stratbase
ADRi PUBLICATIONS

AN ANALYSIS OF THE PHILIPPINE MANUFACTURING INDUSTRY

SER PERCIVAL K. PEÑA-REYES, PH.D.
ANGELICA NICOLETTE B. DEJARESCO

The Stratbase ADR Institute for Strategic and International Studies (ADRi) is an independent strategic research organization with the principal goal of addressing the issues affecting the Philippines and East Asia through:

1. Effecting national, regional, and international policy change or support
2. Fostering strategic ideas based on cooperation and innovative thinking
3. Providing a regional venue for collaboration and cooperation in dealing with critical issues in East Asia; and
4. Actively participating in regional debates and global conversations

With its international focus, ADRi believes that Philippine and regional security and development can be achieved through the cooperation of the public and private sectors.

ADRi traces its roots to the Stratbase Research Institute (SRI) established in 2004. SRI focused on providing strategic solutions to domestic governance, socio-economic, and other policy concerns. It aimed to contribute to Philippine development through research and responsive policy alternatives.

As SRI sought solutions, East Asia's affairs frequently inserted themselves into the equation. There was and is a clear relation between domestic and regional affairs; movement in one reverberates in the other.

AN ANALYSIS OF THE PHILIPPINE MANUFACTURING INDUSTRY

WRITTEN BY
SER PERCIVAL K. PEÑA-REYES, PH.D.
ANGELICA NICOLETTE B. DEJARESCO

stratbase + ADRi PUBLICATIONS
STRATBASE ADRi FOR STRATEGIC AND INTERNATIONAL STUDIES
Manila, Philippines

Stratbase ADRi
Albert Del Rosario Institute for Strategic and International Studies

A Publication of the Stratbase Albert Del Rosario Institute for
Strategic and International Studies

Stratbase ADRi Website: www.adrinstitute.org
Facebook: https://facebook.com/stratbaseadri/
Twitter: https://twitter.com/stratbaseadri/

For information, address ADRi Publications:
The Financial Tower, 6794 Ayala Avenue, Makati City 1226

Design by Carol Manhit
Text set in 11 type Minion Pro

ABOUT THE ORGANIZATION

Victor Andres "Dindo" C. Manhit is the President of Stratbase Albert Del Rosario Institute for Strategic and International Studies. Concurrently, he is Philippine Country Head of the renowned BowerGroupAsia (BGA). He was a former Chair and recently retired Associate Professor of the Political Science Department of De La Salle University. Among the government positions he held include Undersecretary for External Affairs and Special Concerns of the Department of Education, Culture and Sports and Deputy Secretary for Administration and Financial Services of the Philippine Senate. Meanwhile, his legislative experience encompasses the 8th, 9th, 10th, and 12th Congress as the Chief of Staff of the late Former Senate President Edgardo Angara and senior policy research adviser in key senate committees.

BOARD OF TRUSTEES

Ambassador Albert del Rosario† was the Secretary of Foreign Affairs of the Philippines from 2011 to 2016. He also served as Philippine Ambassador to the United States of America from 2001 to 2006. Prior to entering public service, Amb. Del Rosario was on the Board of Directors of over 50 firms. He received numerous awards and recognition for his valuable contributions to the Philippines and abroad.

Manuel V. Pangilinan is CEO and managing director of First Pacific Company Limited. He is also the chairman of Metro Pacific Investments Corp., Philippine Long Distance Telephone Company, Manila Electric Co. (Meralco), and Smart Communications, among others. He is a recipient of several prestigious awards including the Ten Outstanding Young Men of the Philippines (TOYM) Award for International Finance in 1983 and the Presidential Pamana ng Pilipino Award by the Office of the President of the Philippines in 1996.

Edgardo G. Lacson is an honorary chairman of the Philippine Chamber of Commerce and Industry (PCCI). He is the Chairman of the Employers Confederation of the Philippines. He holds numerous leadership positions in various companies. He served as a Director of The Philippine Stock Exchange, Inc. and is an Honorary Member of the Rotary Club-Diliman.

Benjamin Philip G. Romualdez is the former president of the Chamber of Mines of the Philippines. He also holds, among others, the following positions: Chairman of MST Management, Inc., President of Oxford University and Cambridge University Club of the Philippines, Director at Philippine-Australia Business Council (PABC), Trustee/Vice President of Doña Remedios Trinidad Romualdez Medical Foundation, Inc, and Trustee/Vice President of Dr. Vicente Orestes Romualdez (DVOR) Educational Foundation, Inc.

Ernest Z. Bower is a senior adviser for Southeast Asia at the Center for Strategic and International Studies (CSIS), having founded the first chair for the region. He is CEO of BowerGroupAsia (BGA) and a leading expert on Southeast Asia.

Renato C. de Castro, Ph. D is a full professor of international studies at De La Salle University – Manila (DLSU). In 2009, Dr. de Castro became the U.S. State Department ASEAN Research Fellow from the Philippines and was based in the Political Science Department of Arizona State University. A consultant in the National Security Council of the Philippines during the Aquino administration, he has written over 80 articles on international relations and security.

Judge Raul C. Pangalangan, Ph. D is a judge of the International Criminal Court. He was previously the dean of the University of the Philippines College of Law and publisher of the Philippine Daily Inquirer. He has taught in many universities around the world, such as Melbourne University, Hong Kong University, and Harvard Law School.

Epictetus E. Patalinghug, Ph. D is a professor emeritus at the Cesar E.A. Virata School of Business, University of the Philippines (UP), Diliman. He received his doctorate degree in Agricultural Economics from the University of Hawaii. His works have been featured in various publications around the world.

Francisco A. Magno, Ph. D is the executive director of the Jesse M. Robredo Institute of Governance and former President of the Philippine Political Science Association. He is a professor of political science at DLSU and previously served as Chair of the Political Science Department and Director of the Social Development Research Center.

Carlos Primo C. David, Ph. D. is a licensed geologist and professor in UP Diliman having obtained his PhD in Environmental Science and Geology from Stanford University. He is a former the Executive Director of DOST-PCIEERD. A project leader of the DOST's Project NOAH, Dr. David pioneers short term rainfall forecasting in the country and climate change-related research on water resources. (On government leave)

CONTENTS

ABSTRACT

This paper provides an analysis of the Philippine manufacturing industry. It describes the general prospects of the industry and its impact on the Philippine economy. It cites the incentives provided to drive the industry in the Philippines and compares such incentives with those in neighboring ASEAN countries. It is worth mentioning that majority of Filipinos have a positive outlook on the potential of the sector to contribute to economic growth and development. According to Pulse Asia Research, 89% of Filipinos agree that the government should provide support to the manufacturing sector. Filipinos consider manufacturing activities as crucial in creating livelihood opportunities for local businesses that support manufacturing operations (62%) and making goods more affordable and accessible to Filipino consumers (62%). Survey respondents also identify the top three actions that should be carried out by the government to boost the manufacturing sector: 1) provide opportunities to train workers to upgrade or learn new work skills (61%); 2) provide more incentives that are competitive to other countries (50%); and 3) develop more economic zones (45%). So, indeed, the Philippine manufacturing sector needs to be made more competitive in order to attract more foreign and domestic investments. In order to achieve this, the government needs to recalibrate inappropriate regulatory frameworks that are not beneficial to the manufacturing sector. It also needs to make economic policy and decision making more transparent to the concerned parties. This paper notes that policymakers should sustain the following changes that can be done to improve the landscape, including actualizing the incentives provided for the manufacturing sector: 1) expansion of domestic market production and supplier base; 2) moving up the value chain by upgrading physical and ICT infrastructure and uplifting the level of Filipino workers' skills; 3) enhancing linkages among sectors; 4) full implementation of the Anti-Red Tape Authority and Ease of Doing Business laws; and 5) increasing domestic value added.

AN ANALYSIS OF THE PHILIPPINE MANUFACTURING INDUSTRY

SER PERCIVAL K. PEÑA-REYES PH.D.
ANGELICA NICOLETTE B. DEJARESCO

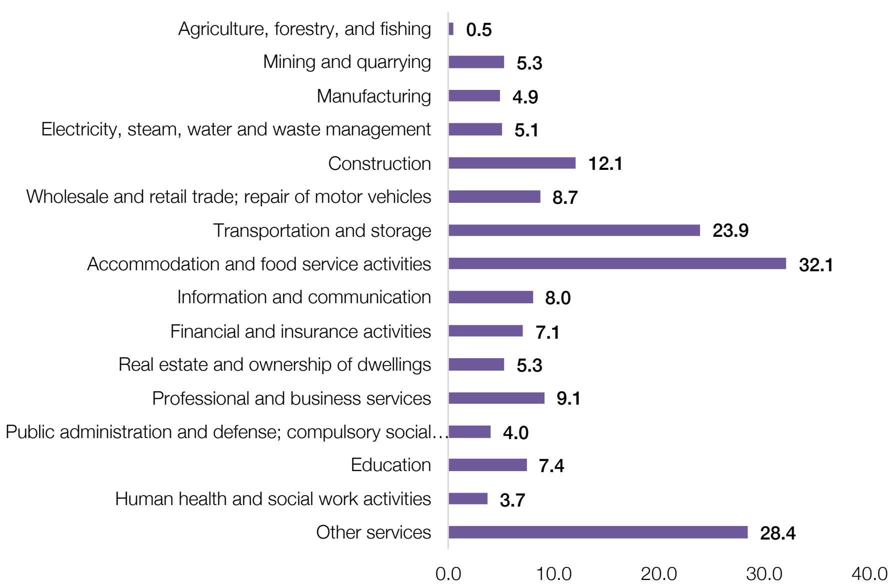
This paper aims to analyze the Philippine manufacturing industry, offering insights on its overall prospects and its impact on the economy. The study also aims to identify incentives driving the industry in the Philippines, drawing comparisons with neighboring ASEAN countries. The analysis will delve into the ease of doing business and challenges within the sector, as well as recommendations.

An Overview of the Philippine Manufacturing Industry

In 2022, the gross domestic product (GDP) of the Philippines grew by 7.6% on a national level, indicating an improvement from the 5.7% growth of the previous year. All sixteen industries posted growth, including manufacturing. The top industries according growth rates are the following: accommodation and food service activities at 32.1%; other services (e.g. arts, culture and recreational activities, personal services, etc.) at 28.4%; and transportation and storage at 23.9%. Manufacturing recorded a relatively slower growth at 4.9% (Philippine Statistics Authority, 2023).

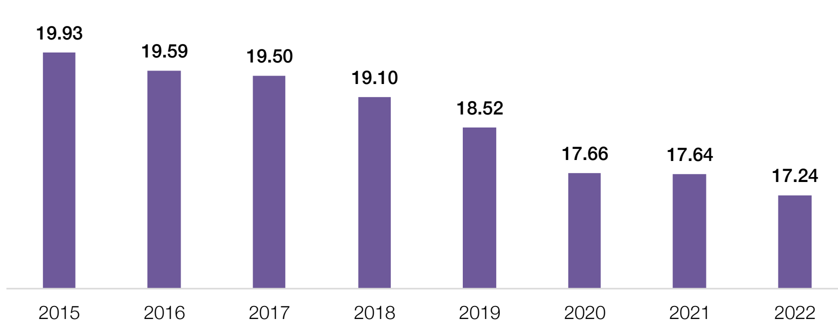
The importance of manufacturing in the economy is measured by the value added of manufacturing as percentage of GDP. Value added represents the net output of a sector after summing up all outputs and subtracting intermediate inputs. Analyzing data from 2015 onwards reveals a downward trend in the value added for the Philippines, suggesting a declining significance of the sector to the economy.

Figure 1 . GDP by Industry, Growth Rates
(2022)



Source: Philippine Statistics Authority

Figure 2 . Value Added by Manufacturing Sector as Percent of Philippine GDP

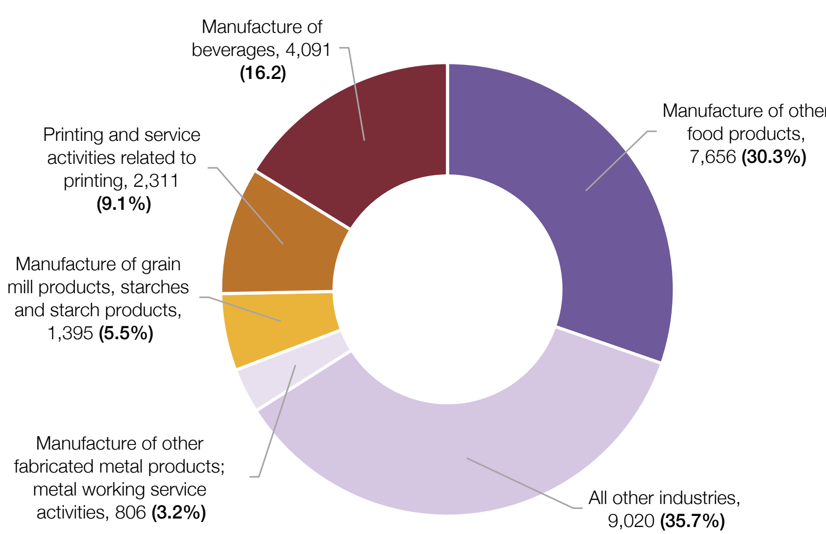


Source: TheGlobalEconomy.com

According to the Philippine Statistics Authority (PSA), the growth of both the volume and value of production slipped in March 2023. The Value of Production Index grew by 4.9% in March, slower than the 9.0% growth achieved in February. Meanwhile, for volume, the growth of production declined from 5.2% in February to 2.2% in March.

The PSA's 2021 Annual Survey of Philippine Business and Industry (ASPBI) reported that a total of 25,279 establishments in the formal sector of the economy were engaged in manufacturing activities. This denotes a 14.5% increase from the 22,083 establishments recorded in 2020. Among the industry subgroups, manufacturing of other food products had the highest number of establishments at 7,656 or approximately one-fourth (30.3%) of the total. Following it was the manufacturing of beverages with 4,091 establishments (16.2%), printing and service activities related to printing with 2,311 establishments (9.1%), and manufacturing of grain mill products, starches and starch products with 1,395 establishments (5.5%).

Figure 3 . Distribution of Establishments Under Manufacturing Section by Industry Group: Philippines 2021



Note: Details may not add-up to total due to rounding
Source: Philippine Statistics Authority, 2021, ASPBI (Final Results)

Meanwhile, the manufacturing of electronic components subgroup employed the highest number of workers. The total manufacturing industry employed a total of 1.17 million workers in 2021, showing a decline of -1.9% from the 1.19 million workers in 2020. Out of the 1.17 million workers, the manufacturing of electronic components employed 189,300 workers (16.1%). Following it are the manufacturing of other food products with 121,275 workers (10.3%) and the manufacturing of parts and accessories for motor vehicles with 75,200 workers (6.4%).

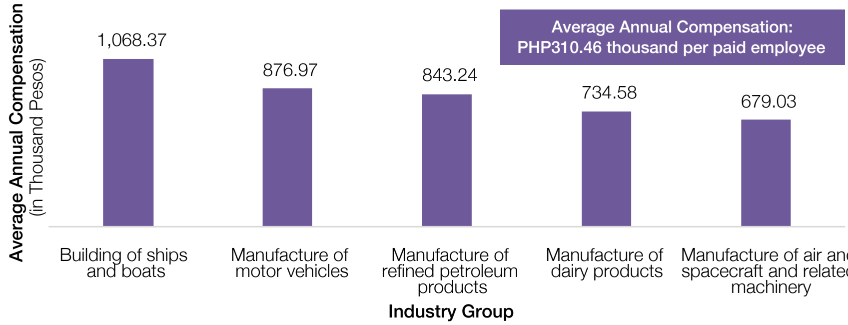
Figure 4 . Distribution of Employment of the Top Five Industry Groups for Manufacturing Section: Philippines 2021

Source: Philippine Statistics Authority, 2021, ASPBI (Final Results)

The manufacturing sector employed an average of 46 workers per establishment in 2021, denoting a decrease of 14.8% from the 54 workers per establishment in 2020. Among subgroups, the manufacturing of electronic components had the highest average employment at 1,413 workers per establishment, while the manufacturing of musical instruments had the least average with 5 workers per establishment.

In terms of compensation, the total amount paid to the employees of the sector amounted to PHP360.73 billion, resulting in an average annual compensation of PHP310,460 per employee. This reflects a 9.3% growth compared to the reported annual average annual pay of PHP284,150 per employee in 2020. By subgroup, the building of ships and boats paid the highest average annual compensation of PHP1.07 million per paid employee in 2021, followed by the manufacturing of motor vehicles with an average annual compensation of PHP876,970 per paid employee. The manufacturing of musical instruments had the lowest annual compensation at PHP48,170 per employee.

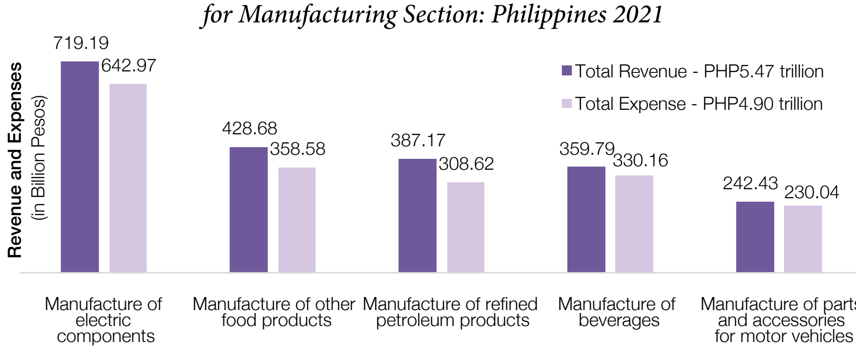
Figure 5 . Distribution of Employment of the Top Five Industry Groups for Manufacturing Section: Philippines 2021



Source: Philippine Statistics Authority, 2021, ASPBI (Final Results)

The total revenue generated by the manufacturing sector reached PHP5.47 trillion in 2021, indicating an increase of 7.9% from the PHP5.07 trillion recorded in the previous year. In terms of expenses, the sector incurred a total of PHP4.90 trillion, reflecting an 8.5% increase from the previous year's PHP4.51 trillion. The top three groups in terms of total revenue and total expense are the following: manufacturing of electronic components with total revenue amounting to PHP719.19 billion (13.1%) and total expense of PHP642.97 billion (13.1%); manufacturing of other food prosducts with total revenue of PHP428.68 billion (7.8%) and total expense of PHP358.58 billion (7.3%); and manufacturing of refined petroleum products with PHP387.17 billion (7.1%) total revenue and PHP308.62 billion (6.3%) total expense.

Figure 6 . Total Revenue and Total Expense of the Top Five Industry Groups for Manufacturing Section: Philippines 2021



Source: Philippine Statistics Authority, 2021, ASPBI (Final Results)

Table 1 . A Summary of External Trade Performance in the Philippines
(May 2022, April 2023, and May 2023)

Indicator	May 2022		April 2023		May 2023	
	FOB Value (in Million USD)	**Year-on-Year Growth** (%)	**FOB Value** (in Million USD)	**Year-on-Year Growth** (%)	**FOB Value** (in Million USD)	**Year-on-Year Growth** (%)
Total Trade	18,198.73	20.8	14,650.19	-16.8	17,278.67	-5.1
Balance of Trade	-5,560.22	74.9	-4,842.50	-9.0	-4,396.01	-20.9
Exports	6,319.26	6.3	4,903.85	-20.2	6,441.33	1.9
Imports	11,879.48	30.2	9,746.35	-15.0	10,837.34	-8.8

Source: Philippine Statistics Authority

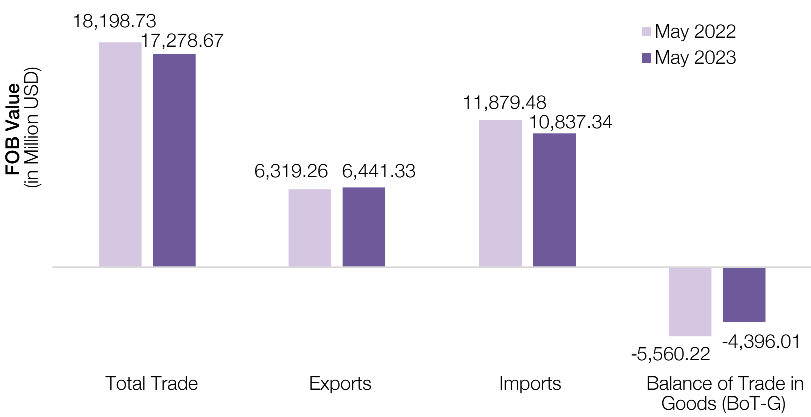
The revenue per expense ratio for manufacturing was noted at 1.12 in 2021, reflecting the same ratio as in 2020. This translates to a revenue of PHP1.12 for every peso spent in the operation of the business. By subgroup, the manufacturing of dairy products had the top revenue per peso expense ratio at 1.36. Following it are the manufacturing of batteries and accumulators at 1.28 and manufacturing of electric lightning equipment at 1.27.

As of May 2023, PSA data shows that the total external trade in goods of the Philippines amounted to USD17.28 billion, a decline of -5.1% from USD18.20 billion versus the previous year in the same period. The previous month, April 2023 also shows an annual decrease at -16.8%, while in May 2022, an annual rate of growth at 20.8% was recorded. Imported goods comprised 62.7% of total external trade, while the balance of 37.3% were exported goods.

The balance of trade in goods or the difference between the value of exports and imports amounted to -4.40 billion in May 2023, indicating a trade deficit with a decrease of -20.9%. In contrast, an annual increase of 74.9% was recorded in the previous year May 2022.

Total export sales for the Philippines amounted to USD6.44 billion in May 2023, compared to the USD6.32 billion sales in May 2022. This shows an annual increase of 1.9%. However, for January to May 2023, total export earnings amounted to USD28.21 billion, a decline of -11.5% from the USD31.89 billion of the same period in the previous year.

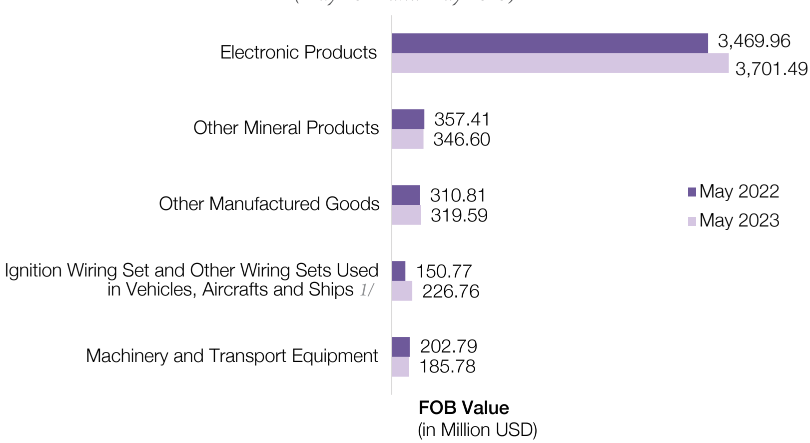
Figure 7 . Value of Philippine Export and Import Statistics
(May 2022 and May 2023)



Source: Philippine Statistics Authority

Breaking down exports by commodity group, electronic products continued to be the top group in May 2023 with total earnings of USD3.70 billion or 57.5% of total exports. The next groups with top earnings are mineral products with a value of USD346.60 million (5.4%) and other manufactured goods at USD319.59 million (5.0%).

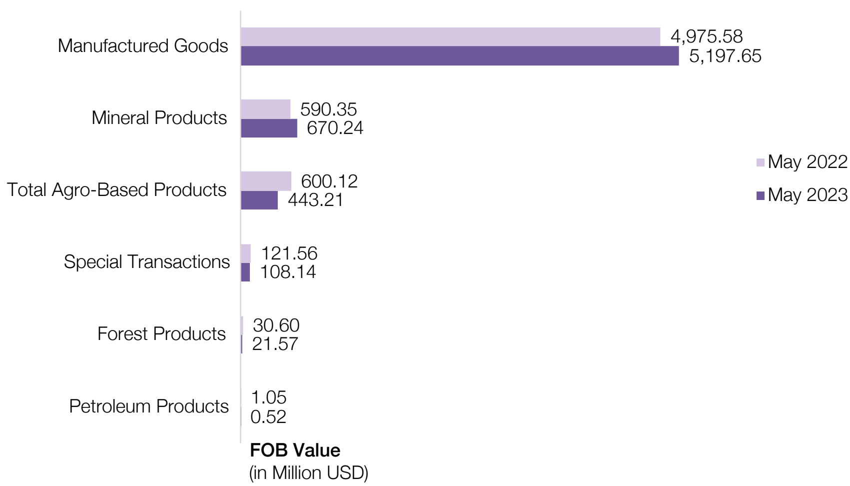
Figure 8 . Top Five Commodity Groups in Terms of Value of Exports
(May 2022 and May 2023)



1/ – consists only of electrical wiring harness for motor vehicles
Source: Philippine Statistics Authority

Looking at the major type of goods, the export of manufactured goods made the largest contribution to the country's total exports in May 2023, amounting to USD5.20 billion (80.7%). This demonstrates the importance of manufacturing to the country's export industry. Following manufactured goods was mineral products at USD670.24 million (10.4%) and total agro-based products at USD443.32 million (6.9%)

Figure 9 . Value of Philippine Exports by Major Type of Goods
(May 2022 and May 2023)



Source: Philippine Statistics Authority

Incentives for Manufacturing

Philippines

The Board of Investments (BOI) declared that the government aims to accomplish the following goals by 2025 for the Philippines: (1) link and integrate manufacturing with agriculture and services industries; (2) create a manufacturing innovation ecosystem; and (3) upgrade technology to a level that is globally competitive and innovative. To accomplish these goals, one of the government's strategies is to attract foreign direct investments, predominantly those that would bring in new technologies, by offering incentives to qualified manufacturing companies.

Philippine Economic Zone Authority (PEZA)
The Philippine Economic Zone Authority (PEZA), a government agency under the Department of Trade and Industry (DTI), promotes investment in the country by offering fiscal and non-fiscal incentives to qualified companies. These incentives are designed to encourage foreign investors to set up companies in the Philippines as well as grow their business during the first few years of operations.

Manufacturing companies that are involved in the following business activities are eligible for incentives: (1) export manufacturing; (2) agro-industrial export manufacturing; and (3) agro-industrial biofuel manufacturing.

PEZA provides an income tax holiday to qualified manufacturing companies. These companies have a 100% exemption from corporate income tax (CIT) for a given amount of time. The duration of the income tax holiday depends on the type of project, with pioneer projects receiving the longest period of income tax holiday.

Table 2 . Type of Project and Corresponding Income Tax Holiday Period from PEZA

Project	Income Tax Holiday Period
Non-pioneer project	4 years
Pioneer project	6 years
Expansion project	3 years*

*The income tax holiday applies to incremental sales

Source: Philippine Economic Zone Authority

Income tax holiday extensions are granted by PEZA if the business meets any of the criteria below, with each item equivalent to an extension of one year:

- Annual net foreign exchange earnings of USD500,000 for the first 3 years;
- The project's capital equipment to labor ratio does not exceed USD10,000 to 1 for the year preceding the extension year; and
- The cost of indigenous raw materials is at least 50% of the total cost of raw materials for the year preceding the extension year.

PEZA also provides non-fiscal incentives for qualified manufacturing companies, as follows:

- Simplified customs procedures;
- Employment of non-resident foreign nationals where eligible companies may employ foreigners in supervisory, technical, or advisory positions; and
- Special non-immigrant visas with multiple-entry privileges. Foreign investors, officers, and employees are eligible, including their spouses and unmarried children under the age of 21.

Board of Investments (BOI)

The BOI, another agency under the DTI, aims to promote investment in the Philippines, particularly focusing on IT and Research and Development. While its emphasis is on those sectors, it also offers incentives to eligible manufacturing companies. In the manufacturing industry, companies contributing to the development of a preferred area of business are eligible for BOI incentives, particularly motor vehicles, shipbuilding, aerospace parts and components, chemicals, virgin paper pulp, copper wires and rods, basic iron and steel, tool and die, and green manufacturing.

Similar to PEZA, the BOI offers an income tax holiday for qualified businesses, with the duration of the exemption depending on the type of project.

Table 3 . Type of Project and Corresponding Income Tax Holiday Period from BOI

Project	Income Tax Holiday Period
Non-pioneer project	4 years
Pioneer project	6 years
Projects located in less developed areas (regardless of pioneer status)	6 years
Expansion and modernization project	3 years*

**The income tax holiday applies to incremental sales*

Source: Philippine Economic Zone Authority

Income tax holiday extensions are also granted with the criteria similar to that of PEZA's. The total period of income tax holiday cannot exceed eight years. While the BOI does not grant income tax holiday incentives to firms located in Metro Manila, there are exemptions for Metro Manila based firms that meet at least one of the following conditions: (1) within a government industrial estate; (2) a service-type project with no manufacturing facilities; (3) a power-generating plant; (4) an exporter with expansion projects.

Apart from income tax holidays, other fiscal incentives offered by the BOI include the following:

- No duties when importing capital equipment, spare parts, or accessories;
- Tax credit on raw materials, supplies, and semi-manufactured products;
- Additional deduction from taxable income for labor expenses (if the company is not under the income tax holiday period); and
- Additional deduction from taxable income for necessary and major infrastructure works (if the company is not under the income tax holiday period).

The BOI also grants non-fiscal incentives for qualified companies, namely:

- Simplified customs procedures;
- Employment of foreign nationals where BOI-registered companies may employ foreign nationals for supervisory, technical, or advisory positions;
- Importation of consigned equipment. Validity of this incentive is 10 years; and
- Permission to operate a bonded manufacturing or trading warehouse, subject to the rules and regulations of the Bureau of Customs.

Climate Incentives

With the goal of encouraging energy efficiency and conservation, the BOI offers incentives through the Climate Incentives for Manufacturing (CLIMA). Through CLIMA, the BOI grants duty exemption on imported capital equipment and an income tax holiday for qualified projects. These incentives are extended to companies engaged in the manufacturing of goods or the establishment of facilities that aim to: (1) lead to the efficient use of energy, natural resources, or raw materials; (2) minimize pollution; and (3) reduce greenhouse gas emissions.

Manufacturing Resurgence Program (MRP)

The Manufacturing Resurgence Program (MRP) is an incentive of the DTI that aims to rebuild the current capacity of industries, strengthen new ones, and sustain the competitiveness of industries with comparative advantage. It seeks to push agriculture-based manufacturing industries that generate employment and support small-holder farmers and agri-cooperatives through product development, value-adding, and integration to large enterprises for marketing and financing objectives. The MRP introduces innovative strategies such as improving interagency collaboration, reducing the cost of transportation and logistics, and resolving supply chain gaps.

Comprehensive Automotive Resurgence Strategy (CARS)

Introduced in 2015, the Comprehensive Automotive Resurgence Strategy (CARS) program provides both fiscal and non-fiscal incentives to auto manufacturers to attract more foreign investments and drive the development of the country as an automotive manufacturing hub in the region. However, participants must produce 200,000 units of their enrolled vehicle model within six years to receive incentives.

2022 Strategic Investment Priority Plan (SIPP) and the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act

With the launch of the program, tax incentives expanded to several new areas. The Strategic Investment Priority Plan (SIPP) is set to benefit investors in a wide range of industries that the government considers vital to upgrading its industrial and high-tech sectors, from electric vehicles to medical devices to artificial intelligence.

The SIPP details activities that qualify for incentives under the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act, a fiscal stimulus legislation that was enforced in 2021 to aid in the recovery from the economic disruption brought about by the COVID-19 pandemic. According to DTI Undersecretary Rafaelita Aldaba, the CREATE Law is aligned with the agency's industrial policy by promoting investments that will propel a fourth industrial revolution (Crismundo, 2022).

Incentives are in the form of income tax holidays (ITH), enhanced deductions (EH) and a preferential 5% CIT rate. Normally, an incentive will have a 4-7-year term of ITH before transitioning into 5-10 years of either EH or CIT. Investors can decide whether to claim EH or CIT if engaged in export activities.

The tenure of the incentive depends on which of the three tiers the relevant activity falls under, whether the activity is domestic or for export, and whether the investment is in the National Capital Region (NCR), metropolitan areas, or areas contiguous and adjacent to the NCR or other regions. The tiers are as follows:

- TIER I activities include all activities listed in the 2020 IPP as adjusted by Memorandum Circular No. 2021-005 unless listed in Tier II or Tier III. Activities listed in the 2020 IPP include, but are not limited to:

  - Qualified manufacturing activities, including agro-processing
  - Agricultural, fishery, and forestry products
  - IC design
  - Creative industries and knowledge-based services
  - Maintenance, repair, and overhaul of aircraft
  - Charging/refueling stations for alternative energy vehicles
  - Industrial waste treatment
  - Telecommunications
  - Mass housing
  - Infrastructure and logistics

In addition, the 2020 IPP lists many other activities that now apply under the SIPP, such as activities that have high potential for job creation; take place in sectors with market failures resulting in under provision of basic goods and services; generate value creation through innovation, upgrading, or moving up the value chain; provide essential support for sectors that are critical to industrial development; and are emerging owing to potential comparative advantage.

- TIER II focuses on activities that upgrade the value chains in the Philippines. This includes, but is not limited to:

  - Green ecosystems: Electric vehicle (EV) assembly, manufacture of EV parts, renewable energy, energy storage, recycling, etc.
  - Health-related activities: Manufacturing in support of the Vaccine Self-Reliance Program and other health-related programs, medicines, active pharmaceutical ingredients, specialty hospitals, etc.
  - Defense-related activities: As endorsed by the Department of National Defense, the Armed Forces of the Philippines, or the

National Security Council

- Industrial value-chain gaps: Activities that address value-chain gaps in steel, textiles, chemicals, green metals processing, crude oil refining, and lab-scale wafer fabrication
- Food security-related activities
- Activities that produce supplies, parts and components and intermediate services that are not locally produced but are critical to industrial development and import-substituting activities including crude oil refining

• TIER III refers to activities that are strategically significant for transforming the Philippine economy. This includes, but is not limited to, the following:

- Research & development and activities adopting advanced digital production technologies of the fourth industrial revolution: Robotics, artificial intelligence (AI), additive manufacturing, data analytics, digital transformative technologies, nanotechnology, biotechnology, production and/or adoption of new hybrid seeds, etc.
- Highly technical manufacturing, and production of innovative products and services: Manufacture of equipment, parts, and services, commercialization of intellectual property (IP) and R&D products/services, aerospace, medical devices, Internet of Things (IoT) devices and systems, full-scale wafer fabrication, advanced materials, etc.
- Establishment of innovation support facilities: R&D hubs, Centers of Excellence, science and technology parks, innovation incubation centers, tech startups, startup enablers, incubators and accelerators, and space-related infrastructures.
- Activities shall include:
    - Research and development resulting in demonstrably significant value-added, higher productivity, improved efficiency, breakthroughs in science and health, and high-paying jobs

» Generation of new knowledge and intellectual property registered and/or licensed in the Philippines
» Commercialization of patents, industrial designs, copyrights and utility models owned or co-owned by a registered business enterprise
» Highly technical manufacturing
» Are critical to the structural transformation of the economy and require substantial catch-up efforts

While the income tax holidays are the same for both export-oriented and domestic-oriented firms, the enhanced deductions and corporate income tax rate appear to be longer for the exporters. The incentive structure is summarized in Tables 4 and 5.

Table 4 . Incentive Scheme for Exporters

Region	Tier I	Tier II	Tier III
National Capital Region	4 years of ITH + 10 years of ED/CIT	5 years of ITH + 10 years of ED/CIT	6 years of ITH + 10 years of ED/CIT
Metropolitan areas or areas contiguous and adjacent to the National Capital Region	5 years of ITH + 10 years of ED/CIT	6 years of ITH + 10 years of ED/CIT	7 years of ITH + 10 years of ED/CIT
All other regions	6 years of ITH + 10 years of ED/CIT	7 years of ITH + 10 years of ED/CIT	7 years of ITH + 10 years of ED/CIT

Source: Philippine Economic Zone Authority

Table 5 . Incentive Scheme for Domestic Market

Region	Tier I	Tier II	Tier III
National Capital Region	4 years of ITH + 5 years of ED	5 years of ITH + 5 years of ED	4 years of ITH + 6 years of ED
Metropolitan areas or areas contiguous and adjacent to the National Capital Region	5 years of ITH + 5 years of ED	6 years of ITH + 5 years of ED	7 years of ITH + 5 years of ED
All other regions	6 years of ITH + 5 years of ED	7 years of ITH + 5 years of ED	7 years of ITH + 5 years of ED

Source: Philippine Economic Zone Authority

Other ASEAN Countries

Thailand

Thailand's Board of Investment (BOI) has introduced a package of incentives for promoting investment and upgrading the economy. The new incentives took effect on January 1, 2023, as follows:

- Investor retention and expansion program: This introduces tax exemptions to reward investors that have long been active in Thailand. Companies that have been given investment benefits by the Thai government for at least three projects over the last 15 years with a combined investment value of at least THB10 billion (USD265 million), and that are seeking approval for a new project or an expansion project worth THB500 million or more, can receive special incentives - a corporate income tax (CIT) exemption for up to three years or a 50% CIT reduction for up to five years depending on the type of activity.
- Relocation program: The incentive establishes a new relocation program to reward companies that relocate their activities to Thailand with CIT exemptions. These include regional headquarters, research and development centers, and manufacturing facilities. However, the CIT exemption will only apply to revenue from relocated manufacturing activities.
- New promoted industry categories: Industries will be considered "promoted industry sectors" with the passing of the incentive package. Promoted industries are qualified to apply for the BOI's investment promotion policies that include tax, land, hiring incentives, to name a few. The newly promoted industries specifically target environmentally sustainable industries which include the manufacturing of hydrogen vehicles, installation of electric vehicle battery swapping stations, novel food, organic food, hydrogen production, and power and steam generation from hydrogen.
- Premium incentives for advanced technology: The incentive grants premium incentives to investments in industries entailing innovation and technology which the BOI classifies as "A+1" investments. Industries covered are biotech, nanotech, and advanced materials. Qualified projects

can receive CIT exemptions without a cap for up to 10 to 13 years depending on the activity.

• New special investment zones: Four regions of the country covering 16 provinces will be designated as special investment zones. These zones will benefit from numerous incentives.

• Ease of doing business: The Sub-Committee on the Resolution of Obstacles and Facilitation of Investment will be established. According to the BOI, the said sub-committee will cooperate with the Prime Minister's Office and other agencies to improve the ease of doing business in Thailand by addressing pain points raised by investors.

Thailand also approved new tax incentives to encourage companies to invest in productivity enhancement and automation. The incentives provide a three-year corporate income tax exemption covering 100% of investments in Industry 4.0 upgrade. This new measure supplements the already existing schemes to boost productivity, automation, and digital technology in the country. Industry 4.0 is a term used to define the digital transformation of manufacturing, including all the current trends in automation, data exchange technologies and digital services like cloud computing, internet of things (IoT), Cyber-physical system (CPS) or cognitive computing (CC).

The country has also pushed for incentives specifically for the semiconductors manufacturing subgroup. As well as related industries. Thailand's BOI has approved an increase of the benefits given to advanced manufacturing companies including electronics investing in research and development. They may receive an additional corporate income tax exemption for up to five years with no ceiling, the number of additional years depending on the amount of R&D investment.

Vietnam

In the first half of 2023, the manufacturing industry in Vietnam took the lead in terms of investment with total capital exceeding USD6.64 billion. This comprises 61.2% of the total registered investment capital. The industry also led in terms of the number of new projects.

The Vietnamese government has introduced incentives to retain the appeal to international investors and continuously strengthen its offerings. The incentives introduced are as follows:

- Corporate Income Tax (CIT): CITs are granted to both foreign and local investors. Below is an overview of the rates applied based on location, industry, investment zone, project scale, and other factors.
    - Preferential tax rates
        - » 10% for the lifetime of the entire project
        - » 10% for 15 years from the first year of income generation
        - » 17% for the lifetime of the entire project
        - » 17% for 10 years from the first year of income generation
    - Tax holiday rates
        - » Tax exemption for 4 years, 50% reduction of payable tax amounts for 9 subsequent years
        - » Tax exemption for 4 years, 50% reduction of payable tax amounts for 5 subsequent years
        - » Tax exemption for 2 years, 50% reduction of payable tax amount for 4 subsequent years.

- Import Duties/ Tax:
    - Exemption of import duties or tax on goods imported as fixed assets
    - Exemption of import duties on raw materials, supplies, and parts used for manufacturing purposes

- Land rent and levies: Exemption, reduction of land rents, and land levy
- Accelerated depreciation, increasing the deductible expenses upon calculation of taxable income: Depreciation in the direction of accelerating capital recovery in the first years of using fixed assets

With the economic transitioning from agricultural sector to industrial sector, Supporting Industries (SIs) plays an important role in Vietnam. SIs, which refer to industries that involve manufacturing materials, accessories, components and spare parts used for assembling finished goods, are granted the following:

- CIT incentives: Exemption for the first four years, 50% reduction for the subsequent nine years, and preferential tax rate of 10% for 15 years.

• Import duties: Exemption of import tax for imported machines and equipment to form fixed assets.

• Value-added tax (VAT): Income from SI may be declared on a quarterly basis. If a company generates income from both supporting industrial products and from other business activities, it shall declare VAT on a quarterly basis or may declare VAT on a monthly basis and notify such to its managing tax authorities.

• Land rental fee: Investment projects of manufacturing in the SI field are exempt from land rent for seven years. Investment projects in craft villages and projects on technical infrastructure located in the SI zone will be eligible for exemption for 11 years.

Indonesia

Since 2015, the Jokowi administration of Indonesia has rolled out 16 reform packages to revive economic growth in the country. The packages aim to remove obstacles to conducting business, boost exports, and achieve high economic growth. The initiatives cover all sectors including manufacturing. On top of reform packages, the government has also provided a variety of policy incentives specifically targeted at manufacturing to encourage greater investment in the sector. The key strategy to enhance the manufacturing sector is known as Industry 4.0. The government hopes that this program will give the sector a new chance to be the country's engine of growth in the coming years. The reforms include the following:

- Efforts to reduce regulatory and licensing burdens
    - Revoking 324 regulations and revising 75 regulations as of 2016
    - Introducing an integrated one-stop service center to simplify licensing procedures and eliminate the challenge of fragmented standards for each region in 2015
    - Adding more working days and time to facilitate the process of land registration and certification, opening more outlets to provide registration and certification services, and introducing electronic registration systems
    - Implementing an OSS system of business licensing

- Improved infrastructure
    - Establishment of special economic zones (SEZs) throughout Indonesia to reduce logistics cost and facilitate trade
    - Improved access to electricity especially for industries that rely on heavy machinery and stead electricity
    - Program to reduce fuel and gas prices

- Access to finance for micro, small, and medium-sized businesses (MSMEs)
    - People's Business Credit (KUR) to provide credit to MSMEs with lower interest rates to stimulate the sector
    - Export Oriented People's Business Credit (KURBE) to provide lower interest rates on loans to businesses involved in export activities
    - Import Ease of Export Destination (KITE), a program that reduces costs related to the import of materials used in manufacturing export-oriented products

The government has also offered fiscal incentives to support the manufacturing industry, offering of 19 out of 50 tax incentives specifically for this sector. These incentives include tax allowances, tax holidays, import duty exemptions, and subsidized credit through the KUR program.

In Industry 4.0, a term that refers to the Fourth Industrial Revolution in manufacturing, the government acknowledges the promise of new technology to achieve higher growth through export promotion and "reindustrialization." The three factors identified to achieve this are a return to the net exporter position, rapid improvement in the country's productivity-to-cost ratio, and an increase in research and development expenditure.

Malaysia

For Malaysia, the main tax incentives for companies in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance (ITA).

A company granted Pioneer Status receives the benefit of partial exemption from payment of income tax. It pays tax on 30% of its statutory income with the exemption period, which commences from its production day (i.e., day its production level reaches 30% capacity). Meanwhile, the Investment Tax

Allowance (ITA) serves as an alternative to Pioneer Status. A company granted ITA receives an allowance of 60% on qualifying capital expenditure (i.e., factory, plant, machinery and other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is made. Other incentives include the following:

- Incentives for relocating manufacturing activities to promoted areas
- Incentives for high technology companies
    - Pioneer Status with income tax exemption of 100% of statutory income for a period of five years; or
    - Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is made allowance can be utilized to offset against 100% of statutory income for each year of assessment. Any unutilized allowances can be carried forward to subsequent years until fully utilized

- Incentives for strategic projects or those that involve products or activities of national importance
- Incentives for small and medium enterprises
    - Small and medium enterprises with a paid-up capital of RM2.5 million and below are eligible for a 20% reduction of corporation tax on chargeable income up to RM500,000. The tax rate on the remaining chargeable income is maintained at 28%

- Incentives to strengthen industrial linkages
- Incentives for Industrial machinery and equipment
- Incentives for automotive component modules
- Enhanced incentives for the use of oil palm biomass

Singapore

Singapore offers various fiscal and non-fiscal incentives meant to assist the development of high-value economic activities and encourage businesses to upgrade capabilities and expand scope of operations for Industry 4.0. The incentives are as follows:

- Pioneer tax incentives and development and expansion incentive: Businesses engaging in the manufacture of high-value-added products or services can apply for a pioneer certificate, which entitles them to tax exemption or a concessionary tax rate of 5% or 10% for five years. To qualify though, applicants are assessed on certain criteria:
    - Ability to introduce create employment for Singaporeans;
    - Introduction of new skills and expertise;
    - The capacity for business expenditure to create economic spin-off;
    - Manufacturing projects must commit to developing soft and hard infrastructure;
    - Introduce new technology and know-how that can advance an industry; and
    - Business activities must be new and have not been undertaken by other companies in the country.

- Incentives for automotive component modules: Businesses can enjoy a tax exemption up to 100% of fixed capital expenditure incurred. Fixed capital expenditure are costs incurred for qualifying projects within a five-year period and can be extended up to eight years. Approved automation projects are also offered tax relief that can be used to offset taxable income. The approved projects include:
    - Manufacture of new products or increase production of existing products
    - Promotion of the tourism industry in the country
    - Research and development activities
    - Energy efficiency projects
    - Construction projects
    - Projects that focus on reducing water consumption
    - Provide specialized engineering or technical services
    - Maintenance, repair, and overhaul services for the aircraft industry

- Land intensification allowance (LIA) scheme: The LIA scheme aims to promote the use of industrial land for higher value-added activities. Recipients will enjoy allowances on qualifying capital expenditure incurred for the construction or renovation of an approved building structure. The allowances included are an initial allowance of 25% and annual allowances of 5% until the total allowance amounts to 100% of qualifying expenditure

Philippines vs. Other Asian Countries

In terms of fiscal incentives, tax incentives are seen across ASEAN countries – Philippines, Thailand, Indonesia, Malaysia, and Singapore. CIT is a common incentive, although provisions may vary. Both the Philippines and Vietnam offer income tax holiday incentives. Targeted incentives are seen across markets, with varying provisions as well. For the Philippines, BOI incentives are offered for firms related to the manufacturing of motor vehicles, shipbuilding, aerospace and components, chemicals, virgin paper pulp, copper wires and rods, basic iron and steel, tool and die, and green manufacturing. Thailand incentivizes those related to advanced technology, Malaysia focuses on high technology companies, those with strategic projects or that those that involve products or activities of national importance, and those involved in industrial machinery and equipment, and automotive component modules. Indonesia supports those engaged in R&D, while Singapore incentivizes firms related to automotive component modules.

Land-related incentives are observed in Vietnam and Singapore, with Vietnam providing land rent exemptions, land rent reduction, and land levy, and Singapore offering Land Intensification Allowance (LIA) for expenditure incurred for construction or renovation.

Recognizing the value of MSMEs, Indonesia, Malaysia and Singapore have crafted incentives for this sector. Malaysia's incentive is in the form of corporate tax reduction. Singapore provides uncollaterized loan for working capital, while Indonesia facilitates access to finance for its MSMEs.

Both the Philippines and Malaysia have included environment-related incentives in their offerings. The Philippines offers climate incentives, while

Table 6 . Summary of Fiscal Incentives Across ASEAN Countries – Export Oriented

Philippines	Thailand	Vietnam	Indonesia	Malaysia	Singapore
PEZA Incentives (Export Manufacturing and Agro-industrial Export Manufacturing, Agro-industrial biofuel manufacturing) -ITH - simplified customs procedures -employment non-resident foreign nationals where eligible companies may employ foreigners in supervisory, technical, or advisory positions - Special non-immigrant visas with multiple-entry privileges. Foreign investors, officers, and employees are eligible, including their spouses and unmarried children under the age of 21 *BOI Incentives (Motor vehicles, Shipbuilding, Aerospace & Components, Chemicals, Virgin Paper Pulp, Copper wires and rods, Basic iron and steel, Tool and die, Green manufacturing)* -ITH with length depending on type of project -simplified customers procedures	*Investor retention and expansion program* -tax exemptions for investors -CIT exemption or 50% CIT deduction *Relocation program* -CIT exemptions *New promoted industry categories* -tax and hiring incentives *Premium incentives for advanced technology* -CIT exemptions without a cap for up to 10 to 13 years depending on the activity *New special investment zones* *Three-year CIT exemption covering 100% of investments in Industry 4.0 upgrade* *One stop shop service* - The service handles investment promotion applications, work permit applications, business registration and	*Preferential tax rates* *Tax holiday rates* *Import Duties/ Tax* - Exemption of import duties or tax on goods imported as fixed assets -Exemption of import duties on raw materials, supplies, and parts used for manufacturing purposes *Exemption, reduction of land rents, and land levy* *Accelerated depreciation, increasing the deductible expenses upon calculation of taxable income* *CIT incentives* -Exemption for the first four years, 50% reduction for the subsequent nine years, and preferential tax rate of 10% for 15 years *Import duties* -Exemption on import tax for imported machines and equipment to form fixed assets	*Reduced regulatory and licensing burdens* - integrated one-stop service center to simplify licensing procedures and eliminate the challenge of fragmented standards for each region - more working days and time to facilitate the process of land registration and certification, opening more outlets to provide registration and certification services, and introducing electronic registration systems - Implementing an OSS system of business licensing *Improved infrastructure* - Establishment of SEZ's throughout Indonesia -Improved access to electricity especially for industries that rely on heavy machinery and stead electricity -Program to reduce fuel and gas prices	*Pioneer Status* - partial exemption from payment of income tax *Investment Tax Allowance (ITA)* - allowance of 60% on qualifying capital expenditure (factory, plant, machinery and other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is made *Relocating manufacturing activities to promoted areas* *Incentives for high technology companies* *Incentives for strategic projects or those that involve products or activities of national importance* *Incentives for small and medium enterprises* -20% reduction of corporation tax on chargeable income up to RM500,000. The tax rate on the remaining	*Pioneer tax incentives and development and expansion incentive* - tax exemption or a concessionary tax rate of 5% or 10% for five years *Incentives for automotive component modules* - tax exemption up to 100 of fixed capital expenditure incurred. Fixed capital expenditure are costs incurred for qualifying projects within a five-year period and can be extended up to eight years. *Land intensification allowance (LIA) scheme* - allowances on qualifying capital expenditure incurred for the construction or renovation of an approved building structure *GoBusiness dashboard* A one stop shop that streamlines over 300 government-to-business services

Table 6 . Summary of Fiscal Incentives Across ASEAN Countries – Export Oriented Continued

Philippines	Thailand	Vietnam	Indonesia	Malaysia	Singapore
-Employment of foreign nationals where BOI-registered companies may employ foreign nationals for supervisory, technical, or advisory positions - Importation of consigned equipment. Validity of this incentive is 10 years - Permission to operate a bonded manufacturing or trading warehouse. This is subject to the rules and regulations of the Bureau of Customs -Climate incentives – duty exemption on imported capital equipment, ITH *Comprehensive Automotive Resurgence Strategy* *CREATE ACT* -Income tax holidays with tenure and type of activities depending on location (NCR, Metropolitan Areas, and All Other Regions) - 10 years of Enhanced deductions or CIT	the opening of accounts for financial transactions	*Value-added Tax (VAT)* *Double tax avoidance agreements* *Land rental fee* -Investment projects of manufacturing in the SI field are exempted from land rent for seven years. Investment projects in craft villages and projects on technical infrastructure located in the SI zone will be eligible for exemption for 11 years	*Access to finance for MSMEs* *Tax incentives* -19 tax incentives out of 50 for the manufacturing sector *Foreigners and foreign legal entities can own apartments and landed houses but only in special economic zones, free trade zones, industrial estates, and other economic zones.* *Tax facility of 300% in gross income reduction for taxpayers engaged in R&D initiatives*	chargeable income is maintained at 28% for eligible companies *Incentives to strengthen industrial linkages* *Incentives for Industrial machinery and equipment* *Incentives for automotive component modules* *Enhanced incentives for the use of oil palm biomass* *Green investment tax allowance* Company allowances are offered for adopting renewables, enhancing energy efficiency, constructing green buildings, or engaging in integrated waste management projects *Green income tax exemption* -provides generous cuts for companies offering services related to green technology activities, including renewable energies and electric vehicles	*SME Working capital loan* Allows SMEs to apply for an uncollaterized loan of up to USD 221,311 for working capital *Enterprise Development Grant (EDG)* Aids Singapore businesses grow and innovate – helps fund 50% of the project costs from April 1, 2023 until March 31, 2026 *World's fastest internet*

Table 7 . Summary of Incentives Across ASEAN Countries – Domestic Oriented

Philippines	Thailand	Vietnam	Indonesia	Malaysia	Singapore
PEZA Incentives (Agro-industrial Biofuel Manufacturing) -ITH - simplified customs procedures -employment non-resident foreign nationals where eligible companies may employ foreigners in supervisory, technical, or advisory positions - Special non-immigrant visas with multiple-entry privileges. Foreign investors, officers, and employees are eligible, including their spouses and unmarried children under the age of 21 *BOI Incentives (Motor vehicles, Shipbuilding, Aerospace & Components, Chemicals, Virgin Paper Pulp, Copper wires and rods, Basic iron and steel, Tool and die, Green manufacturing)* ITH with length depending on type of project -simplified customers procedures	*Investor retention and expansion program* *-tax* exemptions for investors -CIT exemption or 50% CIT deduction *Relocation program* -CIT exemptions *New promoted industry categories* -tax and hiring incentives *Premium incentives for advanced technology* *-CIT* exemptions without a cap for up to 10 to 13 years depending on the activity *New special investment zones* *Three-year CIT exemption covering 100% of investments in Industry 4.0 upgrade* *One stop shop service* - The service handles investment promotion applications, work permit applications, business registration and	*Preferential tax rates* *Tax holiday rates* *Import Duties/ Tax* - Exemption of import duties or tax on goods imported as fixed assets -Exemption of import duties on raw materials, supplies, and parts used for manufacturing purposes *Exemption, reduction of land rents, and land levy* *Accelerated depreciation, increasing the deductible expenses upon calculation of taxable income* *CIT incentives* -Exemption for the first four years, 50% reduction for the subsequent nine years, and preferential tax rate of 10% for 15 years *Import duties* -Exemption on import tax for imported machines and equipment to form fixed assets	*Reduced regulatory and licensing burdens* - integrated one-stop service center to simplify licensing procedures and eliminate the challenge of fragmented standards for each region - more working days and time to facilitate the process of land registration and certification, opening more outlets to provide registration and certification services, and introducing electronic registration systems - Implementing an OSS system of business licensing *Improved infrastructure* - Establishment of SEZ's throughout Indonesia -Improved access to electricity especially for industries that rely on heavy machinery and stead electricity -Program to reduce fuel and gas prices	*Pioneer Status* - partial exemption from payment of income tax *Investment Tax Allowance (ITA)* - allowance of 60% on qualifying capital expenditure (factory, plant, machinery and other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is made *Relocating manufacturing activities to promoted areas* *Incentives for high technology companies* *Incentives for strategic projects or those that involve products or activities of national importance* *Incentives for small and medium enterprises* -20% reduction of corporation tax on chargeable income up to RM500,000. The tax rate on the remaining	*Pioneer tax incentives and development and expansion incentive* - tax exemption or a concessionary tax rate of 5% or 10% for five years *Incentives for automotive component modules* - tax exemption up to 100 of fixed capital expenditure incurred. Fixed capital expenditure are costs incurred for qualifying projects within a five-year period and can be extended up to eight years. *Land intensification allowance (LIA) scheme* - allowances on qualifying capital expenditure incurred for the construction or renovation of an approved building structure *GoBusiness dashboard* A one stop shop that streamlines over 300 government-to-business services

Table 7 . Summary of Incentives Across ASEAN Countries – Domestic Oriented Continued

Philippines	Thailand	Vietnam	Indonesia	Malaysia	Singapore
-Employment of foreign nationals where BOI-registered companies may employ foreign nationals for supervisory, technical, or advisory positions - Importation of consigned equipment. Validity of this incentive is 10 years - Permission to operate a bonded manufacturing or trading warehouse. This is subject to the rules and regulations of the Bureau of Customs -Climate incentives – duty exemption on imported capital equipment, ITH *Comprehensive Automotive Resurgence Strategy* *CREATE ACT* -ITH with tenure and type of activities depending on location (NCR, Metropolitan Areas, and All Other Regions) - 10 years of Enhanced deductions	the opening of accounts for financial transactions	*Value-added Tax (VAT)* *Double tax avoidance agreements* *Land rental fee* -Investment projects of manufacturing in the SI field are exempted from land rent for seven years. Investment projects in craft villages and projects on technical infrastructure located in the SI zone will be eligible for exemption for 11 years	*Access to finance for MSMEs* *Tax incentives* -19 tax incentives out of 50 for the manufacturing sector *Foreigners and foreign legal entities can own apartments and landed houses but only in special economic zones, free trade zones, industrial estates, and other economic zones.* *Tax facility of 300% in gross income reduction for taxpayers engaged in R&D initiatives*	chargeable income is maintained at 28% for eligible companies *Incentives to strengthen industrial linkages* *Incentives for Industrial machinery and equipment* *Incentives for automotive component modules* *Enhanced incentives for the use of oil palm biomass* *Green investment tax allowance* Company allowances are offered for adopting renewables, enhancing energy efficiency, constructing green buildings, or engaging in integrated waste management projects *Green income tax exemption* -provides generous cuts for companies offering services related to green technology activities, including renewable energies and electric vehicles	*SME Working capital loan* Allows SMEs to apply for an uncollaterized loan of up to USD 221,311 for working capital *Enterprise Development Grant (EDG)* Aids Singapore businesses grow and innovate – helps fund 50% of the project costs from April 1, 2023 until March 31, 2026 *World's fastest internet*

Malaysia has enhanced its incentives for the use of oil palm biomass, along with green investment tax allowances and exemptions.

Ease of Doing Business

In 2020, the World Bank's Doing Business Report showed that the Philippines ranked 95th out of the 190 economies, with a score of 62.8. The Philippines, with one of the fastest growth rates in Asia, competes with Vietnam and Indonesia to attract foreign manufacturers. While these countries have similarities, there are also areas where significant differences are observed.

Labor

One of the main reasons why companies relocate production to the Philippines is the low labor costs. Wages are on a comparable level with Vietnam and approximately a third compared to China. Wages increase at a slower pace versus China as well. With a population of around 110 million people, the median age for the Philippines is 25.7 years. Compared to its neighbors Vietnam (32.5 years) and Indonesia (29.7 years), the Philippines boasts of a younger labor pool. In 2020, 43.7 million were a part of the labor force. The number is seen to increase in the coming years even further.

Education and English Proficiency

In the 2018 EF English Proficiency Index, the Philippines ranked 14th out of 88 countries. With a literacy rate of 94%, the country's labor force is educated to the tertiary level and around 60% of the population has secondary education. In a human capital study done by the World Economic Forum, the Philippines scored well among ASEAN countries in finding skilled employees. Furthermore, 70% of the population is fluent in English. Along with Malaysia and Singapore, the Philippines has significantly high English proficiency. English is an official language together with Tagalog, with the government mostly operating using the language. With this, it is easier to do business as there would be relatively less communication issues.

Manufacturing Capabilities

Much of the Philippines' production revolved on agricultural products, tobacco, and textiles. However, it has shifted to more high-tech manufacturing. Main exports are in the electronics industry, which includes semiconductor production. Other significant manufacturing sectors are refined petroleum products, peripheral equipment and accessories, and processed food. While Metro Manila is the financial, commercial, and industrial center of the Philippines, Cebu City the second-largest metropolis also houses a thriving manufacturing sector that exports various products such as furniture, houseware, gift items, fashion accessories.

Free Trade Agreements

Free Trade agreements has allowed for stronger trading relations between the Philippines and other countries, thereby also benefitting the export-oriented manufacturing sector.

Regional Comprehensive Economic Partnership (RCEP)
With the Philippines being a member of the Association of Southeast Asian Nations (ASEAN), it has free trade agreements with China, India, Japan, South Korea, Australia and New Zealand through the Regional Comprehensive Economic Partnership (RCEP). The RCEP includes provisions covering trade in goods, trade in services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium sized enterprises.

Philippines- European Free Trade Association (EFTA)
The agreement is between Philippines and Iceland, Liechtenstein, Norway, and Switzerland. It covers trade in goods, trade in services, investment, competition, protection of intellectual property rights, government procurement, and trade

and sustainable development. It allows increased market access, reduction of non-tariff barrier for goods, services and investments, protection of intellectual property rights, horizontal issues and dispute settlement.

Philippines-Japan Economic Partnership Agreement (PJEPA)
The PJEPA covers trade in goods, trade in services, investments, movement of natural persons (MNP), intellectual property (IP), government procurement (GP), competition, and improvement of business environment (IBE). Since the entry into force of the PJEPA in 2008, the balance of trade has gradually improved in the Philippines. As of 2019, Japan remained to be a major trading partner of the Philippines, ranking 2nd out of 225 countries. Total trade amounted to USD21.38 billion.

Ease of Doing Business Law

With the aim of increasing the Philippines' competitiveness and appeal to foreign investors, the Ease of Doing Business (EODB) Act was signed into law. It seeks to simplify the process of setting up and starting business in the country. Among the features of the EODB are the following:

- Standard processing time for government transactions: A standard processing time for various transactions such as applications and requests must be followed by all government agencies. All applications submitted to an agency will be automatically approved if the application failed to be processed within the prescribed period
- Citizen's Charter for all government agencies: All government agencies and offices must set up a Citizen's Charter, which is a document containing a set of written standards
- Faster processing of business permits and licenses: In order to fast-track business registration and permit renewals, the EODB law has initiated the use of a unified application form to consolidate the applicant's information, implementation of the business one stop shop (BOSS) – a facility that allows applicants to submit documentation and complete all steps for business registrations and license renewals from one central access point, and use of

a single window for submitting all requirements

• Automated business registration process: The agency must maintain and manage the Philippine Business Databank (PDB) to provide concerned offices with access to data and information of registered businesses

• Zero-contact policy: Apart from the preliminary assessment of the request and submitted requirements, government officers and employees must not have any contact with the applicant. Applicants will be identified through a case number and assigned to a government official anonymously

• Accountability: Officials and employees who act against the EODB Law may be subject to administrative and criminal liability

Challenges

Despite the initiatives aimed at supporting the country's manufacturing industry, there are still challenges that hinder it from maximizing its potential.

Infrastructure

Infrastructure inefficiencies have restricted both poverty reduction and economic growth in the Philippines. Although there is relatively good access to electricity and water, service levels have not adjusted to keep up with the high population growth and urbanization. As an effect, many infrastructure development projects have commenced as the government has placed infrastructure as one of its top priorities. The International Monetary Fund (IMF) stated in 2022 that more than 6% of the country's GDP has been invested in infrastructure, an increase from the 3% average from 2011 to 2016.

Natural Disasters and Climate Change

The Philippines' geographical location makes it one of the most natural hazard-prone countries, prone to tropical cyclones, floods, earthquakes, and volcanic eruptions. These natural disasters tend to have a huge impact on society and economy as they result in migration, unplanned urbanization, global climate change, and population growth. Crop failures and food shortages are known outcomes of natural disasters and climate change. Businesses, including manufacturing, are also affected by power outages and flooding, thereby impacting operations and profitability.

Lack of Skilled Workers

While the Philippines may benefit from its competitive labor cost, with an engineer's average monthly salary in manufacturing being the lowest versus Malaysia, Thailand, Vietnam, and Indonesia, it is critical to expand absorptive capacity. This requires developing appropriate management skills and hiring more technical staff. There is also low availability of scientists and engineers in the country, with a score of only 3.8 out of 7.

A recent study conducted by the Philippine Institute for Development Studies (PIDS) discovered that more than half of Filipino workers are using mostly general skills. 62% of the country's working population are in roles such as service, clerical, and support workers, service and sales workers, skilled agricultural, fishery and forestry workers, and workers in elementary occupations. These roles may still be in demand for hotel, restaurant, and tourism, wholesale and retail trade, top employment generators such as IT-BPM and the manufacturing sector are now looking to fill in positions with more analytical skill requirements.

Global Materials Shortage

The rising prices of materials can potentially become an area of concern as manufacturers face surcharges and higher freight costs caused by the shortage of accessible materials. If the material prices continue to increase, manufacturers may need to increase their output charges as well, which would reduce foreign manufacturing demand.

One of the affected subgroups within manufacturing is the semiconductor chips manufacturing. The group has raced to meet the demands for consumer electronics since consumer behavior has shifted to online activities, driven by the pandemic. The Semiconductor and Electronics Industries in the Philippines (SEIPI) sought to find alternative component suppliers to address the shortage. Another material that has experienced global shortage is natural rubber. The country's manufacturing firms faced a 40% to 50% increase in costs for rubber import due to limited availability. This forced companies to maintain higher inventory levels and purchase the material despite the heightening prices to provide a buffer in their supply chain process.

Inflation and Rising Prices

Inflation affects all industries and creates even deeper complexities in the operations of the manufacturing industry. Inflation happens when there is an increase in the cost of production, transport, and labor. Mainly, inflated prices have been caused by three main factors: supply chain disruption, high cost of labor, and rising gas prices. Gas prices continue to fluctuate due to supply and demand, greatly affecting manufacturers' cost of transporting goods. Disruptions in the supply chain cause challenges in obtaining goods, leading to an increase in demand and pricing.

Inflation leads to high prices for goods and shipping, which forces manufacturers to adjust and increase prices and budgets. With increasing inflation, manufacturers acknowledge the need to adjust due to the shift in the buying patterns of consumers.

The Philippine inflation reached a peak of 8.7% year-on-year in January 2023 due to a combination of resurgent domestic demand and elevated global commodity prices. It has tempered to 4.7% year-on-year as of July, but the prices for commodities have been increasing. Transport and electricity have registered inflation of 12.9% and 18.5% year-on-year, respectively, which have affected the cost of operations for manufacturing companies in the country.

Domestic Value Added

Governments usually focus on increasing domestic value added. While the objective is good, inappropriate methods are being used. Such methods include introducing substitution or imposing relatively more restrictive rules on trade on local content, which could be harmful to investment attractiveness as well as to industry competitiveness.

The trade gap continuously widens as imports (58.8% of total external trade in late 2022) exceeded the country's exports, dominating the total trade. The Philippines still runs on trade deficit, with the country shelling out more foreign currency for imports that what it receives through exports. This shows the country's reliance on imports. The Philippines needs to increase export production and reduce reliance on imports by encouraging more investments in the manufacturing sector. The government should aid in enhancing the production of goods needed by the domestic market to increase ability to compete with imported products.

The government has mainly been prioritizing economic reforms and incentives targeting foreign investments, in effect leaving out opportunities for investors who cater to the domestic market.

Solutions and Recommendations

In addition to the numbers showing the potential of the manufacturing sector in the country, the majority of the Filipinos hold a positive outlook on the sector's potential in contributing to economic growth and development. According to Pulse Asia Research, 89% of Filipinos agree that the government should provide support to the manufacturing sector. Filipinos consider manufacturing activities as crucial in creating livelihood opportunities for local businesses that support manufacturing operations (62%) and making goods more affordable and accessible to Filipino consumers (62%).

Given this, respondents of the study identified the top three actions that need to be carried out by the government to boost the manufacturing sector. These are: (1) provide opportunities to train workers to upgrade or learn new work skills (61%); (2) provide more incentives that are competitive to other countries (50%); (3) and develop more economic zones (45%).

DTI Undersecretary Aldaba stressed the need for structural change, through a new industrial policy that is science, technology and innovation-based, to make industries competitive and to create an environment that is conducive to private sector development.

The competitiveness of the country's manufacturing sector must be enhanced to attract more foreign and domestic investments. In order to achieve this goal, the government needs to recalibrate regulatory frameworks that are not beneficial to the manufacturing sector and to make economic policy and decision making more transparent to the concerned parties. Policymakers need to consider and sustain the following changes to improve the landscape, including actualizing the incentives provided for the manufacturing sector.

Expansion of Domestic Market Production and Supplier Base

The government can explore linking segments through capacity development and assistance to address technical requirements. The Supplier Development Program of the DTI and BOI, which assesses the presence and capabilities of local parts suppliers for automotive, aerospace, and electronic sectors, can provide insights for its implementation.

Domestic-oriented manufacturers continue to face competition challenges from lower-priced imports saturating the market. The government has been addressing this by hosting provincial and national trade fairs such as One Town, One Product (OTOP) and Go Lokal! for domestic manufacturers and food processors. Businesses are also provided knowledge and tools to ensure quality and safe production through the Shared Services Facilities (SSF) program.

Targeted and time-bound incentives should be provided to establish labor-intensive industries and businesses. Support for Health and Life Science (HLS) will focus on the manufacturing of essential products such as personal protective equipment (PPE), surgical masks, and medical testing kits for the domestic market. The SIPP mentioned earlier may provide both fiscal and non-fiscal incentives to food processors to enable them to compete against the imports from neighboring ASEAN countries. The Electric Vehicle Incentive Strategy aims to increase the domestic market base for automotive manufacturing, allowing them to reach economies of scale, look into export potential, and strengthen participation in the global value chains (GVCs).

Support for R&D and technology adoption in the manufacturing sector is crucial. Examples include developing innovative and environmentally sustainable packaging materials, canning techniques for food manufacturing, safer local construction materials, and green architecture for construction companies.

While most of the ASEAN countries are focused on export-oriented manufacturing, Indonesia has made some initiatives to strengthen its domestic-oriented market. President Joko Widodo aims to increase the domestic value added of Indonesian products and exports, and local content requirements have been established for products, including electronics and pharmaceuticals. These policies require manufacturers to secure local content certificates indicating the percentage of domestic content in their respective products.

For Indonesia's vehicle industry, Presidential Regulation 55/1209 specifies that the domestic electric vehicle industry is subject to a local content requirement of at least 25%. Local content is assessed based on manufacturer activities such as the production of electric vehicle components, research and development, and assembly. Government Regulation 28/2021 enacted in 2021 established a new legal framework to regulate industry access to imported inputs. It identifies thousands of products as "intermediate inputs" which can be restricted by Jakarta, if imported. In March 2022, the Presidential Instruction 2/2022 was issued which requires local governments to spend a minimum of 40% of their goods and services expenditure budget on local products from micro-businesses, small enterprises, and cooperatives.

Moving Up the Value Chain

Upgrading Physical and ICT Infrastructure

This entails improving the competitiveness of businesses to become more productive and provide more employment opportunities.

Improving logistics, transport, and delivery services will ensures that manufacturers of parts and components, and raw materials processers located across the regions of the country will be able to supply their products to the next stage or level of the value chain at minimal cost. Reducing energy costs will also be beneficial to other production sectors. The Department of Energy (DOE) can provide the policy to ensure that power-generating provinces are provided opportunities to avail lower power costs and an uninterrupted power supply.

Supporting the digital transformation of businesses should also be supported to achieve higher productivity and more innovation. The DTI, along with the Department of Information and Communications Technology (DICT), can provide a digital platform for MSMEs and start-ups. The adoption of new technologies is also a way to reinforce innovation through the creation of new products and services in the market.

The country should also move to adopt Industry 4.0, as noted for other ASEAN countries. With Industry 4.0, new industries are created, and business models are disrupted. This will result in the development of new production techniques and business models that will transform global production systems. It will also allow for the creation of new value chains. The DTI has already started executing strategies to embrace Industry 4.0 such as implementing Industry 4.0 roadmaps, building Industry 4.0 facilities, providing soft loans, and creating the Industry 4.0 sandbox.

Uplifting the Level of Filipino Workers' Skills

The Philippines may be offering relatively lower labor cost, but the government should still recognize the benefit of developing the skills of Filipino workers to make the country even more competitive in the employment aspect.

With more than half of Filipino workers using mostly general skills, as stated by PIDS, this appears worrisome given the initiatives and developments being pushed in the information and communications technology (ICT) sector. Developments in ICT have seen the increase in importance of occupations that are geared towards the usage of ICT, data analytics, and high value-adding social skills.

A national upskilling program is highly needed to ensure that workers can participate in upcoming market opportunities. In line with this, the government should aim to increase the percentage of workers with tertiary education and leverage on technical-vocation education and training (TVET) programs.

Enhancing Linkages Between Sectors

Linkages between industries and the agriculture and services sectors need to be strengthened. Manufacturers need to expand domestic linkages as well as explore further presence in the GVCs.

As sharply mentioned in Habito (2014), even as government policies and initiatives can have a crucial role in fostering inclusion and broad-based growth, government alone cannot bring it about. As with sustainable development, it is not something government does for its people; rather, it is something that the people collectively attain for themselves. One can very well say the same about inclusive growth. Government can provide the enabling conditions, incentive structures, and conducive policy environment, but unless people do their part and take the right actions, inclusive growth will not likely come about. All sectors of society can, in fact, contribute to making inclusive growth and sustainable development a reality.

Big business can pitch in, for example, by venturing more into agribusiness and manufacturing, and move beyond the seeming preference by the country's wealthiest for services, particularly finance, real estate, and utilities. Banks can deliberately help serve the financing needs of the MSME sector more actively. Large firms can also opt for more inclusive value chains, rather than take control of their entire value chain via vertical integration.

Known examples are how Jollibee procures onions from hundreds of small farmers around the country, and how Nestlé does the same with coffee. Meanwhile, small firms can do their share by being more willing to cluster together, team up, and unite to take advantage of volume demands especially from export markets, rather than be content with staying small in a "kanya-kanya" (individualistic) environment.

For their part, workers could take more initiative to help improve productivity at the production floor and the workplace—but employers must also be willing to commensurately reward worker-initiated cost savings and productivity improvements. The youth can pitch in, too, by aspiring through their studies not to merely find a job and work for someone else—but instead aspire to eventually create jobs for others. And consumers can be more conscious and deliberate about patronizing small local businesses whenever they have the choice.

Moreover, trade agreements should also be continuously pursued. Free Trade Agreements (FTA) allow an environment that enables facilitating of investments from target-source countries. For instance, the Regional Comprehensive Economic Partnership (RCEP) Agreement and the Philippines-South Korea FTA could aid in the entry of investors in the areas of electric vehicles, pharmaceuticals, electronics, and agro-processing.

Small and medium enterprises (SMEs) should also strengthen their relations with large manufacturers and aim for regular supplying of primary or secondary inputs for production and lessen the sourcing of materials from overseas suppliers. Manufacturing industry associations should be strengthened and pushed towards solving coordination problems to promote linkages and economies of scale. This can also facilitate information and resources sharing among businesses.

On the demand side, the government can implement the development of product standards, protecting consumer preferences, reducing regulatory demands or requirements, and enhancing export orientation & GVC participation. The government is on the right track with the SIPP under the CREATE Act which provides targeted and time-bound fiscal incentives for manufacturers.

Full Implementation of Ease of Doing Business (EODB)

The creation of the Anti-Red Tape Authority (ARTA) provided by Section 17 of Republic Act No, 11032 or the Ease of Doing Business with Efficient Government Service Delivery Act paved way for the monitoring and ensuring compliance with the national policy on anti-red tape and ease of doing business in the country. It aims to transform the way government services are delivered through a whole-of-nation approach, innovation, and good regulatory practices towards bureaucratic efficiency.

ARTA investigates complaints of red tape within the government and recommends subsequent action to be taken by the relevant government agencies, depending on the findings. This encourages manufacturers to pursue their businesses with the confidence that there will be more effective information dissemination, open feedback lines to the government, and better coordination with national government offices. Furthermore, this keeps the interest of investors with the improved accountability of regulators to businesses and citizens.

Increasing Domestic Value Added

As mentioned in the earlier section, the Philippines has a notable reliance on imports. The country needs to increase export production and reduce reliance on imports by encouraging more investment in the manufacturing sector. The government should aid in enhancing the production of goods needed by the domestic market to increase ability to compete with imported products. It could also do away with restrictive rules on trade on local content.

REFERENCES

ARC Group. (2022). Sourcing and manufacturing in the Philippines: An introduction. Retrieved from https://arc-group.com/philippines-manufacturing/

Asian Development Bank. (2019). Policies to support the development of Indonesia's manufacturing sector during 2020-2024: A joint ADP-BAPPENAS Report. Retrieved from https://www.adb.org/sites/default/files/publication/481506/policies-manufacturing-sector-indonesia-2020-2014.pdf

Atienza, K. A. (2023, February 19). Marcos sees manufacturing as key to export growth. BusinessWorld. Retrieved from https://www.bworldonline.com/economy/2023/02/19/505634/marcos-sees-manufacturing-as-key-to-export-growth/

Bautista, R. (2020). Setting up a manufacturing business in the Philippines. Retrieved from https://emerhub.com/philippines/setting-up-a-manufacturing-business-in-the-philippines/

Crismundo, K. (2022, March 4). PH gives highest perks for new tech investments. Philippines News Agency. Retrieved from https://www.pna.gov.ph/articles/1169044

Del Rosario, W. G. (2023). Key features of the ease of doing business law in PH. Retrieved from https://www.dvphilippines.com/infographics/ease-of-doing-business-philippines

Department of Foreign Affairs and Trade. (n. d). Regional Comprehensive Economic Partnership Agreement (RCEP). Retrieved from https://www.dfat.gov.au/trade/agreements/in-force/rcep

Department of Trade and Industry. (n. d.). Philippines-Japan Economic Partnership Agreement (PJEPA). Retrieved from https://www.dti.gov.ph/philippines-japan-economic-partnership-agreement-pjepa/

DHL. (2022). Top 5 products from the Philippines for export. Retrieved from https://www.dhl.com/discover/en-ph/small-business-advice/business-innovation-trends/top-5-products-from-the-philippines-for-export

Dunseith, B. (2017). Import and export procedures in the Philippines: Best practices. ASEAN Briefing. Retrieved from https://www.aseanbriefing.com/news/import-and-export-procedures-in-the-philippines-best-practices/

Eubra, R. (2022). 62% of Filipino workers use mostly general skills. Philippine Institute for Development Studies. Retrieved from https://www.pids.gov.ph/details/62-of-filipino-workers-use-mostly-general-skills

European Free Trade Association (n.d.) Free Trade Agreement - Philippines. Retrieved from https://www.efta.int/free-trade/Free-Trade-Agreement/Philippines

Fidinam. (2023). 4 benefits of establishing a factory in Vietnam. Retrieved from https://www.fidinam.com/en/blog/4-benefits-of-establishing-a-factory-in-vietnam

Förster, M. (n. d.). Tax incentives for foreign enterprises in Vietnam. Vietnam Briefing. Retrieved from https://www.vietnam-briefing.com/doing-business-guide/vietnam/taxation-and-accounting/tax-incentives-for-businesses

Gonzales, A. L. (2023, May 14). Higher manufacturing growth seen in Q2. Philippine News Agency. Retrieved from https://www.pna.gov.ph/articles/1201467

Habito, C. (2014, September 2). Pitching in for inclusive growth. Philippine Daily Inquirer. Retrieved from https://opinion.inquirer.net/78077/pitching-in-for-inclusive-growth

Hansl, B., and Cattaneo, O. (2017). The Philippines: Resurrecting manufacturing in a services economy. World Bank Blogs. Retrieved from https://blogs.worldbank.org/eastasiapacific/philippines-resurrecting-manufacturing-services-economy

Hodge, M. (2022). How inflation is affecting the manufacturing industry. Retrieved from https://www.linkedin.com/pulse/how-inflation-affecting-manufacturing-industry-morty-hodge/

International Trade Administration – U.S. Department of Commerce. (n. d.). Philippines advanced manufacturing. Retrieved from https://www.trade.gov/market-intelligence/philippines-advanced-manufacturing

Koty, A. C. (2022). Thailand: new incentives for investor retention, relocation, high-tech, and green industries. ASEAN Briefing. Retrieved from https://www.aseanbriefing.com/news/thailand-new-incentives-for-investor-retention-relocation-high-tech-and-green-industries/

Koty, A. C. (2022). The Philippines' 2022 strategic investment priority plan. ASEAN Briefing. Retrieved from https://www.aseanbriefing.com/news/the-philippines-2022-strategic-investment-priority-plan/

Makati Business Club. (2016). Improving the citizen experience: How the Anti-Red Tape Act is shaping public service delivery in the Philippines. Retrieved from https://mbc.com.ph/wp-content/uploads/MBCRR-121.pdf

Medina, A. F. (2023). Leveraging Singapore's incentives and schemes for industry 4.0 investments. ASEAN Briefing. Retrieved from https://www.aseanbriefing.com/news/singapore-incentives-to-attract-industry-4-investors-expand-innovation-capacity/

Mendoza, Adrian R. (2020). What matters for the GVC entry and exit of manufacturing SMEs in the Philippines (ADBI Working Paper Series No. 1147). ADB Institute. Retrieved from https://www.adb.org/publications/what-matters-gvc-entry-exit-manufacturing-smes-philippines

National Economic and Development Authority. (2023). Philippine Development Plan 2023-2028: Chapter 6 – Revitalize industry. Retrieved from https://pdp.neda.gov.ph/wp-content/uploads/2022/12/Chapter-06.pdf

National Economic and Development Authority. (2023). Philippine Development Plan 2023-2028: Chapter 9 – Promote trade and investments. Retrieved from https://pdp.neda.gov.ph/wp-content/uploads/2023/07/Chapter-09.pdf

Office of the Assistant to Deputy Cabinet Secretary for State Documents and Translation. (2022). Luxury tax incentive boosts manufacturing industry growth: Minister. Cabinet Secretariat of the Republic of Indonesia. Retrieved from https://setkab.go.id/en/luxury-tax-incentive-boosts-manufacturing-industry-growth-minister/

Orbis. (2021). Thailand adopts new tax incentives for industry and automation investments. Retrieved from https://orbis-alliance.com/thailand/thailand-adopts-new-tax-incentives-for-industry-and-automation-investments

Organisation for Economic Co-operation and Development. (2021). Highlights - OECD investment policy reviews: Thailand. Retrieved from https://www.oecd.org/countries/thailand/OECD-Investment-Policy-Review-Thailand-Highlights.pdf

Pahang State Development Corporation. (n. d.). Incentives for the manufacturing sector. Retrieved from https://www.pknp.gov.my/index.php/en/perkhidmatan-2/e-industri/57-perkhidmatan/e-industri/162-incentives-for-the-manufacturing-sector

Philippine Economic Zone Authority. (n. d.). Fiscal incentives. Retrieved from https://www.peza.gov.ph/elligible-activities-and-incentives-category/fiscal-incentives

Philippine Statistics Authority. (2023). 2021 Annual Survey of Philippine Business and Industry (ASPBI): Manufacturing section (Final results). Retrieved from https://www.psa.gov.ph/statistics/manufacturing/aspbi

Philippine Statistics Authority. (2023). All economies of 17 regions continue to record positive growths in 2022; Western Visayas was the fastest growing region at 9.3 percent. Retrieved from https://psa.gov.ph/statistics/grdp

Philippine Statistics Authority. (2023). Highlights of the Philippine export and import statistics: May 2023 (Preliminary). Retrieved from https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-may-2023-preliminary

Philippine Statistics Authority. (2023). Philippines employment: Industry: Manufacturing. CEIC. Retrieved from https://www.ceicdata.com/en/philippines/labour-force-survey-employment-by-industry-occupation-and-class/employment-industry-manufacturing

Philippines: Share of manufacturing. (2023). The Global Economy. Retrieved from https://www.theglobaleconomy.com/Philippines/Share_of_manufacturing/

The Philippines' manufacturing sector: Optimistic projection despite materials shortage. (2021). Market Research Philippines. Retrieved from https://www.philippinesmarketresearch.com/insight/the-philippines-manufacturing-sector-optimistic-projection-despite-materials-shortage

Pivot International. (2019). 4 huge benefits of manufacturing in the Philippines. Retrieved from https://www.pivotint.com/blog/4-huge-benefits-of-manufacturing-in-the-philippines/

PwC. (2023). Vietnam: Corporate - Tax credits and incentives. Retrieved from https://taxsummaries.pwc.com/vietnam/corporate/tax-credits-and-incentives

Rañosa, V. I. (2022, December 24). Ramping up domestically sourced manufacturing investments. Philstar Global. Retrieved from https://www.philstar.com/news-commentary/2022/12/24/2233089/ramping-domestically-sourced-manufacturing-investments

Rañosa, V. I. (2023, May 20). Philippines needs more investments in manufacturing. Philstar Global. Retrieved from https://www.philstar.com/news-commentary/2023/05/20/2267721/philippines-needs-more-investments-manufacturing

Saengkrajang, P. (2020, May 21). Thailand: Land of opportunities investment & incentive 2020. Ecovis. Retrieved from https://www.ecovis.com/global/thailand-land-of-opportunties-inverstment-incentive-2020/

Teo, V. & Nguyen, T. T. (2020). Tax incentives for supporting industries in Vietnam. Grant Thorton. Retrieved from https://www.grantthornton.com.vn/insights/articles/tax/bloomberg/tax-incentives-for-supporting-industries-in-vietnam/

Thailand Board of Investment. (2021). Thailand's new semiconductor incentives timed to support rising E&E investment, BOI says. Retrieved from https://www.boi.go.th/index.php?page=press_releases_detail&topic_id=129197&language=en

Yuen, J. (2019). Practical tips for manufacturing in Myanmar. HKTDC Research. Retrieved from https://research.hktdc.com/en/article/Mzg2MzM5Mjgy

ACKNOWLEDGMENTS

The Stratbase ADR Institute extends its deepest gratitude to all involved in developing this strategic agenda. This publication would not have been possible without your commitment, collaboration, and support.

The strength of this strategic agenda comes not from any single policy. Rather, it draws from the collective insight of our expert authors from the academe, public and private sectors, and civil society. Hence, we are grateful for our authors' generous sharing of knowledge and experiences that make up this strategic agenda.

We would especially like to thank Prof. Victor Andres 'Dindo' Manhit, President of the Stratbase ADR Institute, for this initiative would never have come to fruition without his leadership, vision, and direction.

Finally, we would like to thank the tireless and dedicated members of the Stratbase ADR Institute;

Our design consultant, Ms. Carol Manhit, for the publication layout and cover design;

Stratbase ADR Institute's editorial team composed of Deputy Executive Director for Research, Dr. Jimmy Jimenez, Deputy Executive Director for Programs and External Affairs, Ms. Krystyna Louise C. Dy, Research Director Venice Isabelle Rañosa, and Director for Policy and Advocacy Ms. Shanice Espiritu-Amador for their diligence and hard work.

ABOUT THE AUTHORS

Ser Percival K. Peña-Reyes, Ph.D
Professor
Ateneo de Manila University

Dr. Ser Percival K. Peña-Reyes has been teaching economics at the Ateneo de Manila University since 2015. He joined the Bank of the Philippine Islands (BPI) and worked as a financial analyst at Deutsche Knowledge Services.

Transitioning from the banking sector into the development sector, he then worked as an economic analyst at the Asian Development Bank, then as a research programs manager at the Makati Business Club, and then as an economist at the Asian Institute of Management Policy Center.

Under the supervision of the Executive Director of the AIM Policy Center, the main objective of his role as Economist was to provide general support to the Center's research and technical assistance work on policies to promote more inclusive growth. Notably, this included providing research assistance, technical and other support on APC projects, including those identified under the Center's policy research and technical assistance agenda, focusing on issues including competitiveness, industrialization and competition policy, social protection and social insurance, and democratic institutions. As Economist and Consultant, he provided analytical inputs and support to produce empirical studies and helped prepare and facilitate policy events and other outputs for the AIM Policy Center in support of its research and technical assistance on policies to promote more inclusive growth.

As Economic Analyst, he helped the Lead Economist operate and develop the ARIC website by supporting the data requirements of the ARIC website; assisting in economic, social, and financial data processing and analysis;

and researching on issues concerning Regional Cooperation and Integration (RCI).

Angelica Nicolette B. Dejaresco
Independent Market Research Consultant

Ms. Dejaresco is an alumna of the Ateneo de Manila University, where she earned a Bachelor's Degree in Management Economics. She began her professional career as Marketing Associate at Hongkong and Shanghai Banking Corporation Ltd. (HSBC). After her stint with HSBC, she worked as Product Specialist Executive at the Nielsen Company, where she handled panel and retail measurement services. She then transferred to Pulse Group PLC, where she worked as Senior Research Executive for Client Development. After that, she moved to Nestle & General Mills Cereal Partners Worldwide, where she worked as Consumer Insights Specialist. She eventually decided to leave the corporate world to pursue her own business. She became the owner of Bánh Mì Kitchen in SM Center Pasig. Currently, she does independent market research consulting (project management, report preparation, and presentation of analysis for various local and international market research projects). In fact, she has also earned Certified Management Consultant status, which has been useful in her consultancy for both syndicated and customized quantitative and qualitative research studies in industries such as food and non-food fast-moving consumer goods, apparel, pharmaceutical, health, finance, digital platform, FinTech, financial mobile applications, financial services, real estate, and government.

stratbase

+ADRi PUBLICATIONS

STRATBASE ADRi FOR STRATEGIC AND INTERNATIONAL STUDIES

The Financial Tower
6794 Ayala Avenue
Makati City,
Philippines 1226

www.adrinstitute.org