

Philippine International Economic Outlook 2019



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Foreword

Economic opportunities around the world, due to their sheer number, complexity, and dynamic nature can prove difficult to harness. This is especially true for those tasked with promoting Philippine economic interests abroad. As global market conditions evolve, Philippine economic agents are expected to respond by properly matching what the world needs with what the Philippines can offer, and vice versa.

To ensure that economic diplomacy initiatives are reflective of the country's priorities and realities, the appropriate information must be readily available. However, while facts about the Philippine economy can be obtained from a plethora of available sources, the most common question for those in the frontlines of economic diplomacy is "how to identify what to promote, and to whom?"

The Philippine International Economic Outlook 2019 is the first in an annual series of reports that aims to provide stakeholders with an evidence-based perspective on the Philippine economy and its standing in the international community. Designed as both an academic and operational reference, this report aims to stimulate discussions on international economic matters, with the end goal of collaboratively crafting a long-term strategy for the Second Pillar of the Philippines' Foreign Policy, "The Promotion and Attainment of Economic Security." As such, this report can be viewed as a starting point where Foreign Service Posts and other economic agents can derive priorities for their economic intelligence reporting and economic diplomacy initiatives.



Teodoro L. Locsin Jr.
*Secretary of Foreign Affairs
 Republic of the Philippines*

I wish to congratulate the Office of International Economic Relations for its efforts in undertaking this initiative. Likewise, I enjoin the different Offices and Foreign Service Posts under the Department of Foreign Affairs to fully utilize the information contained herein and express their views on how such information applies to different contexts and purviews.

Executive Summary

The **Philippine International Economic Outlook 2019** is a modest attempt to provide Philippine economic agents and practitioners a comprehensive, impactful, and easily understandable outlook on Philippine international economic realities. This outlook is in response to the felt need by Philippine Foreign Service Posts (FSPs) and other stakeholders for a reflective view on international economic matters.

This report is divided into four sections: Section I provides a snapshot of the Philippine market by summarizing key government plans and priorities and relevant economic performance measures, while highlighting the progress made through the Duterte Administration's 10-Point Socioeconomic Agenda. The succeeding sections provide insights on the Philippine market's relationship with the global community. In particular, Section II outlines selected key information on foreign trade and global trading blocks, foreign direct investments, tourism, and foreign aid. Sections III and IV, respectively, provide an initial perspective on several emerging bilateral and multilateral trade partners, and feature special topics on international economics. Section V outlines several key references for reference and further study.

Given the complexity and volume of information available on the global market, this report is not meant to be exhaustive. Topics were selected based on academic research and the assessed needs of the Department's Economic Diplomacy program. While the authors of this report underscore the primacy of evidence-based discussions, inputs from those responsible for operationalizing the Philippines' foreign policy and other stakeholders will be very much critical in strengthening future editions. Thus, readers are very much encouraged to give their feedback or recommend future subjects, which, based on their assessment, warrants further attention and discussion. The authors hope that this publication will eventually be an institutionalized product of the Department.

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I. The Philippine Economy

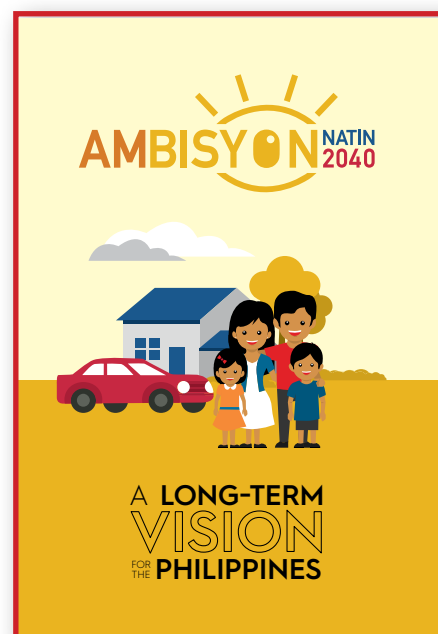
Ambisyon Natin 2040

Duterte Administration's goals are aligned with the Ambisyon Natin 2040, a long-term development vision for the Philippines

Contains the results of a nation-wide study on what Filipinos wish to achieve for themselves by the year 2040.

Most (79%) Filipinos aspire for a simple and comfortable life, some (17%) an affluent one, and few (4%) a rich one, as defined in the succeeding table.

The long term goal is for the Philippines to become a high income country by 2040 (GNI per capita of not less than USD 12,506).¹



PH in 2017: USD 3,660



Philippine Development Plan (PDP) 2017 to 2022

The government's medium-term development plan

Official guide on all matters pertaining to the country's socioeconomic development

Operationalizes Ambisyon Natin 2040 through various indicators and targets that different agencies use to align their socioeconomic development initiatives.²

PDP KEY TARGETS BY 2022

- | | |
|--|---|
| 1. Economic expansion by around 50% | 4. High level of human development |
| 2. Per Capita income increase to USD 5,000 from USD 3,550 in 2015 | 5. Unemployment decrease from 5.5 to 3.5% |
| 3. Poverty Rate Decline from 21.6% (2015) to 14.0% | 6. Top 1/3 of Global Innovation Index 2018 rank is 73 rd /124 |

Source: National Economic Development Authority (2016)

Duterte Administration's 10-POINT SOCIOECONOMIC AGENDA

The Economic Reform Initiatives of the Duterte Administration

A list of top priority areas that operationalize the Philippines' vision to triple per capita income in 25 years, to achieve a "high-income country" status

Outline 10 priority areas of development and highlight the Philippines' economic progress through selected key performance indicators.

Agenda 1. Continue and maintain current macroeconomic policies, including fiscal, monetary, and trade policies.

The Duterte administration has built on the economic gains of the previous administrations by continuing and improving macroeconomic policies. It has adopted the strategies and targets highlighted in the Ambisyon Natin 2040, and PDP 2017 to 2022.

THE PHILIPPINE ECONOMY IN NUMBERS

GDP at current (2017) prices³:

USD 313.6 B

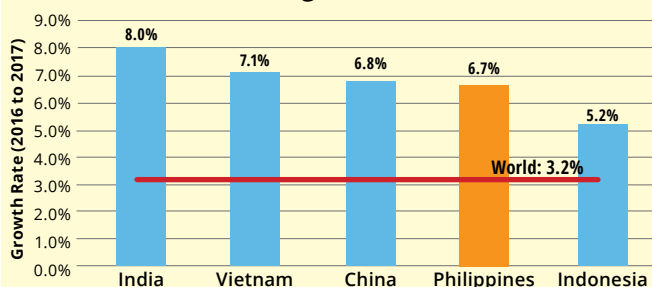
The Philippine has one of the fastest growing economies in Asia in 2017⁵

GDP at constant 2000 prices⁴:

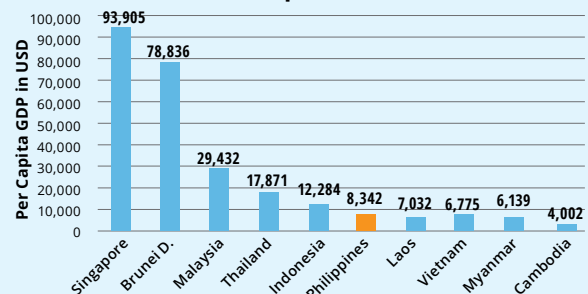
171.9 B

Philippines GDP per capita is 6th largest in ASEAN⁶

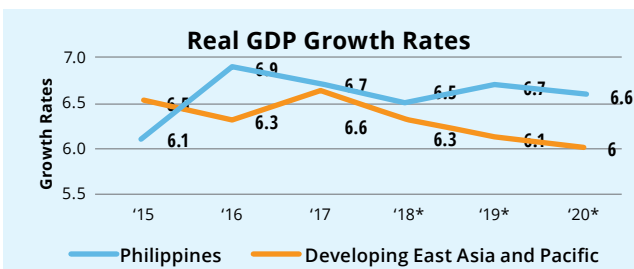
Fastest Growing Economies in Asia



2017 Per Capita GDP (USD)



Economic Growth Rates and Projections⁷



*Projected (World Bank)

Developing EA&P includes: Cambodia, China, Fiji, Indonesia, Lao PDR, Malaysia, Papua New Guinea, Philippines, Solomon Islands, Thailand, Timor-Leste, and Vietnam

Drivers of Growth

Increased infrastructure spending

Increased investments in equipment and construction

Strong private consumption

Inflow of OFW remittances

Steady Job market

Moderators of Growth

Chronic underperformance of agricultural sector

Moderation in global demand of electronics (largest PH exports)

Global monetary tightening

High Inflation

Source: The World Bank (2018)

¹ National Economic Development Authority (2016). Ambisyon Natin 2040

² National Economic Development Authority (2018). 2017 Socioeconomic development report. Retrieved from:

³ Philippine Statistics Authority (2018). National accounts of the Philippines

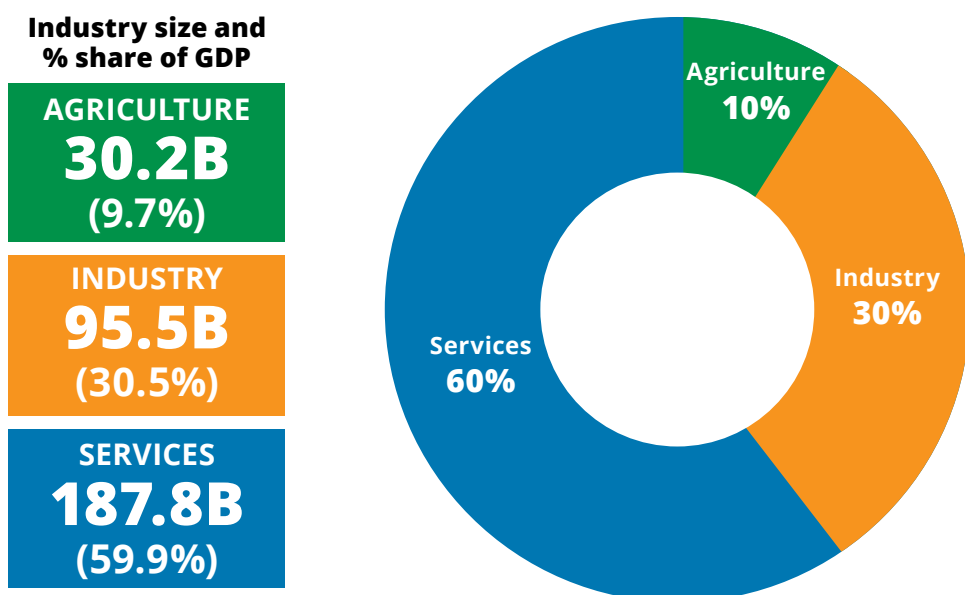
⁴ Philippine Statistics Authority (2018). National accounts of the Philippines

⁵ Philippine Statistics Authority (2018). National accounts of the Philippines

⁶ World bank (2018). GDP per capita PPP. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?year_high_desc=true on 11-03-18

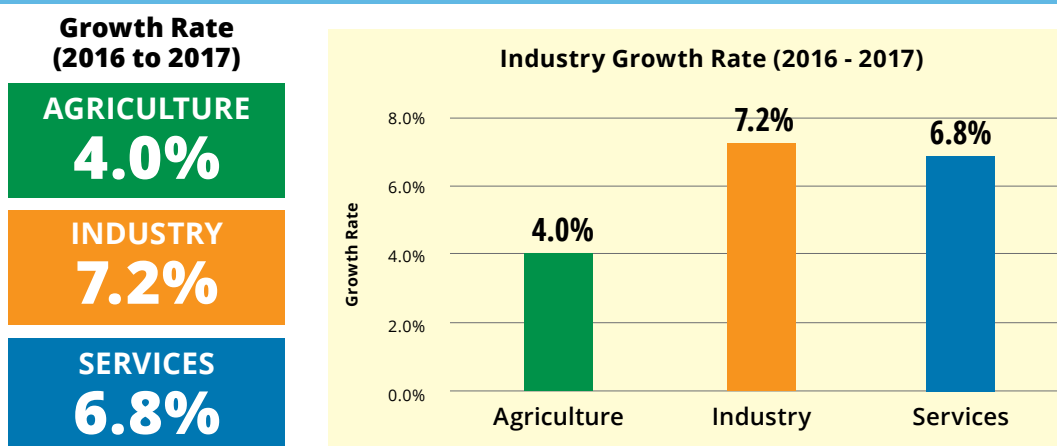
Size by Industry (Agriculture, Industry, Services)⁸
Services still comprise the largest industry share of the economy.

INDUSTRY % SHARE OF GDP

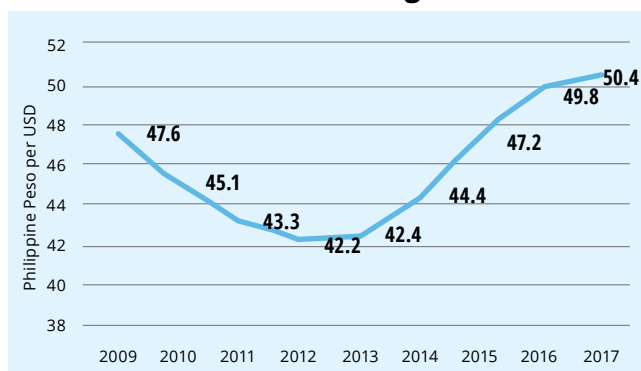


Industry experienced the highest growth from 2016 to 2017.

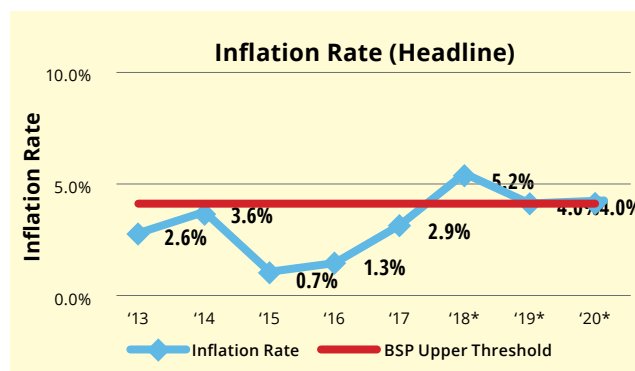
INDUSTRY GROWTH RATE (2016-2017)



PHP to USD Exchange Rate⁹



Inflation¹¹



⁷ The World Bank. (2018). Philippines Economic Update: Staying the Course Amidst Global Uncertainty. Retrieved from: <http://documents.worldbank.org/curated/en/20920153853339474/pdf/130421-PEU-October-2018-WEB3.pdf>

⁸ Philippine Statistics Authority (2018). National accounts of the Philippines

⁹ Bangko Sentral ng Pilipinas (2018). Pesos per us dollar rate. Retrieved from: <http://www.bsp.gov.ph/statistics/>

Medium term outlook: Peso to remain stable¹⁰

Factors to Stability	Factors to Instability
OFW Remittances, BPO revenues, high investment grade, FDI, tourism income	Protectionism, rise in US interest rates, faster credit growth in China, weak global demand

Some Key Effects of Currency Fluctuation

Appreciation		Depreciation
More Expensive	Imports	Less Expensive
Less competitive	Exports	More competitive
Less buying power	Remittances	More buying power
Decrease	Inflation	Increase
Inflow	Capital (Portfolio)	Outflow



The country's GIR decreased slightly in 2018 but are still adequate to cover imports of goods and payments of services for 6.8 months.¹⁵

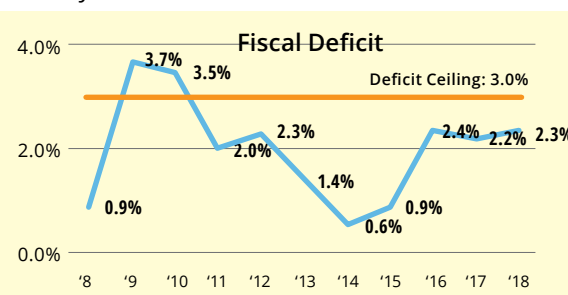
Uptick in inflation recorded in 2018

BSP raised benchmark interest rates several times resting at 4.75% in November, from 3.0% from the start of the year.¹²

Credit Rating (2017)

PH Credit Rating remains stable
Standard & Poor's: BBB
Fitch's: BBB
Moody's: BAA2

External Debt to GDP Ratio in 2017:
23.3¹³

**Fiscal Deficit**

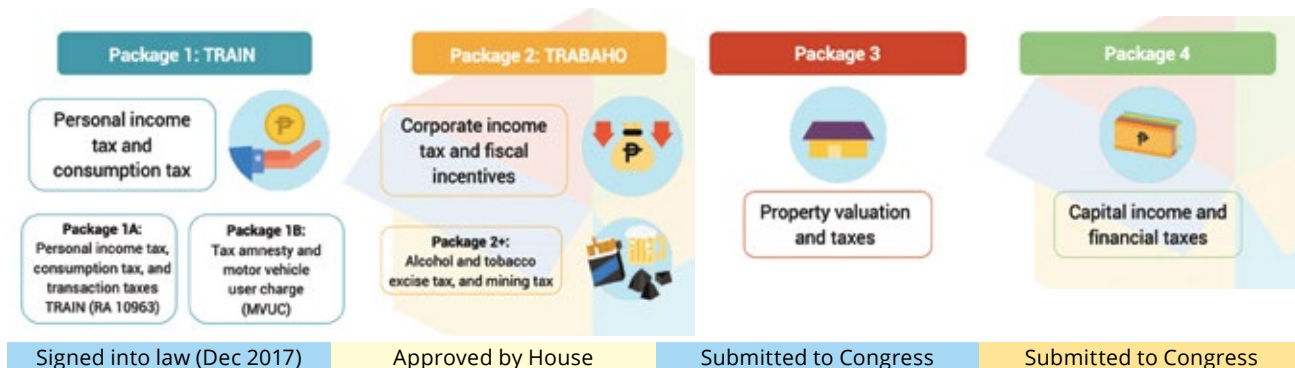
Fiscal Deficit (total government revenue minus expenditure) in 2017 was -2.3% of GDP, below the government ceiling of 3.0%.

Key Policies of the Administration for Macroeconomic Stability¹⁶

Fiscal (Government Spending)	Monetary (Money Supply)
Increase infrastructure spending	Maintain flexible exchange rate
Reform Tax Scheme	Inflation targeting (2-4%)
Maintain fiscal deficit within 3% of GDP	Management of Foreign Currency Reserves

2. Institute progressive tax reform and more effective tax collection, indexing taxes to inflation

One of the leading thrusts of the Duterte Administration is reforming the tax system by introducing four (4) successive legislations.¹⁷



Source: Department of Finance

¹¹ Bangko Sentral ng Pilipinas (2018). The Exchange Rate. Retrieved from: <http://www.bsp.gov.ph/downloads/Publications/FAQs/exchange.pdf>

¹² Bangko Sentral ng Pilipinas (2018). Inflation Rates. Retrieved from: http://www.bsp.gov.ph/statistics/spei_new/tab34_inf.htm

¹³ Bangko Sentral ng Pilipinas (2018). Monetary Policy Decisions. <http://www.bsp.gov.ph/monetary/monetary.asp>

¹⁴ Department of Finance (2018). Economic Bulletin. Retrieved from: <https://www.dof.gov.ph/index.php/data/economic-bulletin/>

¹⁵ Department of Trade and Industry (2018). Gross international reserves. Retrieved from: <https://www.dti.gov.ph/resources/statistics/gross-international-reserves>

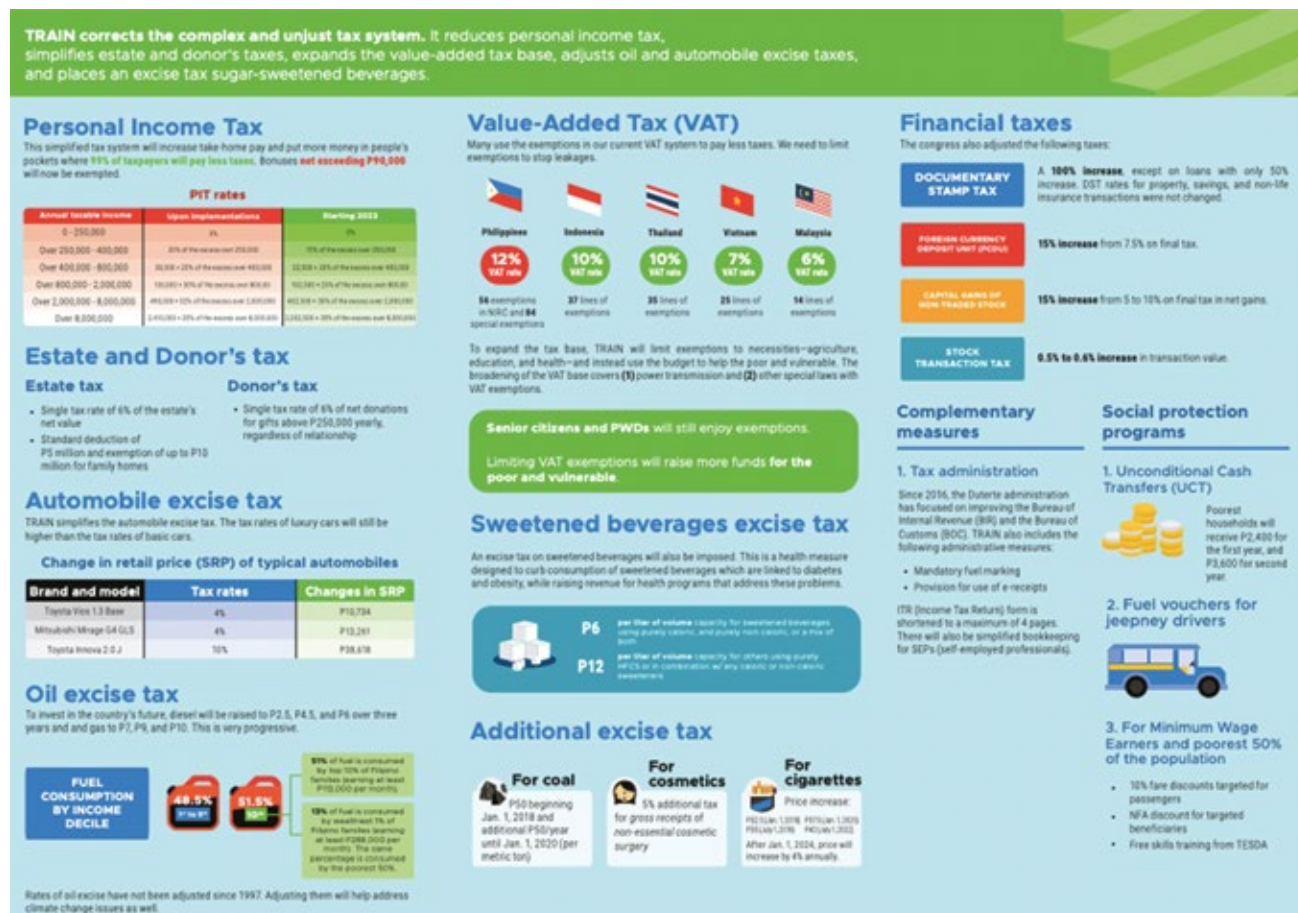
¹⁶ The World Bank. (2018). Philippines Economic Update: Staying the Course Amidst Global Uncertainty. Retrieved from: <http://documents.worldbank.org/curated/en/20920153853339474/pdf/130421-PEU-October-2018-WEB3.pdf>

¹⁷ Department of Finance. (n.d.). Tax reform. Retrieved from: <https://www.dof.gov.ph/taxreform/>

Summary

Package 1: TRAIN

Republic Act 109633 (Tax Reform for Acceleration and Inclusion [TRAIN] Law) was signed in December 2017. Objectives: maximize tax revenues, eliminate deadweight losses from tax system inefficiencies, and appropriately adjust tax income brackets.¹⁸



Source: Department of Finance

Package 2: TRABAHO Bill

Second set of tax reforms which aims to cut corporate income taxes from 30 percent to 25 percent and take away redundant fiscal incentives.¹⁹

Proposed Key Reforms:

1. Reduce Corporate Income Tax (CIT) Rate from 30% to 25% by 2022
2. Rationalize investment tax incentives
- 2.A Broaden Tax Base by consolidating 123 special laws on investment tax incentives into a single omnibus law

- 2.B Consolidate governance of incentives under the Department of Finance (Currently, there are 14 Investment Promotion Agencies)

*More on TRAIN 2/TRABAHO Bill can be found in the link at the end of this report.

3. Increase competitiveness and ease of doing business

The government is poised on sharpening the Philippines' competitiveness in the international market by implementing measures to increase the ease of doing business and capacitate local industries. Below are some indicators to monitor for progress:

World Economic Forum (WEF) Global Competitiveness Index (GCI) 4.0 Ranking (2018):

The GCI 4.0 is a "composite indicator" with 98 indicators distributed across 12 Pillars. The Philippines ranked 56th overall out of 140 countries included, a double-digit jump from its 68th ranking in the previous year.

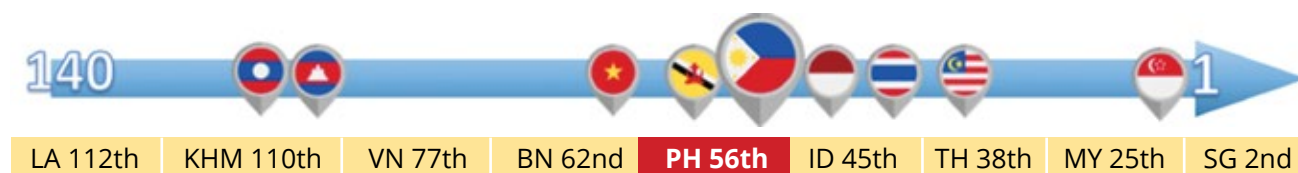
¹⁸ DOF (2018). DOF Briefer on the Tax Reform Acceleration and Inclusion (TRAIN) Law.

¹⁹ DOF (2018). DOF Briefer on the Tax Reform Acceleration and Inclusion (TRAIN) Law.

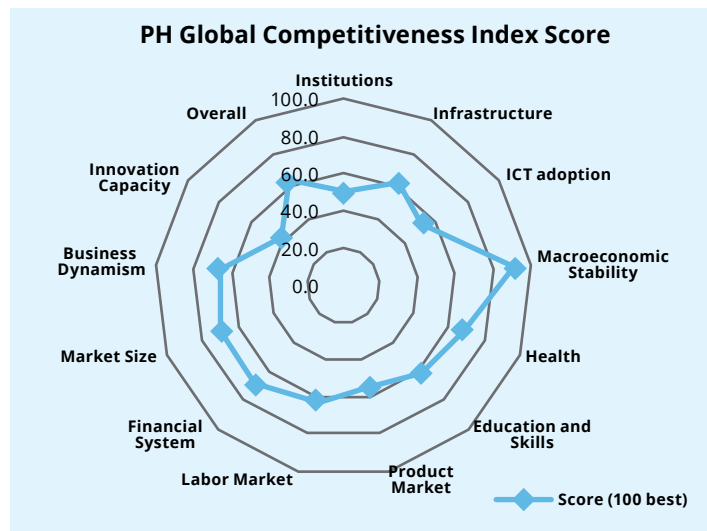
²⁰ World Economic Forum. (2018). Global Competitiveness Ranking 2018. Retrieved from: <http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/>

²¹ Department of Trade and Industry. (2018). PH scores big in the 2018 Global competitiveness report

-PH 5th out of the 9 covered ASEAN countries²²:



Pillar	Score (100 best)	Rank out of 140
Overall	62.1	56th
Institutions	48.3	101st
Infrastructure	59.4	92nd
ICT adoption	54.8	67th
Macroeconomic Stability	90.0	43rd
Health	67.6	101st
Education and Skills	62.9	67th
Product Market	56.9	60th
Labor Market	64.5	36th
Financial System	67.9	39th
Market Size	67.9	32nd
Business Dynamism	65.8	39th
Innovation Capacity	37.2	67th

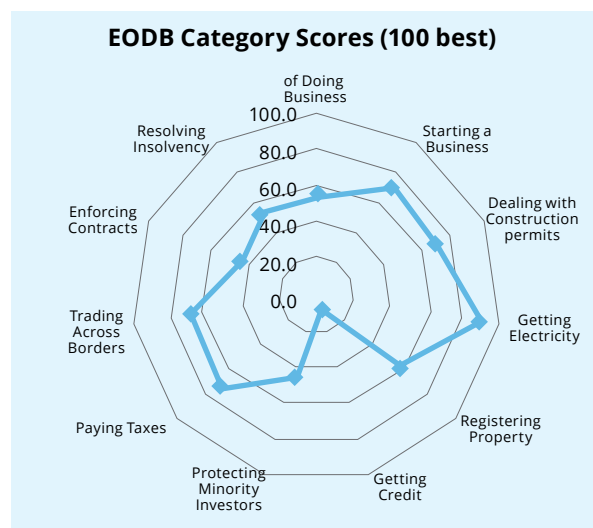


Ease of Doing Business Ranking (EODB)

The Philippines still needs to improve the ease of doing business in the country. The World Bank's Ease of Doing Business Report 2019 ranks the Philippines 124th out of 190 countries, (within the upper 60% of countries in terms of ease of doing business.)

Country/Region	Rank(out of 190)	Score
Malaysia	15	80.6
Thailand	27	78.5
Indonesia	73	67.96
East Asia & Pacific	NA	63.4
Philippines	124	57.7
Lao PDR	154	51.3

Pillar	Score (100 best)	Rank out of 190
Overall Ease of Doing Business	56.7	124
Starting a Business	72.0	166
Dealing with Construction permits	68.6	94
Getting Electricity	87.5	29
Registering Property	57.5	116
Getting Credit	5.0	184
Protecting Minority Investors	43.3	132
Paying Taxes	71.8	94
Trading Across Borders	69.9	104
Enforcing Contracts	46.0	151
Resolving Insolvency	55.2	63



²²Freepik. (2016). Country Flags. Retrieved from: <https://www.flaticon.com/packs/country-flags/2>

²³Philippine Statistics Authority (2017). Philippine Population Surpassed the 100 Million Mark. Retrieved from: <https://psa.gov.ph/content/philippine-population-surpassed-100-million-mark-results-2015-census-population>

Key Statistics on Employment and Productivity²³

The Philippines has a young and strong workforce:

100.98 M
(As of 2015 Census)

LUZON
56.9%

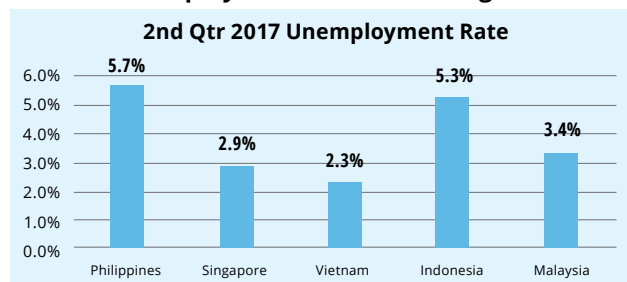
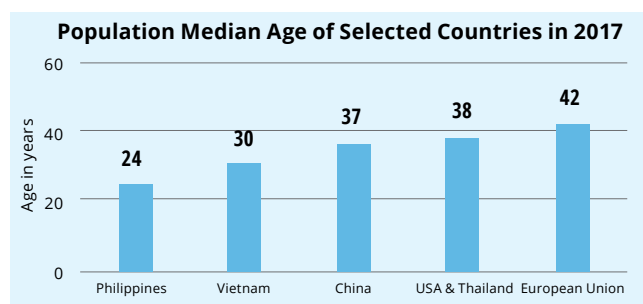
DISTRIBUTION:
VISAYAS
19.2%

MINDANAO
23.9%

Average annual population growth rate (PGR) of **1.7%** from 2010 to 2015

63.4% of the population fall within the working age (15-64 yrs)

The Philippines' still has one of the highest unemployment rates in the region.

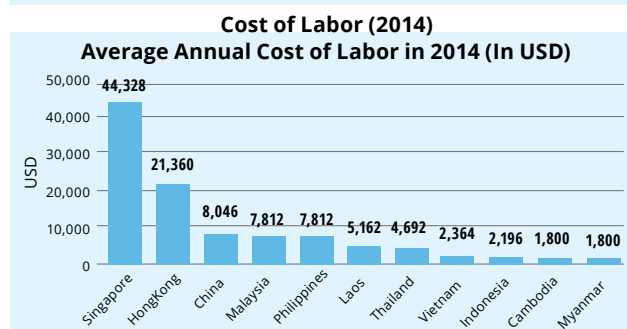


Some Key Initiatives:

1. Cutting "Red Tape"

Republic Act No. 11032 (Ease of Doing Business and Efficient Government Service Delivery Act), an amendment of the Anti-Red Tape Act of 2007 is one of the primary initiatives in increasing competitiveness and fostering an environment more conducive for business.

Intent: provide a "whole-of-government" approach to (1) simplify transactions and processes; (2) institute regulatory mechanisms; and (3) ensure quick processing of business applications.



In comparison with neighboring markets, the Philippines still ranks among the highest when it comes to the cost of labor.

Key Updated Provisions of RA No. 110321

1. "Zero contact policy" established between processor and applicant, save for preliminary processing of transaction.
2. Increased accountability for receiving officers through the assignment of a unique ID that ensure traceability
3. Standardization of processing times for simple or complex transactions.

2. Prioritization of MSMEs

Local Initiatives ¹	International Initiatives
Negosyo Centers As of 2017, 981 "Negosyo Centers" (centers that help business registration and facilitate access to business services) nationwide have been established nationwide, assisting approximately 600 thousand micro and small entrepreneurs. ²	ASEAN - ASEAN Strategic Action Plan for MSME Development - create globally competitive, resilient and innovative SMEs by 2025 through: (1) Technology and Innovation (4) Policy and Regulation (2) Access to finance (5) Entrepreneurship and capital development (3) Market access
Pondo sa Pagbabago at Asenso Microfinance Program for informal lending at lower interest rates	Asia-Pacific Economic Cooperation - Philippine initiative: MSME Marketplace -online platform for MSMEs to connect with wider business world. The Philippines has the highest number of active users. ³ Boracay action agenda also launched in 2015(goal is internationalization of MSMEs)
Kapatid Me Mentor Program Mentoring and online training for MSMEs	World Trade Organization - PH delegation insisted on the need for special and differential treatment for MSMEs of developing countries.
Other related programs: Go Lokal!, Manila FAME, SME Roving Academy, Task force on E-Commerce	Regional Comprehensive Economic Partnership Agreement Talks PH lobbies for participation of MSMEs into the GVC

²⁴Philippine Statistics Authority (2017). 2017 Annual Labor and Employment Status. Retrieved from: <https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/2017%20Annual%20Labor%20and%20Employment%20Status>

²⁵Dezan Shira and Associates. (2014). The Cost of Doing Business in ASEAN. Retrieved from: https://skodaminotti.com/cpa/images/uploads/resources/Cost_of_Doing_Business_in_ASEAN_Compared_with_China.pdf

²⁶Del Rosario, A. (2018). Differences between Anti-Red Tape Act and Ease of Doing Business Act. Retrieved from: <http://primer.com.ph/tips-guides/2018/06/11/differences-between-anti-red-tape-act-and-ease-of-doing-business-act/>

²⁷Calvesillas, J. (2018). MSME Development Programs in the Philippines. Retrieved from: https://www.wto.org/english/forums_e/business_e/session1_1clavesillas_wto_djtc_final_main.pdf

²⁸DTI (2018). Briefer on RA 11032, Otherwise Known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2016

²⁹Business Mirror. (2018). Online marketplace helps MSMEs do more business in Asia Pacific. Retrieved from: <https://businessmirror.com.ph/online-marketplace-helps-msmes-do-more-business-in-asia-pacific/>

4. Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.



Duterte Administration Flagship Infrastructure Program: "Build Build Build"

- Acceleration of spending on infrastructure to account for 5% of GDP through mobilization of public and private partnerships, and foreign aid.
- Share of expenditure allotted to public works is set to increase from 13.3% in 2018 to 14.8% in 2019.
- As of 2017, there are 75 flagship infrastructure projects.
- Proposed national budget in 2019 is PhP 3.76 trillion for infrastructure and education.

Image Source: NEDA and PH APEC National Secretariat (2018)

³⁰World Bank. (2018). Philippines Economic Update: Staying the course amid global uncertainty. Retrieved from: <http://documents.worldbank.org/curated/en/20920153853339474/pdf/130421-PEU-October-2018-WEB3.pdf>

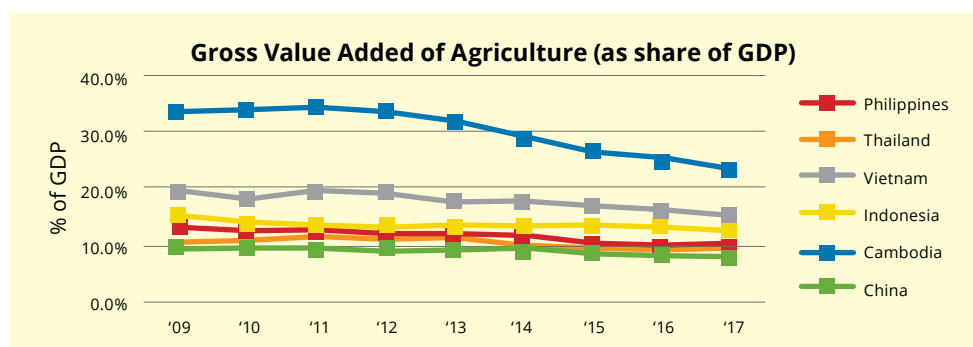
³¹DPWH (2018). Office of the Undersecretary for International Economic Relations [Internal Source]

³²The World Bank Group. (2018). Agriculture, forestry and fishing, value added (% of GDP). Retrieved from: <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>

5. Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.

Agriculture Sector Performance

Cambodia is one of the leading countries in terms of agriculture's share in overall production. The Philippines, experienced decline in value added of agriculture from 2009 onward.¹



Agriculture	Value of Production (billion USD)	Growth (Jan-March '17 to '18)
Total	4.1	1.8%
Crops	2.2	2.1%
Livestock	0.7	5.7%
Poultry	0.7	5.2%
Fisheries	0.6	-4.6%

"The gross output in agriculture recorded a 3.96 percent expansion in 2017. All subsectors posted general output gains, except for fisheries."³³

The 2017 Investment Priorities Plan (link at the end of report) Details the agricultural areas recommended for investments. Some of these areas are commercial production of agricultural, fishery, and forestry products, improvement in infrastructure such as cold chain storage, packing centers, ice plants, and AAA slaughterhouses.³⁴

The Philippine Rural Development Project

The World Bank gave a satisfactory rating to the Philippine Rural Development Project (PRDP) of the Department of Agriculture. Under PRDP are strategic plans that regulate and consolidate the value chain commodities that will benefit Philippine provinces especially in meeting the demands of agriculture and fisheries sector.

The PRDP has launched 424 approved rural infrastructure sub-projects, 140 of which have already been completed. These include 84 Farm-to-Market Roads (FMRs) with an overall length of 355.59 Kilometers, 3 bridges, and 5 potable water supply systems.

6. Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies

INITIATIVES:

6.A National Land Summit

The inaugural National Land Summit was organized by the Department of Environment and Natural Resources (DENR). Around 500 land management and titling agencies signed a Declaration of Support and Commitment, aiming to solve the bottlenecks in land administration and management.

6.B Rapid Land Tenure Appraisal (RLTA)

- Implemented by the DENR-Land Management Bureau
- critical tool for achieving success on the socio-economic agenda number 6
- aims to assess land tenure situation in each barangay to determine number of workable lots for titling"
- aided by the use of a Consolidated Cadastral map (CCM), a digitalized map showing all the lots in a barangay based on approved survey records

³³ Philippine Statistics Authority. (2018). Selected Statistics on Agriculture.

³⁴ Investment Priorities Plan. (2017).

³⁵ The World Bank Group (2018). Philippines: Additional Funding to Boost Rural Development. Retrieved from: <https://www.worldbank.org/en/news/press-release/2018/01/12/philippines-additional-funding-to-boost-rural-development>

³⁶ Department of Agriculture Philippine Rural Development Project. (2018). "Subproject by Stage as of November 22, 2018". Retrieved from: <http://prdp-mis.da.gov.ph/web/ibuild/stage>

³⁷ DENR (2018). Land Summit Ends On A High Note With Commitments For More Efficient Titling. Retrieved from: <http://www.denr.gov.ph/news-and-features/latest-news/3820-land-summit-ends-on-a-high-note-with-commitments-for-more-efficient-titling.html>

³⁸ DENR Land Management Bureau. "Briefing of Resource Speakers on the Implementation of the Rapid Land Tenure Appraisal". 19 April 2018, Retrieved from: <http://lmb.gov.ph/index.php/resources/publications/90-resources/i-news/183-briefing-of-resource-speakers-on-the-implementation-of-the-rapid-land-tenure-appraisal>

³⁹ NEDA. (2017). Socioeconomic Report 2017. Retrieved from: <http://www.neda.gov.ph/>

7. Invest in human capital development, including health and education systems, and match skills and training to meet the demand of businesses and the private sector.

7.A. Quality of Education System

Republic Act No. 10931 or the Universal Access to Quality Tertiary Education Act was signed by President Duterte in 2017, granting free tertiary education to students in more than 112 State Colleges and Universities. For 2018, P40 billion is provided under the GAA for the implementation of the law.

Grants/Modalities under RA 10931

Free tuition and other school fees (including miscellaneous fees) for all Filipino students in state Universities and colleges, local universities and colleges, and state-run technical vocational institutions (TVIs) pursuing post-secondary studies

Tertiary Education Subsidy to support cost of tertiary education or any part or portion thereof

National Student Loan Program for all Filipino students in private and public higher education institutions (HEIs).

7.B Skills

The Technical Education and Skills Development Authority (TESDA) has adopted a 17-Point Reform and Development Agenda as its strategy to develop human capital and reduce social inequity. This strategy takes special focus on providing technical and skills training scholarships to marginalized sectors particularly for inmates and drug dependents, and links with other educational institutions and the agro-industry.

7.C Health

Universal Health Coverage Bill

The Duterte Administration certified as urgent the Universal Health Coverage Bill, which is already in advance stages of the legislative process.

The law is expected to improve access to health care and even reduce out-of-pocket expenses for health once approved.

UNIVERSAL HEALTH COVERAGE BILL

What is the Universal Health Coverage (UHC) Act?

A bill that seeks to ensure that every Filipino citizen is entitled to healthy living, working and schooling conditions and access to a comprehensive set of health services without financial hardship. This means:

No Balance Billing

for the non-contributory group members or ward admissions

Fixed co-payment

for contributory group members or private room accommodation

History of the bill in the 17th Congress

CONGRESS	SENATE
<p>First four House Bill versions filed by Hon. Winston "Winne" Castelo (HB No. 159), Hon. Herminio Harry L. Roque (HB No. 225), Hon. Vilma Santos-Recto (HB No. 3875), Hon. Ron P. Salo (HB No. 5120)</p>	<p>Substitute House Bill consolidating all was filed by Hon. Angelina "Helen" D.L. Tan, Congress Committee on Health Chairperson, as HB No. 5560. The bill is set for second reading, once Congress resumes.</p>
<p>Counterpart Bill SB1458 also filed by Sen. JV Ejercito, Senate Committee on Health Chairperson.</p>	<p>The UHC Bill is identified as a priority bill for both houses.</p>

Frequently Asked Questions

What is the scope of the UHC Bill?
The bill recognizes that UHC is more than just insurance coverage. Thus, it includes both supply side and demand side interventions, and institutionalizes the updated DOH health financing strategy.

Why does the UHC Bill have many PhilHealth provisions?
During the course of the drafting of the substitute bill, the Reference and Research Bureau of the Congress advised against cross-referencing to numerous laws. Hence, all provisions of past PhilHealth laws were retained/ improved.

Why change the PhilHealth name Philippine Health Insurance Corporation to Philippine Health Security Corporation?
The change in name signals PhilHealth's new role as the national purchaser of health services. It also emphasizes the government's commitment to provide financial security in health, rather than just 'helping people pay for health services.

10 Salient Features of the Substitute Bill

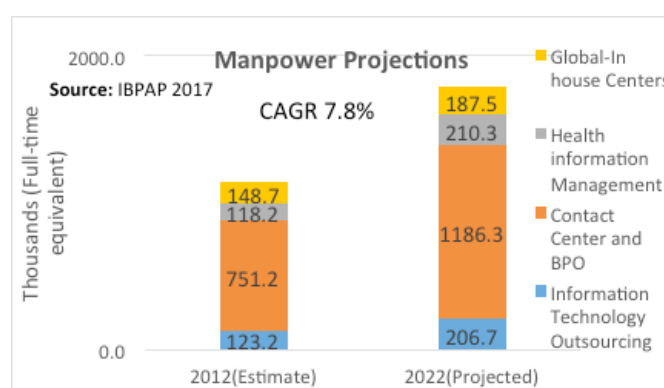
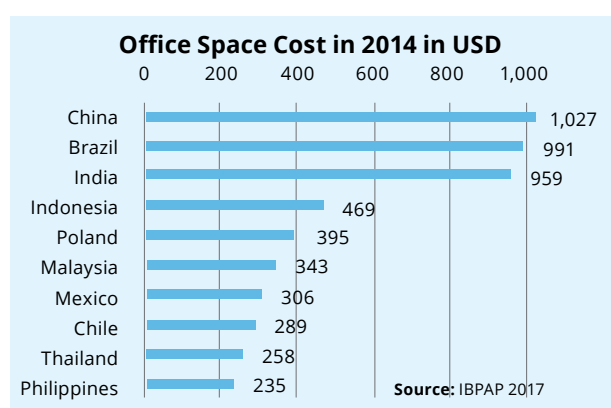
- 1** Simplifying PhilHealth membership into two groups: contributory (premium contributions from payroll) and all others as non-contributory (fully subsidized premium from tax collections)
- 2** Classifying entitlements into population-based and individual-based health care interventions, pooling of all funds intended for individual-based health services together (PCSO, PAGCOR etc and designating PhilHealth as the national purchaser for these
- 3** Establishing the Health Technology Assessment Council to guide investments of DOH and coverage decisions of PhilHealth
- 4** Shifting to provider payment mechanisms with built-in cost containment (i.e. global budget and capitation)
- 5** Mandating income retention for all government health facilities, and submission of clinical, costing, price data for all health care providers
- 6** Requiring return service of at least 2 years in an underserved area agreement for all health professional graduates of public universities, ensuring appropriate compensation and incentives for health workers especially those in GIDA areas
- 7** Forming and contracting provincial-based networks linked to regional referral hospitals, enforcing share of NBB beds (90% for government, 60% for GOCC and 10% for private), and rigorous monitoring for quality
- 8** Registering all primary care providers and assigning all Filipinos within 3 years of passage of law
- 9** Clarifying roles and responsibilities of DOH, PhilHealth, LGUs in organization, financing, delivery of health services
- 10** Streamlining of PhilHealth Board of Directors with better entry criteria and reorganization of corporate structure focused on benefit development and administration instead of membership and collection

⁴⁰ Arellano Law Foundation (2018). Republic Act 10931. Retrieved from: https://www.lawphil.net/statutes/repacts/ra2017/ra_10931_2017.html
Philippines News Gazette (2016). Esda Remains On-Track with Its 17-Point Reform and Development Agenda Under Duterte Admin. Retrieved from: <https://www.philippinesnewsgazette.com/yearender-tesda-remains-on-track-with-its-17-point-reform-and-development-agenda-under-duterte-admin/>
⁴¹ IBPAP. (2017). Accelerate PH Future Ready Roadmap 2022. The Philippine IT-BPM Sector.

Image source: Department of Health

7.D Information Technology – Business Process Management Industry (IT-BPM)

Worldwide IT-BPM sourcing market projected to be worth USD 249.4 billion in 2022 (5.8% growth from 2015 to 2022)		Geographic Summary: Philippine IT-BPM Industry (2016)	
Philippines' Competitive Edge in IT-BPM		Supply	Demand
3 rd largest English-speaking country, 12 th most populous	500,000+ college graduates per year, 93% literacy rate	Latin America 9% Europe 11% Asia Pacific 73%	Americas 61.3% 29.3% EMEA 10.4% Asia Pacific
Reliable power and building 100%-200% back-up	Offers a number of tax incentives for qualifying firms	KEY SERVICES OFFERED BY PH: 1. Contact Center and BPO 2. IT Services 3. Health information management Services 4. Animation and Game Development 5. Global In-house Centers	
Labor cost among lowest in the world. No.1 in Voice: customer care, tech, financial services, sales, collections	Analytics and Knowledge Process Outsourcing capabilities		



8. Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development.

8.A Science and Technology

- The Duterte Administration continues to champion the country's science and technology sector.
- Harmonized National Research and Development Agenda by the Department of Science and Technology (DOST), health, agriculture, natural resources, industry, energy and other sectors are fully supported through research and development (R&D).
- As of 2017, 1,154 R&D projects are being managed by DOST. R&D Centers are also being established in different regions across the country to help ensure nationwide access.
- The Philippines is also continuously developing its Space Technology Program, which launched its first satellite, Diwata 1 in 2016. Another launch is scheduled in 2018 for the country's second satellite, Diwata 2.
- Republic Act 11035 otherwise known as the "Balik Scientist Act of 2016" was signed on 15 June 2018. The law provides for a comprehensive program to encourage Filipino experts in the fields of sciences and technology to return to the Philippines to do short to long term projects⁴².

8.B Innovation

The Global Innovation Index

The Global Innovation Index (GII) aims to capture the multi-dimensional facets of innovation, promoting long-term output growth, improved productivity, and job growth. The figure (right) shows its composites and corresponding scores for the Philippines, which ranked 73rd out of 126 economies.⁴⁴

⁴² The World Bank Group (2018). The State of Social Safety Nets 2018. Retrieved from: <https://openknowledge.worldbank.org/bitstream/handle/10986/29115/211254.pdf>
 Department of Foreign Affairs and Trade (2017). Aid Program Performance Report 2016 to 2017. Retrieved from: <https://dfat.gov.au/about-us/publications/Documents/philippines-appr-2016-17.pdf>

⁴³ Global Innovation Index. (2018). History of the Global Innovation Index. Retrieved from: <https://www.globalinnovationindex.org/about-gii>

⁴⁴ Philippine News Agency, "PH Stays at Rank 73 in Global Innovation Index". 11 July 2018. Retrieved from: <http://www.pna.gov.ph/articles/1041099>

⁴⁵ Dutta, S., Lanvin, B., Wunsch-Vincent, S. (2018). The Global Innovation Index 2017. Retrieved from: <https://www.globalinnovationindex.org/userfiles/file/reportpdf/gii-full-report-2017.pdf>

⁴⁶ Flemming, T. The Philippine Creative Economy: Toward a Baseline and a Programme. Tom Flemming Creative Consultancy

Benchmarks:

Singapore 7th
Vietnam 47th
Thailand 51st
Indonesia 87th

*The Philippines leads
Southeast Asia in ICT
Services Exports.¹



8.C Promotion of Arts and Creative Industries

Status of Philippine Creative Industry⁴⁶

- No formal definition for Creative Industries yet for the Philippines
- Creative industry initiatives largely remain decentralized with programs from both the private and public sector
- Data and information on creative market not yet established. Most relevant measure is the Annual Survey of Philippine Business and Industry (ASPBI) - Arts, Entertainment and Recreation Sector by the PSA
- There were three previous data consolidation attempts by the NCCA, DTI and IPOPHIL to measure the industry as defined in the table to the right
- In a Philippine government inter-agency meeting in 2018, representatives enumerated the following sectors under creative industry: “advertising, arts, architecture, design, fashion, film, music, performing arts, publishing, research & development, software, toys, games, TV, radio and video games, crafts and folk art, gastronomy arts, literature, media and many others.”¹
- The DFA, in coordination with the National Commission for Culture and the Arts (NCCA) takes the lead in the promotion of the Creative Industry abroad. This is done through food, films, arts and visuals programs
- As of 2018, the DTI, with help from private sector partners, is developing a Creative Industry Roadmap

Innovation Composite Score (100 best)

Core Copyright Based Industries ¹	NCCA (2006)	DTI (2008)	DTI (2009)
Core CBI	323.8	187.8	272
Press & Literature	78.8	17.2	18.1
Motion, Picture & Video	1.4	8.2	59.9
Radio & TV	208.1	5.6	4.8
Photography	1.6	1.4	3.6
Software & Databases	15.7	118.2	130.3
Visual and Graphic Arts	0.01	0.7	0.5
Advertising	4.3	4.8	6
Core CBI as % of GDP	5.40%	2.40%	5.40%

9. Improve social protection programs, including the government’s Conditional Cash Transfer program, to protect the poor against instability and economic shocks.

9.A POVERTY ALLEVIATION IN THE PHILIPPINES: HOW WE COMPARE

Poverty Rates in Selected East Asian Countries⁴⁹

The Philippines experienced reduction in both poverty and extreme poverty, although at a slower pace compared to its neighbors. For the Philippines, the World Bank attributes these to three pivotal factors:

1. The lower pace and less pro-poor pattern of growth	Source: World Bank estimates	USD 1.90/day (extreme poverty)		USD 3.20/day	
	Country	Start Year	End Year	Start Year	End Year
2. High inequality of income and wealth	China (2005-2012)	18.8	1.9	43.5	20.2
	Indonesia (2006-2015)	27.5	7.5	65.6	34.0
3. Adverse impacts of natural disasters and conflict	Philippines (2006-2015)	14.5	6.6	38.4	27.0
	Thailand (2006-2013)	0.7	0.0	6.2	1.1
	Viet Nam(2006-2014)	19.5	2.8	51.3	11.6

⁴⁷ DFA OUIER Cultural Diplomacy Unit. (2018). Information Kit.

⁴⁸ Mercado, P. (2018). Electronic Communication[Email]. 13 September 2018

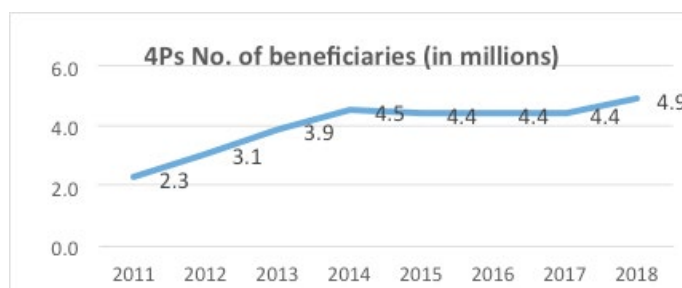
⁴⁹ The World Bank. (2018). Making Growth Work for the Poor. Retrieved from: <http://documents.worldbank.org/curated/en/273631527594735491/pdf/126194-WP-REVISED-OUO-9.pdf>

9.B KEY PH SOCIAL SAFETY NET PROGRAMS

9.B.1 Pantawid Pamilyang Pilipino Program or 4Ps

The Duterte Administration has continued to build on the gains of the past administration by championing the government's conditional cash transfer program also known as "Pantawid Pamilyang Pilipino Program" (4Ps).

- Continues to be bedrock of administration's social safety net
- Coverage expanded from 5 percent to more than 20 percent of the population since 2010
- Branded as "satisfactory" by the World Bank Group.
- In 2017, increased its monetary and non-monetary allotments (rice sacks) for its beneficiaries.⁵⁰

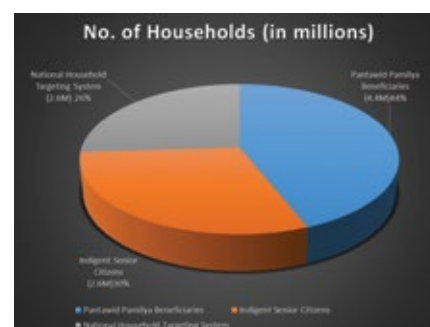


Estimated General Impact⁵¹:

- **1.5 million less poor Filipinos** or an estimated poverty reduction impact of 1.4 percentage points per year
- 87% of 4Ps parents are now more optimistic about their situation and their children's futures
- Household heads, spouses, and other adults are more encouraged to work and set up their own businesses

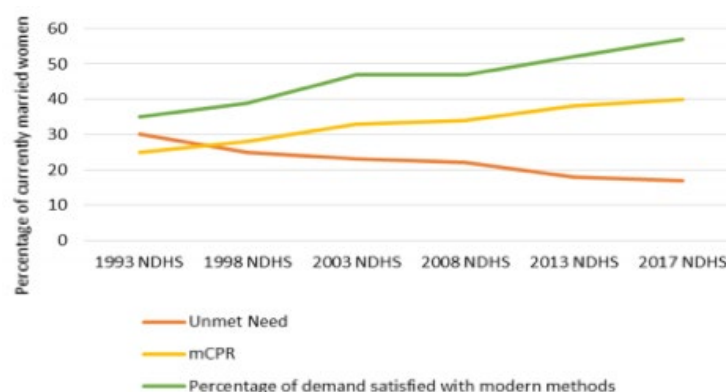
9.B.2 Unconditional Cash Transfer Program (UCT)

In 2018, the government implemented the **Unconditional Cash Transfer** program, which provides a P200 monthly subsidy for the poorest families to mitigate the rising prices of goods and services as the initial impact of the Tax Reform for Acceleration and Inclusion (TRAIN) Law. The subsidy will increase to PhP 300 a month for 2019 and 2020.⁵²



10. Strengthen implementation of the Responsible Parenthood and Reproductive Health Law

- The Duterte Administration signed Executive Order No. 12 (EO.12): "Attaining and Sustaining 'Zero Unmet Need for Modern Family Planning' through the strict implementation of Republic Act 10354, or the 'Reproductive Health Law'".
- Operationalized by the Department of Health (DOH) through its various programs and initiatives.
- According to the DOH, "Despite some setbacks in the implementation of the RA 10354, the modern Contraceptive Prevalence Rate (mCPR) rose from 43% in 2015 to 45% in 2016 or 5.7 million women using modern Family Planning methods in 2016" and "intensifies and accelerates the implementation of critical actions necessary to address the unmet need of Filipinos for modern family planning (mFP)".
- From the 3rd quarter of 2016 to the 1st quarter of 2017 alone, approximately 3.4 million Family Planning users have benefited from the program.



⁵⁰ Department of Health. (2017). A Performance Report of the Department of Health. Retrieved from: <http://www.doh.gov.ph/sites/default/files/basic-page/First%20365%20Days.pdf>

⁵¹ The World Bank Group. (2017). FAQs about the Pantawid Pamilyang Pilipino Program (4Ps). Retrieved from: <https://www.worldbank.org/en/country/philippines/brief/faqs-about-the-pantawid-pamilyang-pilipino-program>

⁵² Department of Social Welfare and Development. "DSWD to Begin Release of Unconditional Cash Transfer to 10 million Households by End of January", 15 January 2018. Retrieved from: <https://www.dswd.gov.ph/dswd-to-begin-release-of-unconditional-cash-transfer-to-10-million-households-by-end-of-january/>

⁵³ Department of Health. (2017). "4th Annual RPRH Report". Retrieved from: <https://www.doh.gov.ph/sites/default/files/publications/4th%20Annual%20Report%20of%20the%20RPRH%20Law%20Implementation.pdf>

⁵⁴ Department of Health. "National Family Planning Program". Retrieved from: <https://www.doh.gov.ph/family-planning>

⁵⁵ DTI (2018). Tradeline. Merchandise Balance. Retrieved from: <http://www.tradelinephilippines.dti.gov.ph/web/tradeline-portal/merchandise-balance>

II. International Economic Relations

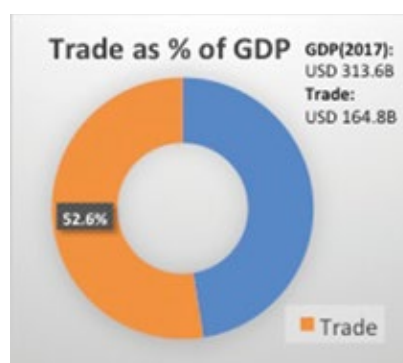
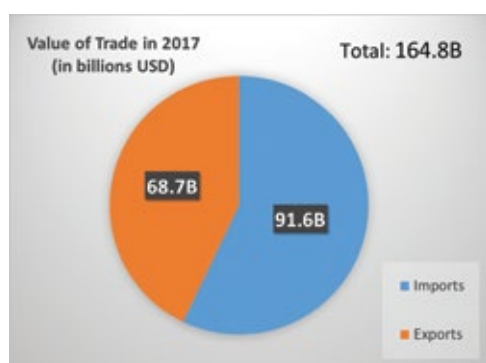
II.A TRADE

II.A.1 KEY CONCEPTS

Trade

- Change in ownership of material resources and services between one economy and another.
- Allows for (1) specialization of economies, (2) reduced prices through increased competition, (3) access to goods and services that otherwise are not locally available, and (4) innovation and technology transfer.
- Importance of trade to growth and development has been proven in theory, practice and research.

Philippine Trade in Numbers



Trade as % of GDP (Trade-to-GDP ratio) is the most widely used measure of trade activity for an economy. The higher the ratio, the higher the share of trade in an economy.

Philippine Development Plan **Export Revenue Target: USD 130.8 billion by 2022**

The Philippine Export Development Plan 2015 to 2017

The PEDP, spearheaded by the Department of Trade and Industry (DTI), lays out a three-year multi-stakeholder plan to develop the competitiveness of the Philippine exports. PEDP focuses primarily on capacitating local export industries (the supply side of exports). Relevant portions for Philippine government agents based abroad: key and emerging sectors section. This section can provide focus for economic diplomacy and trade promotion activities (demand side of exports) so that initiatives for export supply and demand are synchronized.¹The DTI will be releasing the new 2018 to 2022 PEDP in the near future.

Key Export Sectors:

1. Electronics
2. Processed food and beverage
3. Coconut oil
4. Motor vehicle parts
5. Computer and information related services
6. Technical and trade related business services (both under Information Technology-Business Process Management)

Emerging Export Sectors:

1. Activated carbon
2. Chemicals
3. Metal components
4. Fresh and preserved fish

Definition⁵⁹

Key Exports: "have one or more of the following features: US\$1 billion export revenues in 2014; (ii) substantial adverse impact on local employment if the sector falters; and (iii) high growth potential /performance."

Emerging Exports: "Products for which global demand has been increasing and for which Philippine export has been growing faster than world demand since 2006."



⁵⁶ OECD (2018), Trade in goods and services (indicator). doi: 10.1787/0fe445d9-en (Accessed on 25 November 2018)

⁵⁷ World Trade Organization. (2017). The WTO and the multilateral trading system. WTO Ecampus Learning.

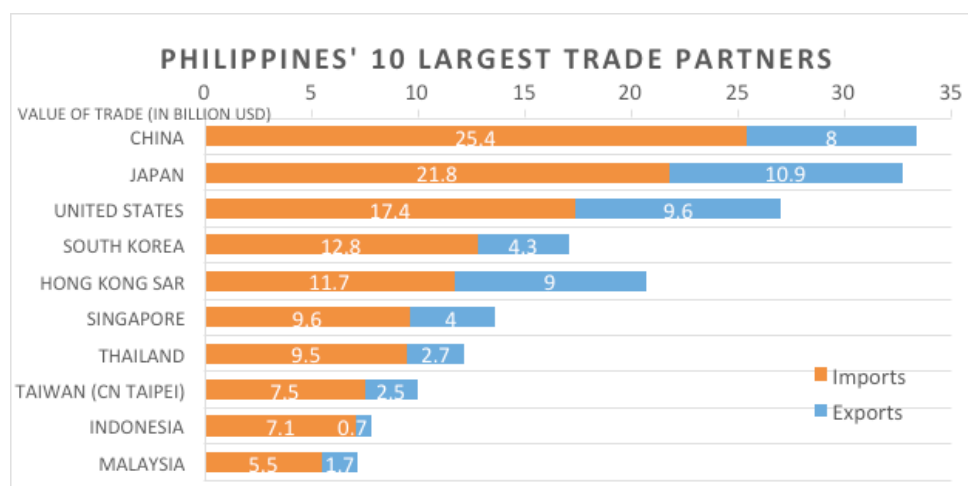
⁵⁸ Department of Trade and Industry. Philippine Export Development Plan 2015-2017.

II.A.2 TRADE IN GOODS AND SERVICES

Two commonly used classifications of trade are (1) trade in goods (tangible products) and (2) trade in services (intangible products).

II.A.2.1 TRADE IN GOODS

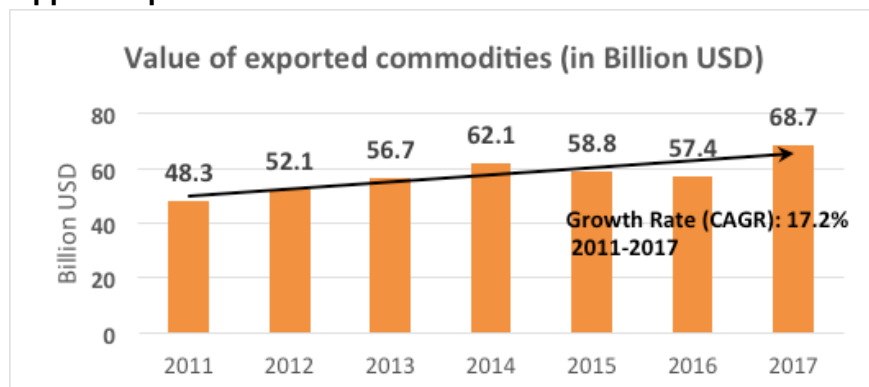
10 Largest Trade Partners in 2017



Top Trading Partner:
China (USD 25.4 billion)
The top export destination:
Japan, (USD 10.9 billion)
Top import source:
China (USD 17.5 billion)

Note:
10 largest trading partners account for **USD 128 billion or 78.9%** of total trade.

Philippine Export Growth



- Philippine exports continue to rise.
- From USD 48.3(2011) to USD 68.7 billion (2017),
- 17.2% growth over a 6-year period.

Largest Traded Commodities by Value

Top **export**: **digital monolithic integrated circuits**, (USD12.4 billion or 18% of total exports).

Top **import**: **petroleum oil products**, (USD 6.4 billion or 6.7% of total imports).

2017 trade balance: -27.4B (deficit)

Total Trade Value: 164.8 B			
Value of Exports: 68.7 B		Value of Imports: 96.1 B	
Top Exports	Value (% of total)	Top Imports	Value (% of total)
1. Digital monolithic integrated circuits	12.4B(18%)	1. Petroleum oils	6.4B(6.7%)
2. Semiconductors	4.7B(7%)	2. Digital monolithic integrated circuits	5.3B(5.6%)
3. Storage Units	3.3B(5%)	3. Materials and supplies for manufacture of semiconductors	4.0B(4.1%)
4. Electrical and Electronic Machinery	1.3B(2%)	4. Materials and supplies for manufacture of electrical equipment and machinery	2.3B(2.4%)
5. Joinery and carpentry of wood	1.1B(2%)	5. Light petroleum oils	2.2B(2.3%)

⁵⁹ Department of Trade and Industry, Philippine Export Development Plan 2015-2017.

⁶⁰ World Trade Organization. (2017). The WTO and the multilateral trading system. WTO ECampus Learning.

⁶¹ Department of Trade and Industry. (2018). Tradeline Merchandise Balance. Retrieved from: <http://www.tradelinphilippines.dti.gov.ph/web/tradeline-portal/merchandise-balance>

⁶² Department of Trade and Industry. (2018). Tradeline Merchandise Balance. Retrieved from: <http://www.tradelinphilippines.dti.gov.ph/web/tradeline-portal/merchandise-balance>

Global trends to watch out for:⁶³

Good for PH Exports	Bad for PH Exports
Emergence of new supply chains resulting from trade tensions between US and China	Cyclical softening of global demand for electronics (major PH export)
Raising of Interest Rates by US Federal Reserve (Depreciation of Peso=More competitive PH exports)	Financial Contagion
Increase in labor productivity and resurgence of PH manufacturing	Natural Disasters and Calamities

II.A.2.2 TRADE IN SERVICES

The concept of trade in services is less straightforward than trade in goods since the pertained product is intangible and consumption may not always be done at the destination country. There are four (4) modes of trade in services :

Mode 1: Cross Border Trade - Service supplied from one country to another (e.g. call centers)	Mode 3: Commercial Presence - foreign company setting up subsidiaries/branches to provide services in another country (e.g. bank with overseas branch)
Mode 2: Consumption Abroad – consumers(individuals or firms) traveling overseas to “consume” services (e.g. medical tourists)	Mode 4: Presence of Natural Persons – individuals traveling overseas to supply services (e.g. IT consultant)

Largest Traded Services by Value in 2017⁶⁵

Top services **export**: ***Business services** (USD 35.9 billion).

Top services **import**: **Travel** (USD 12.2 billion).

The Philippines remains one of the largest exporters of services in the world.

Exports	Value	Imports	Value
Total	35.9B	Total	26.6B
*Business services	16.3B	Travel	12.2B
Travel	7.0B	Transport	5.0B
Telecommunications, computer and information	5.8B	*Business services	5.1B
Manufacturing services on physical inputs	3.5B	Insurance and pension	1.5B
Transport	2.3B	Telecommunications, computer and information	0.9B
Financial Services	0.5B	Charges for intellectual property use	0.8B
Personal, cultural, recreational	0.2B	Financial Services	0.5B
Insurance and pension	85.3M	Government goods and services	0.3B
Maintenance and repair	80.3M	Personal, cultural, and recreational	0.2B
Construction	57.3M	Maintenance and repair	0.1B
Others	36.1M	Others	63.4M

***Business services** – 3 categories (Research and Development, Professional management and consulting services, technical, trade-related, and other business services)

II.A.3 NOTABLE PHILIPPINE TRADE/ECONOMIC AGREEMENTS

The Philippines is a party to a number of bilateral and multilateral trade and/or economic agreements. Below are some of the more substantial ones:

Philippines-European Free Trade Association Free Trade Agreement (PH-EFTA FTA)	ASEAN-Japan Free Trade Agreement (AJCEPA)
Philippines-Japan Economic Partnership Agreement (PJEPA)	ASEAN-Korea Free Trade Agreement (AKFTA)
ASEAN-China Free Trade Agreement (ACFTA)	ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)
ASEAN-India Free Trade Agreement (AIFTA)	ASEAN Free Trade Area (AFTA)
	ASEAN Trade in Goods Agreement (ATIGA)

⁶³The World Bank. (2018). Growth and Productivity in the Philippines: Winning the Future

⁶⁴World Trade Organization. (2015). Trade in services. Retrieved from: https://www.wto.org/english/thewto_e/20y_e/services_brochure2015_e.pdf

⁶⁵Department of Trade and Industry. Trade in Services. Retrieved from: https://drive.google.com/file/d/1VvwepOnwjFVnNr7-vhvcwzmzDIQH_b9U/view

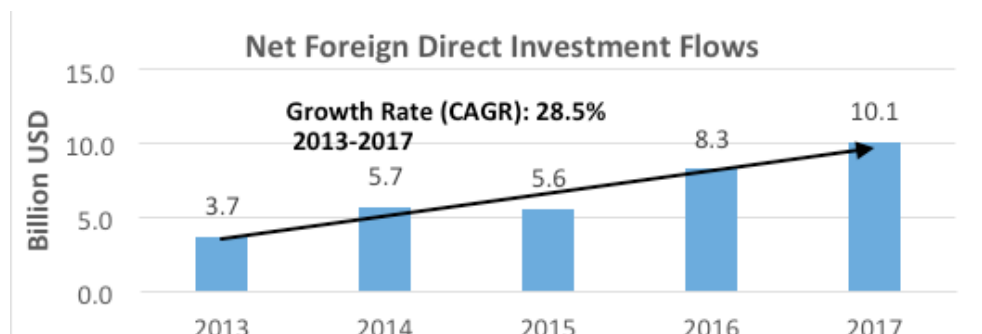
II.B. FOREIGN INVESTMENTS

II.B.1 KEY CONCEPTS

The two most widely used categories of cross-border investments are Portfolio (transactions involving debt or equity) and Direct (transactions which are not only monetary in nature, and wherein investors retain significant control over their investments). This report will focus more on the latter type.⁶⁷

Growth of Foreign Direct Investment in the Philippines

Net foreign direct investment flows increased from +USD 3.7 billion in 2013 to +USD 10.1 billion in 2017, registering a significant growth (CAGR) of 28.5% over a four (4) year period.



II.B.2 LARGEST SOURCES OF FOREIGN DIRECT INVESTMENTS

The largest source of foreign direct investment in 2017 is **The Netherlands** with approximately USD 1.6 billion of net investment flows. The **United States** follows with USD 472.6 million.

Country	Net Investment flow (in millions USD)	% Share of total
The Netherlands	1,566.69	15.6%
USA	472.63	4.7%
Kuwait	60.02	0.6%
Germany	44.38	0.4%
Luxembourg	41.57	0.4%
China	28.79	0.3%
Switzerland	13.09	0.1%
France	9.41	0.1%
UK	9.40	0.1%
India	8.81	0.1%
Total	10,057	

II.B.3 LARGEST FOREIGN INVESTMENTS INFLOWS (BY SECTOR)

Sectors which received largest Foreign Direct investment flows in 2017

Electricity, gas, steam, and air conditioning supply received the largest net investment flow, amounting to USD 1.4 billion (13.8% share of total). This was closely followed by manufacturing, receiving a total of USD 1.2 billion net investment flows (11.6% of total).

Industry/Sector	Net Investment Flow	Share of total
Electricity, gas, steam and air conditioning supply	1,383.71	13.8%
Manufacturing	1,166.02	11.6%
Real estate activities	247.82	2.5%
Construction	162.38	1.6%
Financial and insurance activities	134.38	1.3%
Professional, scientific and technical activities	65.83	0.7%
Transportation and storage	49.49	0.5%
Information and communication	37.77	0.4%
Arts, entertainment and recreation	27.85	0.3%
Human health and social work activities	21.30	0.2%

⁶⁶ Eurostat. EU international trade in other business services. Retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php/EU_international_trade_in_other_business_services#R.26D_services.2C_professional_and_management_consulting.2C_technical.2C_trade-related_and_other_business_services

⁶⁷ International Monetary Fund. (2014). BPM6 compilation guide. Retrieved from: <https://www.imf.org/external/pubs/ft/bop/2014/pdf/GuideFinal.pdf>

⁶⁸ Bangko Sentral ng Pilipinas. (2018). Net foreign direct investments. Retrieved from: http://www.bsp.gov.ph/statistics/efs_bop2.asp

⁶⁹ Bangko Sentral ng Pilipinas. (2018). Net foreign direct investments. Retrieved from: http://www.bsp.gov.ph/statistics/efs_bop2.asp

II.B.4 2017 Philippine Investment Priorities Plan (IPP)

The government has identified preferred investment activities in line with the President's 10-point socioeconomic agenda, Ambisyon Natin 2040, and the Philippine Development Plan 2017-2022. These are enumerated in an annual listing of priority investment areas, titled, the Philippine Investment Priorities Plan (IPP). Below are the identified priority areas for investment.

Preferred Investment Activities

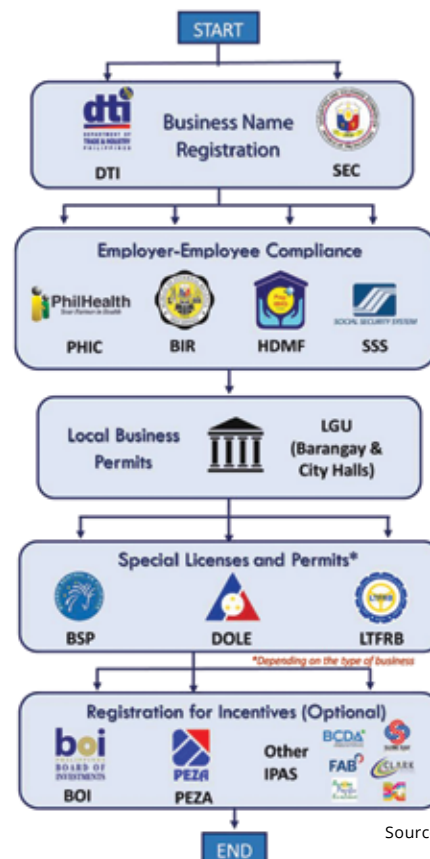
1. Agro Processing and Agriculture
2. Strategic Services such as IT, telecommunications, digital technologies
3. Healthcare Services
4. Mass housing
5. Infrastructure Projects
6. Innovation drivers such as Research and Development and inclusive business models
7. Environment and energy

Notes:

1. More on the IPP can be found on the listed reference.
2. Not all sectors allow foreign investments. Some sectors prohibit or limit. (See *Foreign Investment Negative List* link on last page)⁷²

The figure below highlights key stages in starting a business in the Philippines.

GENERAL BUSINESS PROCEDURES

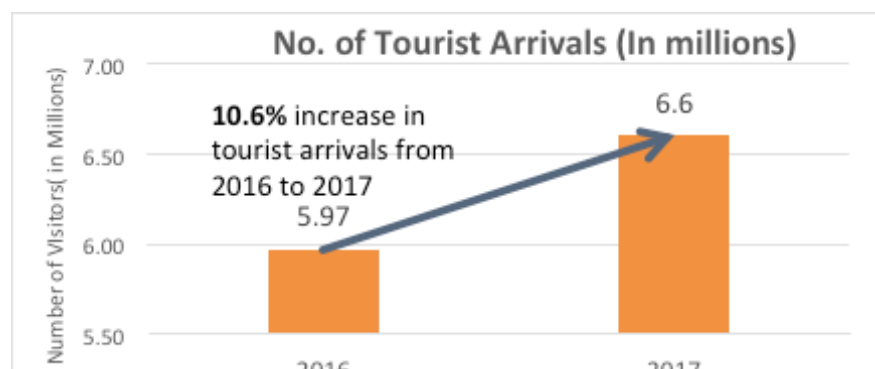


II.C TOURISM

II.C.1 THE GROWING TOURISM SECTOR

Tourism is another bright spot in the economy. The Department of Tourism has reported 6.62 million inbound visitors in 2017, surpassing its target of 6.5 million and up by 10.6% from 5.96 million in 2016.

For 2017, earnings generated from tourism activities amounted to USD 6.7 billion. Receipts rose by 45.8% from the estimated expenditure of USD 4.9 billion in 2016. Target no. of arrivals for 2018 is 7.4 million.



⁷⁰ Bangko Sentral ng Pilipinas. (2018). Net foreign direct investments. Retrieved from: http://www.bsp.gov.ph/statistics/efs_bop2.asp

⁷¹ 2017 Philippine Investment Priorities Plan. Retrieved from: <http://boi.gov.ph/uqaqs/boi-investment-priorities-plan/>

⁷² Executive Order. (2018). 11th Regular Foreign Negative Investment list. Retrieved from: <http://www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf>

II.C.2 10 LARGEST TOURISM MARKETS IN 2017 (by number of tourist arrivals)

South Korea remains the top source of foreign tourist arrivals in 2017, followed by **China, USA, Japan** and **Australia**, respectively. **Seven of the top ten** sources come from the **Asia-Pacific region**, with a combined number of 3.97 million visitors or 60% of the total number of foreign visitors in 2017.⁷³



II.D Foreign Aid (Official Development Assistance [ODA])

Indicative Total ODA (Loans and Grants) Ranking by Fund Source in millions USD

Japan is the Philippines' biggest donor, providing around USD 6.1 billion in total ODA.

Fund Source	Loan Amount*	Grant Amount	Total ODA	% Share	Rank
Japan	5,962.62	141.33	6,103.94	40.26	1
World Bank	3,094.21	33.43	3,127.64	20.63	2
ADB	2,604.65	74.64	2,679.28	17.67	3
USA	-	806.76	806.76	5.32	4
Korea	480.74	77.96	558.70	3.68	5
Australia	-	467.72	648.70	4.18	6
United Nations System	112.12	254.77	389.79	2.51	7
France	306.52	9.27	315.79	2.08	8
AIIB	207.60	-	207.60	1.37	9
EU	-	167.39	167.39	1.10	10
China	62.09	62.28	124.37	0.82	11
Germany	-	76.04	76.04	0.50	12
OFID	51.61	-	51.61	0.34	13
Italy	31.23	5.44	36.68	0.24	14
Canada	-	30.31	30.31	0.20	15
Austria	24.44	-	24.44	0.16	16
Spain	-	9.30	9.30	0.06	17
New Zealand	-	7.97	7.97	0.05	18
TOTAL	12,937.82	2,224.60	15,162.42	100.00	

*Loan amounts of non-USD denominated loans based on Q2 2018 average

II.E Economic Relations with Selected Regional Organizations

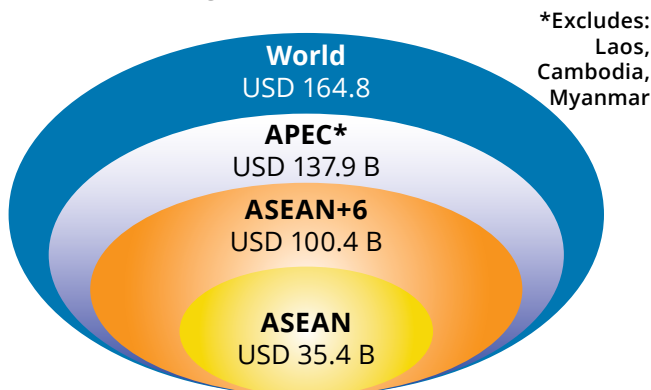
Asia Pacific Economic Cooperation (APEC)

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989 with 21-member economies from the Asia-Pacific region. APEC is considered the most successful economic cooperation platform in the world, due to its non-binding nature and serves as an incubator for new ideas for economic development. APEC 2019 will be hosted by Chile and will have the theme, "Connecting People and Building the Future", focusing on (1) Services and Digital Economy, (2) Connectivity for Inclusive Trade, and (3) Women and Economic Growth.⁷⁴

⁷³ Department of Tourism. (2018). Industry performance for travel and tourism. Retrieved from: http://www.tourism.gov.ph/industry_performance_dec_2017.aspx

⁷⁴ Yanez, R. (2018). APEC Chile 2019: Connecting people, building the future. Retrieved from: <https://www.direcon.gob.cl/wp-content/uploads/2018/08/APEC-Chile-2019-English-17.08.2018.pdf>

The Philippines' Value of Traded Goods with Selected Trading Blocks (2017)



As of 2017, APEC economies are responsible for 84% of the total trade of the Philippines worldwide. The APEC region is responsible for 60% of the global GDP, and covers 49% of world population. Total Philippine exports to APEC stood at USD 56.3 billion or 82% of total exports worldwide. Total imports from APEC economies was at USD 81.7 billion or 85% of total imports from Philippine trade partners.

APEC economies are responsible for 15% of total investments into the Philippines at USD 1.5 Billion (Net FDI flows as of 2017), and comprise 5,466,540 out of 6,620,908 (83%) of tourist arrivals in 2017.

Outlook for the Asia-Pacific Region and APEC

Asia Pacific Region Expected Growth
2018: 3.9% 2019: 3.7%

Risks to Growth

1. Increased Protectionism and trade tensions
2. Possible Slowdown in world trade growth
3. Slowdown in Chinese economy
4. Lack of political leadership
5. Corruption

Asia Pacific economies projected to grow the fastest: Chile, Peru, Australia, Colombia, Mexico, Colombia Brunei (latter 3 are commodity rich economies)

The Bogor Goals⁷⁶

Set of Goals for realizing free and open trade in the Asia Pacific agreed by APEC member economies in Bogor, Indonesia in 1994.

Notable Progress:

1. Tariff Reduction –from average of 16.9%(1989) to 5.3%(2017)
2. Intellectual Property Rights improvement
3. Average days to start a business – 37 (2006) to 12.4 (2017) in APEC economies
4. Total Regional Trade Agreements signed:175(2017) from <10 (1989)

Stagnant/worse off areas:

1. Prevalence of Foreign Ownership 5.3%(2008) to 4.9%(2017)

Mixed results:

1. Services Liberalization

APEC is ending 2018 as a year where differing views on the region resulted in a lack of consensus to adopt a Leaders' Declaration and Ministerial Statement – the first time no consensus was achieved among Economic Leaders. Nevertheless, lack of consensus need not overshadow work that continues to be done in the forum. The Philippines highlighted its support for the multilateral trading system, advocacy for inclusive globalization and preparations for the digital economy, in alignment with the APEC Internet and Digital Economy Roadmap (AIDER). The Philippines continues to champion the regional market access of Philippine MSMEs under the Boracay Action Agenda (BAA) adopted in 2015.

Meanwhile, work on formulating a new vision for APEC beyond the year 2020 is underway. The work of the APEC Post 2020 Vision Group (APEC AVG) started in Port Moresby in 2018. Each economy has appointed an expert to constitute the group that is tasked to recommend a new vision for APEC that continues the work under the Bogor Goals and incorporating other aspects in furtherance of regional economic cooperation – taking in consideration the impact of the fourth industrial revolution and the third unbundling of globalization.

⁷⁵ Pedrosa, E. et al. (2018). State of the Region 2018-2019. Pacific Economic Cooperation Council

⁷⁶ APEC Policy Support Unit. (2018). APEC's Bogor Goals Progress Report. Retrieved from: <https://www.apec.org/Publications/2018/11/APEC-Bogor-Goals-Progress-Report>

Feature APEC Discussion Topic: 3rd Unbundling of Globalization – The Digital Economy

The next wave that can reduce the cost of moving (1) goods, (2) ideas, and (3) people.

Key Components of the Digital Economy (“4 Horsemen”)

Blockchain⁷⁷ Arose from Bitcoin; Incorruptible digital public record of transactions populated by network members (e.g. google spreadsheets)	Big Data⁷⁸ “The collection, storage, management, analysis and visualization of extensive, heterogeneous datasets.”	Artificial Intelligence⁷⁹ “Building machines which are capable of thinking like humans.”	Internet of Things “The concept of connecting any device with an on and off switch to the internet (or to each other)” ⁴
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II.F European Union (EU)**Trade Statistics (In billion USD)**

Trade between the Philippines and the European Union grew by 5.3% over the last 5 years. This was mainly due to the increase in trade with **vessels for transfer of goods and services** and **storage units**, especially for exports.

Top Traded Commodities

Top Export: Digital monolithic integrated circuits

Top Import: Aeroplanes and other aircraft

Trade Balance: 2.9B (surplus)

Year	Total Trade	PH Exports	PH Imports	Balance of Trade
2013	12.8	6.6	6.2	0.3
2014	14.3	6.7	7.6	-0.9
2015	13.8	7.2	6.7	0.5
2016	13.7	7.0	6.7	0.2
*2017	15.7	9.3	6.4	2.9
Growth	5.3%	9.2%	0.8%	
*Preliminary data.		Figures in billion USD		

Trade with World:	164.8 B	Total Trade with EU	15.7 Billion	Exports	9.3B	Imports	6.4B
Top Exports		Value (% of total)	Top Imports		Value (% of total)		
1. Digital monolithic integrated circuits		1.1B(15.6%)	1. Aeroplanes and other aircraft		0.6B(9.5%)		
2. Semiconductor devices manufactured from materials on consignment basis		0.8B(11.7%)	2. Materials and supplies for manufacture of semiconductors		0.6B(8.3%)		
3. Coconut (copra) oil, crude		0.5B(7.8%)	3. Medicaments consisting or mixed or unmixed products for therapeutic or prophylactic uses		0.3B(4.5%)		
4. Vessels for the transport of goods and persons		0.3B(4.2%)	4. accessories and supplies for manufacture of semiconductors		0.3B(3.8)		
5. Input or output units, whether or not containing storage units in the same housing		0.2B(2.7%)	5. Other parts of aeroplanes and helicopters		0.2B(2.6%)		

Generalized System of Preferences (GSP)

- A preferential tariff system that gives certified countries such as the Philippines tariff-free access to the EU market for over 6,000 product lines.
- The Philippines is the only ASEAN country with GSP+ status and has benefitted from GSP+ since 2014. ¹

Benefits for the PH

Total trade between Philippines and EU grew by 13.7% since 2015.

Philippine exports to the EU grew by 36% (year-on-year) making the EU, collectively, the second largest export destination. ²

⁷⁷ Blockgeeks. (2018). What is Blockchain Technology? A Step-by-Step Guide For Beginners. Retrieved from: <https://blockgeeks.com/guides/what-is-blockchain-technology/>

⁷⁸ International Telecommunications Union. (2015). ITU members agree international standard for Big Data. Retrieved from: http://www.itu.int/net/pressoffice/press_releases/2015/66.aspx#.XA4JhMzZNO

⁷⁹ Marr, B. (2017). The Complete Beginners' Guide to Artificial Intelligence. Retrieved from: <https://www.forbes.com/sites/bernardmarr/2017/04/25/the-complete-beginners-guide-to-artificial-intelligence/#4751928e4a83>

⁸⁰ Morgan, J. (2018). A Simple Explanation Of 'The Internet Of Things'. Retrieved from: <https://www.forbes.com/sites/jacobmorgan/2014/05/13/simple-explanation-internet-things-that-anyone-can-understand/#6784fb981d09>

⁸¹ Department of Trade and Industry. (2018). Market Profile: European Union. Retrieved from: <http://tradelinedphilippines.dti.gov.ph/web/tradelined-portal/market-profile>

⁸² Board of Investments, Department of Trade and Industry (2018). Investment climate and business opportunities in the Philippines

⁸³ EU-Philippines Business Network (2017). Advocacy papers. The EU and the Philippines: Partnering for progress and prosperity. EU-Philippines Business Network, Makati City, Philippines.

⁸⁴ Department of Trade and Industry. “Philippines-European Free Trade Association (EFTA) Free Trade Agreement (FTA)”. Retrieved from <https://www.dti.gov.ph/international-commitments/bilateral-engagements/efta-fta>

II.G Philippines-European Free Trade Association Free Trade Agreement (PH-EFTA FTA)

Agreement entered into force in 01 June 2018. The Philippines ratified its free trade agreement with the European Free Trade Association EFTA, that includes the Switzerland Confederation, the Kingdom of Norway, the Republic of Iceland and the Principality of Liechtenstein.

Key Benefits of PH-EFTA FTA

Through PH-EFTA FTA, the Philippines...

Is provided duty free market access for all industrial and fisheries tariff lines.

Is secured tariff concessions on substantially all Philippine agriculture exports to EFTA.

may qualify for zero tariffs for preparations of meat/fish, even if they are imported.

Will have entry and temporary presence of intra-corporate transferees (covering executives/managers and specialists) and business visitors allowed.



States have a network of 28 FTAs with a total of 39 partners outside the European Union.

PH-EFTA Trade Relations in Numbers

	Top PH Exports	Value (%)	Top PH Imports	Value (%)
Between 2012 and 2017 Merchandise trade between PH and EFTA States increased by 2% -PH exports to EFTA states increased by 45% Total value of trade in 2017: USD 900 million	Total Value	516	Total Value	384
	Precious metals	266(52%)	Pharmaceuticals	128(33%)
	Electrical machinery	114(22%)	Clocks and watches	51(13%)
	Machinery and mechanical appliances	27(5%)	Machinery and mechanical appliances	30(8%)
	Optical, surgical or medical instruments	27(5%)	Electrical machinery	29(8%)
	Seafood	12(2%)	Seafood	18(5%)

*All value of commodities in million USD

⁸⁵ Reith, S. & Stauffer, N. (2018). EFTA and the Philippines hold trade promotion seminars. Retrieved from: <http://www.efta.int/Free-Trade/news/EFTA-and-Philippines-hold-trade-promotion-seminars-510701>

⁸⁶ Department of Trade and Industry. "Philippines-European Free Trade Association (EFTA) Free Trade Agreement (FTA)". Retrieved from <https://www.dti.gov.ph/international-commitments/bilateral-engagements/efta-fta>

⁸⁷ Boumphrey, S. (2014). Succeed in emerging markets: Selection, strategy and first steps. Euromonitor International. Retrieved from: <https://go.euromonitor.com/succeed-emerging-markets-selection-strategy-first-steps.html>

⁸⁸ Department of Trade and Industry. (2018). Summary Reports. DTI Tradeline. Retrieved from: <http://www.tradelinephilippines.dti.gov.ph/web/tradeline-portal/summary-reports>

⁸⁹ Boumphrey, S. (2014). Succeed in emerging markets: Selection, strategy and first steps. Euromonitor International. Retrieved from: <https://go.euromonitor.com/succeed-emerging-markets-selection-strategy-first-steps.html>

III. Emerging Economic Relations

III. KEY CONCEPTS

The Philippines, as of 2018, has trading activities with **more than 200 economies**.⁸⁸ In an attempt to streamline and focus discussions into a manageable number of high potential markets, the authors of this publication attempted to identify select countries and trading blocs based on certain evidence-based parameters.

“An emerging market strategy is a long term one, and step one on the path to success is to choose wisely.”⁸⁷

III. A Emerging Bilateral Trade Partners

Analysis of selected emerging market indicators recommended by Boumphrey (2014) revealed the following 10 emerging trade partners, and corresponding data for each criterion used.

Market	Merchandise Trade with PH Value in 2016*	Trade Growth with PH (2011 to 2016)	Trade Value with Selected ASEAN Neighbor*	Openness to trade (trade as % of GDP)	GDP **	GDP Growth (2014 to 2017)	Population Size (in million)
Fiji	32.9	>1,000%	29.1	66.8%	5.1	8.2%	0.9
Iraq	14.1	>1,000%	91.2	43.9%	197.7	4.9%	38.3
Ukraine	232.7	>1,000%	872.6	82.6%	112.2	-5.4%	44.8
Kuwait	1,050.0	>1,000%	414.8	74.3%	120.1	1.2%	4.1
Malta	182.0	>1,000%	41.5	66.4%	12.5	22.8%	0.4
Paraguay	7.9	906%	81.8	69.1%	29.7	7.9%	6.8
Cambodia	38.1	246%	450.7	117.0%	22.2	22.3%	16.0
Bulgaria	118.2	170%	119.9	112.8%	56.8	11.5%	7.1
Nigeria	31.6	181%	1,598.8	24.5%	375.8	0.6%	190.8
Romania	39.1	142%	134.6	74%	211.8	73.7%	19.6

*In million USD, **In billion USD.

Total PH Trade in 2016: USD 141.5 billion

Data Source: Department of Trade and Industry, World Bank, Philippine Statistics Authority

Foremost consideration is the country's trade growth and value of traded merchandise with the Philippines.

Most of the criteria displayed are straightforward, with the exception of “Trade Value with Selected ASEAN neighbor”, which uses trade data of an ASEAN country with slightly similar products offered with the Philippines. This aims to serve as a proxy to indicate the accessibility of goods from one source to another.

When selecting an emerging market, Boumphrey (2014) recommends looking at 4 major indicator categories:

1. Market
2. Population
3. Access
4. Business Environment

*Entire report can be found through the link in section V

III.B Africa

Top PH trading partner in Africa is the Southern Region. This encompasses mostly South African Development Community (SADC) members among which are some of Africa's largest economies (e.g. South Africa).

African Market Characteristics:

- Region as a whole estimated to be World's second fastest growing economy by African Development Bank (projected to grow by 4.1% in 2019)
- Has several Regional Economic Communities (RECs)

PH Trade with Different African Regions	2016		2017	
	PH Exports	PH Imports	PH Exports	PH Imports
Total	268.3	130.0	195.7	174.9
Central	0.0	0.1	0.0	0.0
Eastern	15.4	33.0	22.5	23.3
Middle	3.4	7.1	4.1	20.5
Northern	30.4	25.4	32.6	69.9
Southern	119.5	41.0	119.4	56.6
Western	99.6	23.4	17.1	4.6

⁸⁸ United Nations Economic Commission for Africa. (n.d.) Regional Economic Communities. Retrieved from: <https://www.uneca.org/oria/pages/regional-economic-communities>

⁸⁹ Mutambara, T. (2013). Africa-Asia trade versus Africa's trade with the North: Trends and trajectories. Retrieved from: <https://www.ajol.info/index.php/aref/article/view/91063/80497>

Recent Developments

- Trade between Africa and Asia (mainly China, Japan, Korea), is growing faster than the former's trade with Europe, its traditional trading partner.
- Intra-African trade is growing the fastest. In 2018, the Continental Free Trade Agreement was signed by 44 African Nations. Commitment to cut tariffs on 90% of goods traded within the continent.
- Trade between Africa and the Philippines has generally decreased from USD 771 million (2013) to USD 370 (2017). This decrease warrants further study as Africa has a sizeable untapped market that could provide ample business opportunities.



Source: United Nations Economic Commission for Africa. (n.d.)

III.C South Asia

Selected South Asian Markets Trade Data

	2016		2017	
	PH Exports	PH Imports	PH Exports	PH Imports
Total	268.3	1,643.2	195.7	1,930.8
Bangladesh	15.4	32.3	22.5	38.2
India	3.4	1,064.5	4.1	1,482.8
Pakistan	30.4	110.3	32.6	211.5
Sri Lanka	119.5	17.5	119.4	16.7

Figures in million USD

Scandinavian Markets and Trade Data¹

	2016		2017	
	PH Exports	PH Imports	PH Exports	PH Imports
Sweden	22.1	122.0	36.3	135.5
Norway	5.5	54.5	6.5	45.1
Denmark	36.7	128.3	36.0	149.7
Finland	27.1	291.8	41.9	183.4

Figures in million USD

Trade between South Asia as a whole and the Philippines grew by 22% from USD 1.1 billion in 2013 to USD 2.6 billion in 2017. Most of this growth is due to import sourcing from South Asia. The table on the right further illustrates the breakdown of trade using the region's 4 largest economies.

III.D Scandinavia

- Scandinavia forms a cluster of some of the largest economies in Europe.
- There is already increased access between the Philippines, and Norway and Sweden's markets, through the PH-EFTA FTA.
- Region expected to grow 4% in 2018 and 2019

Comparison of Top PH Exports to Scandinavia with Other ASEAN Countries

Sweden

Top Imports from PH	Value	Benchmark
Consumer Goods	12.9	Vietnam (264.7)
Capital Goods	8.3	Vietnam (684.2)
Machinery and Electronics	33.1	Vietnam (681.1)

Norway

Top Imports from PH	Value	Benchmark
Consumer Goods	18.6	Vietnam (304.9)
Machinery and Electronics	16.0	Malaysia (167.5)
Capital Goods	15.0	Thailand (126.5)

Denmark

Top Imports from PH	Value	Benchmark
Consumer Goods	21.4	Vietnam (268.4)
Capital Goods	17.3	—
Machinery and Electronics	14.7	Indonesia (57.2)

Figures on selected Scandinavian countries' imports from the Philippines and the corresponding benchmark (highest import source from ASEAN in 2016) ASEAN country in 2016.

All figures are in million USD.

Recommended Areas of Research for Economic Diplomacy Practitioners in Emerging Markets

1. Nature of existing goods and services traded
2. Potential of other goods and services (match covered country's top imports with Philippine's top exports which have low market presence)
3. Presence of Philippine companies
4. Shipment cost to and from the Philippines
5. Flight routes
6. Culture, especially presence of Creatives (See Part I.8.C)
7. Growth of consumer size, particularly the middle class
8. Regulation, business registration processes, and incentives

⁹² Department of Trade and Industry. (2018). Summary Reports. DTI Tradeline. Retrieved from: <http://www.tradelinephilippines.dti.gov.ph/web/tradeline-portal/summary-reports>

⁹³ Department of Trade and Industry. (2018). Summary Reports. DTI Tradeline. Retrieved from: <http://www.tradelinephilippines.dti.gov.ph/web/tradeline-portal/summary-reports>

IV. Special Topics on International Economics

IV.1 THE MULTILATERAL TRADING SYSTEM (MTS)

IV.A The World Trade Organization (WTO)

The WTO is the sole organization overseeing the multilateral trading system. “Essentially, the WTO is a place where member governments go, to try to sort out trade problems they face with each other. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations.”

MAIN FUNCTIONS

Policy Setting – In general, the WTO aims to reduce tariffs and promote fair and open trade worldwide through agreements. WTO agreements are binding to all members.

Special Assistance for Least Developed Members
– Provides Technical Assistance and flexibility on agreements for least developed members

Dispute Resolution – The WTO provides for a legal mechanism for members to settle trade disputes with one another (Only member governments can take part either as parties or as third parties).

Monitoring and Secretarial – Conducts trade policy review and regular monitoring of commitments, provides secretariat

KEY PRINCIPLES

1. Trade without Discrimination:

- a.) Most Favored Nation (MFN): Countries cannot normally discriminate between their trading partners. Grant someone a special favor (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members, with some exceptions: Regional Trade Agreements, special access to developing countries, and “unfairly” traded products.
- b.) National treatment: Treating foreigners and locals equally. Imported and locally-produced goods and services should be treated equally (mostly, in terms of price and regulation) — at least after they have entered the market. This is the same with copyrights and patents.

2. Free Trade, gradually, through negotiation

3. Predictability, through binding and transparency

4. Fair competition, by discouraging unfair practices

5. Beneficial for less developed countries by giving more time to adjust, greater flexibility, and special privileges

Current Situation of the WTO and Outlook on the MTS Global Trade Outlook

The WTO indicator suggests that trade growth is likely to slow by the end of 2018.

11th Ministerial Conference, December 2017, Buenos Aires

At the most recent WTO Ministerial Conference (MC), the WTO’s highest-level policy formulation body, the WTO saw limited policy outcomes due to members’ differing positions.

KEY AREAS FOR DISCUSSION IN 2019:

- Prohibition on certain fisheries subsidies
- Continue working on the program on small economies
- South Sudan Accession

- Continue discussions on modalities for Intellectual Property Complaints
- Possible imposition of customs duties on E-commerce discussions

Drivers of trade		
	Level of Index	Direction of change
Merchandise trade volume (Q2)	101.5	→
Export orders	96.6	↓
International air freight (IATA)	100.0	↓
Container port throughput	101.2	↓
Automobile production and sales	96.9	↓
Electronic components	93.9	↓
Agricultural raw materials	97.2	↓

IV.B TRADE TENSIONS

The US-China Trade War Tensions

- Wide trade deficit between US and China in recent years has made President Trump believe China is “taking advantage” of the US and ordered a series of tariffs on goods from China, including machinery and components like semiconductors. First measures coming into effect mid-2018.
- China retaliated with its own series of tariffs on imports of soy beans, other agricultural products, automobiles, steel, aluminum, washing machines, and solar panels.
- The US was preparing to announce tariffs on all remaining Chinese products
- Talks between the US and China at the G20 Summit by the end of 2018 resulted in a 90-day moratorium on US’ further imposition of tariffs (estimated to be worth over USD 257 billion in Chinese goods). Both sides also agreed to “open up their markets”
- Additional US tariffs will push through if both parties do not reach an agreement by 90 days

US and China’s tariffs against each other

US imports from China

Tariffs already applied in 2018	Tariffs that took effect on 24 Sept 2018	Threatened additional tariffs
\$53bn	\$200bn	\$267bn
\$506bn		

\$506bn

2017 total import of goods (most recent annual figure)

Chinese imports from US

Tariffs already applied in 2018	Tariffs that took effect on 24 Sept 2018
\$50bn	\$60bn
\$130bn	

\$130bn

2017 total import of goods (most recent annual figure)

Note: Data as of 24 September 2018
Source: US Census Bureau, BBC research

Possible implications on the Philippines

- PH major supplier of electronics and machinery products for both China and the US, with related products reaching more than 30% of the Philippines’ USD 57 billion total exports in 2016 (The US and China are among the top 3 Philippine trading partners).
- In the long run, the most notable impact of a trade war would be on the Philippines’ electronics industry.
- Overall, majority of the effects will be directly felt by the two countries’ economies, although global growth is expected to be reduced by 1 to 1.25%
- The Philippines, albeit not a direct participant, is deeply integrated in global value chains and will inevitably be affected.
- Further effects on the Philippine economy would depend on the goods that would be subject to tariffs and other trade barriers, as this would cause price fluctuations across the globe.
- However, effects on certain areas such as stock markets and currencies worldwide would be more immediately and significantly felt, as compared to goods and services.

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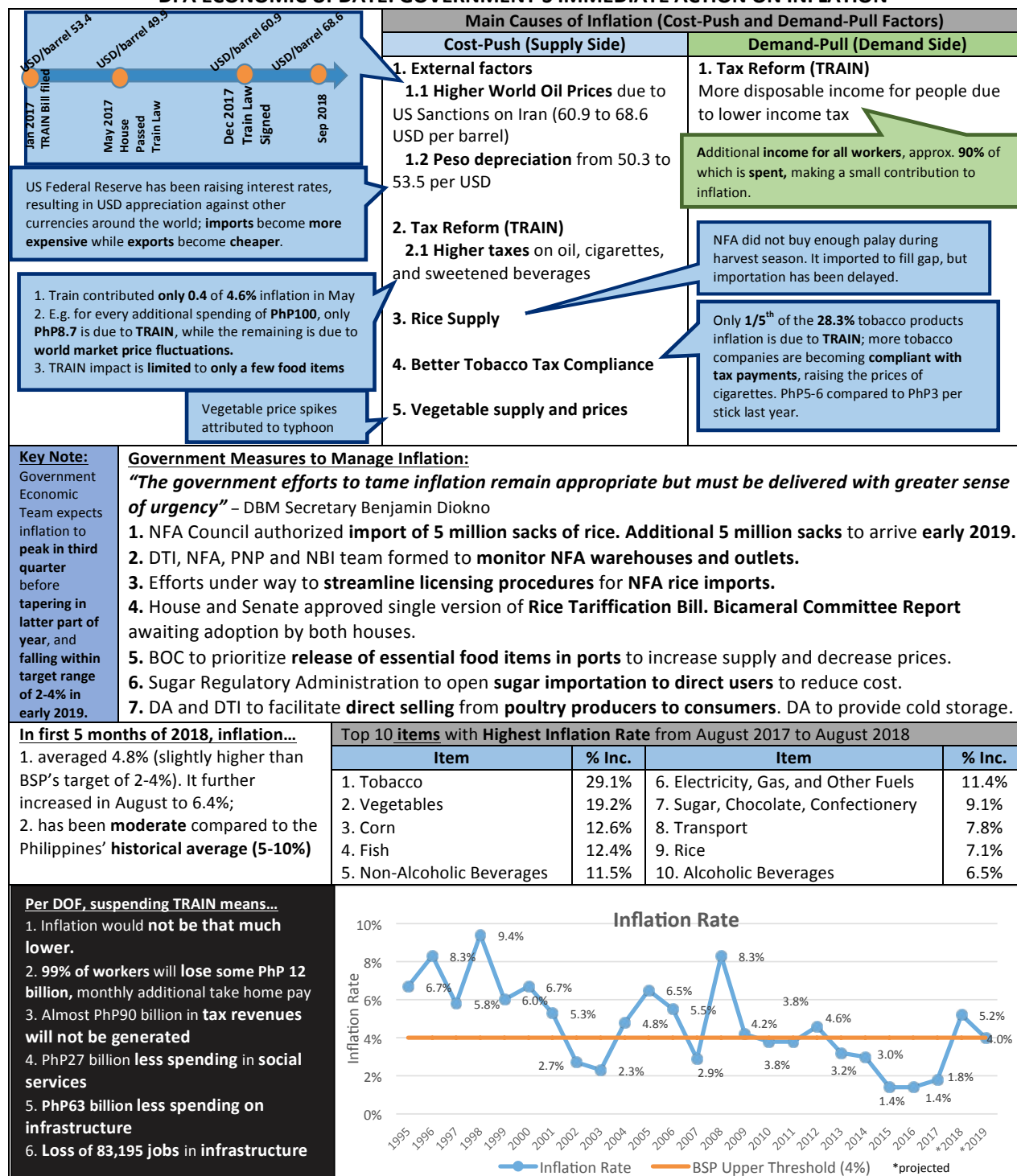
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Office of International Economic Relations

DFA ECONOMIC UPDATE: GOVERNMENT'S IMMEDIATE ACTION ON INFLATION



Source: Department of Finance, Bangko Sentral ng Pilipinas

V. Useful References and Links

V.A Data and Information

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V.B Philippine Government Plans and Priorities

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<http://www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf>

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