity, value chain inefficiencies, high production costs, coordination failures, rigid standards and certifications, and inadequate technologies.

Specific strategies to accelerate export growth include vigorous pursuit of clustering and consolidation into efficient production units; re-establish a Bureau of Agri-Industrial Cooperatives Development in the DA; lift land ownership restrictions for investors in commercial scale agribusiness; facilitate investors' access to large areas of idle or unproductive lands such as in BARMM and indigenous peoples' ancestral domains; establish Agro-Industrial Business Corridors and Agri Processing Zones in strategic areas; scale up and upgrade agricultural value chains; boost financing for agriculture and agribusiness; foster digitalization and active entrepreneurship in agriculture; deepen and widen technical capacity and knowledge support in agriculture and agribusiness; prioritize infrastructure requirements supporting agricultural exports; promote resilience to climate change; and pursue branding initiatives.

Home furnishings[21]

The home furnishings sector covers woodcrafts and furniture, basketworks, Christmas decors, and other wood manufactures, with the first contributing the largest share of exports. Historical contribution to total export earnings has been less than 1%, but there appears to be wide scope for growth in the future. About 98% of manufacturers are

[20] PEDP Full Draft, Chapter XII, Agricultural and Agri-Based Exports
[21] PEDP Full Draft Chapter XIII, Home Furnishings

SMEs. The sector was already on a steady decline starting in 2016 and reached a 6-year low in 2020 due to pandemic restrictions. Challenges include access to local raw materials; disappearing workforce and skills; fluctuating demand; lack of marketing direction and support; capitalizing on the reputation for design and quality.

There is a generally positive outlook in the sector in the face of steady demand for their products in the export markets. Growth outlook will depend on factors such as the provision of financial support (e.g., purchase order financing), reliable raw materials sourcing, ease of mobility in most social and economic aspects, and expansion of the workforce (i.e., more youth getting involved in the production of raw materials and in production of furniture and furnishing products), adherence to international sustainability certification standards, continuous product development and design, process, technology, and skills development, provision of marketing and promotion, including brand development, as well as Incentives.

Wearables, fashion accessories, and footwear[22]

Philippine garments and textiles exports for the period 2017-2021 had a CAGR of -7% vs. a +3% global market CAGR for the same period. Philippine market share for the sector is one-tenth of one% of an annual global market size of USD 995 billion trade value. Fashion accessories exports grew by +28% in 2018 vs. a year ago. The sector achieved a Compounded Average Growth Rate (CAGR) of +3% from 2017 to 2021, one percentage point lower vs. the global market CAGR of +4%. It ended the year 2021 with a 3% share of a USD 48 billion global market. Footwear exports grew by +50% in 2018 and +28% in 2019. The biggest market is the United States.

A new breed of young entrepreneurs driven by the energy of youth and the creativity of digitalization appears poised to take the wearables sector into a growth trajectory of Filipino global brands. With a combination of meaningful government support and aggressive brand development efforts, fashion accessories exports are expected to achieve a +92% growth by 2028 vs. 2021, growing the market share from 3% to 5%. Equally, garments and textile exports shall have also grown by +60% in 2028 vs. 2021 from USD 932 million to USD 1.5 billion. The footwear sector shall also have grown by +60% from USD 112 million in 2021 to USD 179 million in 2028.

The industry needs to vigorously pursue renewal of the Philippine GSP status in the US and improved market access elsewhere. A specific tangible initiative might be to launch a "Philippine Brand

[22] PEDP Full Draft, Chapter XIV, Wearables, Fashion Accessories and Travel Goods

Company" (PBC) with catalytic public funding and/or venture capital. Other imperatives include encouraging and incentivizing foreign and local investments in man-made fiber textile manufacturing facilities linked to the PBC and the local garments industry; investing in the development of natural fiber textile manufacturing facilities; applying efficient state-of-the-art technologies used in synthetic fiber textile manufacturing to produce hybrid green textiles combining synthetic and natural components, thereby reducing the industry carbon footprint.

Chemicals[23]

As the third largest sub-sector of the country's manufacturing industry, the chemicals industry is deemed as a pillar industry as it supports the agriculture, automotive, cement, creative, construction, energy, health, housing, and pharmaceutical sectors. The total value of its chemicals exports for 2021 was USD 1.49 billion, with oleochemicals contributing 25.6%, and organic chemicals 16.5%. The top destinations are China, Thailand, and Japan. The Philippines is currently a net importer of chemicals.

The tightened regulation of controlled chemicals imposed by the government has impeded the growth of chemicals exports. Also impeding industry growth is the prohibitive cost of raw materials, logistics, and energy, and the lack of technology support for high-value products. Strengths and opportunities of the industry for export include the availability of human resources and sector expertise; emerging markets for renewable and biodegradable fuel; and strong demand for agrochemicals. Government support is needed for the preparation and regular updating of the chemicals industry roadmap. Public-private partnerships between concerned government agencies and chemical industry players can likewise help push for growth in chemical exports. Government can also provide vital support through R&D programs and appropriate fiscal and non-fiscal incentives.

[23] PEDP Full Draft, Chapter XV, Chemicals Exports

Key Issues and Proposed Strategies

A. Constraints to Production (Scale and Scope)

A.1. Key Area: Innovation and Value Addition	
Issues ***Often, the need for certain links in the export value chains impedes more excellent export capability, particularly where the country is endowed with primary products that serve as raw materials for finished export products.***	**Proposed Strategies** 1. Conduct industry GVCs analysis to assess MSMEs/exporters integration and value-adding contribution 2. Strengthen the technology and innovation system to support resilient and forward-thinking export enterprises aware of global industry trends and opportunities 3. Improve and strengthen inclusive export value chains to maximize the domestic value-added content of the country's major exports.
Implementors • DTI • DA • DOST • DICT	

A.2. Key Area: Human Resource Development	
Issues ***Industry stakeholders believe that those in academe need to adequately see the industry as their client, citing that graduates are unprepared for work and must be trained before they can work in factories. There is a generation gap between technological equipment used in schools and factories.***	**Proposed Strategies** 1. Match available skills in the economy with the human resource needs of export industries through ongoing collaboration between the academe and industry.
Implementors • DTI • DOLE • TESDA • CHED • State Universities and Colleges (SUCs)	

A.3. Key Area: Business Environment	
Issues	***Proposed Strategies***
• **Investments.** Overarching the supply-side challenges is the country's inability to attract as much foreign investment to boost production capacities as its more dynamic exporting neighbors, for whom foreign firms have propelled rapid export growth in recent years. • **Taxation and incentives.** Passage of Republic Act No. 11534, the Corporate Recovery and Tax Incentives for Enterprises or CREATE Act has met with mixed reactions from the business community. The law's main feature of reducing the corporate income tax rate from 30% to 25% and to 20% after five years has been overshadowed by provisions that have tightened the granting of fiscal incentives, including VAT-related issues affecting direct and indirect exporters. Three (3) major export sectors, namely electronics, mining, and the IT-BPM industries, claim to have been adversely affected. • Cost of Doing Business. The Philippines ranks low in the cost of doing business assessments. This includes costs associated with the business environment as influenced by governance, regulatory burden, policy stability and consistency, and political risk; talent availability, logistics costs, and digitalization state. • Perceived lack of clear government export policy. Due to contradictory government actions, stakeholders believe the government does not prioritize exports. This view affects how top managers of multinational companies make investment decisions, such as how much of their global business is to send to the Philippines. This leads to fewer foreign direct investments. • Exchange rate competitiveness. Numerous scholarly analyses have shown that historically, the peso's overvaluation - a real effective exchange rate lower than its	1. In collaboration with PSA, DICT, ecozones, and Bureau Customs, DTI shall develop an exporters' registry that includes details such as products (with HS Codes) and markets, production capacity, level of export readiness, government services/programs being availed, etc. 2. A registry of would-be/potential exporters shall also be developed to provide them proper guidance 3. Conduct mapping and consolidate all government programs, initiatives and regulatory requirements that shall be incorporated in an online platform 4. Attract and retain domestic and foreign investments, especially in the export of high-value products and services

equilibrium value and has experienced more real appreciation versus the currencies of export competitors - has hampered the growth of Philippine exports. ● Regulatory burden and red tape. Excessive and often unnecessary regulations raise the cost of doing business in the country. Government agencies are more likely to throw more obstacles in the way of enterprises, particularly MSMEs, rather than adopting a facilitative and enabling attitude toward them. ● Trade facilitation issues. During trading imports and exports, traders have to deal with many problems and pay a lot of money. Exporters often have to import raw materials, equipment for processing and manufacturing, and other inputs. Complicated and expensive import processes and transactions discourage exports and slow their growth. ● Political risk and policy consistency. Over the years, the government has been blamed for making it risky to do business in the Philippines. Rules often change "in the middle of the game." Some go after people-owned companies. ● Graft and corruption. The problem of graft and corruption in government is persistent and pervasive. This could lead to a significant loss of valuable funds that could have been used to help stakeholders and citizens.	
Implementors ● DTI ● PSA ● BOC ● BIR	

<table>
<tr><th colspan="2">A.4. Key Area: Business Environment Finance</th></tr>
<tr><td>Issues

Due to a lack of access to capital, current and potential export industry players have yet to take many chances. Small farms, businesses, and start-ups, in particular, often need access to traditional sources of extra capital. This means they must get the resources, new technologies, and skilled workers to serve their export markets or local clients (under subcontracting arrangements).</td><td rowspan="2">Proposed Strategies

1. Consolidate the existing financing assistance by the government and the private sector and make it available online (with website linkages) to the MSMEs for their easy reference
2. Conduct review to assess utilization and impact of financing programs of the government
3. Provide various forms of financing to support fixed and working capital requirements of export firms of all sizes, especially for small farms and enterprises</td></tr>
<tr><td>Implementors

• DTI
• DBM
• BSP
• DOF</td></tr>
</table>

<table>
<tr><th colspan="2">A.5. Key Area: Infrastructure (Physical, Digital, Quality)</th></tr>
<tr><td>Issues

• Power. Cost, stability and reliability of electric power is commonly cited by export manufacturers as a handicap to their competitiveness. As of 2021, power in the Philippines was 53% more expensive than Indonesia, 51%more than Vietnam, 31%more than Malaysia, 21%more than China, and 10 % more than Thailand.

• Transport and Logistics. The Philippines rates significantly below its ASEAN peers in the World Bank Logistics Performance Index (LPI), with its 60th rank on overall logistics performance being well below Indonesia's 46th, Malaysia's 41st, Vietnam's 39th , Thailand's 32nd, and Singapore's 7th. On logistics infrastructure specifically, the Philippines ranks even lower at 85th place, against Indonesia at 62nd, Malaysia at 43rd , Vietnam at 41st, Thailand at 36th, and Singapore at 6th . Because of this, producers and exporters in the Philippines have to pay more for logistics when they import their materials or export their goods. This means they have to pay</td><td>Proposed Strategies

1. Adequately support export firms' infrastructure requirements in power, water and irrigation, transport and logistics, and telecommunications connectivity</td></tr>
</table>

more, making their prices less competitive in the markets.

- Water and irrigation. Widely cited as a brewing crisis worldwide, water supply has traditionally been a limiting factor for agricultural production. With higher vulnerability to climate change and periodic spells of drought brought about by the recurring El Niño phenomenon, lack of irrigation has constrained the production of exportable agricultural products, especially given the historical focus of public irrigation development in the country almost solely on rice.

- Telecommunications and Connectivity. The Philippines has traditionally lagged in this area, hampered by inadequate investment to upgrade coverage and quality of connectivity services, and lack of competition to spur it.

- Standards and conformance. Importing countries or firms often require that imports of various products satisfy certain standards, whether sanitary or phytosanitary in nature, or in terms of product specifications of particular manufactured products. The ability of Philippine exporters to meet such standards from their buyers is hampered by lack of imposition of similar standards within the country, and/or lack of testing laboratories or facilities to determine compliance with such standards.

Implementors

- DPWH
- DICT
- DOTC

A. Export Ecosystem

B.1. Key Area: Backward and Forward Linkages	
Issues ***Whether as primary product exports or as raw materials to feed agri-based industries producing food or non-food products, it is extremely difficult to achieve scale economies under a generally fragmented land structure brought about by decades of agrarian reform and generational partitioning.***	***Proposed Strategies*** 1. Pursue export market diversification by identifying and pursuing promising new and non-traditional markets for Philippine exports 2. Cluster and consolidate small producers to achieve volume and economies of scale in the production of raw materials to feed export industries, especially in agriculture and fisheries
Implementors • DTI • DA • NEDA • DFA	

B.2. Key Area: Participation in preferential trade arrangements	
Issues ***Low number of preferential trade agreements compared to other ASEAN competitors.***	***Proposed Strategies*** 1. Pursue active membership in regional and bilateral PTAs to widen market access for Philippine exports of goods and services
Implementors • DTI • DA • NEDA	

B.3. Key Area: Institutional Support	
Issues • Growing and sustaining export industries requires good coordination a) across firms for marketing and achieving scale to meet volume demands; b) among industries to achieve efficient value chains and promote circular economy linkages; c) across government agencies for	***Proposed Strategies*** 1. Strengthen coordination mechanisms within government, across links in the export value chains, among export producers within and across industries, and across government, private sector and

effective institutional support and delivery of support services; and d) across government, private sector and civil society to address macro level and/or long term concerns such as jobs-skills mismatch, environmental sustainability and disaster resilience. Horizontal cooperation among SMEs is a particular challenge when called for to meet volume demands and may be rooted in socio-cultural peculiarities of Filipinos as entrepreneurs. Numerous export opportunities may have been foregone by the country over the years because of this peculiar difficulty. ● Institutional support mechanisms. Support for exporters on their various needs, spanning financing, technology access, value chain matching, merchandising, and general promotion and marketing are often spotty and inadequate. Exporters have voiced out the need for government support in participation in international trade shows and exhibitions, which they can ill afford, and where they note strong government support for their counterparts from other ASEAN countries. ● Inter-agency coordination. Failures in governance to provide an enabling environment for exporters often trace to lack of coordination across government entities. There are numerous coordination bodies in government to deal with specific concerns such as trade policy, trade facilitation, fiscal incentives management, and many more.	civil society to better achieve PEDP goals 2. Secure a whole-of-government commitment to export development, and a whole-of-nation drive towards export development as a national crusade

B. Global Mindshare

Key Area: National and Sectoral Branding Strategic Promotions Campaign	
Issues ***Lack of unified country and sectoral branding, marketing and promotions.***	***Proposed Strategies*** 1. Intensify trade promotion, marketing, design innovation and branding initiatives towards expanding and diversifying the country's exports and their destinations
Implementors • DTI • DOT • DA	

The Role of Consolidators in Export Growth

Consolidators play a crucial role in the Philippine export industry as they act as intermediaries between micro, small and medium-sized enterprises (MSMEs) and foreign buyers. However, the consolidator sector in the Philippines faces several challenges that hinder its growth and limit its potential to further contribute to the growth of the export industry. To address these challenges, several interventions can be implemented.

To support and enhance the role of consolidators in the Philippine export industry. the following interventions can be implemented using the stratified categories of expand, transform, develop, and acquire:

EXPAND

- Expand the coverage of incentives of the Export Development Act (EDA) to include consolidators.
- Provision of market intelligence available to consolidators to provide them with timely and accurate information on export opportunities. Provision of export financing options available to consolidators by encouraging banks and financial institutions to provide more accessible credit facilities.

TRANSFORM

- Streamlining of export procedures and reducing transaction costs to improve the competitiveness of consolidators.
- Trade facilitation on export documentation process by digitizing the export procedures, including the issuance of export permits and certificates of origin, to reduce transaction time and costs.
- Simplification of export incentives systems (i.e. VAT refund)

DEVELOP

- Develop a consolidator accreditation program that provides incentives and benefits to consolidators that comply with export requirements and standards.

ACQUIRE

- Export Management Coaching and training program for consolidators that enhances their knowledge and skills in export procedures, logistics, and quality assurance.
- Access to new export markets by negotiating new trade agreements and exploring new export opportunities.
- A supportive policy and regulatory environment that promotes the growth and development of consolidators in the export industry.
- Attract investments for shipping and logistics.

MSMEs: Driving Inclusive Export Growth

MSMEs play a crucial role in promoting inclusive economic growth in the Philippines. As of 2020, MSMEs accounted for 99.51% of registered enterprises in the country and generated 62.66% of the country's workforce, providing substantial employment opportunities. While large enterprises individually generate bigger numbers of jobs, the collective total of jobs provided by MSMEs is bigger. Additionally, MSMEs are well-scattered across the archipelago, providing jobs in municipalities and towns where large enterprises are not located.

Table 18 Profile of Philippine Establishments

Size	No. of Establishments	% Share	Total Employment	% Share
Micro	850,127.00	88.77	2,522,662.00	29.38
Small	98,126.00	10.25	2,213,654.00	25.78
Medium	4,716.00	0.49	644,499.00	7.50
Large	4,651.00	0.49	3,206,011.00	37.34
Total	**957,620.00**	**100**	**8,586,826.00**	**100**
MSME	**952,969.00**	**99.51**	**5,380,815.00**	**62.66**

Source: 2020, List of Establishments, Philippine Statistics Authority

Moreover, Philippine SMEs account for 25% of the country's export revenues, which is higher than the equivalent of exports by SMEs in other ASEAN countries. It is also estimated that SMEs make up 60% of the country's exporters, either as subcontractors of large firms or as suppliers of exporting companies. Some of the prominent commodity groups produced by MSMEs include garments, footwear, travel goods and handbags, wood manufactures, furniture and fixtures, and basketwork, wickerwork, and other articles of plaiting. By contributing to economic activities across the country, MSMEs have a vital role in improving the lives of Filipinos.

Table 19 Number of Establishments by Region and Employment Grouping, 2020

Region	Micro	Small	Medium	Total MSMEs	% Share	Large	% Share	Total
Philippines	**850,127**	**98,126**	**4,716**	**952,969**	**99.51**	**4,651**	**0.49**	**957,620**
NCR	167,385	31,975	1,763	201,123	99.04	1,947	0.96	203,010
CAR	17,717	1,448	44	19,209	99.75	49	0.25	19,258
I - Ilocos Region	46,331	3,810	127	50,268	99.88	62	0.12	50,330
II - Cagayan Valley	26,590	1,938	53	28,581	99.86	40	0.14	28,621
III - Central Luzon	100,827	9,980	455	111,262	99.67	368	0.33	111,630
IVA - CALABARZON	125,870	12,747	746	139,363	99.46	756	0.54	140,119
IVB - MIMAROPA	20,595	1,764	38	22,397	99.88	27	0.12	22,424
V - Bicol Region	34,913	2,995	122	38,030	99.82	69	0.18	38,099
VI - Western Visayas	51,875	5,398	196	57,469	99.65	199	0.35	57,668
VII - Central Visayas	57,271	7,974	437	65,682	99.25	497	0.75	66,179
VIII - Eastern Visayas	26,824	2,219	62	29,105	99.88	35	0.12	29,140
IX - Zamboanga Peninsula	29,884	2,045	69	31,998	99.80	65	0.20	32,063

Region	Micro	Small	Medium	Total MSMEs	% Share	Large	% Share	Total
X - Northern Mindanao	31,103	3,773	158	35,034	99.62	133	0.38	35,167
XI - Davao Region	48,746	5,259	246	54,251	99.56	241	0.44	54,492
XII - SOCCSKSARGEN	39,642	2,894	126	42,662	99.76	102	0.24	42,764
XIII - Caraga	16,917	1,546	65	18,588	99.73	51	0.27	18,639
XIV - ARMM	7,577	361	9	7,947	99.87	10	0.13	7,957

Table 20 presents the export sales generated by the commodity groups mentioned above. These groups represented a 3-year annual average of 3.5% contribution to the total export earnings. Comparing the export receipts between 2019 and 2020, garments, footwear, travel goods and handbags, and wood manufactures fell while textile yarns/fabrics and basketwork/wickerwork grew.

Table 20 Philippine Exports by Major Commodity, Selected Manufactures, in FOB Value USD

Commodity Group	2018	2019	2020
Garments	974,444,420	927,593,648	652,227,940
Textile Yarns/Fabrics	214,564,532	216,648,661	313,413,837
Footwear	103,050,689	131,982,988	113,827,956
Travel Goods and Handbags	597,467,183	744,538,630	419,994,258
Wood Manufactures	319,638,882	250,655,906	186,663,322
Furniture and Fixtures	353,212,191	298,816,295	344,291,659
Basketwork, Wickerwork and Other Articles of Plaiting	35,413,678	30,765,572	42,656,452
Sub-Total	2,597,791,575	2,601,003,719	2,073,077,444
Total Philippine Export	**69,307,425,788**	**70,926,981,841**	**65,214,516,368**
Percentage to Total PH Exports	**3.7%**	**3.7%**	**3.2%**

SWOT Analysis[24]

Table 21. SWOT Analysis of MSMEs in the Philippines

Strengths	***Weaknesses***
1. Strategic nimbleness 2. Innovation and creativity	1. Limited access to capital. 2. Lack of access to technologies. 3. Limited access to markets. 4. High operating costs. 5. Disrupted operations.
Opportunities 1. Government support programs 2. Growing interest in Philippine-made products 3. E-commerce and digital technologies	***Threats*** 1. Size as a Double-Edged Sword. 2. Pandemic and related emergencies. 3. Challenges related to availability of manpower.

[24] PEDP Full Draft, Chapter XVI, Micro, Small and Medium Enterprises

Proposed Initiatives

1. Upgrading Capital Development

   a. **Upgrading human capital:** capacity building programs to create and mass-produce innovative and export-ready products, rather than relying on foreign direct investments.

   b. **Upscaling the capacities of SMEs:** value chain integration and access to upgraded technology, acquisition of knowledge of the export industry.

   c. **Mentoring for SME Exporters:** efficient transfer of knowledge from successful exporters to mentees.

2. **Conducive Export Ecosystem**

   a. **Organizing SMEs into cooperatives** enables efficient access to resources and services, produces needed volumes, obtains accreditation for international standards, and serves as conduit for assistance.

   b. **Influencing LGUs:** develop an export-oriented mindset.

   c. **Attracting investors:** making it easy to do business in the Philippines through flexible and labor regulations.

3. **Government support**

   a. Access to financing, infrastructure, logistics, and certification requirements, providing fiscal, technical, technological, marketing, and promotional intervention

Value Addition through Intellectual Property

The PEDP 2023-2028 aims for the country to become a major exporter of high-value products by investing in intangible assets such as intellectual property. A study by the World Intellectual Property Organization (WIPO) in 2017[25] showed that almost one-third of the total value added of all products manufactured and sold worldwide from 2000 to 2014 was attributed to intangible capital such as technology, design, and brand value. The study listed product groups and their corresponding average intangible income share for the same period.

Table 21 Product groups cited in the study and their corresponding average intangible income share for the same period

Product Group	Intangible Income Share (%)
Petroleum products	42.1
Chemical products	37.5
Pharmaceutical products	34.7
Basic metals	31.4
Computer, electronic and optical products	31.3
Food, beverages, and tobacco products	31.0

[25] World Intellectual Property Organization. (2017). *World Intellectual Property Report 2017 – Intangible Capital in Global Value Chains.* Geneva: WIPO.

Furniture and other manufacturing	30.1
Textiles, apparel and leather products	29.9
Motor vehicles and trailers	29.7
Other non-metallic mineral products	29.7
Electrical equipment	29.5
Rubber and plastic products	29.2
Paper products	28.0
Wood products	27.5
Other machineries and equipment	27.2
Printing products	27.1
Other transport equipment	26.3
Fabricated metal products	24.0
Repair and installation of machinery	23.6

Intangible assets play a crucial role in every stage of coffee production, from farming methods to trade secrets and patents. All participants earn income from the three coffee market segments, but the third wave segment, with its emphasis on single-origin beans and advanced techniques, offers the most significant profits, particularly for farmers.

Clearly, intellectual property can add value to export products and services, benefitting the exporters and the country's economy. In a 2017 study by the International Trademark Association (INTA), it was found that the direct contribution of trademark-intensive industries in the Philippines' Gross Domestic Product (GDP) is at 17% while the indirect impact is as high as 41%.[26] The WIPO also observed in its much earlier study in 2014 that copyright-based industries contributed an estimated 7.34% in the Philippines' GDP and 14.14% in the total employment in 2010.[27]

The subsequent sections will explain the different intellectual property rights, why its protection is crucial even before exporting products and services, and how it can be a useful tool for exporters.

Intellectual Property

Intellectual property refers to creations of the mind that can be perceived by the senses. This means that mere ideas cannot be protected. Intellectual property right is characterized by exclusivity, which gives the intellectual property owner the right to prevent or exclude others from using or benefitting from the invention, logo, design, or works.

Intellectual property is divided into two branches – industrial property and copyright. Industrial property includes invention patent, utility model, industrial design, trademark, layout design of integrated circuit, geographical indication, and protection of undisclosed information/trade secrets. Copyright, on the other hand, covers literary and artistic works, audiovisual works, computer programs, and the related rights of performers, producers of phonograms, and broadcasting organizations.

[26] https://www.inta.org/wp-content/uploads/public-files/perspectives/industry-research/INTA_ASEAN_Economic_Impact_Study_082717.pdf.

[27] https://www.ipophil.gov.ph/news/first-ever-ph-intl-copyright-summit-boosts-appreciation-of-copyright-in-economy-with-2-5-million-audience/.

INDUSTRIAL PROPERTY	
Patent	Provides exclusive rights to an inventor over a product or process that provides technical solution to a problem in any field of human activity, which is new, inventive, and industrially applicable or useful. Protected for a non-renewable period of 20 years from its filing date. The Sustainable Alternative Lighting (SALt) Lamp by the Filipina scientist Aisa Mijeno is an example of a patented invention. Her innovative product received various awards and recognitions in the Philippines and abroad and was highly praised by then-US President Barack Obama and Alibaba Chairman Jack Ma during the 2015 APEC CEO Summit.
Utility Model	Provides technical solutions to a problem in any field of human activity, which is new and industrially applicable. Like inventions but lack inventive steps and are protected for 7 years from the filing date of the application. An example of a utility model is the “Beer Below Zero” made and designed by Filipinos Vinson Co Say and Luis Nuñez Jr. It is a beer refrigeration system that allows for beer to be served at its coldest possible state without freezing the beverage.
Industrial Design	Refers to the ornamental or aesthetic aspect of an article and consists of three-dimensional features, such as the shape or surface of an article, or of two-dimensional features, such as patterns, lines or color. Protected for 5 years from the filing date of the application, renewable for not more than two consecutive periods of five years each. The subject of industrial design varies, including handicrafts (e.g. the Sampaguita flower design of Bagtason Loom Weavers Association in Antique), furniture (e.g. Vito Selma’s Buri Chair and Philippe Starck Louis’ Ghost Chair), vehicles (e.g. design of Vespa scooter), appliances (e.g. Dyson’s vacuum cleaner), and toys (e.g. Lego’s brick design), among others.
Trademark	A visible sign that identifies and differentiates the source of the goods or services of one entity from those of others. Protected for 10 years from the date of registration and is renewable for a period of 10 years at a time. Famous trademarks include the names and the logos of Apple, Facebook, Nike, Jollibee, and Toyota, among others.
Geographical Indication	Identify a good as originating in a particular territory, or a region, or locality in that territory because of a given quality, reputation, or other characteristic of a good that is attributable to its geographical origin and/or human factors. Protected from the time of registration for an unlimited term until or unless revoked with finality.

	Potential geographical indications in the Philippines are Guimaras mangoes, Lake Sebu T'nalak cloth, and Bikol pili, among others.
Layout-design (Topography) of Integrated Circuits	Protected for a period of a non-renewable period of 10 years from the filing date if not yet commercially exploited or from the date of first commercial exploitation.
Protection of Undisclosed Information	Trade secrets are information that is: i) secret; ii) has commercial value because it is secret; and iii) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret. Such information or trade secrets can refer to a plan or a process, such as the protected recipes of Coca-Cola and Jollibee Chickenjoy.
COPYRIGHT	
Copyright	Legal protection to original works in the literary, scientific, and artistic domain, which includes books and other writings, musical works, films and photographic works, ornamental designs or models of manufacture, paintings, sculptures, and other works of arts, as well computer programs.

Territorial Nature of Intellectual Property Rights

Exporters should register their intellectual property in the country they plan to export to in order to protect their rights. Protection is limited to the jurisdiction of the country that granted it, following the principle of territoriality. Patents and trademarks are protected only in the country where they are registered, except for well-known trademarks. However, copyright protection is not limited to a specific jurisdiction under the Berne Convention Recognizing the challenge and the cost for businesses especially exporters, to register their inventions, trademarks, designs, ang geographical indications in multiple counties, the following plurilateral treaties were agreed among a number of member states of the WIPO to enable the filing of a single application for protection in several jurisdictions:

Patent Cooperation Treaty (PCT)	Established the international patent system, which covers 156 countries
Madrid Agreement and the Madrid Protocol	Established the international trademark system covering 128 countries
Hague Act, Hague Protocol, Stockholm Act, and Geneva Act	International instruments that served as the backbone of the Hague System or the international design system, which covers 94 countries

Lisbon Agreement, Stockholm Act, and Geneva Act	Established the international system of appellations of origin and geographical indications covering 57 countries

The Philippines is one of the contracting parties to the PCT and the Madrid Protocol. This means that Filipino inventors and businesses can benefit from the international registration systems established by the said treaties. The IPOPHL has also initiated several programs and initiatives to help Filipinos access and benefit from the PCT and Madrid systems.

Juan for the World (JFTW)	Launched in October 2021, the JFTW incentive program specifically targets MSMEs that wish to expand globally through their trademarks. Through the program, IPOPHL will tap the assistance of both private and public sector partners to provide financial and technical assistance to MSMEs in registering their trademarks in the Madrid system.
PCT Filing Assistance Program	In 2017, the IPOPHL was designated as the 2nd in ASEAN and 23rd in the world to be an International Searching Authority and Preliminary Examining Authority (ISA/IPEA). As such, the IPOPHL is authorized to conduct a search and preliminary examination of international applications filed under the PCT. Four years after its designation, the IPOPHL was recognized as one of the top-performing international patent authorities in terms of completion and transmittal of international search reports (ISRs) to the WIPO with a 100% completion, transmittal, and timeliness rate. To encourage more Filipino inventors to seek international protection of their inventions, the PCT Filing Assistance Program was implemented to waive certain fees amounting to USD 600.00 for small entities and USD 1500.00 for big entities; and provide technical consultations regarding the PCT application process.

Learning programs	The IPOPHL regularly conducts advanced free/masterclasses seminars/webinars not only on the basics systems of, and on patent intellectual property but also

Statistics show that there remains a small number of filers from the Philippines in the PCT and Madrid systems.[28] Through the above interventions, it is envisioned that more Filipino exporters would avail of the benefits of the international systems for registration and protect their intellectual property even before introducing their products and services in the global market.

Intellectual Property as Useful Tool for Exporters

Exporters should manage their intellectual property portfolio as part of their business strategy to add value, build brand recognition, and maximize profits. Protected intellectual property can add value to products or services, as seen with smartphones and geographical indications like Kampot pepper. Intellectual property assets can also generate income through royalty payments and licensing fees, such as in the case of J.K. Rowling's Harry Potter books. Building brand image locally and internationally is also possible through intellectual property, as demonstrated by JunkNot!, an interior design company promoting environmental care. An exporter who understands their intellectual property assets can gain a competitive advantage and thrive in the market.

Starting the intellectual property journey

Figure 12 outlines a simple process that exporters can follow in starting their journey in protecting their intellectual property.

[28] Based on the data of IPOPHL of filings from 2017 to 2021.

Figure 12. Process for Exporters to Follow in Protecting their Intellectual Property

Identify the intellectual property assets	Decide on the strategy in protecting such intellectual property	Determine the route to be taken and register the intellectual property	Utilize, maintain, and promote the registered intellectual property	Enforce intellectual property rights
innovative products or processes original designs literary or artistic works, including computer programs logos and other distinctive marks confidential business information	disclosing innovative processes for patent or utility model protection or maintaining them as trade secrets applying for industrial design protection or asserting copyright over original designs registering intellectual property only in ASEAN or in multiple select countries or territories around the world	file intellectual property applications through the IPOPHL or directly to WIPO International Bureau	maximize the use and the economic benefit from the registered intellectual property consider taking advantage of incentives or intellectual property tax boxes offered by different governments, e.g. tax incentive in commercializing intellectual property under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act	actively enforce rights against infringers, counterfeiters, and pirates by either reporting violations or filing administrative, civil, or criminal complaints, whichever is applicable

Proposed Initiatives

1. Promote Innovation

- Encourage businesses to develop innovative products and services with IP protection, including patents, trademarks, copyrights, and GIs.

- Foster collaboration between industry, academia, and government to promote innovation.

- Provide support for research and development activities related to IP-protected products and services.

2. Promote the Export of Cultural Goods and Services through GI

- Encourage the development of GI-protected products that reflect Philippine culture and heritage, such as traditional handicrafts, textiles, and food, for export to international markets.

- Foster collaboration between Philippine exporters and local communities to ensure that GI products are produced in a sustainable and socially responsible way, preserving traditional knowledge and promoting cultural diversity.

- Develop a marketing strategy that promotes Philippine culture and heritage through GI-protected products and services to increase their visibility and appeal to international consumers.

3. Strengthen IP Education and Awareness

- Provide training and support for businesses to understand the importance of IP protection.
- Increase education and awareness about IP among Philippine exporters and consumers.
- Encourage the inclusion of IP education in school curricula to foster a culture of innovation and respect for IP.

Cross-Border Electronic Commerce (eCommerce) Strategy for Export Growth

Global eCommerce Landscape

In recent years, eCommerce has become a significant part of the global retail industry. The COVID-19 pandemic resulted in a remarkable increase in online retail sales, with estimates indicating that online sales' share of total retail sales rose from 16% to 19% in 2020. Despite the easing of restrictions, this trend continued in 2021, with online sales continuing to increase.[29] With five (5) billion people using the internet worldwide, internet usage is growing rapidly, leading to an increase in online transactions. In 2021, the global value of e-retail sales exceeded 5.2 trillion dollars, and this figure is expected to increase further in the coming years. The percentage of internet users who made purchases online increased from 53% in 2019 to 60% in 2020/21 across 66 countries. Online marketplaces, led by Amazon, account for the largest share of online purchases worldwide. Chinese competitors Taobao and Tmall rank ahead of Amazon in terms of gross merchandise value (GMV).[30]

Selling online results in lower distribution costs, and purchasing online lowers administrative and inventory holding costs, reducing maverick buying and saving time. The internet has led to a significant drop in coordination costs[31], making it easier and less costly to search for products, compare prices, or find buyers. Entrepreneurs are choosing to sell online due to the convenience it offers, such as reduced costs for start-up businesses, access to millions of customers, valuable customer and business operation data through built-in analytics, and convenient communication channels for customers.

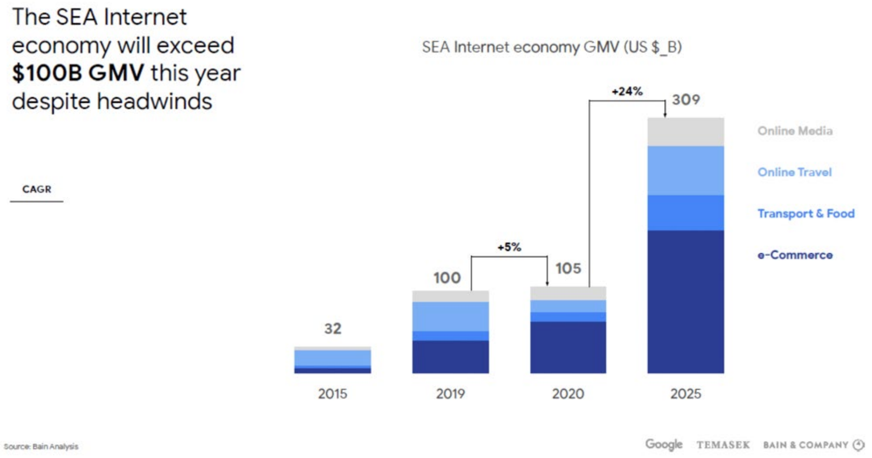
Large businesses are creating data-driven infrastructure and workflows, which could impact the entire ecommerce industry. Those who invest in data have the potential to change the industry's competitive context.

[29] COVID-19 boost to e-commerce sustained into 2021, new UNCTAD figures show, https://unctad.org/news/covid-19-boost-e-commerce-sustained-2021-new-unctad-figures-show

[30] E-commerce worldwide - statistics & facts, https://www.statista.com/topics/871/online-shopping/#topicOverview

[31] Garicano and Kaplan (2001)

Regional and Global Context



Southeast Asia's internet economy is booming, with Indonesia and Vietnam leading the way in attracting startups and investors with their sizable markets and rapid adoption of digital payments. Singapore remains a key regional hub, with its world-class business climate and architecture drawing in online unicorns. The Philippines is also committed to supporting e-commerce and the region's digital transformation, as well as implementing the ASEAN Agreement on Electronic Commerce, to boost ASEAN's Gross Merchandise Value (GMV) by USD 1 trillion by 2030, benefiting MSMEs.

Empirical data shows that ASEAN's digital economy is significantly increasing, supported by existing digital advancements. The Bandar Seri Begawan Roadmap (BSBR) was officially endorsed in October 2021 by the 20th ASEAN Economic Community Council, with one of its main objectives being to set a foundation for regional digital integration and pave the way for negotiations for an ASEAN Digital Economy Framework Agreement (DEFA) by 2025. The DEFA is expected to integrate other digital action plans into a single comprehensive strategy and create a resilient foundation for

ASEAN to be a leading digital economy with a seamless and secure flow of goods, services, and data underpinned by enabling rules, regulations, infrastructure, and talent.

eCommerce in the Philippines

The Philippine e-Commerce roadmap defines e-Commerce as the sale of purchase of goods and services, whether between businesses, households, individuals, governments, and other public or private organizations, conducted over computer-mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the goods or services may be conducted on or offline.

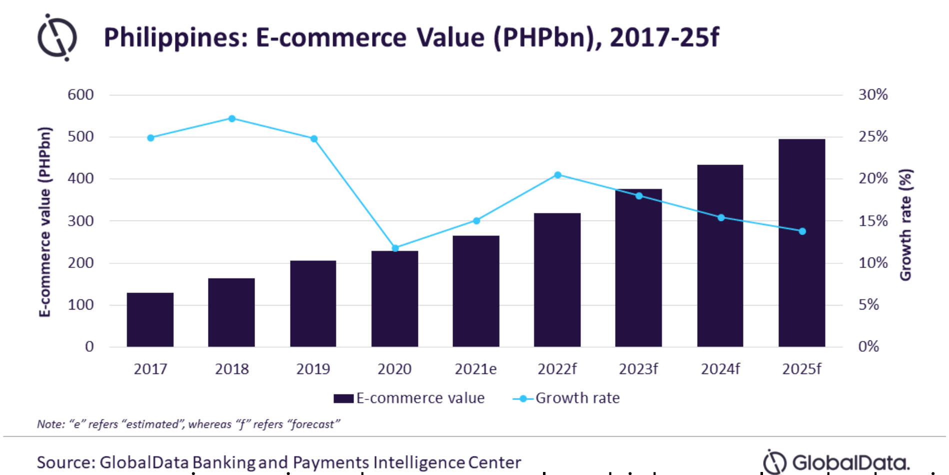
During the Covid-19 pandemic, the Philippines saw a boom in e-commerce, recognizing its importance as a driver of economic growth. E-commerce contributed 3.4% of the country's GDP in 2020, with sales reaching USD 17 billion in 2021 and projected to reach USD 24 billion with a growth rate of 17% by 2025. The top e-commerce platforms in the Philippines are

Shopee, Lazada, Zalora, and BeautyMNL, with products from the Asia-Pacific region sold on these platforms, and top product categories including beauty, electronics, fashion, furniture, health, and household care.

The working population actively accesses these platforms from their desktop and mobile phones, with smartphone household penetration reaching 74.1% in 2021, a 2% increase from the previous year.

JPMorgan's report shows that cross-border shopping accounts for almost a quarter of all e-commerce sales. In the Philippines, 50% of online shoppers have shopped from other countries, with sales making up 24% of total e-commerce. China, the U.S., and South Korea are the most popular countries to shop from. While logistics shortfalls can make importing and exporting products difficult, tech-based startups are emerging to provide end-to-end e-commerce solutions.[32]

Figure 14 Philippine eCommerce Value



E-commerce transactions in the Philippines are expected to grow at a 15.8% annual rate from 2022 to 2025, reaching Php 495.2 billion (USD 9.7 billion) by 2025. Alternative payment tools, which are already dominant in the e-commerce payment space, are now being adopted for in-store

[32] Global e-commerce trends report, https://www.jpmorgan.com/content/dam/jpm/treasury-services/documents/global-e-commerce-trends-report.pdf

payments and could disrupt the country's overall consumer payments.

The Philippines' FTA covering cross-border Ecommerce

EFTA welcomed the development of a new e-commerce chapter during their Council Ministerial meeting in November 2020. The chapter includes provisions on paperless trade administration, open internet access, online consumer trust, electronic payments and invoicing, and cross-border data transfers. EFTA established model provisions regarding e-commerce that will be included in future FTAs.

In the ASEAN, Chapter 10 of the AANZFTA includes provisions for the enablement of electronic authentication and digital signatures, online consumer and data protection, and paperless trade. The RCEP is expected to provide a more conducive trade environment for cross-border e-commerce and facilitate the internationalization and participation of MSMEs in global value chains.

Current Advantages and Opportunities

The current policy and business environment of the Philippines show several advantages in the following areas:

1. **Acceleration in the demand for cross-border eCommerce.** Cross-border eCommerce demand is on the rise due to the pandemic, with 32% of cross-border shoppers purchasing more from online retailers in other countries. China and Amazon are the most popular countries to purchase from, and the growth is attributed to the rising middle class in the Asia-Pacific region with disposable income.

2. **Democratization of Global Marketing through eCommerce Platforms.** eCommerce platforms have facilitated internationalization for exporters by making expansion into foreign markets easier and democratized global marketing.

3. **High digital literacy and Government Support.** Filipinos have high digital lit, firms, and start-ups are normallyia platforms. Facebook, YouTube, and Instagram are the best platforms to reach Filipino consumers. The government is implementing programs to support digital literacy, e-payments, and e-commerce,

such as ETAAS, CTRL+BIZ, and the National Broadband Plan.[33]

Challenges and Factors Affecting Growth

The growth of cross border eCommerce is hindered by challenges which is summarized into three main points:

1. **Shortfalls in infrastructure:** The Philippines has low rankings for mobile and fixed broadband internet speeds, limited cellular towers, and high logistics costs due to a lack of warehousing facilities and technology.
2. **Limited access to trade financing:** MSMEs have low access to specialized B2B financial services that could lower the cost of borrowing and make trade more inclusive.
3. **Gaps in the policy environment and ease of doing business:** Complicated regulations, limited market access, and cybersecurity risks[34] pose challenges for cross-border e-commerce.

Proposed Initiatives

Taking cue from the eCommerce Roadmap's vision of e-Commerce which aims for easy eCommerce by preparing infrastructure, institutions, systems, and people for digital commerce. The goal is to make things "MADALI," standing for Market Access, Digitalization, and Logistics Integration.

MARKET ACCESS
• Enhance cross-border cooperation and market access through trading agreements and economic programs. • Boost trade and B2B interactions by partnering with eCommerce platforms, operators, and strategic partners. Advocate for removing or lessening barriers to cross-border eCommerce trade. • Participate in sales promotion activities to promote Philippine enterprises.
DIGITALIZATION

[33] Analysis of the Cross-Border E-Commerce Environment for Philippine Women-led MSMEs: Challenges and Opportunities

[34] E-Commerce Situationer, https://ecommerce.dti.gov.ph/madali/situationer.html

- Implement a cohesive MSME digitalization program across government agencies.
- Provide support for MSMEs to onboard in global marketplaces and expand the online export base.
- Promote government efficiency and automation, positive user experience for online public services, and increase awareness on cross-border eCommerce.
- Actively participate in international initiatives for developing guidelines and technical support on measuring the value of eCommerce.

LOGISTICS INFRASTRUCTURE

- Foster partnerships with eCommerce enablers such as tech startups and logistics operators to support digital transformation.
- Support and advocate for national plans that support the eCommerce ecosystem, such as the National Broadband Plan, Internet Transactions Act, and Digital Payments Transformation Roadmap.

CHAPTER 5

Philippine Export Targets

Outlook and Targets For 2023-2028

The foregoing analyses indicate that the medium-term future is uncertain, and that the Philippines needs to accelerate its export growth. However, significant efforts are necessary just to catch up with its ASEAN neighbors. The country's products have unrealized potential and comparative advantages that can be achieved through the development of strong value chains and vertical integration.

To set ambitious targets, an economic model was used, and stakeholders were consulted. Two scenarios were created, one benchmark and the other corresponding to the PEDP targets. Economic modeling ensured that both scenarios were consistent with market relationships and supply and demand conditions. The PEDP targets involved bolder and more aggressive strategies, such as national branding and promotion efforts, incentives, technical and financial assistance to SMEs, and measures to reduce costs and attract investment. These strategies are expected to lead to improvements in the country's value chains, productivity, and investment climate, promoting sustainable economic growth and development.

Overall Growth Targets

The PEDP focuses on the Pareto principle to identify the 20% responsible for 80% of Philippine export outcomes. This strategy targets key sectors such as electronics, agriculture, transport, minerals, textiles, chemicals, home furnishings, and IT-BPM, which already account for nearly 90% of the country's total export earnings. Two scenarios were developed to compare the benchmark expectation with the PEDP targets. Under the benchmark scenario, export growth matches GDP growth, whereas under the PEDP scenario, both export and GDP growth rates accelerate.

Results for selected macro aggregates are shown in Table 23. Growth in exports is valued under the base exchange rate or, equivalently, in USD (the purchasing power of USD in the USA itself is held constant).

Table 22 Annual Growth Rates for Selected Macro Aggregates, by Scenario, 2023-2028 (%)

	Annual growth rates		Difference between scenarios, 2028
	Benchmark	PEDP	
Total Exports (in base PhP)	7.0	10.8	22.7
Real GDP (2018 prices)	7.3	8.6	7.6
Gross Savings of Government	10.3	15.9	34.5
Exchange rate (PhP per unit USD)	1.7	0.7	-5.7
Wages	2.5	2.1	-2.5

Source: Author's simulation.

The sectoral breakdown of total exports and GDP (i.e. GVA) is shown in Table 24. Under the Benchmark scenario, export trends center around the average export growth of 6%.

Table 23 Average Annual Growth Rates of Exports by Exporting Industry and Scenario (%)

	BM 2023-2028	PEDP 2023-2028	2023	2024	2025	2026	2027	2028
Nickel & articles	8.6	17.2	12.1	11.7	20.1	19.3	19.7	20.1
Copper ore mining	7.9	17.0	13.0	12.5	22.1	17.7	18.1	18.4
Computers	6.8	15.1	13.8	14.2	15.2	15.5	15.7	15.9
Semiconductors	6.0	14.5	13.6	13.9	14.6	14.8	15.0	15.2
Communications equipment	5.0	13.7	13.1	13.3	13.7	13.9	14.1	14.2
Fats & oil	8.4	13.6	11.6	12.3	13.8	14.3	14.7	15.2
Other electronics	7.3	13.6	12.4	12.8	13.7	14.0	14.3	14.6
Accommodation	7.7	13.5	12.0	12.5	13.7	14.0	14.4	14.7
Ships & boats	6.9	13.3	12.3	12.6	13.4	13.6	13.9	14.2
Other electrical equipment	6.9	13.2	12.2	12.5	13.3	13.5	13.8	14.0
Wiring & devices	7.1	12.9	12.8	12.7	12.7	12.9	13.1	13.2
Machinery	5.9	12.9	12.3	12.4	12.8	13.0	13.2	13.4
Food & beverage service	7.7	12.8	11.3	11.8	12.9	13.3	13.7	14.1
Aerospace	5.9	12.4	11.9	12.0	12.4	12.6	12.8	13.0
Communications	7.6	12.4	11.1	11.5	12.4	12.7	13.1	13.5
Information technology	6.8	12.2	12.8	12.5	11.8	12.0	12.1	12.2
Bananas	7.0	12.1	10.6	11.1	12.1	12.5	12.9	13.3
Transport & logistics	7.2	11.9	10.6	11.0	11.9	12.3	12.6	13.0
Other food & beverage	7.5	11.8	10.2	10.7	11.9	12.3	12.7	13.1
Professional & technical	7.0	11.6	10.7	10.9	11.6	11.9	12.2	12.5
Travel	6.5	11.6	11.0	11.1	11.5	11.7	11.9	12.2
Optical instruments	8.0	11.0	9.3	9.8	11.1	11.5	11.9	12.2
Other manufacturing	7.8	10.8	9.5	9.9	10.9	11.2	11.6	11.9
Processed fish & meat	7.8	10.8	9.6	9.9	10.8	11.2	11.6	11.9
Processed fruit & veg	7.5	10.7	9.2	9.7	10.8	11.2	11.6	12.0
Vehicles & parts	6.6	10.2	9.3	9.6	10.1	10.4	10.6	10.9
Call center	6.2	10.0	9.8	9.8	9.9	10.0	10.2	10.3
Employment	6.6	9.5	10.0	9.7	9.1	9.2	9.3	9.4
Other crops	7.5	9.4	7.8	8.3	9.4	9.8	10.2	10.6
Gold	7.9	8.6	6.2	5.9	9.3	9.6	10.0	10.5
Fabrics & wearables	7.7	8.3	8.1	8.9	10.3	7.1	7.6	8.0
Trade	7.5	8.1	6.6	7.0	8.1	8.5	8.9	9.3
Fishery	7.0	7.7	6.2	6.7	7.7	8.1	8.5	8.9
Other agri-processing	7.7	7.0	5.4	5.9	7.1	7.5	7.9	8.3
Other mining	8.9	6.7	6.9	6.5	6.2	6.6	7.0	7.3
Chemical products	7.6	5.9	4.6	5.0	5.9	6.3	6.6	7.0
Construction	5.7	5.8	5.7	5.6	5.6	5.8	5.9	6.1

	BM 2023-2028	PEDP 2023-2028	2023	2024	2025	2026	2027	2028
Finance	7.6	5.8	5.9	5.7	5.4	5.6	5.9	6.1
Metal products	7.9	5.3	4.8	4.8	5.0	5.4	5.6	5.9
Other agri-related	6.6	5.1	5.1	5.0	4.8	5.1	5.3	5.5
Furniture	7.8	5.1	4.9	4.8	4.7	5.0	5.3	5.6
Printing & reproduction	7.5	5.0	4.7	4.7	4.8	5.1	5.3	5.6
Non-metallic mineral	7.9	4.7	4.5	4.4	4.4	4.7	4.9	5.2
Livestock & poultry	7.6	4.3	4.2	4.1	4.0	4.2	4.5	4.7
Real estate	8.9	3.9	4.2	3.9	3.3	3.7	4.0	4.4
Wood & paper	8.2	3.7	3.3	3.3	3.4	3.8	4.1	4.4
Rubber & articles	6.8	3.6	3.2	3.2	3.3	3.6	3.9	4.2
Coal	9.3	3.5	3.7	3.4	2.9	3.3	3.7	4.1
Plastics & articles	7.2	3.1	2.7	2.7	2.7	3.1	3.4	3.7
Other services	7.0	2.3	2.4	2.3	2.0	2.2	2.4	2.7
Public sector	5.6	1.0	1.3	1.1	0.9	0.9	0.9	1.0

The growth targets are applied to estimated 2022 baseline exports (also projected based on latest data and expert opinion) to derive US dollar amounts. Both merchandise and services exports are covered. Projection of total exports is based on the eight export sectors comprising 88.5% of total exports, and assumes that the share contribution of the remaining 11.5% will not appreciably change within the plan period. To the extent that it might, with the possible rapid emergence of new export winners outside of the eight sectors, the overall export projections could still be an underestimate.

Absolute changes in employment are highly dependent on baseline levels of employment, but care should be taken in extrapolating from export projections to employment projections.

Table 25 shows changes in employment. Most sectors are projected to undergo increases in employment, with the largest changes in absolute number in some of the largest sectors in terms of employment contribution at the baseline 2018, namely Transport, Trade, Food & beverage. Most sectors are expected to create more jobs in alignment with higher export figures; however, there are important exceptions such as Transport & logistics, Real estate, Other services, together with some manufacturing sectors (Processed fish & meat, Fats & oil, Other agri-processed products, Fabrics & wearables, etc.)

Table 24 Change in employment, by sector and scenario, 2022 - 2028

	2018	2022	2023	2024	2025	2026	2027	2028
Bananas	979	986	994	1,002	1,009	1,013	1,016	1,013
Other crops	4,325	4,346	4,371	4,396	4,416	4,435	4,440	4,414
Livestock & poultry	2,094	2,090	2,086	2,080	2,078	2,135	2,207	2,310
Other agri-related	1,474	1,502	1,528	1,555	1,579	1,594	1,619	1,664
Fishery	1,126	1,107	1,093	1,080	1,057	1,031	999	954
Coal	11	11	11	12	12	11	11	11
Other mining	91	93	96	98	101	100	100	100
Gold	70	72	73	75	77	78	79	78
Nickel & articles	21	21	21	22	22	23	24	27
Copper ore mining	14	14	14	15	15	16	17	19
Other food & beverage	1,512	1,514	1,518	1,523	1,526	1,510	1,489	1,454
Processed fish & meat	107	108	109	110	111	110	108	106
Processed fruit & veg	56	57	58	59	60	60	60	60
Fats & oil	124	124	125	125	126	126	125	123
Other agri-processing	74	74	74	74	74	71	69	65
Fabrics & wearables	140	141	142	143	145	144	142	140
Wood & paper	58	59	60	61	63	62	61	60
Printing & reproduction	30	30	30	30	31	31	33	34
Chemical products	612	620	628	635	646	647	645	638
Plastics & articles	53	54	55	55	56	55	53	52
Rubber & articles	4	4	4	4	4	4	4	4
Non-metallic mineral	92	94	96	97	100	102	104	107
Metal products	72	73	74	74	76	76	77	78
Other electronics	80	80	81	81	82	86	90	94
Semiconductors	141	137	134	130	129	138	147	154
Computers	31	30	30	29	29	32	34	36
Communications equipment	9	9	8	8	8	8	9	9
Other electrical equipment	160	161	161	162	165	174	182	189
Other manufacturing	74	75	76	77	78	80	82	84
Optical instruments	53	54	55	55	56	57	58	59
Wiring & devices	3	3	3	3	3	3	4	4
Machinery	43	43	43	43	43	44	46	46
Vehicles & parts	47	47	48	48	48	49	49	49
Aerospace	27	27	28	28	29	30	31	32
Ships & boats	3	3	3	3	3	3	3	3
Furniture	21	21	21	22	22	22	22	23
Electricity	88	87	86	85	85	85	84	81
Gas & water	61	61	61	61	61	62	63	65
Construction	3,865	3,940	4,001	4,054	4,137	4,319	4,524	4,782
Trade	7,994	8,050	8,112	8,175	8,241	8,218	8,162	8,037
Transport & logistics	3,220	3,250	3,281	3,311	3,348	3,362	3,363	3,338
Accommodation	479	486	492	499	509	526	542	556
Food & beverage service	1,249	1,276	1,304	1,332	1,363	1,389	1,413	1,432
Communications	194	195	196	197	197	196	193	188

	2018	2022	2023	2024	2025	2026	2027	2028
Information technology	209	213	217	220	226	238	251	264
Finance	540	546	552	560	563	565	568	577
Real estate	204	200	197	194	191	191	191	194
Professional & technical	275	280	286	291	298	305	311	315
Employment	416	427	436	445	458	474	491	508
Travel	9	9	9	9	10	10	10	10
Call center	1,159	1,196	1,230	1,266	1,306	1,354	1,400	1,443
Public sector	2,559	2,655	2,754	2,858	2,939	3,016	3,102	3,204
Other services	4,805	4,852	4,903	4,956	4,999	5,037	5,095	5,193
TOTAL	41,157	41,608	42,068	42,527	43,011	43,508	44,001	44,483

Table 26 presents the estimates based on the preceding model-generated growth rates, but adjusted in consideration of inputs from industry experts and practitioners, as discussed in the sectoral chapters (Chapters VIII to XV). The growth targets are applied to estimated 2022 baseline exports (also projected based on the latest data and expert opinion) to derive US Dollar amounts. Both merchandise and services exports are covered. The projection of total exports is based on the eight export sectors comprising 88.5% of total exports and assumes that the share contribution of the remaining 11.5% will not appreciably change within the plan period. To the extent that it might, with the possible rapid emergence of new export winners outside of the eight sectors, the overall export projections could still be an underestimate.

Table 25 Estimated merchandise and services exports, 2022 – 2028 (US$ billion)

Sectors	2022	2023	2024	2025	2026	2027	2028
Electronics and Electrical Exports	47.3	53.7	61.1	70.0	80.3	92.4	106.4
Agriculture and Agri-Based Exports	4.6	5.1	5.7	6.3	7.1	8.0	8.9
Transport Export Products	3.8	4.2	4.6	5.0	5.5	6.1	6.8
Home Furnishings	1.1	1.1	1.2	1.2	1.3	1.3	1.4
Wearables, Fashion Accessories and Travel Goods	2.5	2.7	3.0	3.3	3.6	4.0	4.5
Minerals	6.5	7.7	9.5	12.2	15.1	17.4	19.4
IT-BPM	32.5	36.1	40.3	45.0	50.3	56.4	63.2
Chemicals	1.6	1.7	1.8	1.9	2.0	2.2	2.4
Subtotal *(88.5% of Total)*	**99.8**	**112.3**	**127.0**	**144.8**	**165.3**	**187.8**	**213.0**
TOTAL EXPORTS	**112.7**	**126.8**	**143.4**	**163.6**	**186.7**	**212.1**	**240.5**

CHAPTER 6

Export Development Governance Framework

The Export Development Council (EDC)

Section 6 of the EDA mandates the Export Development Council (EDC) to oversee the implementation of the PEDP and coordinate the formulation and implementation of policy reforms to support the said Plan.

The PEDP, to be successful but must be owned and supported by the entire government at all levels, and by all stakeholders, with a firm commitment to priority attention, resources, and coordination.

- EDC must strive to conduct regular meetings presided by the President himself, in compliance with EDA. It is ideal that the President and the DTI Secretary take on the prominent lead role of export champions and demonstrate commitment to export development as a national crusade from the top levels of the national leadership, and thereby inspire all stakeholders to do their part.

- EDC must assert and operationalize its authority to mandate departments and agencies to address export bottlenecks, and require Secretaries to deliver progress reports on actions and initiatives to clear bottlenecks by: (a) developing acceptable process guidelines in addressing bottlenecks, to be drawn with concerned agencies and departments; (b) enforcing agreed sanctions on any government agency/officer/employee or private sector entity whose actions impede exports; and (c) continuing the simplification of procedures to minimize bureaucratic red tape in entities relevant to exports such BOI, BOC and BIR.

- EDC must develop guidelines and standards to be observed by LGUs to ensure support of their plans and budgets for export competitiveness agenda, for integration in the DILG and RDC planning guidelines.

- Form a special EDC committee dedicated to fostering coordination and dialogue between the Executive Branch and the Senate toward ratification of trade agreements. Elevate and support this dialogue by including regular updates on trade agreements in the agenda of the Legislative-Executive Development Advisory Council.

Policy and Program Agenda for the PEDP

Translating the PEDP into action starts with defining actions that must be undertaken by the government to put the plan in motion. The main elements are policies and programs, with the former defined in a policy reform agenda, pursued through legislative and executive actions, whereas programs are the purview of the executive branch.

Legislative Agenda

The bulk of the imperatives indicated are initiatives and actions to be taken by the government's executive branch that should be a whole-of-government crusade. Of the imperatives discussed, a number would require legislative action from Congress.

Monitoring and Evaluation

Implementing Entities

The EDA mandates the EDC to periodically review and assess the country's export performance, problems, and prospects. Additionally, all concerned parties must address problems and constraints to export development. This highlights the EDC's primary responsibility of ensuring proper and effective PEDP implementation. The EDC has the necessary regional reach and membership, representing government and private export stakeholders, to successfully manage and supervise PEDP implementation and achieve its objectives and targets.

For these purposes, the EDC must establish:

a) a more coherent and comprehensive monitoring and evaluation (M&E) system;

b) an effective and timely reporting, communication, and feedback system; and

c) a strong technical and administrative support, within the government and among the exporters.

In all these, the commitment and involvement of concerned government instrumentalities and PHILEXPORT, as well as the use of digital technology are crucial, and therefore, need to be ensured.

Monitoring, Evaluation, Reporting, and Communication System

Monitoring and evaluation (M&E) are essential elements of the planning cycle. However, the value of M&E results is limited unless they are reported and communicated effectively and promptly. In the case of the PEDP, it is imperative that the EDC establish a digitally enabled, coherent, comprehensive, and responsive M&E, reporting, and communication (MERC) system. This system should consist of the following synergistic components:

1. A PEDP Results Matrix (RM) that adapts the PDP's Results Matrix for easier identification of PEDP's result areas, achievements, and contributions to the PDP. As NEDA cited[35], the results matrix is a results-based management strategy that focuses on performance by highlighting achievements of outcomes and impacts. The PEDP RM will be developed by its stakeholders to generate support and commitment to participate in realizing desired outcomes and impacts.

[35] NEDA, Enhanced PDP 2017-2022 Results Matrices Midterm Update, last modified on March 14, 2022 https://neda.gov.ph/enhanced-pdp-2017-2022-results-matrices/

2. A set of input, output, and outcome indicators for which data can readily be generated and analyzed; and concerned agencies, DTI units, and stakeholders would be willing and able to track and report about.

3. A designated internal MERC unit within DTI that is coordinated on a full-time basis by skilled M&E and data analysts and draws support and inputs from similarly designated counterparts or focal persons within concerned government agencies at the national, regional and international (e.g., trade representatives) levels, and with PHILEXPORT.

4. A digital MERC tool that facilitates timely data collection, processing, reporting, and exchanges of data and information among M&E focal points within government and between government and PHILEXPORT. Among others, it could have a feature or a capability to generate public export information, issues, sentiments, expectations, etc.

5. A regular and timely reporting and feedbacking platform that is integrated in the digital tool to facilitate communication among M&E systems and focal points within the government and with the private sector. Apart from allowing speedy communication and generating feedback on export development and performance, this platform can promote prompt resolution of export challenges and bottlenecks by EDC and concerned agencies. Feedback and information from the public will likewise be encouraged through the electronic tool.

Imperatives for an e-MERC System

The EDC must issue the appropriate compliance instrument that will set up the MERC system, its digital platform and the provision of skilled staff and budgets to run the system. It must also call for the development of the PEDP RM with inputs from concerned government agencies and exporters.

The MERC system is EDC's primary guide to policy- and decision-making. It must thus be designed to provide regular and timely information and analysis of export developments such as commodity price fluctuations, global market movements, commodity flows, progress of work on policy formulation and programs/projects implementation, new export and export-related developments, emerging issues, etc. As such, its M&E results reporting, communication and feedback generation must likewise be designed to ensure that reports and communication materials are concise, reader-friendly, timely, and attractive enough to gain reader interest and elicit reactions and contributions. It must use digital and electronic platforms and applications that are suitable to the target audience.

This PEDP planning exercise revealed inadequacies in the available data, especially on trade in services, where more disaggregated statistics would be important. Data gaps must thus be filled to permit closer monitoring and better data analytics and facilitate well-grounded planning and policy-making. Thus, the EDC secretariat must periodically engage with the Philippine Statistics Authority and BSP to coordinate on improved data generation for export statistics. Whenever possible, the MERC system may link with global trade databases that could provide more detailed and complex data that would be useful in trade analyses. An example is the trade in value added (TIVA) databases being maintained by WTO and OECD, which informs how much of overall trade flows in various products across countries originate from the Philippines.

The MERC system must always be in touch and continuously receive feedback from its public in order to function well and be of better service to EDC and exporters. It should thus have features that harness this connection with the public. An example is the running of a regular Exporters' Expectations Survey (EES) that would allow the EDC members to feel the mood, expectations, and future views of exporters. The EES could be patterned after the Business Expectations Survey (BES) of the Bangko Sentral ng Pilipinas (BSP)[36] and adapt its questionnaire as follows:

	Current quarter ***-1: Down*** ***0: No change*** ***1: Up***	*Next quarter* ***-1: Down*** ***0: No change*** ***1: Up***
Business outlook		
Average exchange		
Total Exports		

[36] https://www.bsp.gov.ph/Media_and_Research/Primers%20Faqs/bes.pdf.