PHILIPPINE TRADE POLICIES & STRATEGIES

2018 MANUFACTURING SUMMIT, 22-23 NOVEMBER

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Undersecretary for Industry Development & Trade Policy, DTI
The best Trade Strategy is a robust Industrialization Policy.

The most effective Industrialization policy is one that deepens and expands local value-chain.

PH’ biggest incentive, is our growing domestic market (size & income)—whose requirements are largely being met by imports.

Biggest challenge is the expanding deficit. This is a direct result of the dynamic growth of our economy, and our industries’ inability (despite growing at impressive rates for the past 6 years) to fulfill domestic requirements.

While we continue opening markets and securing preferential tariffs for our exporters, we will not be able to address the deficit if we do not deepen our industrial capability.
In 2010, our trade deficit was US$6.9B; by 2017, it has ballooned to US$33B. Or a deterioration of about US$26B.

Petroleum products and rice are among the biggest contributors to the deficit per se.

But the deterioration of the deficit (i.e. incremental increase of ~US$26B) is accounted for by imports of: a) automobile, b) electronics, machinery & equipment, c) iron & steel products, d) petrochem & plastic products, and e) cement other construction materials.

Case of Passenger Cars:
• Total imports of US$430M in 2006, increased by 10x to US$4.5B in 2017.
• Biggest sources are Thailand & Indonesia – 75% of total imports.
• Auto imports from the two neighbors account for 25% of the deterioration in our deficit.
Major country contributors to the deficit were:

- China, US$10.5B (but our Surplus with HK is US$6.1B)
- Indonesia, US$6B
- Korea, US$4.4B
- Thailand, US$4.3B
  - Followed by Malaysia, Singapore, Vietnam
Regional integration thru lowering of tariffs & trade facilitation promotes seamless global value chains.

Hence our Focus on RCEP and our interest in the CPTPP.

But who will benefit most (i.e. generate the greatest local value addition) is a function of who has:
1) the deepest industrial capability in basic industries
2) the widest network of supplying industries

Current IPP, with increased investments in Infrastructure & Strategic Industries

Sector-focused but TRABAHO consistent Programs e.g. CARS

Need to pass TRABAHO bill.
3) In the context of the Trade Wars – who has the best access to the major market.
   • Hence our drive for GSP/GSP+ (but has limits)
   • for bilateral FTAs
   • for JECs – more collaborative & cooperation-based platforms
ASEAN Member States are exporting to the same markets.
PHILIPPINE TRADE POLICIES AND STRATEGIES:  

MULTILATERAL

Make full use of the WTO’s benefits and functions as a:

a) forum for negotiating trade rules;

b) mechanism for handling trade disputes;

c) mechanism for monitoring and reviewing domestic trade policies of its members;

d) facility to assist PH in carrying out its obligations to comply with the WTO rules.

Strategy

• Actively monitor and ensure compliance of key trading partners with WTO rules

• Make use of available trade remedy measures, if necessary
### SAFEGUARD MEASURES IMPOSED BY SELECTED ASEAN MS

#### Anti-Dumping

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#### Safeguard Measures

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PHILIPPINE TRADE POLICIES AND STRATEGIES: REGIONAL

APEC

- Advance APEC’s agenda on inclusive growth through MSME development and internationalization, connectivity, trade facilitation, and services cooperation and competitiveness

Strategy

- Push initiatives that support and further develop MSME competitiveness
- Support initiatives that address the challenges brought by the 4th Industrial Revolution
PHILIPPINE TRADE POLICIES AND STRATEGIES:

REGIONAL

ASEAN

• Effectively implement existing FTAs and maximize its benefits

• Provide additional market access and generate more opportunities through the ongoing review/upgrade initiatives under these FTAs

Strategy

• Build on the gains of existing ASEAN FTA network through improvements in market access commitments under RCEP
PHILIPPINE TRADE POLICIES AND STRATEGIES: BILATERAL

Improve economic relations thru bilateral preferential schemes, including FTAs, non-reciprocal arrangements and economic cooperation

Strategy

- Build on the gains of PJEPA through the General Review
- Promote utilization of PH-EFTA FTA
- Maximize opportunities in the US and EU GSP/+ schemes
- Strengthen economic relations with non-traditional trading partners
FINAL NOTE: ON INDUSTRY 4.0

1st
• Transport and Mechanical Production

2nd
• Mass Production

3rd
• Automation

4th
• Cyber-Physical Systems

4.0 vs. 4!

- Shifts the cost of a good from tangible raw materials to software
- Requires more efficient processes and scale in production of basic components
### Example Traditional cars to EVs

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<th>Component</th>
<th>Traditional</th>
<th>EVs</th>
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<td>Chassis</td>
<td>9-12%</td>
<td>35-40%</td>
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<tr>
<td>Vehicle Body</td>
<td>11-20%</td>
<td>18-22%</td>
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<tr>
<td>Drivetrain</td>
<td>22-24%</td>
<td>20-27%</td>
</tr>
<tr>
<td>Equipment</td>
<td>30-37%</td>
<td>8-11%</td>
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<tr>
<td>Others</td>
<td>15-20%</td>
<td>7-9%</td>
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<tr>
<td>Engine</td>
<td>35-40%</td>
<td>4-9%</td>
</tr>
<tr>
<td>Auxiliary Units</td>
<td>18-22%</td>
<td>7-19%</td>
</tr>
<tr>
<td>Transmission</td>
<td>20-27%</td>
<td>8-20%</td>
</tr>
<tr>
<td>Exhaust System</td>
<td>8-11%</td>
<td>11-27%</td>
</tr>
<tr>
<td>Others</td>
<td>7-9%</td>
<td>5-15%</td>
</tr>
</tbody>
</table>

#### Cost structure of a conventional vehicle

- **Chassis**: 9-12%
- **Vehicle Body**: 11-20%
- **Drivetrain**: 22-24%
- **Equipment**: 30-37%
- **Others**: 15-20%

#### Cost structure of a battery electric vehicle

- **Chassis**: 4-9%
- **Vehicle Body**: 7-19%
- **Drivetrain**: 8-20%
- **Equipment**: 11-27%
- **Others**: 5-15%

#### Comparison

- **Traditional vehicles**: 2,000+ parts
- **Electric Vehicles**: <100 parts
THANK YOU!