

PHILEXPORT News and Features

This Media Service is brought to you by the Philippine Exporters Confederation, Inc. (PHILEXPORT). Articles from **PHILEXPORT News and Features** may be reproduced without permission in accredited newspapers and magazines. The editors will appreciate receiving clippings of **PHILEXPORT News and Features** articles used.

October 25, 2013

CONTENTS

1. Businessmen push immediate creation of power reserve market

Business leaders are pushing for immediate establishment of the ancillary reserve market to help ensure stability of power supply in the country.

2. Gov't intervention to speed up economic transformation urged

The government can focus on building the capacities of local companies and workers to well position the Philippines to seize immense opportunities offered by an expanding integration of Asian markets.

3. Electronics industry roadmap needs to enhance public, academic tie-ups

Tight, effective linkages between the industry, academe, and government on four key growth areas should be the main thrust of the roadmap for the Philippine semiconductor and electronics industry, a leading sectoral association suggests.

4. EU nutrition labelling rules obligatory by 2016

Entrepreneurs targeting to ship food products to the huge European Union (EU) market may choose to comply with nutrition labelling requirements.

5. Philippines urged to align e-contracts to new UN guidelines

With e-transactions rapidly gaining acceptance and preference globally, it is time countries such as the Philippines fast-track the implementation of an international electronic communications treaty adopted by the United Nations to replace an older, outdated model that is still largely in use around the world.

6. Manufacturing revival needed for the Philippines to benefit from AEC

ASEAN will become an economic community in 2015. But is the Philippines prepared to become part of this "single market and production base"? What is the way forward for the country in the context of an ASEAN Economic Community (AEC)?

FULL STORIES

1. Businessmen push immediate creation of power reserve market

Business leaders are pushing for immediate establishment of the ancillary reserve market to help ensure stability of power supply in the country.

The Philippine Chamber of Commerce and Industry (PCCI) said a mechanism for transparent procurement of ancillary services is imperative, taking into consideration the methodology in the determination of level of services required, the contracted capacity and the dispatched ancillary.

"The ancillary services provider shall be given incentives through inclusion of ancillary services in the BOI (Board of Investments) 2014 IPP (Investment Priorities Plan) as priority activity," it suggested in a resolution.

A list of resolution was the output of the recent three-day 39th Philippine Business Conference and Expo which the PCCI endorsed to President Benigno Aquino III.

Jose Alejandro, PCCI vice president for energy, power and water, believes that a reserve power can be about 28 percent of the country's total energy requirements.

"We may not use or may use (the reserve) occasionally when we need it so that there is no power interruption," he said.

Dr. Francisco Viray, chief executive officer of Trans-Asia Oil and Energy Development Corp., said the creation of a reserve market as soon as possible, in addition to the energy market, can encourage new capacities.

"Gencos (generation companies) can bid capacity into the reserve market and/or buy ancillary services from the same reserve market," he said at the conference plenary session.

Viray also recommended for the creation of the Wholesale Electricity Spot Market (WESM) and reserve market in the Visayas and Mindanao grids.

The WESM is the market where trading of electricity is made. -- **Danielle Venz, PHILEXPORT News and Features**

2. Gov't intervention to speed up economic transformation urged

The government can focus on building the capacities of local companies and workers to well position the Philippines to seize immense opportunities offered by an expanding integration of Asian markets.

“Although it is important for countries to exploit their comparative advantage, some form of government intervention is often necessary to expedite economic transformation,” said Stephen Groff, Vice President of Asian Development Bank (ADB), in a business conference.

To achieve this, Groff asked policymakers to prioritize on facilitating firms and workers to develop their capacities they need to manufacture new products, to enter new markets and to move up the development ladder.

“Given its cost-competitiveness, there are opportunities for the Philippines to benefit from the growing cost of production in some economies in the region and the consequent relocation of industrial production from those economies,” he said.

Groff underscored the need for the country to strengthen its position in regional and industrial production networks and supply chains amid the expanding regional integration in ASEAN and in Asia.

Moreover, the ADB official also suggested other key measures to ensure that the country would achieve sustained high economic growth that generates jobs.

Groff said improvements in both quality and access to basic education are crucial for industrial upgrading and for the development of new industries that can compete internationally.

“Agriculture has to “industrialize” by deploying infrastructure, introducing technological improvements, developing agribusiness, and increasing linkages to global value chains,” he said.

He added that infrastructure investment in the Philippines needs to be increased at par with other countries in the region.

“Finally, deepening and entrenching governance reforms is the key to building the trust of the private sector, which will ultimately provide an avenue out of poverty for many by creating more and better jobs,” Groff further said.. -- **Danielle Venz, PHILEXPORT News and Features**

3. Electronics industry roadmap needs to enhance public, academic tie-ups

Tight, effective linkages between the industry, academe, and government on four key growth areas should be the main thrust of the roadmap for the Philippine semiconductor and electronics industry, a leading sectoral association suggests.

Dan Lachica, president of the Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI), identified these focus areas for collaboration as talent development, creation of a conducive business environment, promotion of the industry and development of local SMEs, and enhancement of R&D capabilities.

Lachica said the electronics industry remains the biggest contributor to overall Philippine exports, with a 43 percent share of the export pie and sales of US\$23 billion in 2012. It counts about 424 electronics firms in the first quarter of 2013, most of which are Japanese, Korean, and American companies, according to government statistics.

“Sadly, the share of electronic exports to total Philippine exports has been declining in the past four years,” he noted during a presentation on October 24 at a Department of Trade and Industry forum on industry roadmaps for greater competitiveness.

From 70 percent of overall exports in 2001, the sector’s share has progressively shrunk. From January to August 2013, electronics exports were down to 34 percent of total overseas shipments, said Lachica.

But he remains optimistic that the downtrend is reversible, saying forging a close partnership between with academic institutions and relevant government agencies can help the industry overcome challenges and become globally competitive.

The biggest industry obstacles currently are the high costs of power, shipping, wages, and imported raw materials.

Another stumbling block, said the association official, is the low level of technology in the local industry, which has stagnated at the assembly and testing stage, as he called for the need to move toward value-added activities. Even Vietnam, he said, has moved up to the production of parts and components, supported by government subsidies.

Industry stakeholders also have to contend with tighter global competition, shorter product life cycles, as well as institutional hurdles like smuggling, congested ports, and delays in the processing of operational permits.

Relevant government bodies can support the industry’s development in various ways, including ensuring lower power cost and stable supply, eliminating unnecessary fees such as barrier seals and computation on surety bonds, providing continuous

scholarship grants for operators and technicians, aggressively promoting the country as an investment site and a place of quality living, and holding electronic fairs abroad.

Meanwhile, the academic community can help by encouraging on-the-job trainings in the electronics sector, updating the curriculum of science and technology courses to address industry needs, participating in inter-school linkages like with Harvard University, and establishing incubation labs for research and development.

If government support and academic partnerships are successfully realized, the industry can “optimize business conditions” to attract more investors, acquire more quality workers, and produce value-added, competitive products, said Lachica. This, in turn, will allow the industry to aspire for higher goals for the short, medium, and long term. We’re looking at export targets of US\$37 billion in 2016, about \$52 billion in 2022, and \$112 billion in 2030, he added . -- **Romelda Ascutia, PHILEXPORT News and Features**

4. EU nutrition labelling rules obligatory by 2016

Entrepreneurs targeting to ship food products to the huge European Union (EU) market may choose to comply with nutrition labelling requirements.

Food technologist Ma. Luz Lizada said in a seminar that such description aims to inform the consumers of nutritional properties of a food in line with Codex guidelines.

Citing an EU legislation, Lizada said nutrition labelling is optional but becomes compulsory if a nutrition claim appears on the label or in advertising.

But starting December 13, 2016, an EU regulation will make nutrition labelling obligatory, whether or not the foodstuff carries nutrition or health claims, she said.

It requires a mandatory declaration on the label of energy, fat, saturated fat, carbohydrates, sugars, protein and salt.

“The legislation on nutrition and health claims protects consumers,” she noted.

Lizada said this is through prohibiting any information which is false, difficult to understand or misleading; casts doubt on the safety or nutritional adequacy of other foods; and encourages or condones excessive consumption of a food, among others.

She also cited mandatory labelling items including the name, list of ingredients, substances causing allergies or intolerances, date of minimum durability, business name, country of origin and nutritional declaration. -- **Danielle Venz, PHILEXPORT News and Features**

5. Philippines urged to align e-contracts to new UN guidelines

With e-transactions rapidly gaining acceptance and preference globally, it is time countries such as the Philippines fast-track the implementation of an international electronic communications treaty adopted by the United Nations to replace an older, outdated model that is still largely in use around the world.

Representatives from the UN and experts from Asia-Pacific countries that already apply the UN's Electronic Communications Convention (ECC) model law stressed that the treaty has superseded the Model Law on Electronic Commerce (MLEC), adopted way back in the 1990s to govern paperless trade.

The MLEC, passed in 1996, no longer addresses the current trends in e-commerce, said the foreign lecturers who came to Manila for a two-day forum on global and regional trends in virtual commerce.

The ECC, signed by 19 signatories including the Philippines in 2006, came into force on March 1, 2013.

Lucas Castellani, head of the UNCITRAL, the lead agency promoting awareness of the ECC, said the main goal of the convention is to harmonize international laws on trade to facilitate electronic communications.

Specifically, the convention seeks to remove obstacles to the legal recognition of e-contracts as being equally binding as paper-based contracts.

The ECC essentially provides guidelines on the parameters of a valid e-contract so that it is as binding—or “functionally equivalent to”—the paper version.

In their discussions, experts from South Korea, Singapore, and Australia shared how they resolved the challenges and issues that arose in adopting the ECC model in their countries, particularly when its provisions came in conflict with national laws.

Kyoungjin Choi, chair of the Department of Law in Gachon University, South Korea, said the process of adopting the ECC had almost no negative impact in his country as there were no big differences between the model law and the nation's domestic laws.

On the other hand, Jeffrey Chan Wah Teck, Deputy Solicitor-General of the Attorney-General's Chambers in Singapore, said the city-state, the first to ratify the ECC in July 2010, passed the revised Electronic Transactions Act 2010 to align the ECC with their national regulations.

UNCITRAL delegates said the Philippines should now review the fastest way to implement the ECC in order to benefit from the rising trend for electronic exchanges, especially amid the global and regional movements toward economic integration. --

Romelda Ascutia, PHILEXPORT News and Features

6. Manufacturing revival needed for the Philippines to benefit from AEC

ASEAN will become an economic community in 2015. But is the Philippines prepared to become part of this "single market and production base"? What is the way forward for the country in the context of an ASEAN Economic Community (AEC)?

These are just some of the many concerns raised in the Sept. 12 seminar-workshop on "AEC 2015: Development Challenges in the Philippines" organized by the Philippine Institute for Development Studies (PIDS), the National Economic and Development Authority, and the Asian Development Bank.

Three main points were highlighted by Dr. Rafaelita Aldaba, PIDS vice-president. One is the need to transform the manufacturing industry which is crucial to attaining inclusive growth. Second is the importance of more foreign direct investment (FDI) inflows and stronger participation of the country in regional production networks given the large market potential that the AEC offers. Third is pursuing domestic reforms necessary to maximize the benefits of regional trade agreements.

Manufacturing is important as a source of inclusive growth as it can generate more high-wage and high-productivity jobs, as compared with services, said Josef T. Yap, former PIDS president. In the region, growth has come from regional production networks that are largely beneficial to the manufacturing sector.

But the local manufacturing sector has stagnated, Yap noted. Thailand's share of manufacturing to gross domestic product in 2010 was 35.6 percent, compared with the Philippines' 21.4 percent. In 2011, Thailand recorded USD139.7 billion in inward FDI stock, compared with the Philippines' USD27.6 billion.

"Why do we have to focus on manufacturing despite its low performance? Because history shows that transformation led by industrialization is important for sustained economic growth despite arguments that we should shift to the service sector," Yap said. "A more dynamic manufacturing sector would have provided higher-paying jobs to less-educated workers, thereby making poverty reduction faster."•

Aldaba also pointed to the "hollow, missing middle" brought about by the subdued performance of small and medium enterprises (SMEs) in the manufacturing sector.

The Philippines can learn from large Korean business enterprises that subcontracted jobs to small and cottage producers, and the strategic industrial policies of Malaysia and Singapore that tapped SMEs for skills and technology transfer.

Reviving manufacturing, however, doesn't mean abandoning services as services are also inputs to manufacturing, said Erlinda Medalla, PIDS senior research fellow.

To benefit from the envisioned single market and production base under AEC, the country should look at the entire region of 600 million people as the market for Philippine products, Aldaba said. “The opportunity is there. AEC is there. It’s up to us to take advantage of it or we can just sit down and do nothing,” she said.

Socioeconomic Planning Secretary Arsenio Balisacan, chairman of the PIDS board of trustees, lauded the Institute for its efforts to educate the public on ASEAN economic integration.

“We in the executive branch must take the lead in informing the public, Congress, stakeholders, and industry on what policies should be revisited to get the economy to benefit from AEC 2015,” Balisacan said. -- **PIDS Press Release**