PHILIPPINE SERVICES STRATEGY
Globally Competitive Services Sector

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Presentation Outline

I. Importance of Services
II. The Philippine Services Sector
   • Opportunities
   • Status of AEC Commitments
   • Challenges
III. Policy Reforms and Initiatives
Importance of Services

• Fastest growing sector of the global economy

• 60% of world production and employment

• Nearly 20% of world trade
Importance of Services
Share of Services in GDP in APEC Economies

Source: APEC PSU Structural Reform and Services, 14 August 2016. World Bank World Development Indicators. Chinese Taipei data is from Directorate-General of Budget, Accounting and Statistics.
Importance of Services

Services Sector in ASEAN Economy

Services as Percentage of GDP, 2013

Source: ASEAN Stats, 2015
Importance of Services
Trade in Services in ASEAN

ASEAN’s Export and Import of Services

Source: ASEAN Stats, 2015
The Philippine Services Sector

The Philippines is a services-led economy.

• Services GVA grew by 6.8% in 2015; and shared 57.1% of GDP

• Total employment of 21.2 million persons; or 54.7% of total employment in 2015

• Major services exports: IT-BPM and tourism related services

Source: Philippine Statistics Authority
The Philippine Services Sector

Philippine Development Plan
Midterm Update 2011-2016

• Strategies are focused to achieve *globally competitive and innovative industry and services sectors*

• Priority sectors: **manufacturing, agro-industry, IT-BPM, tourism, logistics** and **construction**.
The Philippine Services Sector

Opportunities

- High and sustainable GDP growth; stable macro-economic fundamentals
- Large pool of skilled and semi-skilled workforce
- Fast-growing IT-BPM sector; Manila is second top outsourcing destination in 2016
- High potential as a logistics hub (e.g., ship building/repair)
The Philippine Services Sector

Status of AEC Commitments

Trade in Services

• Integration of trade in services is one of the essential elements in the realization of the ASEAN Economic Community.

• The ASEAN Framework Agreement on Services (AFAS) mandates progressive negotiations on the liberalization of trade in services.
The Philippine Services Sector

Trade in Services

Completed to date:

- 9 packages of commitments under AFAS
- 7 packages of commitments for financial services
- 9 packages of commitments under air transport services
Due in 2017:

- 10\textsuperscript{th} package of commitments under AFAS other than financial services and air transport services
- 8\textsuperscript{th} package of commitments for financial services
- 10\textsuperscript{th} package of commitments for air transport services
The Philippine Services Sector

Challenges

• How can PH service suppliers move up the value chain?
• How can PH local service suppliers complement with incoming foreign services suppliers?
• How can outgoing PH service suppliers compete with local suppliers abroad?
The Philippine Services Sector

Challenges

• Equity limitations and other forms of FDI restrictions e.g., land ownership, minimum capitalization requirements

• Other regulations or their application which may limit trade and investments
Policy Reforms and Initiatives

- RA 10667 - Philippine Competition Act
- RA 10641 - Liberalization of Banking Sector
- RA 10881 - Liberalization of Adjustment Companies, Lending Companies, Financing Companies and Investment Houses
- RA 10668 - Foreign Ships Co-Loading Act
- RA 10635 - MARINA as the single maritime administration responsible for implementation and enforcement of the 1978 international convention on standards of training, certification and watch keeping for seafarers.
- APEC Services Competitiveness Roadmap
- APEC Virtual Knowledge Center
Policy Reforms and Initiatives

Government priorities to focus, among others on:

• Peace and security
• Investment in human capital, infrastructure, regional and rural development
• MSMEs
• Macro-stability
10+0 Economic Agenda
Strategic Framework

REDUCING INEQUALITY
- Expand economic opportunities
- Increase access to economic opportunities
- Promote technology adoption
- Encourage innovation
- Promote competition

INCREASING POTENTIAL GROWTH
- Maximize demographic dividend

ENHANCING THE SOCIAL FABRIC
- Build trust in public institutions
- Promote and value cultural diversity

Strategic trade and fiscal policy and macroeconomic stability
- Accelerated and strategic development of infrastructure
- Maintain ecological integrity, clean and healthy environment
- Promote peace, public order and ensure security
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