

THE PHILIPPINES: TAIWAN'S STRATEGIC PARTNER

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The PH Investment Climate

**Philippines is
the 2nd fastest
growing
economy in
ASEAN for
2018.**



INDIA
7.3%



CHINA
6.6%



THAILAND
4.1%



VIETNAM
7.1%



PHILIPPINES
6.2%



MALAYSIA
4.7%



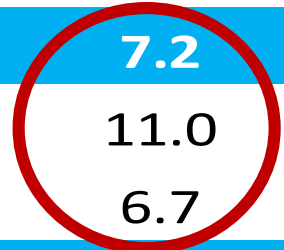
SINGAPORE
3.3%



INDONESIA
5.2%

On production side, GDP growth fueled by strong performances of industry (construction, manufacturing) and services sectors.

	2015	2016	2017	2018	First 10 quarters	
					Aquino	Duterte
GDP	6.1	6.9	6.7	6.2	5.5	6.5
Agri, Hunting, Fishery, Forestry	0.1	-1.2	4.0	0.8	2.5	2.1
Agriculture	0.8	-0.6	5.0	1.0	3.0	2.8
Industry	6.4	8.0	7.2	6.8	5.3	7.2
Construction	11.6	12.1	5.3	15.9	6.1	11.0
Manufacturing	5.7	7.1	8.4	4.9	5.6	6.7
Services	6.9	7.5	6.8	6.6	6.2	6.8
Transport, Comm, Storage	8.0	5.3	4.0	5.1	4.9	4.5
Trade, Repair	7.1	7.6	7.3	5.9	6.0	6.7
Financial Intermediation	6.1	7.9	7.6	7.1	8.1	7.4
Real Estate, Renting, Business	7.1	8.9	7.4	4.8	7.5	6.7
Public Administration	1.2	7.1	7.8	14.6	3.7	10.6
Other Services	8.3	7.5	6.4	7.7	6.5	7.0



Industry Development

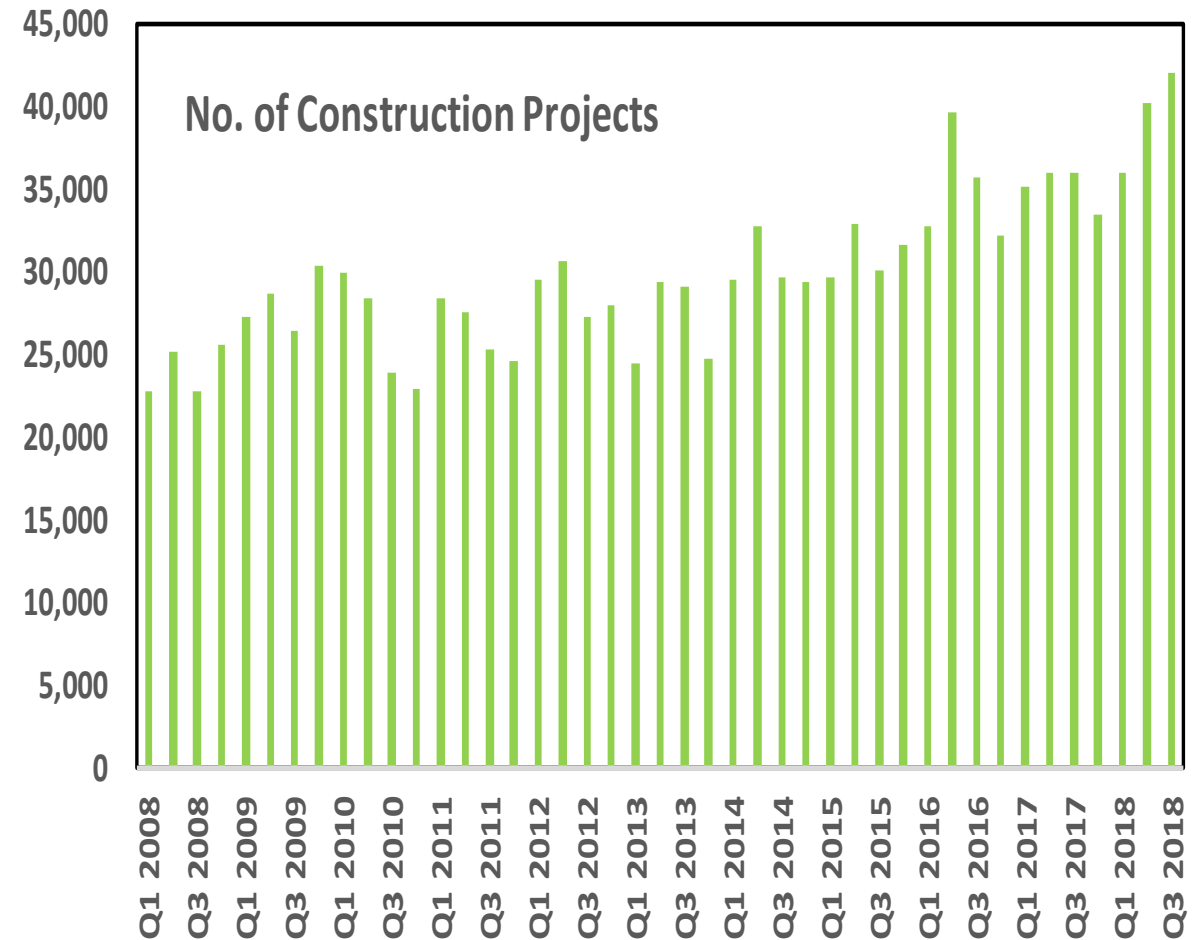
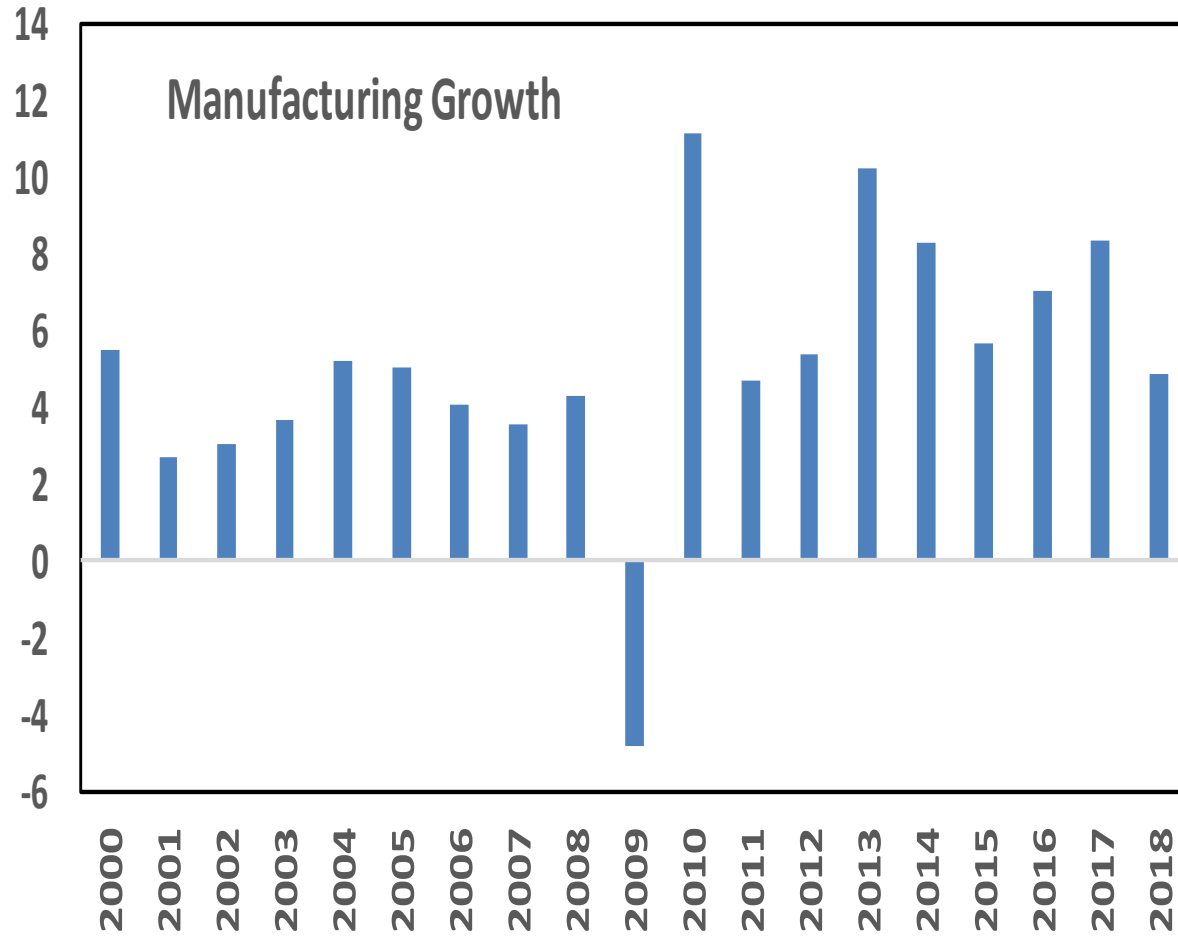
■ Manufacturing and Construction pulled up growth



Manufacturing resurgence evident, growing on the average by **7.3%** (2010 up to 2018)

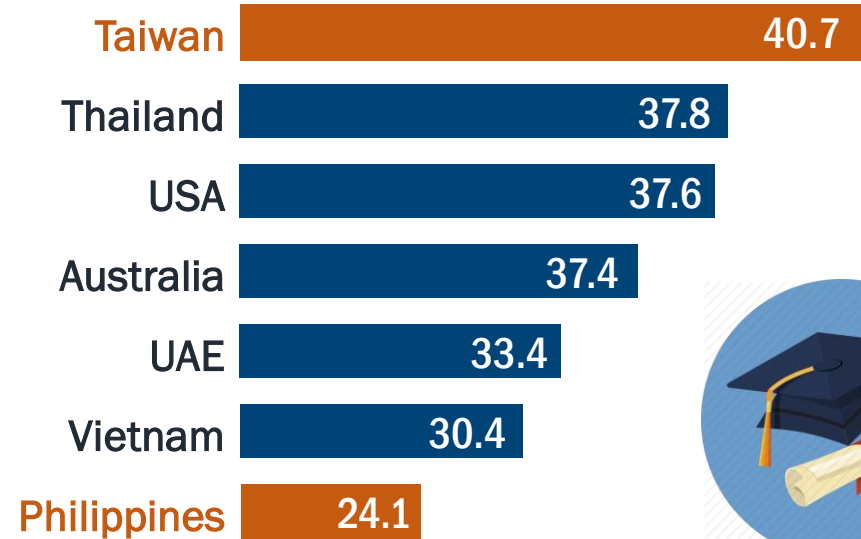


Construction boom: record-high of **42,111** (Q3 2018), totaled **118,295** (Q1-Q3 2018) up by **10.4%** yoy



The PH Advantage

PH in Demographic Sweet Spot



FILIPINOS ARE YOUNGER COMPARED TO THE REST OF THE WORLD

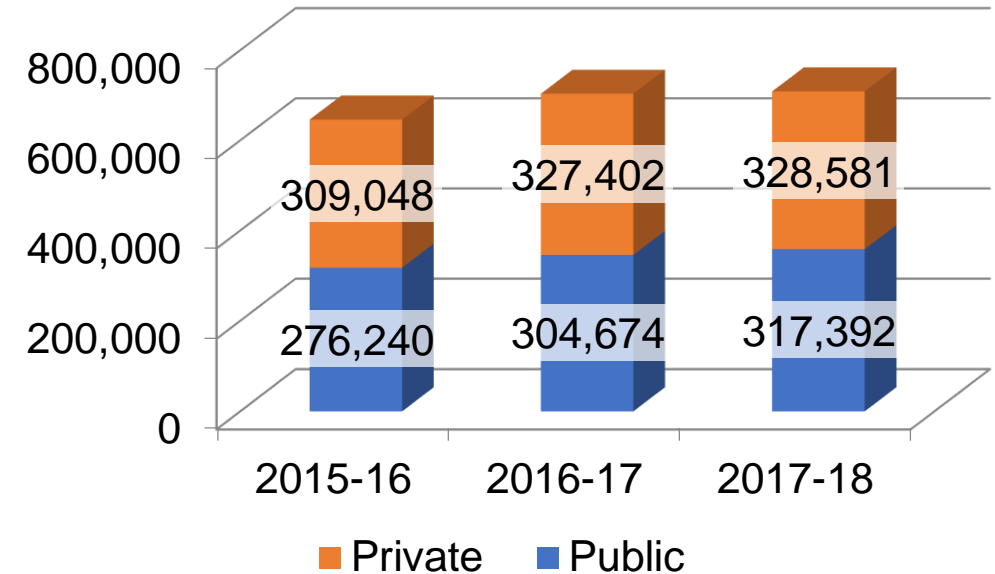
The median age in the Philippines is 24.1 years old. This is equivalent to the age of someone who recently graduated from college.

Rich Talent Pool

We produced **over 708,000 college graduates in AY 2017-2018** across a wide range of disciplines.

Breakdown of Graduates by Priority Discipline (AY 2017-18)	
Agriculture, Forestry, Veterinary Medicine	25,421
Architectural and Town Planning	4,392
Education	145,421
Engineering and Technology	86,934
IT Related	86,933
Mathematics	3,104
Maritime	25,996
Medicine and Health Related	43,188
Sciences	7,827
Others	279,229
TOTAL GRADUATES	708,445

Higher Education Graduates AY 2015 - 2018



Our workforce is:

- Highly educated and English Proficient
- Strongly customer-oriented
- Highly trainable with fast learning curve
- Adaptable to universal cultures
- High level of commitment and loyalty

Strategic Access to Key Markets

PH-ROK FTA
(on-going)



EU - duty-free access for 6,274 tariff lines under GSP+ Program; PH, only ASEAN country with GSP+

US - 70% of PH exports enter the US duty-free (GSP & MFN)

The country's location is a **critical entry point** to over 600 million people in the ASEAN Market and a natural gateway to the East-Asian economies.

The country is likewise placed at the **crossroads of international shipping and airlines**.

Within Asia, the Philippines is reachable **within 3 to 4 hours by plane**.

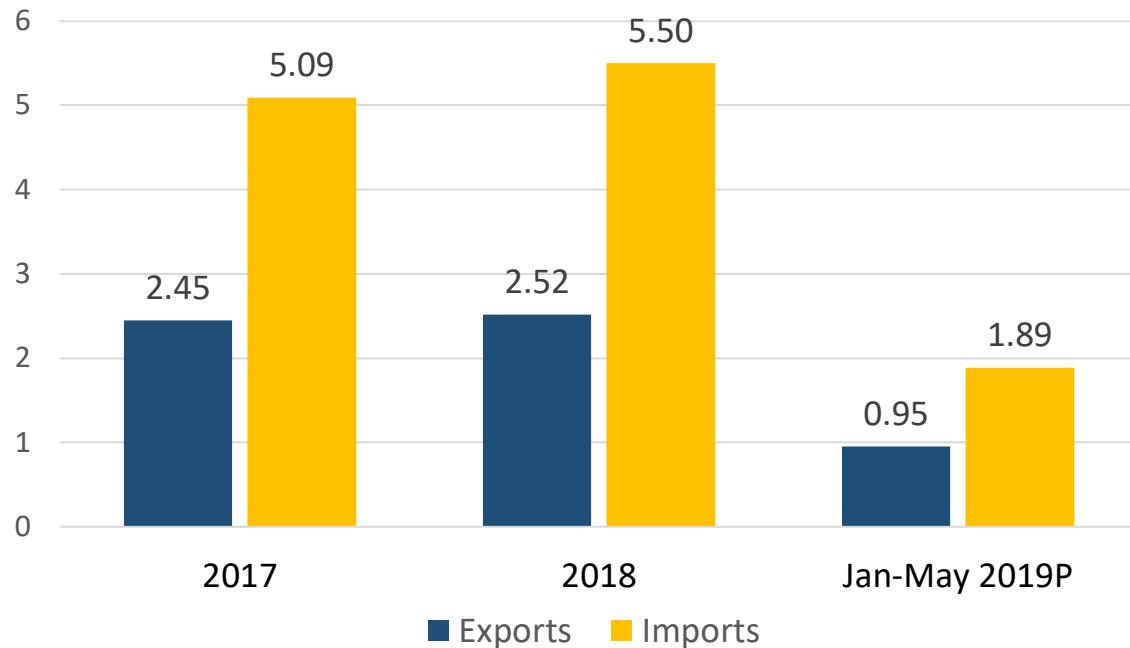
ASEAN (10 members)
 ASEAN Partners: Japan, South Korea, Australia, New Zealand, China and India
 Europe: EU (GSP+) and EFTA (Switzerland, Norway, Iceland and Liechtenstein)
 US (GSP)



PH – TW Trade and Investment Relations

PH-TW Trade Relations

PH-TW Bilateral Merchandise Trade,
2017 – 2019 (Jan-May)
(in US\$ billion)



Key Exports to TW

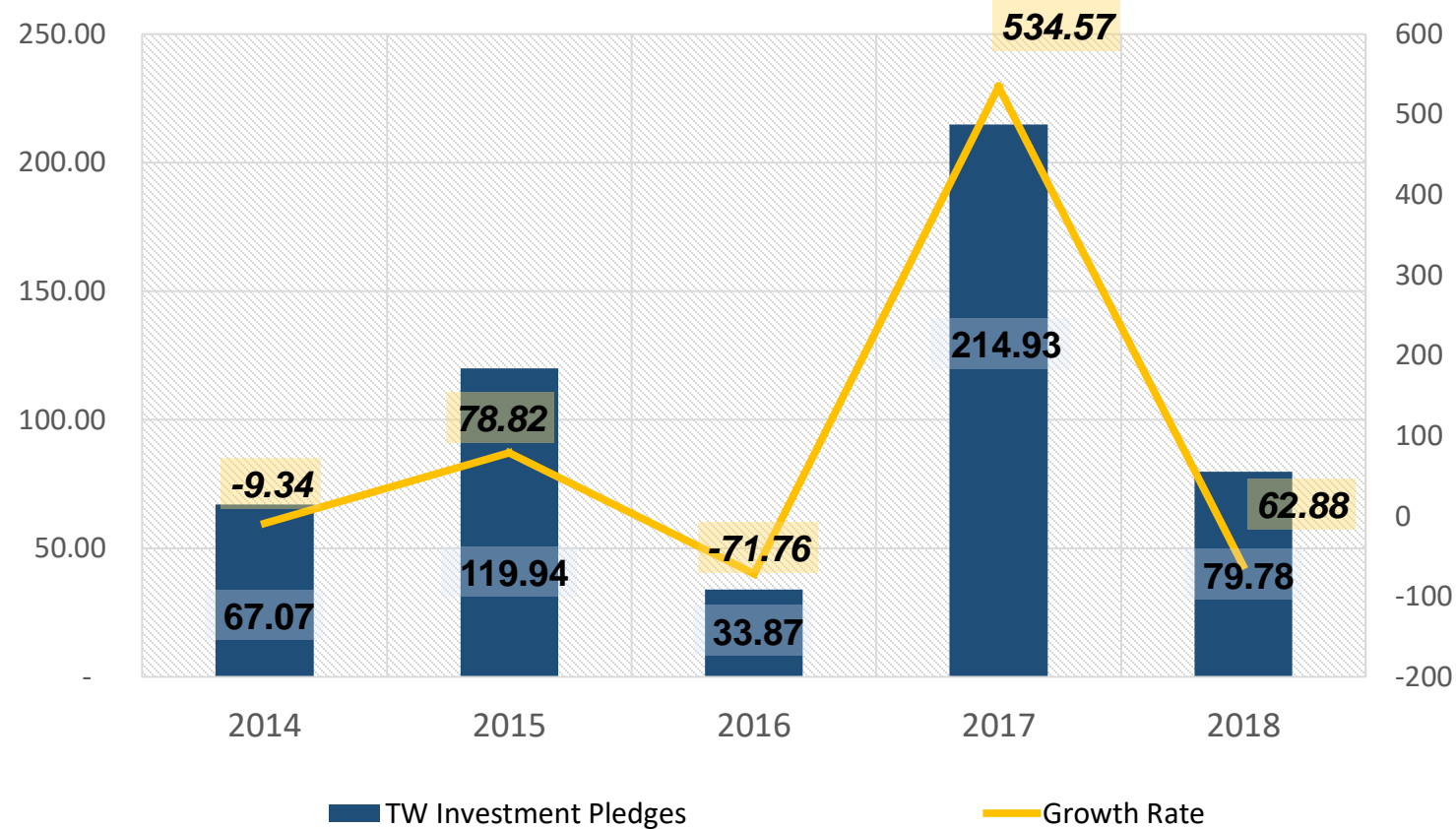
1. Digital monolithic integrated circuits
2. Semiconductor devices manufactured from materials on consignment basis;
3. Other digital monolithic integrated circuits (n.e.s.)
4. Parts and accessories of instruments and apparatus of heading no. 90.30
5. Storage units

Products for Promotion to TW

1. Seafood Products
2. Fresh and Processed Food
3. Personal Care and Beauty Products
4. Smart Cards; electronic integrated circuits; LED lamps, computer data storage units, and photosensitive semiconductor devices

PH-TW Investment Relations

IPA-Approved Investments from TW, 2014-2018
(in million USD)



8th TOP SOURCE
of IPA-approved foreign
investments in **2018**

Top 3 Sectors TW Investments



**Real
Estate**



Manufacturing



Construction

PH-TW: Partnership based on Complementation

<u>THE PHILIPPINES</u>	<u>TAIWAN</u>
<ul style="list-style-type: none">• Young, Large, Population: with low but rapidly increasing income	<ul style="list-style-type: none">• Relatively aging: working-age population is shrinking
<ul style="list-style-type: none">• Highly-skilled, talented pool of labor for both manufacturing & services	<ul style="list-style-type: none">• Recognized expertise in manufacturing of semiconductor devices and IC design
<ul style="list-style-type: none">• Aspiring for inclusive, innovation-driven Industrialization	<ul style="list-style-type: none">• Actively promoting the 5+N Innovative industries Development Program for its vision of fully digital economy
<ul style="list-style-type: none">• With good access to major markets: ASEAN, ASEAN Partners, US, EU, EFTA	<ul style="list-style-type: none">• New Southbound Policy to enhance cooperation and business opportunities between Taiwan and ASEAN as well as Asia-Pacific countries

PH-TW: Partnership based on Complementation

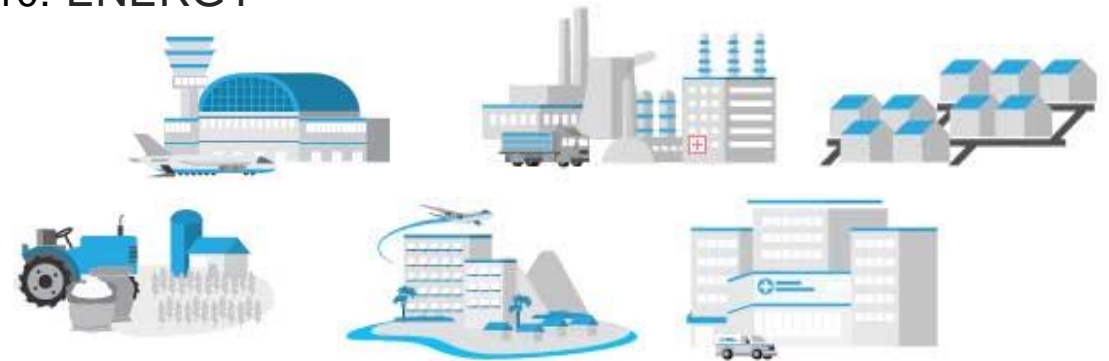
	<u>PHILIPPINES</u>	<u>TAIWAN</u>
Market	<ul style="list-style-type: none"> • 100+M people; • 23yrs. Median Age 	<ul style="list-style-type: none"> • 23.6M people; • 41 yrs. Median Age
Economy	<ul style="list-style-type: none"> • 6-7% GDP growth • ~US\$3k+ per capita GDP 	<ul style="list-style-type: none"> • 2.19% GDP growth • US\$25026.00 per capita GDP as of Dec 2018
Labor	<ul style="list-style-type: none"> • 5.7% unemployment 	<ul style="list-style-type: none"> • 3.73% unemployment as of April 2019
Key industries	<ul style="list-style-type: none"> • Service (out-sourcing) • Manufacturing (heavy & light industries; electronics, automotive, garments, etc.) • Agriculture (bananas, pineapples, coffee, cacao, coconut products, processed food) 	<ul style="list-style-type: none"> • Semiconductors, biomedicine • IOTs, Services, Defense equipment procurement (for the shipbuilding, aerospace and information industry), Waste management system, Smart machinery, Green energy, Advanced semiconductor
Export Markets	<ul style="list-style-type: none"> • Japan, US, Hong Kong, China, EU, ASEAN 	<ul style="list-style-type: none"> • US, Hong Kong, Japan, China, Singapore, South Korea, Vietnam, Malaysia, Philippines, Germany, Thailand, Netherlands, UK, India, Indonesia
Investment	<ul style="list-style-type: none"> • Recipient (fastest growing ASEAN Investment destination) 	<ul style="list-style-type: none"> • Source of Investments

Business Opportunities:
2017 Investment
Priorities Plan

2017 Investments Priorities Plan

A. Preferred Activities

1. ALL QUALIFIED MANUFACTURING ACTIVITIES INCLUDING AGRO-PROCESSING
2. AGRICULTURE, FISHERY AND FORESTRY
3. STRATEGIC SERVICES
 - a. IC Design
 - b. Creative Industries/Knowledge-Based Services
 - c. Maintenance, Repair, and Overhaul (MRO) of aircraft
 - d. Charging/Refueling Stations for Alternative Energy Vehicles
 - e. Industrial Waste Treatment
 - f. Telecommunications
 - g. State-of-the-art Engineering, Procurement and Construction
4. HEALTHCARE SERVICES INCLUDING DRUG REHABILITATION CENTERS
5. MASS HOUSING
6. INFRASTRUCTURE & LOGISTICS INCLUDING LGU-PPPs
7. INNOVATION DRIVERS
8. INCLUSIVE BUSINESS MODELS
9. ENVIRONMENT OR CLIMATE CHANGE-RELATED PROJECTS
10. ENERGY



2017 Investments Priorities Plan

B. Export Activities

- Manufacture of export products
- Services exports
- Activities in support of exporters

C. Special Laws

- Industrial Tree Plantation (PD 705)
- Mining (RA 7942) (limited to capital equipment incentive)
- Publication or Printing of Books/Textbooks (RA 8047)
- Refining, Storage, Marketing and Distribution of Petroleum Products (RA 8479)
- Rehabilitation, Self-Development and Self-Reliance of Persons with Disability (RA 7277)
- Renewable Energy (RA 9513)
- Tourism (RA 9593)

Business Opportunities:
Other Areas for Investments

Other Areas for Investments

Retail Trade Liberalization Act of 2000 (RA 8762)

- ❖ Allows foreign ownership up to 100%
- ❖ Capital Requirements:
 - Category B - with minimum paid-up capital of \$2,500,000 (NT\$81,055,000)
 - Category D - with \$250,000 (NT\$8,105,500) paid up capital per store; specializing in high-end or luxury products; can be wholly owned by foreigners

Bank Liberalization Law (RA 10641)

- ❖ Allows foreign ownership up to 100%
- ❖ Capital Requirements:
 - Locally Incorporated Subsidiaries
 - Universal Banks
 - PhP3 billion (NT\$1.78 billion) (head office only)
 - PhP20 billion (NT\$11.89 billion) (more than 100 branches)
 - Commercial Banks
 - PhP2 billion (NT\$1.19 billion) (head office only)
 - PhP15 billion (NT\$8.92 billion) (more than 100 branches)
 - Foreign Bank Branches
 - PhP210 million (NT\$124.9 million) (3 branches)
 - PhP35 million (NT\$20.8 million) (per branch for 3 additional branches)

Business Opportunities:
**Sectors of Strong
Interest to Taiwan**

Sectors of Strong Interest to TW

1. Light Manufacturing
2. Heavy Industries
3. Green Technology
4. Financial Sector
5. Educational exchange, focusing on Science, Technology & Engineering
6. Logistics & Infrastructure
7. Tourism
8. Start-ups

Investment Incentives

Competitive Investment Incentives

INCENTIVE	Board of Investments (BOI) (Executive Order No. 226, as amended)	Philippine Economic Zone Authority (PEZA) (Republic Act No. 7916, as amended)
Income Tax Holiday (ITH)	4 – 6 years (max of 8 years)	
ITH Bonus	3 years provided the firm meets certain conditions	
Special Tax Rate of 5% on Gross Income	None	Special Tax Rate of 5% on Gross Income
Importation of Capital Equipment, Spare Parts and Supplies	0% Duty	Tax and Duty-Free
Importation of Raw Materials & Supplies used in Export	Tax Credit	Tax & Duty-Free
Value Added Tax	Zero Rating for Exports	0%
Employment of Foreign Nationals	Special Non-Immigrant Working Visa within 5 years from project's registration including spouse and unmarried children under 21 years of age	

Strategic Policy Reforms

Ease of Doing Business

Republic Act (R.A.) No. 11032 or the **Ease of Doing Business and Efficient Government Service Delivery Act** is an amendment to R.A. 9485 or the Anti-Red Tape Law.

Automatic approval if not decided within Prescribed Processing Time:

- **Simple transactions – 3 days**
- **Complex – 7 days**
- **Highly Technical – 20 days**

2 Strike Policy

FIRST OFFENSE: Six (6) months suspension, without pay

SECOND OFFENSE: Dismissal from the service

- Imprisonment of one (1) year to six (6) years
- Perpetual disqualification from holding public office
- Fine of between P500K to P2M
- Forfeiture of retirement benefits

Policy Reforms

Amending the Retail Trade Liberalization Act

(House Bill 9057 and
Senate Bill 1639)



Amending the Foreign Investments Act of 1991

(Senate Bill No. 2227)



Policy Reforms

**Tax Reform for Attracting
Better and High-Quality
Opportunities (TRABAHO) Bill**
(House Bill 8083)



Public Service Act
(Senate Bill 1754)



SUMMARY

STRONG COMPLEMENTATION

- Young, highly-skilled, English-speaking labor force
- Manufacturing platform for Taiwan's High Technology projects

INTEGRATION TO REGIONAL PRODUCTION NETWORKS

- ASEAN & ASEAN FTAs

ACCESS TO MARKET

- Large, growing Domestic Market
- Access to Major Markets thru GSP & FTAs (Asia, Europe & US)

PROTECTION TO TW INVESTORS

- Bilateral Investment Agreement
- Regional leadership in protection of Intellectual Property (important for TW high-technology, innovation-driven businesses)

EASE OF DOING BUSINESS & INCENTIVES

STRONG SYNERGY WITH TW's NEW SOUTHBOUND POLICY

- Geographic proximity
- Entry-point to the South & to all Major Markets

謝謝! Xie Xie

Thank you!