

**The White Paper on Business and Investment in
the Philippines for Taiwan Investors**

Organizing unit:

Taiwan Association INC. Philippines (TAP)

Asia Taiwanese Chambers of Commerce

World Taiwanese Chambers of Commerce

Commissioned unit:

Chung-Hua Institution for Economic Research

17 December 2018

The White Paper on Business and Investment in the Philippines for Taiwan Investors

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Acknowledgments

The White Paper for Business and Investment in the Philippines is the first white paper proposed by the Taiwan Association Inc. Philippines (TAP) focusing on issues of concern in Taiwanese trade and investment in the Philippines, and promoting further cooperation between the two countries. This white paper has four parts, and apart from the conclusion and proposals in the fourth part, it mainly covers the bilateral trade relationship between Taiwan and the Philippines; the overall business environment in the Philippines; a summary of the investment process for Taiwanese businesses; common issues of concern among Taiwanese businesses in trade, investment and industry, and suggestions for improvement; and details of how Taiwan and the Philippines can prioritize the important task of strengthening bilateral cooperation.

To ensure the accuracy and objectivity of the research data included in this white paper, TAP asked the Taiwan WTO and RTA Center, Chung-Hua Institution for Economic Research (CIER) to assist with its writing. Their participation has ensured the paper adequately reflects the concerns and suggestions of Taiwanese businesses in the Philippines, expanded the research scope and depth of this white paper, and improved its reference value. This white paper is dedicated to the members of the CIER research team, including moderator Dr. Ye Chang-cheng, analyst Lu Yi-wen and assistant researchers Mr. Wang Zhe-ren and Miss Guo Jia-xuan for conducting thorough and professional research over the past year. Director Liu Da-nian of the CIER Regional Development Study Center also assisted with coordinating interviews with Taiwanese businesspeople in the Philippines. Special thanks are owed to the Taiwanese businesspeople interviewed in Taiwan and the Philippines for their valuable opinions and suggestions. I would also like to express my heartfelt gratitude for the many important discussions and suggestions provided by the representatives of Taiwanese business, and the exceptional institutes in Taiwan and the Philippines that participated in the focus groups for this white paper.

Abstract

The Philippines is rich in natural resources and has an abundant labor force with an excellent grasp of the English language. This, combined with its geographical location adjacent to Taiwan, has made the Philippines a long-standing major target market for Taiwanese foreign investment. Taiwanese businesses have been investing in the Philippines since the 1960s, and since the expansion of investment in the 80s and 90s, Taiwanese investment has seen steady growth both in terms of value and industry diversity. In addition, the Philippines has seen rapid economic growth over the past few years, and its population size and consumption capacity have progressively increased. Its domestic market has shown promising growth, and as well as improving its investment environment, the country has participated in regional economic integration, opened up to international trade and increased its international connections, making the Philippines an important target market for foreign investors.

Taiwan has been investing in the Philippines for over half a century, providing infrastructure development and financial services for increased import and export, job creation, industrial town and supply chain development, industrial technology, equipment, value creation and electricity generation facilities. Taiwanese investment has also made substantial contributions to meeting the financial demands of small and medium enterprises (SMEs). Taiwanese businesses and the World Taiwanese Chamber of Commerce (WTCC) have also shown humanitarian care towards Filipino society, actively participating in public welfare, and practicing generous corporate social responsibility (CSR). Due to their close geographical proximity, both countries have long maintained close trade and cultural exchange relations, and Taiwanese businesses view investing in the Philippines as a gateway to the whole ASEAN marketplace area. The future bilateral relationship will benefit from today's favorable opportunities for cooperation, enabling the two countries to work together for mutual economic growth, industrial improvements and environmentally sustainable development, ushering in a new age of mutual profitability.

After presenting the opinions of Taiwanese businesses and expert scholars on the Taiwan-Philippines relationship, this paper summarizes and analyzes common issues in legislation, administrative processes, labor, human resources, trade, investment, taxation and infrastructure faced by Taiwanese businesses trading and investing in the Philippines. The paper also raises issues in the financial sector and medical equipment

industry, and separately raises concrete proposals in hope that the relevant departments of the Philippines government can help to solve these issues. Finally, to promote cooperation between Taiwan and the Philippines, this white paper also proposes eight priority points for cooperation, for the reference of the governments and companies of the two countries. They are explained as follows:

First of all, in terms of legislative and administrative procedures, increased systemization and digitization of the legislative and administrative systems is needed, as well as transparency of legal interpretations. Simplifying administrative procedures and improving efficiency of administrative operations is a primary concern of Taiwanese businesses. The Philippines government might consider offering Taiwanese and other foreign businesses more assistance with legal interpretation and explanation. This would strengthen their knowledge and understanding of the country's legal requirements, and reduce the investment risk associated with misunderstanding federal or local regulations. Furthermore, within a reasonable scope, the government should continue to simplify the relevant administrative procedures of investment legislation for foreign businesses trading and investing in the Philippines, thereby improving the efficiency of its administration. Reducing investment costs caused by complicated administrative procedures and inefficient implementation will naturally make the Philippines more attractive to foreign investors.

Second: regarding labor issues, simplifying the work permit application process is a key concern of Taiwanese businesses. Because Taiwanese and other foreign businesses in the Philippines often use temporary staff transfers to deal with unexpected circumstances, the government could consider simplifying the application process for the Special Work Permit (SWP), better equipping foreign businesses to meet local demands for trade and investment services and technical training activities. The government could also simplify the application process for the Alien Employment Permit (AEP), and extend its period of validity, enabling foreign investors to expand their services in the Philippines, and thus helping to promote and activate development of the local market.

Third: in terms of human resources, the main concern of Taiwanese businesses is improving the educational infrastructure in the Philippines to improve labor skills. It is suggested that the Philippine government continue to improve the content of the

current K-12 project. In particular, the government might consider increasing the original 80 hours of work experience to ensure that young students can obtain more quality on-the-job training. It is also hoped that the Philippines government will adopt and implement the Apprenticeship Training System Act of 2017 as soon as possible. The bill clarifies the Philippine apprenticeship system training criteria and approval procedures, facilitating the future cooperation of employers, workers, governments and NGOs to help young students develop their professional skills and give them a more streamlined entry into the labor market.

Fourth: regarding trade, the main concerns for Taiwanese businesses are reduction of customs barriers, increased transparency and the strengthening and streamlining of the supply chain, through cooperation between the governments of the two countries. To expand bilateral trade relations and maintain close, mutually beneficial exchange, we propose that the two countries work to reduce barriers to bilateral trade, and push for increased bilateral trade capacity to attract more Taiwanese investment in the Philippines. In addition, the Philippine government should continue to increase transparency of official business and streamline customs, thereby facilitating reduced administrative and transaction costs for import and export. Regarding the supply chain, it is proposed that strengthening bilateral industry links would facilitate Taiwanese assistance in Philippine industry and integration into the global supply chain.

Fifth: in terms of investment, Taiwanese businesses would like to see relaxed restrictions on foreign investment in Philippine industry and reduce barriers to foreigners engaging in the retail business. To attract more long term investment from overseas, we propose that the Philippine government relax restrictions on foreign investment in Philippine industry and reduce barriers to foreigners engaging in the retail business, thereby creating more opportunities for Taiwanese participation in the Philippine marketplace.

Sixth: the Philippines current corporation tax rates are high compared to fellow ASEAN countries Indonesia, Thailand, Malaysia and Singapore. This places a heavy tax burden on company executives, which is unfavorable for attracting foreign investment in the Philippines and establishing a competitive corporate tax investment environment. The main concern is that the Agreement for the Prevention of Double Taxation and Fiscal Evasion has not yet been implemented, giving no guarantee of

reasonable taxation for Taiwanese businesses. It is proposed that as long as public finances are in balance, the Philippine government could consider progressive and conditional lowering of the corporation tax rate for countries neighboring ASEAN. This would combine with other non tax-related incentives (e.g. increased infrastructure construction, increased transparency and efficiency of the trade administrative system and more measures for frictionless trade), allowing the Philippines to establish a more attractive and internationally competitive tax environment for investment. The Agreement for the Prevention of Double Taxation and Fiscal Evasion should also be put into effect as soon as possible, to ensure the rights of Taiwanese businesses to reasonable taxation.

Seventh: the main concerns of Taiwanese businesses regarding infrastructure are a cheap and stable electricity supply, basic infrastructure facilities and improved quality of mobile communications networks. In terms of electricity pricing, we propose that the Philippines agree to enact a reasonable energy rationing policy and increased energy infrastructure to provide a stable energy supply and reduce electricity costs. To strengthen and speed up communications infrastructure, we propose that the Philippine government continue to increase contracting to private firms through Public Private Partnerships (PPPs) (including Taiwanese and other foreign companies with leading technology, products and services). These firms may then jointly participate in public engineering construction in the Philippines, with a view to implementing the "construction, construction and construction" plan as soon as possible, and achieving the goal of transforming the infrastructure of the Philippines. In addition, the Philippine government should continue to establish a comprehensive internet infrastructure, enabling more widespread internet usage and reduced costs, thereby creating an excellent environment for developing the digital economy.

The barriers to investment in industry faced by Taiwanese businesses in the Philippines, and their suggestions to the Philippine government, are summarized as follows:

Firstly, regarding the financial sector, current Philippines legislation stipulate that banks must provide a certain amount of credit for farms, agrarian reform beneficiaries and micro, small and medium enterprises (MSMEs). This legislation is in place to support Philippine agriculture and MSMEs, but because farmers and

MSMEs are often unable to provide the documents required by the banks, they are often classed a relatively high-risk customer group. Because the information of farmers and MSMEs is often difficult to understand, the lending risk is deemed too high, which affects the bank's willingness to lend money. This means that the legislation to support farmers and MSMEs is not yet achieving its expected goals. We propose that the government of the Philippines increase credit loans for projects and improve the credit information system, thereby allowing banks to provide assistance to farms and MSMEs.

Second: in the medical equipment industry, although the Philippines currently categorizes medical equipment into different levels of risk, it has not set different review periods based on these levels. New equipment all has a review period of 180 days, with 30 days to then renew the certificate. It is recommended to designate maximum review periods based on the risk level: for equipment with a lower risk level, the test is shorter, facilitating a more streamlined review schedule for medical equipment certification. E-Certification can also help to cut down on the current review and operation schedule, so as to increase the useful lifespan of the equipment and promote growth in the medical equipment industry.

Finally, based on the current demands of bilateral trade and industrial development, this white paper proposes eight priority areas for strengthening cooperation for mutual benefit. First: cooperation in human resources and training. A good foundation for bilateral cooperation in human resources and training has already been established. Going forward, the two nations should work together on technical education and expert training, and continue to establish a robust personnel database to facilitate this cooperation.

Second: cooperation on development of MSMEs. In view of the fact that the Philippines attaches great importance to the development of MSMEs, and the situation in Taiwan and the Philippines is similar, development of MSMEs is beneficial to both countries and presents scope for cooperation. In the future, both countries should continue to strengthen dialogue exchange and cooperation on SME development via bilateral exchange platforms, as well as increase cooperation on e-commerce. By forming a cross-border e-commerce alliance, we will jointly expand regional business opportunities in Taiwan, the Philippines and ASEAN.

Third: increasing value in agriculture and cooperation on the application of

biotechnology. The Philippines attaches great importance to the development of its biotechnology industry for applications in agriculture, fishing and natural health products. Taiwan has seen rapid growth in the use of biotechnology over the past few years, with extensive achievements in technological research and development and plenty of successful development experience. This allows both countries to cooperate in using biotechnology to increase agricultural value through improving farming varieties, growing techniques and advanced agriculture, as well as developing natural health products. The two countries should be able to jointly deepen bilateral development in agriculture and the biotechnology industry, and together bring about a period of prosperity for industrial development. In the future, the two countries can work together and share experiences in maximizing agricultural value with comprehensive agriculture demonstration sites, as well as strengthening bilateral marketing of local agricultural produce and related bio-health products.

Fourth: cooperation on electronic equipment and applying innovations in communications. Semiconductors, electronics, information communications technology (ICT) and business process management (BPM) are all key growth industries in the Philippines, and Taiwan has a good foundation and rich development experience in all of these fields. For their bilateral relationship to be truly sustainable, Taiwan and the Philippines should cooperate more closely on all the key issues in these fields. For example, increasing cooperation in the semiconductor and electronics assembly industry and the application of innovations in electronic information technology.

Fifth: cooperation in the machinery industry. Development of the machinery industry base in the Philippines is so far relatively sparse, and mainly consists of developing agricultural machinery. Taiwan has an excellent foundation and solid export experience in agricultural machinery, machine tools and metal working. We propose that in the future, Taiwan and the Philippines increase cooperation in the fields of agriculture and food production machinery, machine tools and metalworking machinery. Enhanced bilateral exchange in the field of smart manufacture will also help elevate industry in the Philippines.

Sixth: cooperation to develop industrial parks. In order to attract foreign investment and encourage industrial development, in addition to financial and non-financial incentives, the Philippines has also established industrial parks all over

the country. Taiwan, which has experienced rapid economic growth since the 1970s, along with a steady increase in the number of industrial parks, has accumulated a great deal of experience in successfully developing and managing industrial parks. In the future, Taiwan and the Philippines could increase cooperation on "resource integration" in industrial parks, as well as working together to open more industrial parks.

Seventh: Cooperation on medical equipment and medical hygiene. Due to steady growth in its population and economy, quality of life in the Philippines is constantly improving. Regarding the rapid increase in demand for medical equipment, Taiwan has a comprehensive medical system and public hygiene disease prevention network to match advanced nations. Growth in Taiwan's medical equipment industry is also very mature, with a good quality to price ratio, and the world-renowned success of the National Health Insurance system. Taiwan and the Philippines should therefore continue to cooperate in training medical personnel, and increase cooperation to help the Philippines upgrade its medical equipment industry.

Eighth: Cooperation in the energy industry. The energy supply of the Philippines heavily relies on imports, with approximately half of the nation's basic energy supply coming from overseas. Furthermore, due to the country's rapid economic growth over the past few years, electricity demand has steadily increased. The total power requirements have exceeded the current supply capacity of the energy industry, and the country bears the heavy financial burden of having to import energy. In response to climate change and global warming, the government and people of Taiwan have proactively forged ahead in renewable energy sources, energy efficiency and energy saving. Going forward, Taiwan and the Philippines can make use of each other's industrial advantages, increase exchange and cooperation on technologies such as solar power and geothermal energy, and advance bilateral cooperation in developing energy-saving technology.

Part 1 Summary

A. Origin

The substantial increase in foreign investment by Taiwanese companies can be traced back to the 1980s. Following the expansion of foreign investment, the Regional Chamber of Commerce was established. In order to combine the influence of Taiwanese business overseas and promote services for Taiwanese business, in September 1994, the World Taiwan Chambers of Commerce, an intercontinental alliance of chambers of commerce, was established. The alliance included 189 chambers of commerce in 73 countries spread across the six continents, with a membership of over 40,000 manufacturers. The founding goals of the Taiwan Chambers of Commerce were to increase global collaboration with Taiwanese businesses; strengthen Taiwanese connections in each country; provide information on commerce and financial information to Taiwanese businesses; promote the international status of Taiwanese businesses; ensure their rights and interests; and promote cultural exchange with communities in all areas to further common understanding and economic development.

In October 1980, a group of Taiwanese businesspeople, investors, manufacturers and enthusiastic figures combined their energies to form a trade organization under the name Philippines China Association, which was renamed Taiwan Association Inc. Philippines (TAP) in 1999. The Association assisted in the Philippines with the establishment of the Cavite Taiwan Chamber of Commerce, Subic Bay Taiwan Chamber of Commerce, Southern line Taiwan Chamber of Commerce and North District Country Club. TAP has been established for over 30 years, and has been making connections with Taiwanese businesses and associations in the Philippines for many years. In the spirit of solidarity and mutual aid, TAP encourages cooperation and mutual assistance between artisans, farmers, laborers and businesspeople. Its goals are to strive for common rights and interests, promote friendly Taiwan-Philippines relations, and provide connections and various services to Taiwanese businesses in the Philippines. The Association also works with overseas Chinese communities in the Philippines to assist with various community charity events, including disaster relief efforts, free clinics, donations of wheelchairs and rice, visits to orphanages and nursing homes, and supporting the Noordhoff Craniofacial Foundation to enable Filipino children to receive free cleft palate surgery. The Association has also held various

charity events, including Love from Taiwan, earning praise and recognition from the people and government of the Philippines.¹

The Philippines is geographically very close to Taiwan, and forging market access within ASEAN and elsewhere has long been a goal of Taiwanese foreign investors. Taiwan has been investing in the Philippines since the 1960s, with significant investment growth in the 80s and 90s. Taiwanese investment in the Philippines has been steadily expanding ever since, both in terms of value and the industry diversity. From shoemaking and textiles early on, investment gradually expanded into food processing, electronics, cement, communication equipment, locomotive and automobile parts, medicine and medical products, electrical equipment, sanitary equipment, domestic electric appliances, electronic equipment and unit assembly, as well as manufacture of machinery for the generation, transmission and allocation of electricity. Service industries such as aviation, shipping, real estate development and financial insurance have also benefitted from investment.

For the past few years the Philippine government has been proactively enacting industry revitalization policies such as the 10 Point Socio-Economic Development Agenda, Comprehensive National Industrial Strategy (CNIS) and Manufacturing Resurgence Program (MRP). In addition, its proposal in 2017 Investment Priorities Plan (IPP), a comprehensive set of financial and non-financial incentives, sparked a whole new wave of Taiwanese investment in the Philippines. In 2015, the ASEAN Economic Community (AEC), a huge single market with a value of 2.6 trillion USD and a population of 622 million, was officially established.² This further enabled Taiwan to realize its investment aspirations in the Philippines and other ASEAN markets.

According to figures from the Philippines Statistics Authority (PSA), from 2015 to 2017 Taiwanese investment in the Philippines continued to rise, and in 2017 reached 10.3% of total foreign investment (10.84 billion pesos). This was 6.7 times what Taiwan had invested the previous year (1.6 billion in 2016), and second only to the Japan (31.99 billion pesos), making Taiwan the second largest source of foreign investment in the Philippines.³ However, if Taiwanese businesses who invested in the

¹ Taiwan Association Philippines, About Taiwan Association Inc., http://www.tap.org.ph/index.php?option=com_content&view=article&id=14&Itemid=26&lang=zh (Accessed on October 10th, 2018; TAP Regulations, November 2003).

² ASEAN, "ASEAN Economic Community," <http://asean.org/asean-economic-community/> (accessed on September 10, 2018).

³ Philippine Statistics Authority (PSA), *Foreign Investments Fourth Quarter 2017*, February 22, 2018, p. 29, <https://psa.gov.ph>.

Philippines from a third country are included, the actual sum is much higher. Conservative estimates currently put place the number of Taiwanese investors at 6,000,⁴ and TAP member companies at 250.⁵ The entire cumulative investment from Taiwan to the Philippines is also constantly increasing in value and diversity. This has contributed immensely to the development of various industries and technologies in the Philippines, as well as creating jobs, investment and trade, and helping the entire economy to mature and develop.

The Philippines is rich in natural resources, and has an abundant labor force with a superior grasp of the English language. For the past few years its economy has shown rapid growth, and its population and consumption capacity have progressively increased. The domestic market is showing promising growth, and aside from improved trade and investment environment, the region is showing excellent performance in economic integration, opening up to overseas investment and falling in line with international standards. Consequently, the Philippines has become a major investment target for Taiwanese and other foreign businesses.

In order to take the trade and investment relationship between Taiwan and the Philippines further, increased understanding is needed between the Philippines and Taiwanese businesspeople regarding the bilateral trade relationship and the trade and investment environment. Enhancing the trade and investment incentives for Taiwanese businesspeople would make it easier for them to contribute more to the successful development of trade and investment in the Philippines. The World Taiwan Chambers of Commerce, Asian Taiwan Chambers of Commerce and the Taiwan Association Philippines published this white paper in order to provide consultation to the Philippine government on innovating its legal system, industry and trade by collecting the actual trade and investment experiences and suggestions of Taiwanese businesses in the Philippines, thereby allowing the industrial assets and advantages of the two countries to complement each other. This white paper will discuss various feasible collaboration proposals to deepen the cooperative relationship in areas such as trade, investment, industry, technology and workforce, and aims to achieve the

gov.ph/sites/default/files/Fourth%20Quarter%202017%20Foreign%20Investments%20Report.pdf (accessed on September 10, 2018).

⁴ Taiwan External Trade Development Council, The Philippines: Investment Environment Analysis, 2018, <http://www.taitraresource.com/total01.asp> (accessed on September 10th, 2018).

⁵ Taiwan Bureau of Foreign Trade, Information on Taiwanese Business <https://www.newsouthboundpolicy.tw/Country.aspx?id=f6f3f694-cd50-415b-bb09-18331aa698a3&type=BusinessInfo> (accessed on September 10th, 2018).

concrete goals of mutual benefit and shared prosperity in the development of trade and investment in the Philippines.

B. Taiwan-Philippines bilateral economic and trade relationships

The Philippines shares an extremely close trading relationship with Taiwan, being its nearest Southeast Asian neighbor. Since the 1992 Agreement between the Taipei Economic and Cultural Office and the Manila Economic and Cultural Office for the Promotion and Protection of Investments, as well as their joint founding of the Subic Bay Industrial Park in 1994, the Philippines has become a popular target for Taiwanese investment. While the Asian banking crisis and the big draw of Mainland China has caused many Taiwanese businesses to pull out of the Philippine market, there are still many Taiwanese who persevere, and continue to engage in the Philippine market after 20 years.

Over the past few years, the gradual increase of Taiwanese investment in the Philippines has provided impetus for the steady growth of bilateral trade (as shown in Chart 1). In 2017 Taiwan was the Philippines' 10th largest export market, and the 7th largest source of imports, after other ASEAN nations, mainland China, USA and Korea.⁶ Based on product diversity, the Philippines is Taiwan's 10th largest export market, mostly focused on electrical machinery (HS 85), followed by mechanical appliances (HS 84), organic chemicals (HS 29), optical products (HS 90), copper and copper products (HS 74), fossil fuels (HS 27), then fish (HS 03), plastic and plastic products (HS 39), vehicles and vehicle parts (HS 87). In terms of imports to the Philippines from Taiwan, the majority in 2017 were electrical machinery, (HS 85), mechanical appliances (HS 84) and steel (HS 72), approximately 75% of the total imports. These industries were followed by fossil fuels (HS 27), plastic and plastic products (HS39), copper and copper products (HS 74), optical products (HS 90), organic chemicals (HS 29), steel products (HS 73) and fabrics (HS 60) (as shown in Table 1)⁷.

⁶ Taiwan Bureau for Foreign Trade, Records for the Philippines, July 16th, 2018, <https://www.trade.gov.tw/World/ListArea.aspx?code=7020&nodeID=977&areaID=4&country=b6461-y5b6L6LOT&pw=3> (accessed on September 10th, 2018); Philippine Statistics Authority, Highlights of the Philippine Export and Import Statistics: December 2017, February 9, 2018, <https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-december-2017> (accessed on September 10, 2018).

⁷ International Trade Centre (ITC), "Trade Map - Bilateral trade between Philippines and Taipei, Chinese," https://www.trademap.org/tradestat/Bilateral_TS.aspx?nvpm=1|608|490|TOTAL||4|1|1|2|1|1|1|1 (accessed on September 10, 2018).

Table 1 Main products the Philippines imported from/ exported to Taiwan in 2017

Units of measurement: million USD; percent (%)

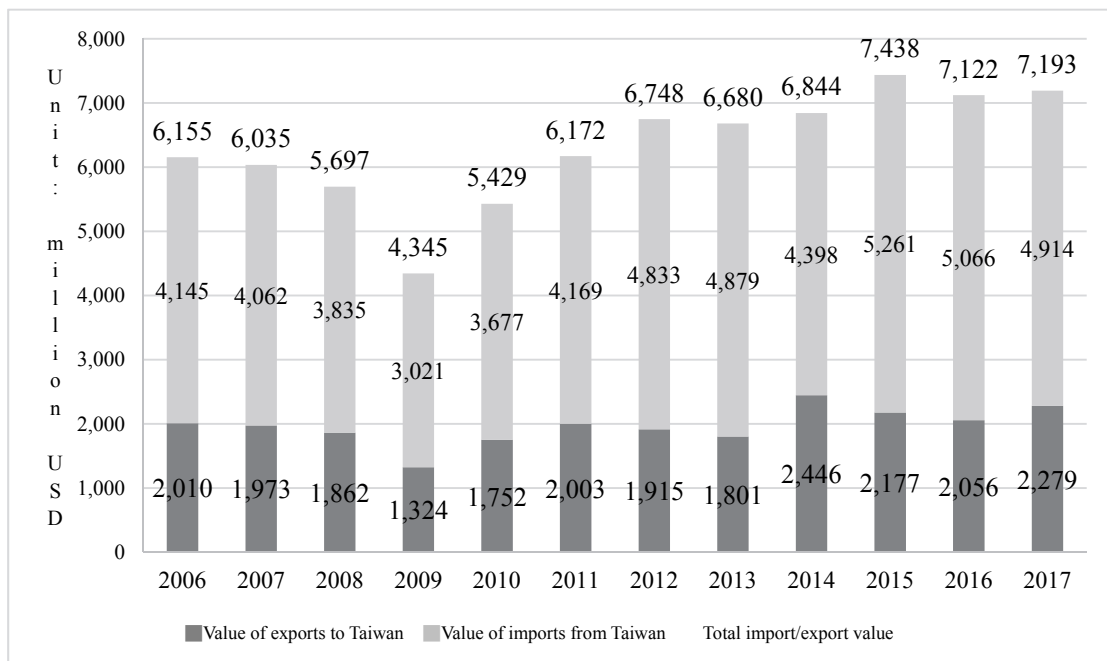
Ranking	Philippines exports to Taiwan			Philippines imports from Taiwan		
	Product name	Value	Proportion	Product name	Value	Proportion
		Total of all products	2,450.88	100.00%	Total of all products	5,412.23
1	Electrical machinery (HS 85)	1,618.87	66.05%	Electrical machinery (HS 85)	3,267.33	60.37%
2	Mechanical appliances (HS 84)	291.70	11.90%	Mechanical appliances (HS 84)	576.56	10.65%
3	Organic chemicals (HS 29)	114.89	4.69%	Steel (HS 72)	207.44	3.83%
4	Optical products (HS 90)	107.87	4.40%	Fossil fuels (HS 27)	192.43	3.56%
5	Copper and copper products (HS 74)	73.48	3.00%	Plastic and plastic products (HS 39)	164.07	3.03%
6	Fossil fuels (HS 27)	46.88	1.91%	Copper and copper products (HS 74)	122.49	2.26%
7	Fish (HS 03)	36.74	1.50%	Optical products (HS 90)	84.41	1.56%
8	Plastic and plastic products (HS 39)	15.17	0.62%	Organic chemicals (HS 29)	78.19	1.44%
9	Steel (HS 72)	13.81	0.56%	Steel products (HS 73)	64.93	1.20%
10	Vehicles and vehicle parts (HS 87)	12.81	0.52%	Fabrics (HS 60)	53.85	0.99%

Source: International Trade Centre (ITC)

From this table we can see that trade between Taiwan and the Philippines is highly concentrated in products such as electrical equipment, machinery and

fossil fuels. It is therefore clear that in these three main industries Taiwan and the Philippines have intra-industry trade and division of labor. At present, the Philippines is experiencing an industrial boom, and it is actively promoting Comprehensive National Industrial Strategy (CNIS) and Manufacturing Revitalization Plan (MRP) policies. It is expected that under the guidance of Taiwan's New Southbound Policy, the two countries will further improve their bilateral trade relationship, creating a more advantageous environment for bilateral cooperation.

**Chart 1 The Philippines' total imports from and exports to Taiwan
2006~2017**



Source : Global Trade Atlas database

C. Overall Business Environment in the Philippines

1. Rapid economic development in the Philippines shows bright prospects for growth

Having been adversely affected by internal politics and the Asian banking crisis, economic development in the Philippines has been relatively slow, but has shown a clear improvement since 2010. The former president Benigno S. Aquino III strove to restructure and rebuild the Philippine economy, resolutely fighting corruption in order to revitalize investor confidence. His efforts brought the

average growth rate between 2010 and 2015 to 5.9%, showing considerable improvement, and in the second half of 2016, the newly appointed Duterte Administration continued with the economic policy of the previous administration. The government focused on measures to ensure steady economic growth, such as strengthening basic infrastructure, improving the investment environment, forming a development strategy appropriate for the country's agricultural circumstances and improving the tax system.

According to estimates by the International Monetary Fund (IMF), the Philippines' economic growth could surpass 6.7% between 2018 and 2020 (as shown in chart 2), and per capita GDP can be expected to rise from \$3,100 USD in 2018 to \$4,410 USD in 2023.⁸ Other major international economic forecast organizations, including the Asian Development Bank (ADB)⁹, Global Insight¹⁰ and the World Bank¹¹, also hold optimistic views on future economic growth in the Philippines. It is predicted that the Philippines' economy could achieve growth of 5.6-6.9% in 2019.

In the short term, the Philippines still needs to face the risks and challenges brought about by political uncertainty, including external factors such as global financial market fluctuations and inconsistencies in trade policy of major industrial nations. Internal factors, such as tax reform and the extent of infrastructure construction will also have an influence.

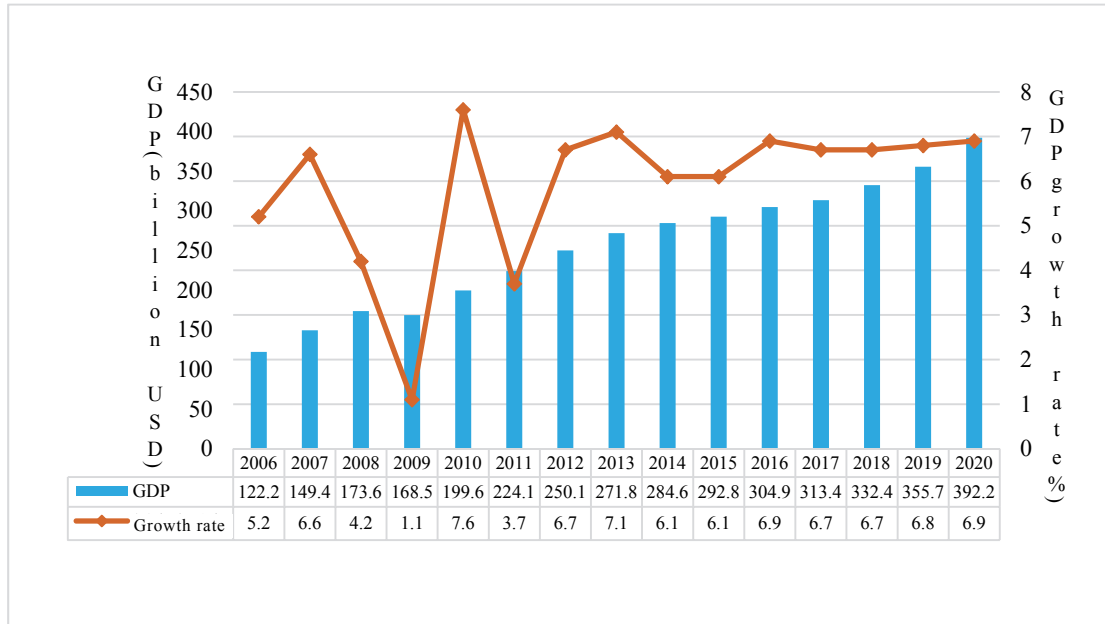
⁸ IMF, "Nominal GDP per capita," April 2018, http://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVEC/WEO_WORLD/PHL (accessed on September 10, 2018).

⁹ Asian Development Bank (ADB), *Asian Development Outlook 2018: Supplement*, July 2018, p. 2, <https://www.adb.org/sites/default/files/publication/435196/ado-supplement-jul-2018.pdf> (accessed on September 10, 2018).

¹⁰ Global Insight (GI), *Philippines Economic Outlook*, August 27, 2018, p. 4.

¹¹ World Bank, *Global Economic Prospects*, January, 2018, p. 81, <https://openknowledge.worldbank.org/bitstream/handle/10986/28932/9781464811630.pdf> (accessed on September 10, 2018).

Chart2 The Philippines' GDP and growth rate



Note : forecast GDP and growth rate in 2018-2020

Source : IMF, *World Economic Outlook Database*, Jan. 2018 ; collated by CIER (2018/06)

2.The Philippines actively participates in global economic

From the 1950s to 1970s, the Philippine government adopted an inward-looking strategy, protecting emerging domestic industry from the impact of foreign competition through measures such as protective tariffs, control of foreign exchange and capital market intervention. However, inward-looking policies also stifled the domestic economic and industrial development of the Philippines. To establish more efficient and internationally competitive industry, starting in 1981 the Philippines government began adopting a more outward-oriented strategy of liberalization. As well as becoming a member of the WTO in 1995, the Philippines also signed Free Trade Agreements (FTAs) and Regional Trade Agreements (RTAs).

Since the Philippines signed the ASEAN Free Trade Area (AFTA) agreement with five other ASEAN countries (Borneo, Indonesia, Malaysia, Singapore and Thailand) in 1992, it has gone on to sign 8 more FTAs and RTAs outside of AFTA. This includes 5 FTAs between ASEAN and other nations

(including ASEAN-China FTA, ASEAN-Korea FTA, ASEAN-Japan FTA, ASEAN-India FTA and ASEAN-Australia and New Zealand FTA); as well as the Japan-Philippines FTA and the Philippines-European Free Trade Association (EFTA) FTA.¹² On the whole, the Philippines' joining of FTAs not only reduced its export duty and removed customs barriers, thereby promoting connections and trade cooperation with partner nations, it was also an attractive move for Taiwanese and other foreign investment in the Philippines, gradually increasing opportunities to participate in the export and domestic markets of the Philippines.¹³

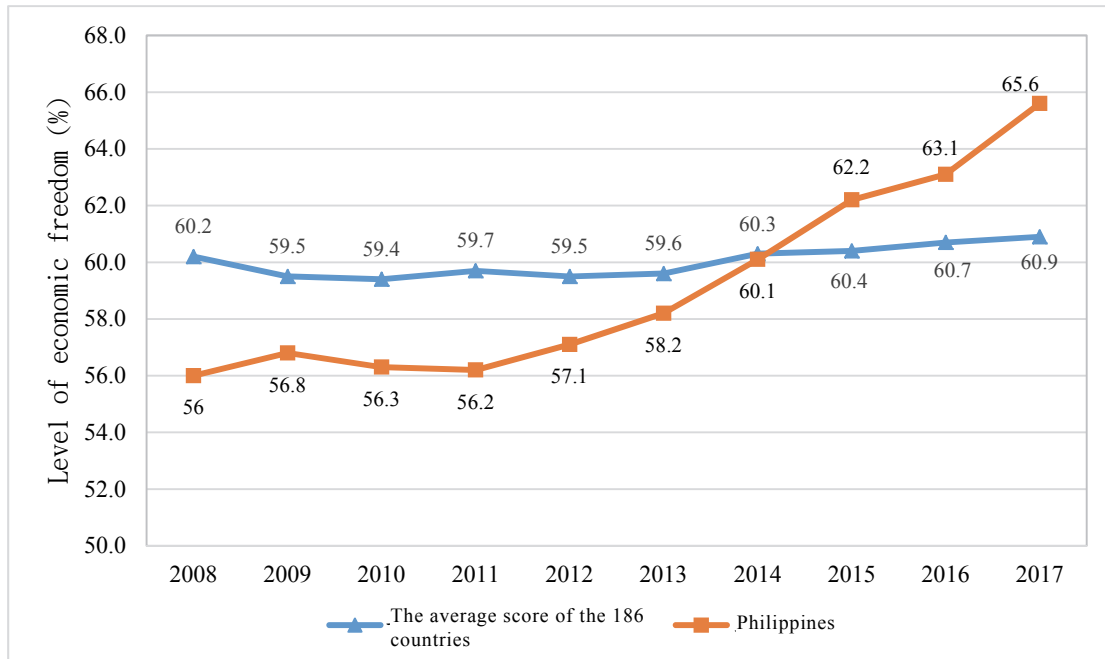
In addition, due to recent years Philippines signing FTAs through ASEAN, actively participate in regional economic integration, and adding to the 2015 creation of the ASEAN Economic Community (AEC). Also, the Philippine government's efforts to actively strengthen public finances, expand government spending on constructing infrastructure and stabilize monetary policy have ensured macro-economic freedom and continuous improvement for the Philippines.

According to analysis by The Heritage Foundation, the Philippines reached 65.6% in the 2017 Index of Economic Freedoms, setting a new ten year record. The Philippines exceeded the average score of the 186 countries (60.9%) ranking 58th in the world for economic freedom.

**Chart 3 Changes in the level of economic freedom in the Philippines
2008~2017**

¹² Department of Trade and Industry (DTI), Republic of the Philippines, "Free Trade Agreement (FTAS)," <https://www.dti.gov.ph/15-main-content/dummy-article/682-free-trade-agreements> (accessed on September 10, 2018).

¹³ Chris Schnabel, "ASEAN Opens up Half the World to PH Trade," June 25, 2015, <https://www.rappler.com/business/economy-watch/97380-asean-aec-free-trade-agreements> (accessed on September 10, 2018).



Source : The Heritage Foundation USA, *2017 Index of Economic Freedoms*

3. The Philippines has become one of the main overseas investment countries for Taiwanese enterprises

Many international organizations such as the World Bank's Doing Business, the Institute for Management Development (IMD), the World Competitiveness Yearbook (WCY), the World Economic Forum (WEF) and the Global Competitiveness Report recognize the improving economic performance of the Philippines, which shows the success of recent political and economic reforms.

The advantages brought by political and economic reform in the Philippines, coupled with its huge domestic business opportunities, wealth of natural resources, abundant English speaking labor force, slowly rising salary and favorable investment conditions have made the Philippines a major target for foreign investment. From 2010 to 2017 the annual total investment in the Philippines was between 2 and 7 billion USD, and came from major players in East Asia (Japan, South Korea, Mainland China), North America, Europe, Southeast Asia, southern Asia and part of Oceania, which have all established an investment presence in the Philippine.¹⁴ Furthermore, according to the United Nations Conference on Trade and Development (UNCTAD) Global Investment Prospects Assessment 2017-2019, the Philippines ranked as the 9th

¹⁴ Philippine Statistics Authority (PSA), *Foreign Investments Fourth Quarter 2017*, February 22, 2018, pp. 27, 29, <https://psa.gov.ph/sites/default/files/Fourth%20Quarter%202017%20Foreign%20Investments%20Report.pdf> (accessed on September 10, 2018).

most attractive country for investment for the 2017-2019 period, showing that the Philippine market is very attractive to foreign investment from leading nations.

The Philippines is the closest ASEAN country to Taiwan, only two hour's flight away, with no time difference. Its climate and temperature are also similar, making it an ideal investment choice for Taiwanese enterprises, who now play an important role in the country's supply chain. For the past few years, many Taiwanese businesspeople have been optimistic about the Philippines' domestic market in manufacturing industries such as automobiles and scooters, clothes making and textiles, shoemaking, small electrical appliances, toys and home products. Taiwanese businesses have also participated in service industries such as catering, wedding and funeral services. Going forward, if the Philippine government continues to pass legislation and system adjustments to create an excellent investment environment, it will attract investment from a broader range of Taiwanese businesses. Improved legislation will also strengthen bilateral cooperation in various industries, promoting a mutually beneficial win-win situation in trade, industry and investment development.

4. The business environment in the Philippines continues to improve

To continue to revitalize the Philippine economy, raise quality of life, reduce inequality and create more and better employment opportunities, in 2016 the Duterte administration proposed the Ten Point Socio-economic Agenda. Aside from preserving the existing overall economic policy, the agenda also included spending 5% of GDP on tax reform, increasing competitiveness, improving the business environment and speeding up infrastructure construction. The agenda also targeted agricultural development, land ownership rights, labor capital development, increased capacity for innovation, improved social security, and better implementation of the Responsible Parenthood and Reproductive Health Law.¹⁵

In addition, to boost development of the Philippines' domestic manufacturing industry and increase industry competitiveness, the government has been pushing a series of policies to improve the business environment for investment in industry. In 2010, the Department of Trade and Industry (DTI) started work on the Manufacturing

¹⁵ Department of Health (DOH), Republic of the Philippines, "10-Point Socioeconomic Agenda of the Duterte Administration," June 20-21, 2016, <http://www.doh.gov.ph/node/6750> (accessed on September 10, 2018).

Revitalization Plan (MRP), which in the short term (2014-2017) aims to revive the Philippines' industrial capacity, increase new production capacity and preserve the competitiveness of existing industries. In the medium term (2017-2021) the plan involves developing high value industry, investing in upper-level or core sectors of the industrial supply chain, and combining or integrating SMEs and large scale companies. The long term (2021-2025) goals of the plan are to construct a complete industry supply chain in the automobile, electronics, machinery, clothing and foodstuff industries, turning the Philippines into a regional and global manufacturing hub.¹⁶ In 2011, in order to promote overall national competitiveness, the Philippines rebranded the Public-Private Sector Task Force on Philippine Competitiveness, established in 2006, as the National Competitiveness Council (NCC). The NCC's mission is to advance and formulate strategy, and implement the Action Agenda for Competitiveness.¹⁷

In 2012, the DTI further proposed the Comprehensive National Industrial Strategy (CNIS), hoping to develop the Philippines into a globally competitive and internationally connected industrial development environment. The strategy aims to achieve this through prioritizing short, medium and long term growth in the domestic manufacturing industry (including automobile projects), agriculture companies (including value-added agriculture), information technology and business process management (IT-BPM), tourism industry, basic infrastructure and logistics industry.¹⁸ In 2017, on the basis of the 10 Point Socio-economic Agenda, the Philippines National Economic Development Authority (NEDA) issued the Philippine Development Plan (PDP) 2017-2022. The plan stipulates the primary targets for 2022 of 7-8% economic growth, a national per capita income of \$5,000 USD, reduction of the poverty rate from 21.6% to 14% and reduction of the unemployment rate from 5.5% to 3-5%. Starting with the three main strategies of enhancing social fabric, inequality-reducing transformation and increasing growth potential, the Philippine

¹⁶ Department of Trade and Industry (DTI) and Board of Investments (BOI), Republic of the Philippines, "Manufacturing Resurgence Program," <http://industry.gov.ph/manufacturing-resurgence-program/> (accessed on September 10, 2018).

¹⁷National Competitiveness Council (NCC), "About NCC," January, 2018, <http://www.competitive.org.ph/about-us/about-ncc> (accessed on September 10, 2018).

¹⁸ Department of Trade and Industry (DTI) and Board of Investments (BOI), Republic of the Philippines, "Comprehensive National Industrial Strategy," <http://industry.gov.ph/comprehensive-national-industrial-strategy/> (accessed on September 10, 2018); Department of Trade and Industry (DTI), Republic of the Philippines, "Industry Development," January, 2018, <https://www.dti.gov.ph/15-main-content/dummy-article/683-industry-development> (accessed on September 10, 2018).

government will work towards these targets by expanding the agriculture and fishing industries, creating opportunities in industry and services, speeding up development of labor capital and accelerating development of basic infrastructure.¹⁹

Regarding investment incentive measures, the government of the Philippines also proposed various concrete plans to create an attractive investment environment. For example, in 2017, the Philippines Board of Investments (BOI) announced its three-year (2017-2019) 2017 Investment Priorities Plan (IPP). The targets of the plan include manufacturing (including agricultural processes), agriculture, forestry and fishing, strategic service industries, healthcare services, accommodation, infrastructure and logistics, innovative industries, inclusive business models, environment, climate change and energy. Incentives under the plan include Income Tax Holiday (ITH) and tax-free imports. In addition, although not an IPP objective, domestic companies whose export ratio is 50% or higher, and wholly foreign-owned enterprises (requires 40% or more of shares) with an export ratio of 70% or higher, will also be eligible for incentives.²⁰

In terms of the overall picture, evaluation from various international bodies shows that the efforts of the current Philippine government to promote company competitiveness and improve the investment environment are already bringing concrete results. First of all, in the WEF Global Competitiveness Report 2017-2018, the Global Competitiveness Index (GCI) ranked the Philippines 56th out of 137 evaluated countries, up one place from 2016-2017. In the GCI's 12 pillars of competitiveness, the Philippines achieved excellent scores in macroeconomic environment (ranked 22nd, two places down from the previous year), market size (27th, four places up) and financial market development (52nd, four places down). The Philippines also made significant improvements in higher education and training (55th, 3 places up) and labor market efficiency (84th, 2 places up). Although the Philippines rank in technological readiness has not changed from the previous year, its actual score improved by 0.2 points, mainly thanks to a substantial increase in number of internet users.²¹

¹⁹ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf> (accessed on September 10, 2018).

²⁰ Board of Investments (BOI), Republic of the Philippines, "2017-2019 Investment Priorities Plan: Scaling Up and Dispersing Opportunities," 2017, <http://boi.gov.ph/files/2017%20IPP%20GP%20&%20SG%20-%20CTC.pdf> (accessed on September 10, 2018).

²¹ World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017* (Geneva: WEF, 2016); World

The Philippines also ranked 41st out of 63 evaluated countries in the IMD World Competitiveness Ranking 2017, up one place from 2016.²² Of the four main categories, the Philippines did best in economic performance, coming 26th (12 places up from 2016), followed by 28th in business efficiency (4 places down), 27th in government efficiency (1 place down) and 54th in infrastructure (1 place up).

The main reason for the Philippines' higher World Competitiveness Ranking this year is its progress in the economic performance and infrastructure categories. The improvement in economic performance was down to excellent scores in the domestic economy (12th place, up 19 places from 2016), and employment (4th, up 15 places) indicators, while the improved infrastructure score was helped by significant improvement in health and environment indicator (49th, up 5 places). Other ranking improvements include public finances (25th, up 9 places) in the government efficiency category, and finance (33rd, up 3 places) in the business efficiency category.²³

Moreover, in terms of international credit rating, the Big Three international credit rating agencies Standard and Poor's (S&P), Fitch and Moody's all judged the Philippines' overall economic outlook to be stable or positive (as shown in table 2). Among these, the S&P Global Ratings gave the Philippines a BBB rating, and upgraded its overall economic outlook from "stable" to "positive";²⁴ Fitch also gave the Philippines a BBB rating and stable outlook; while Moody's gave a Baa2 rating and stable outlook.²⁵ This clearly shows that the reforms in the business and investment environment enacted by the government of the Philippines have not only achieved outstanding results, but have received positive evaluation internationally.

Table 2 Ratings of the Big Three international credit ratings agencies for international credit performance and outlook of the Philippines

Date	Credit rating agency	Credit rating and outlook
04/26/2018	Standard and Poor	BBB & positive

Economic Forum (WEF), *The Global Competitiveness Report 2017-2018* (Geneva: WEF, 2017).

²² International Institute for Management Development (IMD), "IMD World Competitiveness Online," <https://worldcompetitiveness.imd.org/> (accessed on September 10, 2018).

²³ *Ibid.*

²⁴ "S&P Rating Shows PH on Right Track," *Manilastandard.Net*, May 2, 2018, <http://manilastandardtoday.com/news/national/264709/s-p-rating-shows-ph-on-right-track.html> (accessed on September 10, 2018).

²⁵ "Credit Rating Agency Upgrades Philippines' Credit Rating to BBB," *Microsourcing*, January 12, 2018, <https://www.microsourcing.com/news/201801/fitch-upgrades-philippines-credit-rating-to-bbb.asp> (accessed on September 10, 2018); Fitch, "Philippines," January 15, 2018, <https://www.fitchratings.com/site/search?content=research&request=%20philippines> (accessed on September 10, 2018).

07/17/2018	Fitch	BBB & stable
07/20/2018	Moody	Baa2 & stable

Source : “Rating: Philippines Credit Rating,” *Countryeconomy.com*, <https://countryeconomy.com/ratings/philippines> (accessed on December 13, 2018).

However, it is worth noting that the Philippines placed 50th in the IMD World Competitiveness Ranking 2018, compared to 41st in 2017.²⁶ The main reason for the relatively sharp decline is the employment indicator in the economic performance category, which dropped from 4th in 2017 to 32nd in 2018, and the labor market indicator in the business efficiency category, which fell from 5th to 19th. But there were still some indicators that showed improvement, such as price in the economic performance category, which rose from 52nd to 45th, and productivity and efficiency in the business efficiency category, which rose from 52nd to 46th. The taxation policy indicator in the government effectiveness category also rose from 18th place in 2017 to 15th place in 2018.²⁷

Overall, the Philippines still has room for improvement in increasing its general competitiveness, requiring a concerted effort from the government. Continued improvement of the overall business and investment environment will attract more foreign investment in developing the Philippine market and create more excellent job opportunities.

According to the GCI 2017-2018 trade and investment related assessment criteria in table 3, out of 137 countries, the Philippines is furthest behind in the following indicators: number of procedures to start a business (136th), customs procedures (125th), quality of air transport infrastructure (124th), extent of market dominance (119th), redundancy costs (116th), time required to start a business (115th), quality of port infrastructure (114th), quality of overall infrastructure (113th), efficiency of legal framework in settling disputes (113th), burden of government legislation (111th) and strength of investor protection (111th).

Indicators for which the Philippines fell more than ten places include government procurement of advanced technology products (91st, down 17th places), ethical behavior of companies (84th, down 13 places), production process

²⁶ International Institute for Management Development (IMD), “IMD World Competitiveness Online,” <https://worldcompetitiveness.imd.org/> (accessed on September 10, 2018).

²⁷ *Ibid.*

sophistication (80th, down 13 places), nature of competitive advantage (94th, down 11 places) and efficacy of corporate boards (54th, down 10 places).

Regarding the indicators that still need improvement, if the government can adopt the proposals of Taiwanese and other foreign enterprises and actively push various measures for reform, it should be able to substantially improve the Philippines' overall national competitiveness by combining the resources and energies of the public and private sectors.

Table 3 Items that the Philippines still needs to improve and ranking in the World Economic Forum (WEF) Global Competitiveness Index (GCI) relating to business and investment

Indicator	2016-2017 ranking	2017-2018 ranking	Ranking difference
Overall ranking	57	56	+1
1. No. of procedures to start a business	137	136	+1
2. Burden of customs procedures	121	125	-4
3. Quality of air transport infrastructure	116	124	-8
4. Extent of market dominance	114	119	-5
5. Redundancy costs	112	116	-4
6. Time to start a business day	115	115	0
7. Quality of port infrastructure	113	114	-1
8. Quality of overall infrastructure	112	113	-1
9. Efficiency of legal framework in settling disputes	110	113	-3
10. Burden of government regulation	117	111	+6
11. Strength of investor protection	120	111	+9
12. Effectiveness of anti-monopoly policy	106	106	0
13. Fixed-telephone lines /100 pop.	107	105	-2
14. Quality of roads	106	104	-2
15. Business impact of rules on FDI	99	97	2
16. Legal rights index	97	95	2

Indicator	2016-2017 ranking	2017-2018 ranking	Ranking difference
17. Nature of competitive advantage	83	94	-11
18. Quality of electricity supply	94	92	+2
19. Quality of railroad infrastructure	89	91	-2
20. Total tax rate % profits	91	91	0
21. Gov't procurement of advanced technology products	74	91	-17
22. Prevalence of foreign ownership	67	90	-23
23. Mobile-broadband subscriptions/100 pop.	80	89	-9
24. Mobile-cellular telephone subscriptions/100 pop.	65	88	-23
25. Ethical behavior of firms	71	84	-13
26. Production process sophistication	67	80	-13
27. Internet bandwidth kb/s/user	72	78	-6
28. Tertiary education enrollment rate	76	77	-1
29. Hiring and firing practices	76	77	-1
30. Buyer sophistication	69	76	-7
31. Quality of scientific research institutions	72	75	-3
32. Venture capital availability	65	70	-5
33. Primary education enrollment rate	60	66	-6
34. Prevalence of non-tariff barriers	60	64	-4
35. FDI and technology transfer	62	63	-1
36. Control of international distribution	52	60	-8
37. Trade tariffs	49	58	-9
38. Country capacity to retain talent	54	57	-3
39. Efficacy of corporate boards	44	54	-10
40. Ease of access to loans	46	54	-8

Indicator	2016-2017 ranking	2017-2018 ranking	Ranking difference
41. Value chain breadth	49	53	-4
42. Company spending on R&D	44	51	-7
43. Degree of customer orientation	42	50	-8
44. Strength of auditing and reporting standards	44	48	-4
45. Quality of the education system	44	46	-2
46. Capacity for innovation	41	45	-4
47. Willingness to delegate authority	23	44	-21
48. Reliance on professional management	38	44	-6
49. Pay and productivity	37	43	-6
50. Affordability of financial services	42	43	-1
51. Availability of financial services	38	42	-4
52. Financing through local equity market	30	38	-8
53. Extent of staff training	31	38	-7
54. Extent of marketing	32	36	-4
55. Cooperation in labor-employer relations	27	33	-6

Explanation:

1. 138 economies were ranked in 2016-2017, 137 economies were ranked in 2017-2018
 2. This table shows the global ranking of the Philippines in the WEF GCI indicators relating to business and investment, whose rank dropped, or were ranked 90th or worse, arranged in order of ranking from poor to good.
 3. The gray cells denote indicators whose ranking fell more than ten places compared with the previous year.
- Source : World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017*; World Economic Forum (WEF), *The Global Competitiveness Report 2017-2018*.

Part 2 Issues of concern to Taiwan enterprises and their suggestions for improvement

A. History and overview of Taiwanese investment in the Philippines

1. History of Taiwanese investment in the Philippines

According to statistics from the Investment Commission, Ministry of Economic Affairs, Taiwan, Taiwan has been investing in Southeast Asian countries since the 1950s, but investment in the Philippines does not show up on official records until 1966, just over half a century ago. In the 1980s, Taiwanese enterprises began investing in the Filipino shoemaking and textiles industries, and in 1992, in response to Taiwan's Southbound Policy, Taiwan and the Philippines bilaterally signed the Taiwan-Philippines Investment Guarantee Agreement. In August 1993 the contract was signed for the development of the Subic Bay Industrial Park, jointly establishing a development management company to develop a 300-hectare industrial park in three phases. A number of Taiwanese firms moved in, making a substantial contribution to local economic development and job creation.²⁸

Since then, Taiwanese investment in the Philippines has continued to grow, including in air ticket booking services, vacuum tube manufacture (primarily for the

²⁸ Taiwan and the Philippines Sign Agreement to Develop the Subic Bay Industrial Park, United Daily News, 08/06/2013, 18th edition; Century Development Corporation (CDC), Company Summary, 2015, <http://www.ch.centurydev.com.tw/>公司介紹 (accessed on 09/10/2018)

assembly and sale of electronic goods such as integrated electronic modules and high frequency wireless communications hardware, and the manufacture of integrated electronic circuits and various semiconductor units), cement, manufacture of miscellaneous communications equipment (primarily for the research and development, design, manufacture and sale of contact image sensors and related electronic components), and the real estate development industry. Taiwanese investment in the Philippines reached a peak of \$127 million USD in 1997.

Due to the effects of the 1997 Asian financial crisis, the rapid rise of the Mainland China market, and the 2008 financial crisis, Taiwanese investment in the Philippines stalled, reaching a record low of \$521,000 USD. But from 2001-2009 Taiwanese investment in the Philippines still included woven textile manufacture (primarily the design, manufacture and sale of ready-made clothes), distribution of drugs and medical products, manufacture of car and scooter components, manufacture of other clothing items (primarily the manufacture and sale of ready-made clothes) and distribution of recycled material.

Over the past few years, several factors had a negative impact on the Taiwanese business environment, such as rising labor costs in Mainland China, and a thriving startup culture leading to large numbers of staff quitting and starting their own businesses. This led Taiwanese enterprises, who were once again seeking a base in the global landscape, to set their investment sights on the neighboring Philippines and the Southeast Asian market. Over the last five years, investment in the Philippines has continued to grow, including manufacture of electrical equipment (primarily power supply and computers), manufacture of medical equipment and products, rental and sale of real estate, manufacture of starch and its products (primarily for various kinds of maltose and fructose), manufacture of domestic electrical appliances (primarily electric blankets), distribution of electronic equipment and its components, as well as the manufacture of machinery for the production, transmission and distribution of electricity.

Fundamentally, the Philippines is geographically close to Taiwan, and its economic growth has been strong in recent years. In addition, the government is committed to improving infrastructure, providing preferential policies to attract foreign investment, as well as an English-based business environment without the complications of an anti-Chinese movement. The Philippines has an abundance of

human resources, export businesses can be wholly owned by foreign capital and enter the nearby ASEAN marketplace, enjoying tax exempt or low tax status, thus very quickly gaining the favor of Taiwanese enterprises. In 2015, Taiwanese manufacturing industries such as foodstuffs and electrical equipment, as well as the banking and insurance industries, increased their investment in the Philippines, bringing total Taiwanese investment in the Philippines to a new high of \$644 million that year.²⁹

In December 2017, following continued improvement of the bilateral trade and investment relationship between Taiwan and the Philippines, the two countries signed the Agreement between the Taipei Economic and Cultural Office in the Philippines and the Manila Economic and Cultural Office in Taiwan for the Protection and Promotion of Investments (hereafter referred to as the Taiwan-Philippines Bilateral Investment Agreement, or BIA). The signing of the BIA not only expanded investment protection for Taiwanese enterprises, it also established a mechanism for bilateral mutual assistance. Providing Taiwanese enterprises with a higher level of investment protection helped further business and investment activity between the two countries, cementing their relationship as close partners.³⁰

On the whole, over the past few years, investment in the Philippines by Taiwanese enterprises can be divided into products for export and products for the domestic market. Regarding export-oriented enterprises, due to rising costs in the manufacturing industry, especially in the late 1980s and 90s, Taiwan needed to look for a new production base overseas to continue the export business model it had used in the past. Taiwanese enterprises naturally chose Southeast Asian countries like the Philippines as the primary investment target, as they were nearby, populous, rich in natural resources, had competitive labor costs, and actively welcomed foreign investment. In addition, many Taiwanese enterprises also choose to invest in the Philippines because of the high population, taxation incentives, English language

²⁹ Investment Commission, MOEA, 'Monthly statistical table for approved foreign and Mainland Chinese investment in Taiwan, foreign investment and investment in Mainland China in March 2018,' April 20, 2018 <https://www.moeaic.gov.tw/download-file.jsp?id=nZvxC2cMaJ0%3d> (date last browsed: Sept. 10, 2018); Investment Commission, MOEA Investment Commission, 'MOEA, monthly statistical table for approved foreign and Mainland Chinese investment in Taiwan, foreign investment and investment in Mainland China in Dec. 2015,' May 10, 2018 https://www.moeaic.gov.tw/news.view?do=data&id=1008&lang=ch&type=business_ann (date last browsed; Sept. 10, 2018) ; Investment Commission 'Directory of overseas business invested in by listed companies (1952-2016), Jan. 19, 2017 https://www.moeaic.gov.tw/news.view?do=data&id=976&lang=ch&type=business_ann (date last browsed: Sept. 10, 2018.

³⁰ Taiwan Department of Investment Services, MOEA Agreement between The Taipei Economic and Cultural Office in the Philippines and The Manila Economic and Cultural Office in Taiwan for the Protection and Promotion of Investments <https://www.dois.moea.gov.tw/file/pdf/bc61c838-7dc1-450e-b226-f859d75d8850.pdf> (date last browsed: Sept. 10, 2018); Taiwan-Philippines Renew the Agreement for Protection and Promotion of Investment, MOFA: Will promote trade NA, Dec. 7, 2017 <http://www.cna.com.tw/news/afe/201712070414-1.aspx> (date last browsed: Sept. 10, 2018)

superiority and good investment prospects. Naturally, some Taiwanese enterprises also decide to set up factories in the Philippines to meet the demands of major overseas clients.

In the domestic marketplace, due to the Philippines' large population of over 100 million, the past few years have seen rapid economic growth, and its citizens' consumption demands and consumption capacity have risen year after year. Potential for growth is very promising in industries such as cars and scooters, clothing and textiles, shoemaking, small electrical appliances, toys, home products, food and beverages and wedding and funeral services. Taiwanese companies have been eyeing the huge domestic marketplace in the Philippines for some time, and are now engaging in successful business there. Due to the growth potential of the Philippines' domestic marketplace, some Taiwanese businesses that were previously export-oriented began targeting domestic goods manufacture and service provision. This has enabled them to further expand their goods and services into the domestic marketplace, and take advantage of business opportunities presented by local consumption.

2. Overview of Taiwanese investment in the Philippines

(1) Overall investment overview

The overall situation of Taiwanese investment in the Philippines can be explained by the changes in number of industries, value of investments and the differing investment circumstances, detailed as follows:

Firstly, looking at almost 10 years of official statistics on Taiwanese investment in the Philippines, before 2015, the value of Taiwanese investment in the Philippines was not substantial, as shown in table 4. According to the Philippine Statistics Authority, the highest Taiwanese investment in the Philippines before 2015 was only US\$73,980,000, making up only 1.6% of all foreign investment in the Philippines. In 2015, the investment by Cathay Life Insurance in Rizal Commercial Banking Corporation³¹ caused Taiwanese investment in the Philippines to surpass US\$100 million, accounting for 2.23% of all foreign investment in the Philippines. In 2016, after Taiwan started to push its New Southern Policy, Taiwanese investment in

³¹Cathay Life Insurance Invests NT\$12.5 Billion in RCBC, ETtoday News Cloud, 12/15/2014, <https://www.ettoday.net/news/20141215/439230.htm> (accessed on September 10, 2018).

Southeast Asian nations began to gradually increase, spurring an upsurge in investment between the two countries. This pushed up the investment value in 2017 to US\$214,930,000 (10.3% of all foreign investment in the Philippines, second only to Japan with 30.3%), a ten year record high, showing substantial growth compared to US\$33,870,000 (0.73% of foreign investment in the Philippines) in 2016.³²

Similarly, the statistics of the Investment Commission, Ministry of Economic Affairs over the last decade (2008-2017) also show minimal Taiwanese investment in the Philippines before 2015, followed by a sharp increase after 2015, basically identical to the Philippine statistics. Starting from 2013, with global manufacturers optimistic about prospects in the ASEAN Economic Community and actively engaging in the market, ASEAN surpassed China for the first time as the largest destination for foreign direct investment (FDI) in Asia.³³ Although in 2013 the value of Taiwanese investment in the Philippines did not rise significantly, the number of new investments did increase to 10. In 2015, boosted by a single large investment by a Taiwanese life insurance provider, Taiwanese investment in the Philippines rose to US\$644,280,000. In 2017 there were 6 investments with a value of US\$225,720,000, 2.65 times higher than in 2016.³⁴

In summary, the increase in Taiwanese investment in the Philippines over the past few years is mainly due to the expansion of the Southeast Asian Marketplace and Taiwan's New Southbound Policy, which caused Taiwanese enterprises to increase investment throughout the "New Southbound Nations."³⁵ On the whole, the majority of Taiwanese investors in the Philippines followed a strategy of coordinating with the global manufacture needs of downstream clients, i.e. "following the customers". In recent years, rising manufacturing and labor costs in mainland China have had a negative impact on the business environment, prompting many Taiwanese enterprises to establish factories in the Philippines or other Southeast Asian countries instead, and causing the value of Taiwanese investment in the Philippines to increase.

³² Philippine Statistics Authority (PSA), "Approved Foreign Investments," <https://psa.gov.ph/foreign-investments-press-releases/tables> (accessed on September 10, 2018).

³³ International Trade Commission, Ministry of Economic Affairs, Overview of the ASEAN Marketplace, New Southbound Policy Network, <https://www.newsouthboundpolicy.tw/PageDetail.aspx?id=fdefc54c-a15f-4113-a57f-30e55fd93314&pageType=SouthAsia&AspxAutoDetectCookieSupport=1> (accessed on September 10, 2018)

³⁴ Investment Commission, Ministry of Economic Affairs, Table Showing Regional Statistics for Foreign Investment, 01/22/2018, https://www.moeaic.gov.tw/news.view?do=data&id=1220&lang=ch&type=business_ann (accessed on September 10, 2018)

³⁵ Investment Commission, Ministry of Economic Affairs, 12/2017 Press Release of Official Statistics on Expatriate Investment, Mainland Investment in Taiwan, Foreign Investment and Investment on the Mainland, 01/22/2018, https://www.moeaic.gov.tw/news.view?do=data&id=1218&lang=ch&type=new_ann (accessed on September 10, 2018).

However, it must be noted that because the Investment Commission does not have to individually audit and report on enterprises investing abroad (excluding mainland China), only large investments are reported, and the foreign investments of some Taiwanese SMEs may not be reflected in the data of the Investment Commission. In addition, for global structure and tax purposes, Taiwanese enterprises have long been investing in the Philippines in the name of third party enterprises from other countries like mainland China, Singapore, British Virgin Islands and Samoa. They may in fact be Taiwanese enterprises, but are not included in the data. As a result, official statistics show a discrepancy in the number of investments and the amount of money invested in the Philippines by Taiwanese enterprises.

Finally, due to the fact that foreign ownership of domestic companies in the Philippines may not exceed 40%, as well as restrictions on land ownership, some Taiwanese enterprises have registered their investments in the names of Filipino businesspeople, hence there may be a large disparity between official data on the current number and value of investment and the actual figures.³⁶ Evidently, if the abovementioned kinds of Taiwanese enterprise are taken into account, the total Taiwanese investment in the Philippines would be even more significant.

Table 4 Direct Taiwanese investment in the Philippines 2008-2017

Period	Investments authorized by the Taiwanese government		Investments authorized by the Philippines government	
	No.	Value (million USD)	No.	Value (million USD)
2008	1	2.628	—	28.95
2009	3	21.833	—	4.67
2010	2	0.521	—	33.38
2011	0	69.174	—	72.26
2012	2	10.701	—	58.54
2013	10	58.932	—	73.98
2014	3	40.926	—	67.07
2015	3	644.284	—	119.94
2016	7	61.762	—	33.87
2017	6	225.726	—	214.93

³⁶ Department of Investment Services, Ministry of Economic Affairs, *Summary of the Philippine Investment Environment (Taipei: Department of Investment Services, Ministry of Economic Affairs, 2017)*, page 25.

Period	Investments authorized by the Taiwanese government		Investments authorized by the Philippines government	
	No.	Value (million USD)	No.	Value (million USD)
2008-2017	37	1,136.487	—	707.60

Note :

1. "—" shows Philippine data not provided
2. Investments authorized by the Philippine government were originally listed in Pesos (PHP), and were converted to USD for this table. The annual investment amount is converted based on the annual average exchange rate of the Bangko Sentral ng Pilipinas.

Source : Investment Commission, Ministry of Economic Affairs, Taiwan, Official Regional Statistics on Foreign Investments, 01/22/2018,

https://www.moeaic.gov.tw/news.view?do=data&id=1220&lang=ch&type=business_ann (last review date: September 10, 2018) ; Philippine Statistics Authority, "Approved Foreign Investments,"

<https://psa.gov.ph/foreign-investments-press-releases/tables>; Bangko Sentral ng Pilipinas, "Exchange Rates and Foreign Interest Rates," http://www.bsp.gov.ph/PXWeb2007/database/SPEI/ext_accts/exchange_en.asp (accessed on September 10, 2018)

According to statistics for the top 10 industries for Taiwanese investment in the Philippines shown in table 5, from 2008 to 2017 Taiwanese investment was mainly focused in manufacture and service industries, making up 99% of total investments in that period, or US\$1.135 billion.

The manufacturing industries mainly consisted of electrical equipment (13.51% of number of investments, 11.78% of value), electronic components, (8.49% of value), metal products (2.7% of number, 3.61% of value) and foodstuffs (5.41% of number, 1.98% of value). Although the investment value for the wholesale and retail industries has been relatively low, in the past ten years the annual number of new investments reached a peak of 6.

Almost all investment in service industries was concentrated in financial and insurance services, worth approximately US\$818 million, 72.06% of total service industry investment, 2.58 times the total manufacturing investment by Taiwanese enterprises in the Philippines. However, if we deduct the special case of 2015 Taiwanese investments in financial and insurance services, which make up 93% of total investment, Taiwanese investment in the Philippines still relies mainly on manufacturing industries such as the abovementioned electrical power equipment, electronic components, metal products and food production. As for the increase in financial investment by Taiwanese enterprises in the Philippines over the last two years, aside from ASEAN marketplace integration and high profits in the Philippine financial sector, other factors include the gradual increase of Taiwanese investment in the Philippines, plus high interest rates on local lending in the Philippines. The difficulty in obtaining capital for financing SMEs led to a demand for financial

services provided by Taiwanese banks. This clearly shows that the entry of the Taiwanese financial sector into the Philippines not only meets the local funding requirements of Taiwanese enterprises, but can also provide financial services to local SMEs.

Almost 10 years of active Taiwanese investment has brought substantial contributions to the Philippine local manufacturing and service industries (including finance and insurance), including increasing job opportunities, advancing technology, introducing equipment, improving production management techniques, establishing an internationally integrated supply chain, forming industrial clusters, providing comprehensive financial and insurance services and training employees.

Table 5 The Top 10 industries for Taiwanese investment in the Philippines

Units: million USD, %

Industry type	2017				2008 - 2017			
	No.	Number proportion	Value	Value proportion	No.	Number proportion	Value	Value proportion
Total	6	100.00%	225.726	100%	37	100.00%	1,136.485	100.00%
Agriculture, forestry and fishing	0	0.00%	0	0.00%	1	2.70%	200	0.02%
Industrial Sector	1	16.67%	16.335	7.24%	16	43.24%	317.343	27.92%
Electrical equipment	0	0.00%	12.014	5.32%	5	13.51%	133.907	11.78%
Electronic components	0	0.00%	0	0.00%	0	0.00%	96.500	8.49%
Metal products	0	0.00%	0	0.00%	1	2.70%	41.000	3.61%
Foodstuffs	0	0.00%	0	0.00%	2	5.41%	22.513	1.98%
Miscellaneous	0	0.00%	0	0.00%	1	2.70%	7.750	0.68%
Miscellaneous transit equipment	0	0.00%	4.000	1.77%	1	2.70%	7.500	0.66%
Wholesale and retail	1	16.67%	321	0.14%	6	16.22%	6.118	0.54%
Non-metal mineral products	0	0.00%	0	0.00%	0	0.00%	1.708	0.15%

Service Sector	5	83.33%	209.390	92.76%	20	54.05%	818.94 2	72.06%
Finance and insurance	4	66.67%	209.188	92.67%	9	24.32%	813.19 1	71.55%
Real estate	0	0.00%	0	0.00%	5	13.51%	3.498	0.31%

Notes:

1. Industrial sector includes manufacturing, electrical and gas supply, drinking water supply and contamination control and accommodation construction.

2. Due to the large number of industry categories, this table only lists the main industry types for Taiwanese investment in the Philippines.

3. For industries that are listed as zero investments but that still have investment value, most are because the statistics for that industry type only show capital increases for the period in question, and not new investments.

Source: Investment Commission, Ministry of Economic Affairs, Taiwan, *Table Showing the Industry Allocation of Foreign Investment* https://www.moeaic.gov.tw/chinese/news_bsAn.jsp (accessed on September 10, 2018).

(2) The current landscape//structure//presence of Taiwanese enterprises in the Philippines

The service sector dominates the industrial structure of the Philippines, and accounts for 60% of GDP, while the industrial sector accounts for 30%, and agriculture only makes up 10%. The advantageous investment environment in the Philippines has led to Taiwanese investment rising year after year. This is due to advantages such as capacity for developing the domestic market; large space for agricultural development; relatively cheap labor and land; investment incentives; the ability of foreign investors to set up wholly-owned foreign enterprises despite negative legislation on foreign investment; and the ability of technical workers to complete training in the English language with relative ease, as English is the official language.³⁷

According to the Philippine Statistics Authority, as of December 2017, Taiwanese investment in the Philippines had reached a cumulative total of 1,093 investments and a value of US\$2.521 billion,³⁸ 250 enterprises were members of Taiwan Association Philippines (TAP),³⁹ and the number of Taiwanese investing in the Philippines had reached 6,000.⁴⁰ Regional distribution of Taiwanese

³⁷ Taiwan External Trade Development Council, *The Philippines: Investment Environment Analysis*, 2018, <http://www.taitraresource.com/total01.asp> (accessed on September 10, 2018).

³⁸ Primary reference: Department of Investment Services, Ministry of Economic Affairs, *Table of Statistics on Taiwan's Main ASEAN Investment Partners* (1959-2017).

³⁹ International Trade Commission, Ministry of Economic Affairs, *The Philippines - Information on Taiwanese Business*, *New Southbound Policy Network*, <https://www.newsouthboundpolicy.tw/Country.aspx?id=f6f3f694-cd50-415b-bb09-18331aa698a3&type=BusinessInfo> (accessed on September 10, 2018).

⁴⁰ Taiwan External Trade Development Council, *The Philippines: Investment Environment Analysis*, 2018, <http://www.taitraresource.com/total01.asp> (accessed on September 10, 2018).

investment in the Philippines is primarily in the Greater Manila Area (Manila, Pasig City and Makati), Bataan, Lima Technology Center in Batangas, Carmelray Industrial Park in Calamba, and the Subic Bay Industrial Park, with some Taiwanese manufacturing SMEs grouped in the beautiful provinces of Cavite and Cebu. The Taiwan Chambers of Commerce has established the Philippines Southern Line Chamber of Commerce (located in Carmona City, Cavite), the Philippines Cavite Taiwanese Business Association (located in Cavite PEZA) and The Philippines Cebu Taiwan Association. A number of Taiwanese enterprises are also distributed in the Clark Special Economic Zone (CSEZ) and Mindanao Island.

The distribution of Taiwanese enterprises involved in the Philippines covers various industry groups, including agriculture, forestry and fisheries; food processing; electrical appliances; textiles; energy and renewables; cars, scooters and electric cars; miscellaneous manufacture; financial services and insurance; chain restaurants; logistics; e-commerce; medical biotechnology; and infrastructure. Over the past few years, investment has gradually extended to the central and southern parts of the Philippines, and permeated the local Philippine supply chain, making substantial contributions to job creation and investment opportunities, talent training and improved industrial development environment.

3. Substantial contributions of Taiwanese investment in major industries in the Philippines

With more than half a century of investment and activity in the Philippines, Taiwanese business has helped to meet the demands of local SMEs by providing infrastructure development and financial services for import and export, creating employment, forming industrial clusters and supply chains, improving industrial technology added-value and electricity generation facilities. Taiwanese business and the Taiwan Chambers of Commerce have also shown a high level of humanitarian care towards Philippine society, actively participating in public welfare and demonstrating benevolent corporate social responsibility. The following is a summary of the specific contributions of Taiwanese business as a whole and Taiwanese business in major industries:

(1) Investing in manufacturing bases, increasing export capacity and creating employment

According to the Philippine Development Plan 2017-2022 (PDP 2017-2022) published by the Philippine National Economic Development Authority, expanding opportunities for economic development in the industrial and service sectors is an important starting point for establishing inclusive growth, global competitiveness and a resilient knowledge economy. The expansion of local economic opportunities in the industrial and service sectors has also played a part in increasing opportunities for MSMEs, creating jobs for Filipino laborers at home and abroad. This financially benefits the Filipino people, lessening poverty among the disadvantaged communities in society.⁴¹

According to statistics from the Investment Commission, Ministry of Economic Affairs, Taiwan (as shown in table 5), aside from agriculture, forestry, fishing, livestock and mining, Taiwanese investment in the Philippines has previously extended to industries in the industrial and service sectors. Some of these industries were relatively large scale, including food processing, electronic appliances, textiles, energy and renewables, cars, scooters and electric vehicles, sanitary equipment, financial services and insurance, shipping, e-commerce, convenience stores, food and beverage chains, biotechnology and infrastructure engineering. The industries and trends for investment are certainly in keeping with the current development direction of the Philippine government, which involves vigorous expansion of the industrial and service sectors. Taiwanese business has also shown increasing investment in manufacture due to the Philippines' easy travelling distance, abundant labor force and natural resources, substantial investment incentives and proactive integration of the local economy. These advantageous conditions, paired with Taiwan's superiority in manufacturing technology and service administration, have helped the Philippines to improve its industrial technology and export capacity, thereby creating a great deal of employment opportunities for Filipinos.

(2) Enabling the entry of major brand name manufacturers and competitive industries to assist with the formation of supply chains and industrial cluster

Although the output value of the Philippine manufacturing industry grew under

⁴¹ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," pp. 125-126.

the guidance of the Philippine government's economic and industrial policy from US\$51.51 billion in 2012 to US\$60.944 billion in 2017, growth has been hindered by insufficient infrastructure, meaning the production capacity and technology of the Philippines have significant room for improvement. Consequently, industrial development in the Philippines is still primarily in light industry. Foodstuff production accounted for approximately 45-47% of light industry from 2012 to 2017, followed chemicals and chemical products, telephone, television and communication equipment, petroleum and other fuel products, clothing manufacture, basic metal products, transport equipment and textile manufacture. Taking 2017 as an example, the aforementioned foodstuff, drink, clothing and textile manufacture made up 55% of the Philippines' total industrial output.⁴²

Considering the fact that industrial infrastructure, manufacturing capacity, technological preparedness and local industrial supply chains are still relatively underdeveloped in the Philippines, concrete industrial policies need to be enacted, and international capital, technology and management systems introduced to more quickly reach the objectives of strengthening local supply chains, improving added-value industry and international competitiveness. If major brand name manufacturers from Europe, North America, Japan and other countries are able to enter the Philippines, they can help to improve the country's industrial manufacturing technology and share their extensive experience of management systems. For example, Taiwan has the advantage of well-developed industries such as semiconductors, machine tools, IT, photoelectric, biopharmaceuticals, medical equipment and agricultural biotechnology. Taking the semiconductor and IT industries as examples, Taiwan was responsible for nearly a quarter of global semiconductor production in 2016, and nearly a fifth of the world's IT equipment. Driven by long-term research and development of industrial technology and industrial town development, Taiwan has become a world leader in the semiconductor and IT industries, and is able to help the Philippines develop a globally competitive supply chain in the future.⁴³

In the field of specialized manufacture, including electronic goods, Taiwanese enterprises have also invested in the Philippines, successfully helping local

⁴² Statistics from CEIC database on the output value of the Philippines' manufacturing industry and changes in circumstance from 2012 to 2017.

⁴³ Ministry of Economic Affairs, Competitive Industry, *Contact Taiwan*, 06/15/2016, <https://www.contacttaiwan.tw/investment/docdetail.aspx?uid=463&pid=127&docid=110> (last accessed on September 10, 2018).

manufacturers to improve the supply chain and train technical staff. This clearly shows that Taiwanese businesses have made substantial contributions in coordinating with major international brand manufacturers and competitive industries to invest in the Philippines, and assisting relevant industries in the Philippines to establish their own independent supply chains in order to integrate with the international industrial supply chain.⁴⁴

Taiwan has long been actively investing and participating in the planning of industrial parks in the Philippines such as Subic Bay and TECO SEZ, and Taiwanese enterprises have entered many industrial parks to engage in manufacture and production. It is thanks to Taiwan's past experience in developing and managing industrial parks that it is able to assist Philippines in establishing a comprehensive operating environment for industrial parks. Following investment from Taiwanese and other foreign enterprises, associations of related industry players have also contributed to the Philippines progressively establishing local supply chains and forming industrial clusters.⁴⁵

(3) Introducing advanced technology and equipment to improve added-value and competitiveness in local industry

According to the 2017-2022 Philippines Development Plan (PDP 2017-2022), increasing companies' competitiveness and capacity for innovation and flexibility is one of the main policy directions of the Philippine government to expand economic opportunities in the industrial and service sectors. To accomplish this mission, they must start with added-value, competitiveness and sustainability to improve technology and innovation as well as strengthen labor skills.⁴⁶

Taiwanese investment in the Philippines is broad in scope, and for the past few years has grown remarkably, bringing substantial contributions especially in semiconductor and electronics assembly, machinery and industrial park development, by introducing advanced technology, management systems and improving added-value and competitiveness in local industry. For example, in the semiconductor and electronics assembly industry, enterprises from Taiwan and other foreign

⁴⁴ Chief Editors Zhang Chao-qun and Ma Li-yan, *New Southbound Policy, New Growth: Sharing the Story of New Southbound Taiwanese Investment* (Taipei, Industrial Development Bureau, Ministry of Economic Affairs, 2017), pages 104-109

⁴⁵ International Trade Commission, Ministry of Economic Affairs, *History of Taiwanese Enterprises in the Subic Bay Industrial Park, Philippines*, <https://www.trade.gov.tw/World/Detail.aspx?nodeID=45&pid=538869> (accessed on September 10, 2018).

⁴⁶ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," p. 129.

countries work together to introduce advanced technology and establish local supply chains, improving technological standards in local semiconductor and electronics assembly and manufacture of power supply equipment.⁴⁷ In the machinery industry, to help the Philippines achieve agricultural mechanization, some Taiwanese enterprises have worked with Philippine agricultural machinery manufacturing companies to provide quality and durable machine equipment including motors, drawing the favor of Filipino agricultural machinery businesses.⁴⁸

Furthermore, Taiwanese companies have also had a great deal of successful experience in running Taiwan-Philippines staff training exchange programs to help improve the labor skills and production techniques of the Philippines. For example, by recruiting Filipino laborers with work experience in Taiwan, and assigning them to a low-level manager position in a Taiwanese company in the Philippines after they have completed their training, Taiwanese companies can guide local Filipino employees to improve the industrial techniques and management skill of the Philippines.⁴⁹ There are also many Taiwanese companies in the Philippines that bring Taiwan's industrial technology and management experience to the Philippines through internal staff training, helping to improve the technical level of their Filipino employees.⁵⁰ On the whole, Taiwanese businesspeople and Taiwanese companies help improve the skills and technical ability of hired Filipino staff by introducing advanced technology and equipment to local industry, and through staff training exchanges between the two countries. This not only provides concrete solutions for Philippine industry, but also contributes to improving local added-value and competitiveness.

(4) Investing in electricity generation and energy-saving equipment to improve infrastructure capacity

Over the past few years, the Philippine economy has grown, and electrical consumption has continued to rise, with the national electrical consumption growing from 72,922,011 MWh in 2012 to 94,370,341 MWh in 2017,⁵¹ an annual growth rate

⁴⁷ New Kinpo Group, *Corporate Summary*, http://www.newkinpogroup.com/big5/about_intro.html (accessed on September 10, 2018); AcBel Polytech Inc., Company Summary: AcBel Timeline, http://www.acbel.com.tw/About_AcBel.aspx?Group=12&&sd=g1 (accessed on September 10, 2018).

⁴⁸ You Li-ting, *Industrial Cooperation and Expanding Business Opportunities - The Philippines* (Taipei: Taiwan External Trade Development Council, 2017), pages 17-18.

⁴⁹ Chief Editors Zhang Chao-qun and Ma Li-yan, *New Southbound Policy, New Growth: Sharing the Story of New Southbound Taiwanese Investment*, pages 107-108.

⁵⁰ Medtecs Creates Taiwanese Business Miracle, *Commonwealth Magazine*, 202nd issue (10/09/2012), <https://www.cw.com.tw/article/article.action?id=5035759> (accessed on September 10, 2018); refer to the outcomes of interviews with Taiwanese businesspeople in this report.

⁵¹ Department of Energy (DOE), Republic of the Philippines, "2017 Power Statistics," https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/01_2017_power_statistics_as_of_20_march_2018_summary_

of 5.29%. It is estimated that annual power consumption will continue sustained growth until 2040.⁵² To deal with the growing present and future energy requirements of the Philippines, the Philippines Department of Energy (DOE) has drawn up relevant policies on both the supply side and demand side. This will facilitate the achievement of the long term goals of “By 2040, Filipinos enjoy a strongly rooted, comfortable, and secure life” set out by the Philippines government in “AmBisyon Natin 2040.”⁵³

In terms of overall energy sector strategy, to meet the policy targets set out in the Nine-Point Energy Agenda, the DOE formulated the Energy Sector Strategic Directions 2017-2040 (ESSDs), hoping to satisfy the basic electricity requirements of the Filipino people, attain the most appropriate energy mix and improve reliability of power supply by 2022.⁵⁴

Furthermore, on the demand side, the DOE also recently proposed the Philippines Energy Efficiency Roadmap 2017-2040, hoping through yearly savings of 1.6% to reach the target of annual savings of 10,000 kilotons of oil equivalent (ktoe) by 2040.⁵⁵ In recent years, in response to the Philippine government's policy direction of establishing a low carbon energy supply environment, some Taiwanese manufacturers in the Philippines have invested in building solar⁵⁶ and natural gas power plants⁵⁷ and are engaging in power generation. To satisfy the power demands of industrial facilities in the Philippines, Taiwanese enterprises have also established a cooperative relationship with Philippine steel distributors to provide them with electrical equipment services.⁵⁸ To help promote energy-saving business in the Philippines, Taiwanese Energy Service Company (ESCO), equipment dealers and other foreign investors and Filipino distributors are cooperating to market all kinds of

04112018.pdf (accessed on September 10, 2018).

⁵² Genevieve L. Almonares, “Philippines Energy Efficiency Roadmap, 2017-2040,” November 29, 2017, https://www.doe.gov.ph/sites/default/files/pdf/announcements/epower_fontana_03_04_phillippines_energy_efficiency_roadmap_2017-2040.pdf (accessed on September 10, 2018).

⁵³ The National Economic and Development Authority (NEDA), Republic of the Philippines, “AmBisyon Natin 2040,” <http://2040.neda.gov.ph/wp-content/uploads/2016/04/A-Long-Term-Vision-for-the-Philippines.pdf> (accessed on September 10, 2018).

⁵⁴ Department of Energy (DOE), Republic of the Philippines, *Energy Annual Report 2017*, p. 8, https://www.doe.gov.ph/sites/default/files/pdf/transparency/annual_report_esar_2017.pdf (accessed on September 10, 2018).

⁵⁵ Genevieve L. Almonares, “Philippines Energy Efficiency Roadmap, 2017-2040,” November 29, 2017, https://www.doe.gov.ph/sites/default/files/pdf/announcements/epower_fontana_03_04_phillippines_energy_efficiency_roadmap_2017-2040.pdf (accessed on September 10, 2018).

⁵⁶ Sino-American Silicon Products Inc. and Earth Energy Co. Ltd. Win Philippines Energy Contract, *Liberty Times*, 07/15/2015, <http://news.ltn.com.tw/news/business/paper/898106> (accessed on September 10, 2018); Gintech Wins Southeast Asia Solar Roof Development Contract, Becoming the Only Authorized Battery Producer, *EnergyTrend*, 08/31/2017, <https://www.energytrend.com.tw/news/20170831-14308258.html> (accessed on September 10, 2018).

⁵⁷ Formosa Heavy Industries Corp., History, <http://www.fhi.com.tw/chinese/history.htm> (accessed on September 10, 2018).

⁵⁸ Tatung Company, About Tatung: Milestones, <http://www.tatung.com/Content/about-history.asp> (accessed on September 10, 2018).

energy saving products in the Philippine marketplace, and provide energy saving proposals to Philippine industry.⁵⁹ The entry of Taiwanese suppliers of solar power, electricity, energy saving and related equipment into the Philippine energy industry has not only contributed to the improvement of the country's energy and electrical infrastructure, it has also established a good foundation for future bilateral cooperation on energy infrastructure.

(5) Providing financial services to meet the funding requirements of SMEs

Among the industries in which Taiwanese enterprises have invested in the last 10 years, the service sector accounts for 70% of the total investment value, mostly in the finance and insurance industries. Taiwanese banks not only provide business finance services to local Taiwanese enterprises, they have also expanded the scope of their services to include Filipino citizens and businesses as well. According to statistics from the Taiwan Financial Supervisory Commission up to July 2018, there are six Taiwanese banks in the Philippines, with two subsidiaries and 27 branches.⁶⁰ Of these, the Mega International Commercial Bank was the first to set up in the Philippines, while Chinatrust Commercial Bank (CTBC Bank) was the first Taiwanese bank to establish a subsidiary in the Philippines. CTBC Bank is also the Taiwanese bank with the strongest foothold in the Philippines, with a total of 25 branches, and around 80-85% of its service recipients are local Filipino clients.

For a long time, Taiwanese banks have not only provided financial services to Taiwanese businesses in the Philippines, they also target Filipino SMEs that struggle to raise capital, providing them with business financial assistance. Due to the fact that the Philippines' economic growth is driven by domestic demand and consumption, many local Philippine banks focus mainly on domestic financial services. Taiwanese banks use their wealth of past experience to help Philippine medium sized enterprises with international investment or import-export requirements to expand their business through global distribution. They use their substantial global presence to provide immediate and comprehensive services, providing short-term financing to help

⁵⁹ Chief Editors Zhang Chao-qun and Ma Li-yan, *New Southbound, New Growth: Sharing the Story of New Southbound Taiwanese Investment*, pages 116-121; Li Ling Water Coolers Praised for Continuous Energy-Saving Upgrades, *Economic Times*, 10/09/2016, <http://udndata.com/ndapp/udntag/finance/Article?origid=8529032> (accessed on September 10, 2018).

⁶⁰ Manila Branch of Taiwanese Chang Hwa Bank Officially Opens for Business on July 9th, 2018. Banking Bureau, Financial Supervisory Commission, Taiwan, *Fundamental Banking Data (2nd quarter of 2016)*, 08/15/2018, https://www.banking.gov.tw/ch/home.jsp?id=157&parentpath=0,4&mcustomize=bststatistics_view.jsp&serno=201105120009 (accessed on September 11, 2018); Chang Hwa Manila Branch Opens, the Next New Southbound City, *Economic Times*, 07/03/2018, <https://udn.com/news/story/7239/3232450> (accessed on September 11, 2018).

Philippine medium sized enterprises obtain overseas business and investment. Furthermore, Taiwanese banks are continuously introducing high quality financial products and services into the Philippine marketplace, and actively training local Filipino banking staff, making a substantial contribution to increasing employment opportunities and talent competitiveness in the Philippine financial sector.⁶¹

(6) Actively participating in public welfare, practicing social responsibility

The Taiwan Chamber of Commerce Philippines and Taiwanese businesspeople in the Philippines have long supported the development of the Philippine economy, engaging in mutual support and cooperation among various domestic industries, and working towards common well-being and friendship between Taiwan and the Philippines. As stakeholders in the Philippines, they have always maintained an attitude of active participation and selfless dedication in various social public welfare affairs, helping to fulfill their public social responsibility and to give back to the people of the nation.

To this end, the Taiwan Chamber of Commerce, together with Taiwanese businesses, has made the following substantial contributions to public welfare in the Philippines: charity activities such as visiting Philippine orphanages, nursing homes, vulnerable families and helping children with terminal cancer travel to Manila Ocean Park; long-term donations of wheelchairs, money and rice, attending the House of Representatives of the Philippines to participate in the rice donation ceremony; Love From Taiwan, a Christmas charity project; established the Guardian Angel Foundation to subsidize outstanding underprivileged schoolchildren, and provide year-round assistance to Taiwanese medical welfare organizations to provide fair medical services in the Philippines as well as supporting the Noordhoff Craniofacial Foundation to provide free cleft palate surgery for Filipino children.⁶² When the Philippines is hit by major natural disasters, Taiwanese businesses also contribute generously, providing supplies and funding for disaster relief to help local victims cope with the effects of the disaster.

For example, Tropical Storm Washi in 2011 and Typhoon Yolanda in 2013 brought rarely-seen levels of rain and typhoon damage to the Philippines. During the

⁶¹ Chief Editors Zhang Chao-qun and Ma Li-yan, *New Southbound, New Growth: Sharing the Story of New Southbound Taiwanese Investment*, pages 44-49; This research focuses on the interview responses from Taiwanese banks.

⁶² Taiwan Association Philippines, *Taiwan Association Philippines 30th Anniversary Special Edition*, 12/01/2011, pages 26-29; 94-95; 100-101; *Taiwan Association Philippines, Taiwan Association Philippines 34th Anniversary Special Edition*, 12/01/2015.

destructive phase of Washi, the Taiwan Chambers of Commerce quickly mobilized and raised funding to directly donate 300 metric tons of rice to people in disaster stricken areas;⁶³ and during Typhoon Yolanda the WTCC and TAP donated at least 8,000 bags of rice, various biscuits, tins of fish and drinking water to disaster stricken areas.⁶⁴ TAP also raised money from its members to set up a disaster fund for rebuilding the disaster stricken areas.

To thank Taiwan and Taiwanese business for their enthusiastic assistance during and after Washi, the House of Representatives passed resolution 258 in May, 2012, sincerely thanking the Taipei Economic and Cultural Office in the Philippines and TAP for humanitarian aid during and after the Typhoon.⁶⁵ In response to Taiwanese humanitarian aid during Typhoon Yolanda, the Manila Economic and Cultural Office also publicly expressed its sincere gratitude to Taiwan.⁶⁶

In addition, to help popularize digital education in Filipino society, some Taiwanese enterprises donated computer equipment to universities and to the National Computer Center run by the Department of Science and Technology (DOST). They also helped promote the APEC Digital Opportunity Center and supported the Digital Mobile Container Truck digital education service, providing basic computer training for rural Filipinos.⁶⁷ This shows that Taiwanese enterprises are not only able to conduct strong business in times of peace, boosting regional and national economic development and creating employment for Filipinos, but when they come across social welfare affairs that require enthusiastic participation, they also display humanitarian care and fulfill their social responsibilities by giving back to Philippine society.

4. Investment prospects for Taiwanese enterprises in the Philippines

The bilateral business and investment relationship between Taiwan and the Philippines are very close, Taiwanese investors have been developing investment in

⁶³ Taiwan Association Philippines, *Taiwan Association Philippines 32nd Anniversary Special Edition*, 12/01/2013, page 19; World Taiwan Chambers of Commerce and Taiwan Association Philippines, *Outline of WTCC and TAP Food Aid Operations*.

⁶⁴ Table Showing Overview of Taiwanese Non-Governmental Donations of Supplies for Typhoon Yolanda Disaster Relief Operations (through government), 12/03/2013, [https://www.mofa.gov.tw/Upload/WebArchive/1241/d668a2ae-e546-47ee-92cc-ec8398d5a039%20\(1\).PDF](https://www.mofa.gov.tw/Upload/WebArchive/1241/d668a2ae-e546-47ee-92cc-ec8398d5a039%20(1).PDF) (accessed on September 11, 2018).

⁶⁵ Taiwan Association Philippines, *Taiwan Association Philippines 32nd Anniversary Special Edition*, 12/01/2013, pages 18-19.

⁶⁶ Antonio Basilio Thanks Taiwan for Philippines Typhoon Assistance, *Epoch Times*, 12/08/2013, <http://www.epochtimes.com/b5/13/12/8/n4029301.htm> (accessed on September 11, 2018).

⁶⁷ Asus Donates Computers to the Philippines to Promote Digital Learning, *Liberty Times*, 04/08/2016, <http://news.ltn.com.tw/news/life/breakingnews/1658258> (accessed on September 11, 2018).

the Philippines since the 1960s. Over many years of extensive development, Taiwanese enterprises in the Philippines have integrated closely with Philippine society. Investment has progressed from clothes and shoemaking in the beginning, gradually expanding into industrial park development, aviation services, electronic appliances, cement, wholesale medicines and medical products, cars, scooters and car parts, recycled material distribution, sanitary equipment and other manufacturing industries, shipping and chain food and beverage services.

For the past few years, to meet the requirements of the Philippines for economic development and industrial transformation, Taiwanese enterprises have also invested in various emerging industries such as energy and renewables, electric cars, financial services and insurance, e-commerce, medical biotechnology and infrastructure. Because of the highly complementary nature of the bilateral economic relationship and the signing of the Taiwan-Philippines Bilateral Investment Agreement, and willingness to provide advantageous development conditions for bilateral cooperation, Taiwan is able to meet the Philippines current industrial development needs and can provide superior industrial advantage. In the future besides making industry improvements and expanding cooperative business opportunities bilateral industrial park development, there are also considerable prospects for deepening bilateral cooperation in such fields as human resources and training, development of SMEs, added-value agriculture and biotechnology applications, innovative application of electric motors, IT, machinery, medical equipment, healthcare and energy.

In view of the geographical proximity of Taiwan and the Philippines, the two countries have maintained close economic, trade and social and cultural exchanges for a long time, and advancing Philippine investment for Taiwanese enterprises also has the strategic implication of access to the ASEAN market. Therefore, in the future, both Taiwan and the Philippines should make good use of the current opportunities for cooperation, jointly promoting economic growth, industrial transformation and environmentally sustainable development to create a new age of mutual prosperity.

In recent years, the Philippine economy has shown remarkable performance, opening up to the outside world and actively participating in international economic integration. With its promising growth prospects, it has become one of the main investment markets for international investors to advance in the ASEAN market. Its continuous progress in business and investment environment has also been recognized

by the international community. However, through in-depth interviews, online questionnaires and discussions with experts and scholars, we can see that Taiwanese businessmen still face common obstacles in local business investment in the Philippines in the form of laws, administrative procedures, labor, human resources, trade, investment, taxation and infrastructure.

In addition, in terms of industrial issues, this study also focuses on 13 industries (agriculture, forestry, fisheries and animal husbandry, food processing, electronics and electrical appliances, textiles, energy and renewable energy, cars, scooters and electric vehicles, other manufacturing industries, financial services, shipping, e-commerce, other services, medical, biotechnology and infrastructure) in which Taiwanese enterprises in the Philippines are involved. After conducting many in-depth interviews, online questionnaires and discussions with businesspeople and expert academics, analysis revealed that there are still specific concerns and suggestions for improvement in the banking and medical equipment industries. It is hoped that the relevant agencies of the Philippine government can help solve these problems. The common concerns, industry issues and suggestions of Taiwanese enterprises in the Philippines are described as follows:

B. Common Issues and suggestions

1. Legal and administrative issues (Related ministries: various ministries in the Philippines, Board of Investment (BOI) of the Department of Trade and Industry)

(1) Laws and Regulations

- Raising the level of systemization and digitization of the regulatory system and administrative governance, increasing transparency of the interpretation of laws and regulation

Description of issues and impacts

Comprehensiveness and clarity of the legal system are very important for potential foreign investors in the Philippines, not only to guarantee their rights and interests, but also for investor confidence. English is an official language of the Philippines, and English language versions of most government websites and legal documentation are available for convenient reference by foreign investors. This makes the Philippine market attractive to Taiwanese and other foreign investors when

compared to other markets where English is not an official language.

However, according to Aon's Political Risk Map 2018 Q1 published in the first quarter of 2018, the Philippines is rated as Medium High in the Legal and Regulatory Risk category. This means that foreign businesses are liable to suffer financial or reputational loss due to failure to comply with the laws and regulatory standards of the Philippines.⁶⁸ Therefore, the Philippine government may consider providing more assistance to Taiwanese and other foreign enterprises in interpreting and explaining the regulations. This would greatly enhance their knowledge and comprehension of the relevant regulatory standards, and reduce investment risks caused by misunderstanding of central or regional legislation.

For instance, when investing, many Taiwanese and other foreign enterprises in the Philippines only pay attention to investment-related policies such as tax reductions and exemptions, but changes in other laws closely related to business and investment activities such as labor and environmental protection laws also need to be closely monitored. Therefore, in addition to clarifying investment regulations, if the government could provide timely and transparent information on changes and interpretations of various important laws relating to business investment activities, Taiwanese and other foreign businesses would be better able to understand and comply with these laws, thereby reducing the legal and regulatory risk associated with doing business in the Philippines. From the experiences of developed nations such as the United States and European countries, we can see that systematization and digitization of the legal system helps integrate all categories of legislation and supervisory standards with concrete explanation.⁶⁹ Increasing the transparency of legislation and supervisory standards in such a way would make business investment in the Philippines more convenient for Taiwanese and other foreign enterprises.

Suggestions

Firstly, the official website of the Board of Investments (BOI), Department of Trade and Industry (DTI) currently has a One-Window-Network, and also provides FAQs and Online Investment Assistance Services, which make it easy for Taiwanese and other foreign businesspeople to check legislation on working and investing in the

⁶⁸ Aon Corporation, "Aon's Political Risk Map 2017 Q3," <https://www.riskmaps.aon.co.uk/> (accessed on September 11, 2018).

⁶⁹ OECD, "Going Digital: Making the Transformation Work for Growth and Well-Being," Meeting of the OECD Council at Ministerial Level Paris, 7-8 June 2017, pp. 17-19, <https://www.oecd.org/mcm/documents/C-MIN-2017-4%20EN.pdf> (accessed on September 11, 2018).

Philippines. In addition, Government E-services and Investment Promotions Unit Network are also provided in the One-Window-Network.⁷⁰ From this we can see that the Philippine government has been working hard to improve the investment environment.

However, in the FAQs for the BOI's One-Window-Network, the main focus is on explaining policies, requirements and incentives for foreign investors, investment registration requirements, application procedures, and approval criteria, Bangko Sentral ng Pilipinas regulations on foreign transactions, and common issues related to investment such as entry visas. There is a lack of information on related laws in other areas, such as local labor issues and environmental legislation related to certain industries. It is suggested that specific links and explanations be added to the official website, as well as regularly issuing updates on important changes to investment related regulations. This would help Taiwanese and other foreign enterprises to better understand the law, and reduce investment risks caused by unfamiliarity with central or regional regulations.

Secondly, TAP absolutely recognizes the efforts made by the Philippine government over the past few years to improve its administrative capacity by establishing Digital Government. For example, the Integrated Government Philippines (iGovPhil) Project is one of the key parts of the e-Government Master Plan 2013-2016. The sustained execution of such projects will not only enhance the systematization and digitization of the current statutory system and administration of the central and regional governments of the Philippines. E-government will also enable the provision of higher quality services to Filipinos and foreign businesspeople, helping to enhance public understanding and participation in matters concerning their own rights and interests.⁷¹

However, while more than 40% of government agencies in the Philippines regard digitization and data management as one of the most important issues, they still face many problems such as insufficient internal personnel skills, difficulty finding IT partners and inadequate budget. Insufficient infrastructure and lack of innovation culture are currently also major stumbling blocks for the Philippine government's

⁷⁰ See Philippines Board of Investments (BOI) "Single Window Network" at <http://boiown.gov.ph/>.

⁷¹ Department of Information and Communications Technology (DICT), Republic of the Philippines, "iGovPhil: Overview," <http://www.dict.gov.ph/major-programs-and-projects/igovphil/> (accessed on September 11, 2018).

move to e-Governance.⁷² It is proposed that in the future the government should strengthen digital skills training for its personnel, take advantage of Taiwanese and other foreign enterprises' expertise in IT (for proposals for Taiwan-Philippines bilateral cooperation in information, electronics and innovation, please consult chapter 3, part 4 of this research), establish inter-departmental cooperative relationships with IT partners, as well as increase budget allocation. This would facilitate the actuation of the Digital Government Plan, achieving the specific goals of improving the legal system, systemization and digitization of government, and improving the country's business and investment environment.

(2) Implementation procedure

➤ Simplifying administrative procedure to increase the efficiency of administrative operations

Description of issues and impacts

The Philippine economy has grown rapidly in recent years, and the government has made commendable efforts to improve the administrative efficiency of its ministries and agencies, reduce unnecessary procedures and increase transparency. However, according to the World Economic Forum (WEF) Global Competitiveness Index (GCI) ranking (as shown in table 3 above), there is still room for improvement in the number of procedures to start a business, the burden of customs procedures, efficiency of the legal framework for dispute settlement, burden of government regulations and the commercial impact of regulations restricting Foreign Direct Investment (FDI). Reducing the operating and investment costs caused by complex administrative procedures and inefficient implementation will naturally increase the willingness of Taiwanese and other foreign enterprises to invest in the Philippines.

Suggestions

The government should, within a reasonable scope, continue to simplify the administrative procedures for important investment legislation relating to foreign business and investment, and increase administrative efficiency, for example, simplify the process for foreign investors setting up a company, reduce the burden of customs

⁷² Nicky Lung, "Exclusive- Enabling Digital Transformation within the Philippine Government: Report on the Philippine OpenGov Leadership Forum 2018," *OpenGov*, April 26, 2018, <https://www.opengovasia.com/articles/exclusive-enabling-digital-transformation-within-the-philippine-government-report-on-the-philippine-opengov-leadership-forum-2018> (accessed on September 11, 2018).

procedures, reduce the number of days needed to start a company and reduce the burden of government regulations on companies' operations. This will increase convenience for Taiwanese and other foreign investors in the Philippines, and optimize the local business and investment environment.

2. Labor issues (related ministry: Department of Labor and Employment in the Philippines)

(1) Work permit

- Simplifying the administrative process for Special Work Permit (SWP) application to reduce time required for completion

Description of issues and impacts

According to the regulations issued by the Bureau of Immigration (BI) of the Philippines, enterprises hiring short-term (3-6 months) staff must apply to BI for a Special Work Permit (SWP).⁷³ However, due to the long application process and processing time, often up to 2 months, technical staff applying for SWPs often miss the opportunity to handle the problem at hand, causing problems for enterprises hiring temporary staff to cope with immediate problems.

Suggestions

At present, the following documents must be prepared for SWP applications: Letter Request, Consolidated General Application Form (CGAF), photocopy of applicant's passport bio-page and latest admission with valid authorized stay. The application of an enterprise or partnership shall also be accompanied by copies of the certificate of registration to the Securities and Exchange Commission (SEC), company rules and a current General Information Sheet (GIS) issued by the SEC. Single Proprietorships must prepare a Business Registration Certificate and Mayor's Permit from the Department of Trade and Industry, a copy of the Employment Contract and BI Clearance Certificate.⁷⁴

Because temporary transfer of personnel by Taiwanese or other foreign enterprises is often in response to unexpected situations, a long and complex

⁷³ Bureau of Immigration (BI), Republic of the Philippines, "Special Work Permit – Commercial," <http://www.immigration.gov.ph/services/special-permits/special-work-permit-commercial> (accessed on September 11, 2018).

⁷⁴ Bureau of Immigration (BI), Republic of the Philippines, "General Instructions," <http://www.immigration.gov.ph/images/FORMS/June2015/BI%20FORM%20P-002-Rev%201.pdf> (accessed on September 11, 2018).

application process means that the company may be unable to solve the problem immediately. In order to increase flexibility for foreign enterprises in mobilizing personnel for short-term business or training activities in the Philippines, and to promote cooperation and development of the local market economy, we request that the Philippine government simplify the SWP application process as much as possible. Such a simplification would make it easier for Taiwanese and other foreign enterprises to meet their local business operation and industrial technology and training activity needs, improve efficiency and make a substantial contribution to improving the level of local labor skills.

- Simplifying the administrative process for Alien Employment Permit (AEP) and extending the validity period to facilitate business expansion by Taiwanese and foreign enterprises and stimulate development of the local market.

Description of issues and impacts

According to Department of Labor and Employment (DOLE) Order No. 146-15 Series of 2015,⁷⁵ enterprises seeking to hire foreign employees who have worked in the Philippines for more than six months must first apply to DOLE for an Alien Employment Permit (AEP) before they can apply for a 9G working visa or I-card. The time required to apply for an AEP is not fixed, and generally takes about 1 to 3 weeks. Employees must re-apply at the end of each year or work contract, and the total number of applications must not exceed five years.⁷⁶ Aliens employed in Philippines who change their employers must first leave the country and then re-apply for an AEP before they can apply for a work permit.⁷⁷ Due to the short duration of the AEP and the cumbersome and time-consuming application process, it is inconvenient for Taiwanese and other foreigners working in the Philippines.

Suggestions

At present, DOLE has published the AEP application form and explanation of

⁷⁵ Department of Labor and Employment (DOLE), Republic of the Philippines, "Department Order No 146-15," September 9, 2015, <https://www.dole.gov.ph/issuances/view/300> (accessed on September 12, 2018).

⁷⁶ Bureau of Local Employment, Department of Labor and Employment, Republic of the Philippines, "Alien Employment Permit: Frequently Asked Questions on the Revised Rules for the Issuance of the Employment Permits to Foreign Nationals (D.O. No. 97-09)," <http://www.ble.dole.gov.ph/index.php/web-pages/118-alien-employment-permit> (accessed on September 12, 2018).

⁷⁷ The EU-Philippines Business Network (EPBN), "EU-Philippines Business Network - Advocacy Papers – The EU and the Philippines: Partners for Progress and Prosperity," 2017, p. 153.

related fees. However, in order to clarify the application procedure for the applicant, it is suggested that the flow chart of the application procedure be more widely published, and the processing time required for each procedure be explained so that the applicant can understand and comply with the competent authority's operating procedures.⁷⁸ In addition, the amendment to AEP application rules by DOLE in 2017⁷⁹ may prolong the overall application time, as additional documents must be obtained from different government agencies and submitted in addition to the established documents. Additional paperwork includes business name registration documents and application forms submitted to the DTI; True Copies of the Business License from the local government and Mayor's Permit/Business Permit verified by the Business Permit and Licensing Office; copies of the registration certificate, company charter, and the updated GIS verified by SEC. These new document requirements will make the AEP application process more cumbersome, and increase the time and cost for applicants.⁸⁰

Because the AEP is usually extended once a year, the relatively short validity period also increases the application time and cost to enterprises and foreigners. Therefore, it is suggested that DOLE simplify the application and provide a more detailed explanation of the application process and time required, as far as possible providing an integrated single window service to reduce the time and cost associated with going back and forth between different government agencies. Secondly, it is suggested that the duration of the AEP should be extended appropriately. This would make it more convenient for Taiwanese and other foreign businesses to invest in and conduct business in the Philippines, which would help the local market to flourish and develop.

⁷⁸ Department of Labor and Employment (DOLE), Republic of the Philippines, "Downloadables," <http://www.ble.dole.gov.ph/index.php/downloadables>. (accessed on September 12, 2018).

⁷⁹ Philippine Information Agency, "DOLE Releases Revised Rules on Employment of Foreign Nationals," December 7, 2017, <http://pia.gov.ph/news/articles/1002918>; Department of Labor and Employment (DOLE), Republic of the Philippines, "DOLE XI Conducts Orientation on Revised Rules for AEP Issuance," <http://ro11.dole.gov.ph/default.php?retsamlakygee=658&resource=cfe6055d2e0503be378bb63449ec7ba6> (accessed on September 12, 2018).

⁸⁰ Fragomen, "Stricter Alien Employment Permit Rules," December 1, 2017, <https://www.fragomen.com/insights/alerts/stricter-alien-employment-permit-rules> (accessed on September 12, 2018); Fragomen, "Additional Requirements for Alien Employment Permit Applications," March 22, 2018, <https://www.fragomen.com/insights/alerts/additional-requirements-alien-employment-permit-applications> (accessed on September 12, 2018).

3. Human resources (related ministries: Department of Labor and Employment, Ministry of Education in the Philippines)

(1) Skilled labor

- Increasing basic technical and vocational education capacity to improve labor skills

Description of issues and impacts

Improving the education system has always been a focus of the Philippine government. In order to improve the quality of elementary education and more quickly bring it in line with the international community, the government began to implement the K-12 project in January 2016. The project is a comprehensive reform of the compulsory education system, changing compulsory education from 10 years to 12 years.⁸¹ In addition, students in grades 11 to 12 are required to complete at least 80 hours of hands-on work experience, with the aim of enabling students to actually engage in the workplace and gain practical skills.⁸² In order to improve educational achievement, the Philippine government has also introduced a series of financial management reforms, including strengthening the supervision of finance, administration and procurement. An education plan executive team has also been established to supervise the implementation of the budget and ensure funds are allocated to where they are most needed.⁸³ However, for young people who are about to enter the workplace, 80 hours of experience in the workplace is not enough to gain sufficient experience and expertise. As a result, when young people enter the workplace, they may still face learning gaps and fail to integrate. Therefore, it is necessary to adjust the current system so that young Filipinos can adapt to the workplace more smoothly after graduation, and also meet the human resource needs of enterprises.

Suggestions

TAP recognizes the Philippine government's determination to improve education

⁸¹ Department of Education of the Philippines (DepEd), Republic of the Philippines, "K to 12 General Information," <http://www.deped.gov.ph/k-to-12/faq>; Oxford Business Group, "Education Reform in the Philippines Aims for Better Quality and more Access," <https://oxfordbusinessgroup.com/overview/thorough-examination-substantial-reform-has-brought-it-variety-challenges> (accessed on September 12, 2018).

⁸² The EU-Philippines Business Network (EPBN), "EU-Philippines Business Network - Advocacy Papers – The EU and the Philippines: Partners for Progress and Prosperity," 2017, pp. 152-153; Jee Y. Geronimo, "K to 12 under Duterte Administration Faces New Challenges," *Rappler*, July 3, 2017, <https://www.rappler.com/nation/174212-k-to-12-duterte-administration-philippines> (accessed on September 12, 2018).

⁸³ "Education Reform in the Philippines Aims for Better Quality and more Access," <https://oxfordbusinessgroup.com/overview/thorough-examination-substantial-reform-has-brought-it-variety-challenges> (accessed on September 12, 2018).

quality and education environment in the Philippines. It is also convinced that, under the Philippine government's comprehensive reforms, the Philippine education system will be able to cultivate more international competitive talent to meet the needs of Philippine industrial development. In order to achieve this goal more quickly, it is suggested that the government continue to improve the content of the K-12 project, and consider increasing the original 80-hour work experience to ensure that young students can obtain more quality practical training in the workplace. In addition, it is hoped that the government will adopt and implement the Philippine Apprenticeship Training System as soon as possible, aiming to clarify the training standards and certification procedures of the System. The Bill of the Apprenticeship Training System Act of 2017⁸⁴ will help young students enter the labor market more smoothly and develop their professional skills with the cooperation of employers, workers, government and non-governmental organizations.

Also, with regard increasing cooperation between Taiwan and the Philippines in the area of skilled labor and professional training, please refer to the suggestions in section 3 of this study, Taiwan and the Philippines Human Resources and Training Cooperation, on increasing bilateral technical and vocational education and professional training and continuing to enhance human resources databank establishment and exchange.

4. Trade issues (related ministries in Philippines: Department of Finance, Department of Trade and Industry, Department of Foreign Affairs)

(1) Tariffs and Customs

➤ Promoting Taiwan-Philippines cooperation on trade and lowering bilateral tariff barriers

Description of issues and impacts

The absence of a free trade agreement (FTA) between Taiwan and the Philippines means that exported goods cannot enjoy a more preferential tax rate than the Most Favored Nation (MFN) tax rate of the WTO. In 2016, the MFN applied duty of all

⁸⁴ Bill is in second reading stage of Congress since March 2017: Senate of the Philippines, "17th Congress - Senate Bill No. 1392," http://www.senate.gov.ph/lis/bill_res.aspx?congress=17&q=SBN-1392; ASEAN LIP, "Bill of the Apprenticeship Training System Act of 2017," <https://www.aseanlip.com/philippines/general/legislation/bill-of-the-apprenticeship-training-system-act-of-2017/AL14227> (accessed on September 12, 2018).

imported goods in the Philippines averaged about 6.3%, while the MFN applied duty of all imported goods in Taiwan averaged 6.4%. Although the average tax rate is not high, there are still many high tariff products such as transformers, electrostatic converters (e.g. rectifiers), inductors (HS 8504); air conditioners (HS 8415); polymers of styrene, in primary forms (HS 3903); and some knitted goods (HS 6006) imported in large amounts from Taiwan to the Philippines with tariffs of 10% or 15%. This not only reduces the price competitiveness of trade exports between the two countries, but also restricts the development of bilateral trade.⁸⁵

In addition, since the Philippines signed FTAs with ASEAN, mainland China, Korea, Japan, India, Australia and New Zealand, the cost of exporting semi-finished products from Taiwan seems relatively high. This has prompted the Philippines to import the above-mentioned products from other markets with which it has FTAs, and is a major barrier to further improving its bilateral trade relationship with Taiwan.

Finally, in order to promote the temporary duty-free and rapid import of specific goods, and simplify the ATA Carnet system for re-export, Taiwan and the Philippines signed the Agreement Between the Taipei Economic and Cultural Office (TECO) and the Manila Economic and Cultural Office (MECO) for the Temporary Admission of Goods in 1998,⁸⁶ and signed its implementation protocol in 2001. The Philippine side has not yet completed its domestic procedures and so the agreement is not yet in force, thus preventing Taiwan and Philippines from reaching the principles of equality and reciprocity as indicated in the agreement, and the goal of expanding and strengthening economic and trade relations between Taiwan and Philippines.

Suggestions

Firstly, in order to further expand bilateral trade relations between Taiwan and the Philippines and maintain close and mutually beneficial exchange, it is suggested that both sides should make efforts to reduce bilateral trade barriers. Such a reduction of barriers would boost bilateral economic and trade momentum and attract more Taiwanese businesses to invest in the Philippines, helping promote growth in the economy and employment. Therefore, it is suggested that the Philippines consider negotiating an FTA or Economic Cooperation Agreement (ECA) with Taiwan as soon

⁸⁵WTO, "Chinese Taipei and the WTO: Member Profiles, Tariff, Part A.1 & A.2," http://stat.wto.org/TariffProfiles/TW_e.htm (accessed on June 7, 2018) ; For tariffs on imports from Taiwan to the Philippines, refer to: International Trade Centre (ITC), Market Access Map, <http://m.macmap.org/#/> (accessed on September 13, 2018)

⁸⁶ Please see the following for more ECA details : <http://no06.mofa.gov.tw/mofatreatys/ShowPicOut.aspx?FileFolder=12&FileName=12220.pdf> °

as possible.

Secondly, it is suggested that the Philippine side should complete the domestic procedures for the TECO-MECO Agreement and formally initiate Temporary Customs Clearance for Taipei and Philippine Goods as soon as possible.⁸⁷ This will make it easier for particular goods to clear customs such as professional equipment (used by medical staff, photographers, orchestral personnel, etc.); goods for exhibitions, international trade exhibitions, conferences or similar activities (such as exhibits for arts activities, items for arranging exhibition venues, audio-visual equipment for meetings, etc.); and for exhibitors or demonstrations soliciting trade. Freer flow of such goods will allow further expansion and strengthening of Taipei-Philippine economic and trade relations following the principles of equality and reciprocity.

➤ Enhancing transparency, promoting convenient and speedy customs clearance, reducing administration and transaction costs for import/export

Description of issues and impacts

Taiwan and the Philippines have long been cooperating in customs affairs, and in recent years the Philippines has reformed its customs system in line with international trends, ratifying the WTO Trade Facilitation Agreement (TFA) in 2016. The entry into force and implementation of the Agreement will help the Philippines accelerate the circulation of goods, simplify customs clearance and related provisions, and strengthen customs cooperation between the Philippines and other members of the agreement.

Nevertheless, at present, some Taiwanese enterprises often encounter difficulties with the predictability of the customs clearance process, time and actual operating procedures. Failure to clear customs clearance quickly often adversely affects the connection of manufacturing supply chains and normal production scheduling. The 2008 ASEAN Business Outlook Survey, published by the U.S. Chamber of Commerce and the American Chamber of Commerce in Singapore, interviewed American Firms in the Philippines. 52% of respondents believed that the uncertainty

⁸⁷ Taiwan External Trade Development Council, Introduction to Temporary Customs Clearance Certificate, 10/2018, [http://www.taitra.org.tw/ Temporary Customs Clearance](http://www.taitra.org.tw/Temporary%20Customs%20Clearance) (accessed on October 22, 2018)

of customs clearance procedures between different ports is one of the main factors affecting manufacturers' supply chain operations.⁸⁸

In addition, in September 2017, the Philippines suspended Green Lane passage for customs clearance,⁸⁹ which previously exempted goods from inspections and paperwork checks. Green Lane status automatically changed to Yellow and Red Lane status, which has affected the efficiency of customs clearance.⁹⁰ Although Super Green Lane (SGL) and Super Green Lane Plus (SGL+) are still available, they may not have a significant impact on the efficiency of cargo customs clearance because they are only applied to 169 manufacturers,⁹¹ covering only about 10% of imported containers.⁹²

Suggestions

Firstly, the Customs Modernization and Tariff Act (CMTA) was passed in May 2016,⁹³ amending the Philippines' previous Tariff and Customs Code.⁹⁴ This Act not only signifies the beginning of a new stage of modernization in Philippine customs, but also helps improve service quality, supply chain development and operation efficiency. So far, details of the implementation of the Act are still in the stage of public consultation. We hope that the relevant provisions of the Act can be fully implemented as soon as possible to facilitate the effective modernization and acceleration of the whole customs system, so as to increase the competitiveness of Philippine customs.⁹⁵

Secondly, in order to shorten customs clearance time for import and export of

⁸⁸ American Chamber of Commerce and American Chamber of Commerce in Singapore, "2018 ASEAN Business Outlook Survey," p. 53, https://www.uschamber.com/sites/default/files/abos_2018_final_final_version.pdf (accessed on September 13, 2018).

⁸⁹ PwC, "Philippines Updates: Philippines Customs' Green Lane Temporarily Suspended," September 2017, <https://www.pwccustoms.com/en/recent-developments/ph-customs-green-lane-temporarily-suspended-201709.html> (accessed on September 13, 2018).

⁹⁰ According to Section 4.12 of the Customs Administrative Order of the Philippines 2016, upon receipt of the documents, the Bureau shall use an automated process known as the Selectivity System that determines the selection of the examination procedures based on risk criteria established in the Customs Cargo Clearance System. The System assigns the declared goods to one of the following control channels: red, yellow and green. Green Lane – low risk, released without documentary check and without examination of the goods; Yellow Lane - medium risk, documents are examined, but goods exempt from inspection; Red Lane - high risk, documents and goods inspected. For details see: Bureau Of Customs, Department Of Finance, "Customs Administrative Order (CAO)," <http://customs.gov.ph/wp-content/uploads/2016/10/Entry-Lodgement-and-Cargo-Clearance-Process.pdf> (accessed on September 13, 2018).

⁹¹ Port Calls Asia, "Rules for SGL Shipments Tagged for Red Lane Restated," October 12, 2017, <https://www.portcalls.com/rules-sgl-shipments-tagged-red-lane-restated/> (accessed on September 13, 2018).

⁹² PwC, "Philippines Updates: Philippines Customs' Green Lane Temporarily Suspended," <https://www.pwccustoms.com/en/recent-developments/assets/ph-customs-green-lane-temporarily-suspended-201709.pdf> (accessed on September 13, 2018).

⁹³ RA No. 10863, <http://www.officialgazette.gov.ph/downloads/2016/05may/20160530-RA-10863-BSA.pdf> (accessed on September 13, 2018).

⁹⁴ RA No 1937, https://www.lawphil.net/statutes/repacts/ra1957/ra_1937_1957.html (accessed on September 13, 2018).

⁹⁵ Department of Finance (DOF), Republic of the Philippines, "Customs Modernization and Tariff Act," https://www.dof.gov.ph/index.php/issuances/cmta_irr/?cp=2 (accessed on September 13, 2018).

manufactured goods, it is suggested that SGL and SGL+ should be extended to suitable manufacturers. Preferential fast-track status should be given especially to those enterprises with no tax arrears and good behavior, regardless of the amount of imports.

(2) Industry supply chain

➤ Enhancing Taiwan-Philippines industry links to assist with further integration of Philippine industry with the global supply chain.

Description of issues and impacts

In order to promote the development of the Philippine manufacturing industry, in 2017 the government launched a series of plans, including the Manufacturing Rehabilitation Plan (MPR), Comprehensive National Industrial Strategy (CNIS), Philippine Development Plan (PDP) 2017-2022 and Build, Build, Build.⁹⁶ These plans aim to enable sustainable growth of the manufacturing industry and its related industries, which is one of the main strategies for maintaining annual GDP growth of 6-7%.

However, with the increasing interconnectedness of the global industrial chain, domestic constraints such as inadequate infrastructure, shallow development of logistics and supply chain infrastructure are major stumbling blocks.⁹⁷ Along with the need for continuous improvement of efficiency in the industrial regulatory system, the Philippines must overcome these major challenges to effect industrial improvement and transformation in the future. At this time, attracting more foreign-funded enterprises to develop in the Philippines and produce value-added products is a key factor for the further transformation and development of Philippine industry in the future. Foreign investment can help Philippine enterprises to participate in the global value chain, and assist small and medium-sized enterprises to strengthen their links with international business.⁹⁸

⁹⁶ “‘Build, Build, Build’ Can Help Reduce Poverty: ADB,” *ABS-CBN News*,

<http://news.abs-cbn.com/business/05/02/18/build-build-build-can-help-reduce-poverty-adb> (accessed on September 13, 2018).

⁹⁷ According to a joint report by the Philippine Ministry of Trade and Industry and the World Bank, logistics costs are 27.16% of sale price in the Philippines, much higher than other ASEAN countries, such as Indonesia 21.4%, Vietnam 16.3%, Thailand 11.11%. For details see: Liza Almonte, “PH Logistics Survey Finds Reliability as Key Supply Chain Concern,” *Port Calls Asia*, August 8, 2017, <https://www.portcalls.com/ph-logistics-survey-finds-reliability-key-supply-chain-concern/> (accessed on September 13, 2018).

⁹⁸ For further details on the relationship between logistics, economic growth and industrial development, refer to: Sevgi Sezer & Tezcan Abasiz, “The Impact of Logistics Industry on Economic Growth: An Application in OECD Countries,” *Eurasian*

Suggestions

At present, more and more Taiwanese manufacturers are investing in other markets. This is mainly due to the rapid rise of production costs in Mainland China, and the growing trend of Taiwanese employees leaving work to start their own businesses. Taiwan's human resources are of excellent quality, and its high level of integration in industrial manufacturing makes it a key player in the global value chain. In recent years, the Philippine economy has shown strong momentum of growth, and the prospects for future development are promising. Based on the close geographical proximity of Taiwan and the Philippines, encouraging more Taiwanese enterprises to further develop the Philippine market will not only help to improve and grow the domestic supply chain, but also help Philippine industries strengthen their integration with the global supply chain. Combining the strengths of the two countries in this way will promote the growth and integration of Philippine industry and increase employment opportunities. Therefore, the Philippines should consider further expanding its industrial partnership with Taiwan to attract more investment from Taiwanese business. Promoting exchanges between Taiwan and the Philippines in technology, capital, talent and cutting-edge industry knowledge will give Taiwan and the Philippines a new position in the global industrial supply chain, and realize a mutually beneficial model for bilateral cooperation in industry. For suggestions on further cooperation in value-added agriculture, application of biotechnology, electronic motors, innovative ICT applications, machinery, industrial park development and the energy industry, please refer to the third part of this study.

5. Investment issues (related ministries in Philippines: National Economic and Development Authority (NEDA), Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC))

Taiwan and Philippines previously signed a BIA in 1992. However, given that markets have drastically changed in the two and a half decades since, international investment agreements have developed progressively, and the form of Taiwanese investment in the Philippines has also changed. This meant that it was necessary to renew the agreement to match current international investment agreement standards and the new investment trends among Taiwanese businesses.

In December 2017, against the backdrop of continuous improvement of economic, trade and investment relations, Taiwan and the Philippines went on to sign the renewed BIA. The main purpose of the agreement was to strengthen economic cooperation and create a favorable investment environment in their respective territories. Mutual investment can help to enhance the business activities of investors on both sides and increase the prosperity of the two nations. The Agreement contains the following 25 articles: Scope; Definitions; Non-discriminatory Treatment; Treatment of Investments; Non-conforming Measures; Performance Requirements; Expropriation and Compensation; Compensation for Losses; Transfers; Denial of Benefits; Measures to Safeguard the Balance of Payments; Prudential Measures; Subrogation; Settlement of Investment Disputes; Dispute Settlement Between the Parties; General Exceptions; Security Exceptions, Disclosure of Information, Joint Implementing Body; Coordination Mechanism; Promotion of Investment; Facilitation of Investment; Entry Into Force; Review; and Termination. Signing and enacting this agreement guarantees the investments of Taiwanese enterprises in the Philippines, and also established a mechanism to assist them in dealing with problems. This provides more investment assurances for Taiwanese businesses, helps to promote investment, economic and trade activity, and establishes closer a partnership between Taiwan and the Philippines.⁹⁹ However, at present, there are still some issues for Taiwanese and other foreign investors which need addressing:

(1) Loosening restrictions on investment by foreign enterprises

➤ Loosening restrictions on investment by foreign enterprises in Philippine industry to attract more long-term foreign investment

Description of issues and impacts

From the successful development experience of various countries, it can be seen that introducing and making good use of foreign capital in promoting economic development will contribute to economic growth, create employment opportunities, and develop more productive and competitive industries. However, foreign investment in the Philippines is still limited by the 1987 Constitution and the Foreign

⁹⁹ For the full text of the Taiwan-Philippines BIA, please refer to the official website: http://no06.mofa.gov.tw/mofatreatys/Result.aspx?tysubject_c=%25u83f2%25u5f8b%25u8cd3&tysubject_e=%25u83f2%25u5f8b%25u8cd3&tysubject_o=%25u83f2%25u5f8b%25u8cd3&tycountry_c=&tycountry_e=&tyeffectiveDate=&tyeffectiveDateE=&tysignedDate=&tysignedDateE=&start=Y&tykeyword=&Order=Signing&tyclass= (accessed on September 13, 2018).

Investment Act of 1991. Firstly, according to the Constitution of 1987, foreigners' participation in public utilities is limited to 40%.¹⁰⁰ At present, most of Philippine transportation infrastructure belongs to public utilities recognized in Article 13 (b) of the Public Service Act of 1936,¹⁰¹ which limits the opportunities for foreign investment.

Secondly, although the Foreign Investment Act of 1991 allows foreign investment to enter the Philippines freely, it still restricts foreign investment equity using a Negative List. Since the expiration of the first Regular Foreign Investment Negative List (RFINL) on October 23, 1996, the Philippine government has revised and republished the list every two years. The 10th RFINL, published by Presidential Decree No. 184, lists restricted FDI activities, with different restrictions based on industry.¹⁰² For example, the maximum proportion of foreign capital is 25% in public construction and human resources mediation; 30% in advertising; 40% in educational institutions, public utilities, ocean fishing, raw materials for government or state-owned enterprises, contracts for supply of goods and commodities, the planting, production, grinding and processing of rice and maize, as well as private land ownership. These restrictions are not conducive to foreign business investing in the Philippines and expanding the Philippine market, and also hinder the competitiveness of the Philippines itself. As seen in the Philippine Development Plan 2017-2022 (PDP 2017-2022), the Philippine government agrees that it necessary to relax restrictions on foreign investment and simplify the administrative procedures for local and foreign investment.¹⁰³

To this end, President Duterte has directed the Philippine National Economic Development Agency (NEDA) to plan further open investment areas and business activities.¹⁰⁴ NEDA formally proposed the draft amendment in mid-2017. After more

¹⁰⁰ Article 12, paragraph 11, of the 1987 Constitution of the Philippines states: "No franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty per centum of whose capital is owned by such citizens", The 1987 Constitution of the Republic of the Philippines – Article XII, <http://www.officialgazette.gov.ph/constitutions/the-1987-constitution-of-the-republic-of-the-philippines/the-1987-constitution-of-the-republic-of-the-philippines-article-xii/> (accessed on September 13, 2018).

¹⁰¹ Refer to Section 13 (b) of the Philippine Public Service Act of 1936 for details, "Public Service Act (C.A. No. 89) [Commonwealth Act No. 146," The LawPhil Project, https://www.lawphil.net/statutes/comacts/ca_146_1936.html (accessed on September 13, 2018).

¹⁰² Official Gazette, "Executive Order No. 184, s. 2015," May 29, 2015, <http://www.officialgazette.gov.ph/2015/05/29/executive-order-no-184-s-2015/> (accessed on September 13, 2018).

¹⁰³ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," p. 50, <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf> (accessed on September 13, 2018).

¹⁰⁴ "Duterte: Lift Limits on Foreign Investment," *The Manila Times*, November 24, 2017, <http://www.manilatimes.net/duterte-lift-limits-foreign-investment/364705/> (accessed on September 13, 2018).

than a year of discussions and amendments, Executive Order No. 65, signed by the Philippine Government on October 29, 2018, formally implemented the 11th RFNL.

Among the new items in the 11th RFINL, the following five items are allowed to be fully operated by 100% foreign capital, attracting much attention from the outside world: (1) Internet undertakings (excluding mass media); (2) Higher education (excluding specialist subjects such as civil service entrance examinations and law examinations); (3) Short-term Higher Skills Training Centers (outside the formal education system); (4) risk management, lending, financial and investment management institutions; and (5) health management centers. In addition, the 11th RFINL also increases the proportion of foreign capital able to participate in locally-funded public construction contracts and private wireless network projects to 40%,

within an appropriate regulatory framework, increased from 25% and 20%, respectively, stipulated in the 10th RFINL.¹⁰⁵

From this we can see that the Philippine government's specific practice of updating the RFINL is not only to relax the restrictions on investment projects that foreign investors can operate, but also to raise the upper limits of foreign equity holdings. It also hopes to bring investment laws and regulations in line with the current domestic and global needs and trends of the Philippines, so as to gradually reduce the obstacles to foreign investment and establish a more attractive and robust business environment.

Suggestions

TAP strongly affirms the Philippine government's more ambitious open policy towards foreign investment.¹⁰⁶ Moderate relaxation of FDI can bring more productive technological knowledge to the Philippines, improve the standard of human resources, increase employment opportunities as well as promote economic growth and the improvement of national living standards. It is suggested that the Philippine government should strengthen the implementation of the 11th RFINL in the future,

¹⁰⁵NEDA, "NEDA Welcomes Signing of 11th RFINL," October 31, 2018, <http://www.neda.gov.ph/2018/10/31/neda-welcomes-signing-of-11th-rfinl/> (accessed on November 12, 2018); "Gov't Allows 100% Foreign Ownership in 5 Investment Areas," *Rappler.com*, <https://www.rappler.com/business/215642-40-percent-foreign-ownership-public-works-foreign-investment-negative-list> (accessed on November 12, 2018); "NEDA Chief: Benefits of Investment List to be Felt Next Year," *Manila Times*, November 6, 2018, <https://www.manilatimes.net/benefits-of-investment-list-to-be-felt-next-year/462885/> (accessed on November 12, 2018).

¹⁰⁶Elijah J. C. Tubayan, "Aggressive Negative List under Review.," NEDA, "NEDA Welcomes Signing of 11th RFINL," October 31, 2018.

and continue to relax the restrictions on foreign investment in Philippine industries, so as to attract long-term foreign investment and contribute to economic growth, industrial development, employment growth and national well-being.

(2) Threshold for foreign enterprises' operation in the retail industry

➤ Lowering the threshold for foreign enterprise operation in the retail industry to enable Taiwanese enterprises to participate in business opportunities in the Philippines

Description of issues and impacts

Thanks to sustained economic growth and continuous expansion of private consumption in the Philippines, the rapid development of shopping centers and e-commerce shows the huge growth potential of the domestic retail market.¹⁰⁷ However, due to restrictions on foreign participation in retail business and complicated customs procedures for imported goods, opportunities are limited for foreign business in the Philippines, especially Taiwanese enterprises and SMEs.

According to Article 5 of the Philippine Retail Trade Liberalization Act of 2000, there are four main categories of foreign investment in the Philippine retail industry:¹⁰⁸

Category A: Foreign capital is not allowed to participate if paid-up capital is less than \$2.5 million.¹⁰⁹

Category B: Enterprises with paid-up capital between US\$2.5 million and US\$7.5 million may be wholly foreign owned except for the first two years after the enactment of this Act wherein foreign participation shall be limited to not more than 60% of total equity.¹¹⁰

Category C: Enterprises with paid-up capital of more than US\$7.5 million may be wholly foreign owned, however, the investment in each store of Category B and C enterprises shall not be less than 830,000 US dollars.¹¹¹

¹⁰⁷ "Executive Summary: 2017 is a Good Year for Retailing in the Philippines," *Euromonitor International*, 2018, <http://www.euromonitor.com/retailing-in-the-philippines/report> (accessed on September 14, 2018).

¹⁰⁸ RA No. 8762, Sec. 5, https://www.doe.gov.ph/sites/default/files/pdf/ocsp/ra_8762.pdf (accessed on September 14, 2018).

¹⁰⁹ 原文如下：「Category A – Enterprises with paid-up capital of the equivalent in Philippine Peso of the than Two million five hundred thousand US dollars (US\$2,500,000.00) shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.」

¹¹⁰ Original source : Category B – Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of two million five hundred thousand US dollar (US\$2,500,000.00) but less than Seven million five hundred thousand US dollars (US\$7,500,000.00) may be wholly owned by foreigners except for the first two (2) years after the effectivity of this Act wherein foreign participation shall be limited to not more than sixty percent (60%) of total equity.

¹¹¹ Original source : Category C – Enterprises with a paid-up capital of the equivalent in Philippine Pesos of Seven million five

Category D: Enterprises specializing in high-end or luxury goods with an investment of more than \$250,000 per store may be wholly owned by foreign capital.¹¹²

In addition, Article 8 of the Retail Trade Liberalization Act 2000 also imposes restrictions on the qualification of foreign retailers. For example, the net value of the parent company of the aforementioned category B and category C foreign-funded retail enterprises must be at least US\$200 million; the net value of the parent company of category D foreign-funded retail enterprises must be at least US\$50 million; the foreign retailer must have at least 5 branches in operation anywhere in the world, unless they have at least one store capitalized at a minimum of US\$25 million; the foreign retailer must have 5 year track record in retail, etc.¹¹³

Although some restrictions were deleted in the amendments to the Retail Trade Liberalization Act of 2014,¹¹⁴ the same restrictions were maintained in the two Regular Foreign Investment Negative Lists (RFINL) published in 2015 and 2018.¹¹⁵ This has meant that foreign retailers have so far invested very little in the Philippines,¹¹⁶ and most of them can only enter through franchise agreements with Philippine companies. Under this policy, the government cannot meet its original goal of attracting foreign retailers to expand and reform the domestic retail market, so as to create more employment opportunities and improve the competitiveness of goods and services in the Philippines.

Suggestions

It is suggested that the Philippine government should relax the relevant restrictions in the Retail Trade Liberalization Act 2000 on foreign-funded enterprises as early as possible. By making specific amendments, and simultaneously revising the Philippine Regulations on Foreign Investment and the RFINL, the government can

hundred thousand US dollars (US\$7,500,000.00), or more may be wholly owned by foreigners: Provided, however, That in no case shall the investments for establishing a store in vestments for establishing a store in Categories B and C be less than the equivalent in Philippine pesos of Eight hundred thirty thousand US dollars (US\$830,000.00).

¹¹² Original source : Category D – Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of Two hundred fifty thousand US dollars (US\$250,000.00) per store may be wholly owned by foreigners.

¹¹³ RA No. 8762, Sec. 8.

¹¹⁴ RA 8762 http://congress.gov.ph/legisdocs/basic_16/HB04403.pdf (accessed on September 14, 2018).

¹¹⁵ According to the 10th and 11th RFINL, published in 2015 and 2018, wholly-owned foreign enterprises engaging in the retail business must meet one of the following conditions: (1) the actual investment capital should be more than US\$2.5 million, and the investment in each store should be no less than US\$830,000; (2) specializing in high-end or luxury goods, and the actual investment capital of each store should not be less than 250,000 US dollars. For details see: Official Gazette, “Executive Order No. 184, s. 2015, Annex, Footnote 2,” May 29, 2015, <http://www.officialgazette.gov.ph/2015/05/29/executive-order-no-184-s-2015/> (accessed on September 14, 2018); Official Gazette, “Executive Order No. 65, Footnote 3,” <http://www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf> (accessed on November 12, 2018).

¹¹⁶ From 2000 to 2009, foreign investment in retail accounted for only 1% of all FDI in the Philippines. For details see: House Bill No. 4403, May 13, 2014, http://congress.gov.ph/legisdocs/basic_16/HB04403.pdf (accessed on September 14, 2018).

bring these three decrees into line and reduce restrictions on entry of Taiwanese and other foreign-funded enterprises in the Philippine retail market. This will help to boost the competitiveness of Philippine retail products and services, create more diversified and convenient consumption channels for Filipinos, and allow more reasonable provision of commodities and services in terms of price and quality. Expanding investment from Taiwanese retailers and other foreign retailers in this way will also boost domestic retail and related industries, creating more business and employment opportunities.

6. Tax issues (related ministries in Philippines: Department of Finance, Department of Foreign Affairs)

(1) Enterprise income tax

➤ Harmonizing tax rate with ASEAN to close the tax gap and thus reduce the burden on enterprises

Description of issues and impacts

In order to promote national strategy for development of the manufacturing industry and expansion of economic development, the Board of Investments (BOI), Department of Trade and Industry (DTI) proposed the 2017 Investment Priorities Plan (IPP). The Plan provides various preferential measures for investment in 10 key industries,¹¹⁷ such as the income tax holiday (ITH) and tariff-free imports of capital equipment, components and raw materials.¹¹⁸ Therefore, for companies that enjoy income tax relief, their corporate income tax burden may be small, but for companies that are not included in the priority industries, and whose export ratio has not met the required level for preferential rates by the end of the tax period, the income tax rate is higher than neighboring countries. For example, at present, the corporate tax rate in the Philippines is 30%,¹¹⁹ which is high compared to Indonesia (25%), Thailand (20%), Malaysia (24%), Singapore (17%) and other ASEAN countries. This results in

¹¹⁷ These ten industries include: (1) manufacturing (including the processing of agricultural products); (2) forestry and fisheries; (3) strategic services; (4) healthcare services; (5) accommodation (6) infrastructure and logistics (including public private partnerships with local government); (7) innovation driven industry; (8) mutual benefit economic model; (9) environment and climate change related projects; (10) energy.

¹¹⁸ For details of the 2017 Investment Priority Plan (IPP) please refer to: Official Gazette, "Memorandum Order No. 12. S. 2017, Approving the 2017 Investment Priorities Plan," February 28, 2017, <http://www.officialgazette.gov.ph/2017/02/28/memorandum-order-no-12-s-2017/> (accessed on September 14, 2018).

¹¹⁹ Bureau of Internal Revenue, Republic of the Philippines, "Income Tax Rates," https://www.bir.gov.ph/index.php/tax-information/income-tax.html#it_rates (accessed on September 14, 2018).

a relatively heavy tax burden on business operators,¹²⁰ and is not conducive to the Philippines attracting foreign investment and establishing a competitive corporate tax environment for investment.

Suggestions

Conducting tax reforms to establish a competitive taxation environment and attract foreign investment has become a major economic trend among leading nations. It is suggested that, under the precondition of balanced finances, the Philippine government may consider joining its ASEAN neighbors in progressively and conditionally lowering tax rates. This would combine with other non tax related incentives (such as improved infrastructure, increased transparency and efficiency of administrative operations, and improved convenience for business, etc.) to create a more attractive and internationally competitive corporate taxation environment in the Philippines.¹²¹

(2) Bilateral tax agreements

➤ Promptly enacting the Taiwan-Philippines Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to protect the right of Taiwan enterprises to reasonable taxation

Description of issues and impacts

In order to improve bilateral trade relations, Taiwan and the Philippines signed the renewed Taiwan-Philippines BIA in December 2017. The renewed BIA will provide Taiwanese enterprises in the Philippines with a higher degree of protection for business investment and help to establish a closer trade and investment partnership. In order to avoid the problem of double taxation and tax evasion, Taiwan and the Philippines signed the Agreement between the Taipei Economic and Cultural Office in the Philippines and the Manila Economic and Cultural Office in Taiwan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (hereafter referred to as the Taiwan-Philippines Agreement for the Avoidance of Double

¹²⁰ EY, *Worldwide Corporate Tax Guide 2017*, pp. 664, 942, 1358, [https://www.ey.com/Publication/vwLUAssets/worldwide-corporate-tax-guide-2017/\\$FILE/worldwide-corporate-tax-guide-2017.pdf](https://www.ey.com/Publication/vwLUAssets/worldwide-corporate-tax-guide-2017/$FILE/worldwide-corporate-tax-guide-2017.pdf) (accessed on September 14, 2018).

¹²¹ Mary G. Padin, "Staggered Cuts in Corporate Income Tax Pushed," *The Philippine Star*, May 18, 2018, <https://www.philstar.com/business/2018/05/18/1816139/staggered-cuts-corporate-income-tax-pushed#OLLJktDto4fmWy8H.99> (accessed on September 14, 2018).

Taxation and the Prevention of Fiscal Evasion) in May 2002.¹²² However, because the domestic procedures on the Philippines side have not yet been completed, the Agreement has not yet been implemented,¹²³ meaning Taiwanese enterprises are not protected from double taxation or guaranteed the right to reasonable taxation. This state of affairs is not conducive to improving trade and investment relations between Taiwan and the Philippines.

Suggestions

Taiwan has signed tax agreements with ASEAN countries Singapore, Indonesia, Vietnam, Malaysia and Thailand in the past,¹²⁴ all of which served to effectively lighten the tax burden for Taiwanese enterprises in the local marketplace. Once implemented, the agreements reduced the risks caused by double taxation and tax uncertainty, thus guaranteeing the rights of Taiwanese enterprises to reasonable taxation.

Therefore, it is suggested that the Philippine government should complete the domestic procedures required for the implementation of the Taiwan-Philippines Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion as soon as possible. Implementing the Agreement properly will enable the two sides to establish institutional arrangements for the settlement of major tax issues arising from business investment. At the same time, the two sides can increase bilateral cooperation and exchange of tax information in order to prevent cases of tax fraud and tax evasion, ensuring the right to reasonable taxation for both sides.

7. Infrastructure issues (related ministries in Philippines: Department of Energy (DOE), Department of Transportation and Communications of the Philippines (DOTC), Department of Information and Communications Technology (DICT)

(1) Electricity fees

➤ Promoting reasonable and feasible energy and energy saving policy and enhancing

¹²² Agreement between the Taipei Economic and Cultural Office in the Philippines and the Manila Economic and Cultural Office in Taiwan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, for full text of agreement please refer to the following website:

http://no06.mofa.gov.tw/mofatreatys/Result.aspx?tysubject_c=%25u83f2%25u5f8b%25u8cd3&tysubject_e=%25u83f2%25u5f8b%25u8cd3&tysubject_o=%25u83f2%25u5f8b%25u8cd3&tycountry_c=&tycountry_e=&tyeffectivedate=&tyeffectivedateE=&tysigneddate=&tysigneddateE=&start=Y&tykeyword=&Order=Signing&tyclass= (accessed on September 14, 2018).

¹²³ International Trade Commission, Ministry of Economic Affairs, Taiwan › Philippine National Records › 04/25/2018 › <https://www.trade.gov.tw/World/ListArea.aspx?code=7020&nodeID=977&areaID=4&country=b6461-y5b6L6LOT&pw=3> (accessed on September 14, 2018).

¹²⁴ Ministry of Finance, Taiwan › List of ROC Double Taxation Agreements › <https://www.mof.gov.tw/Detail/Index?nodeid=191&pid=63930&rand=8151> (accessed on September 14, 2018).

electricity infrastructure construction to stabilize electricity supply quality and reduce electricity supply costs

Description of issues and impacts

Statistics show that electricity costs in the Philippines are much higher than in neighboring countries (as shown in Table 6). The overall average price of residential electricity is the second highest in Asia after Japan; and although industrial electricity is cheaper, it is still higher than in neighboring countries Thailand, Vietnam, Indonesia and Malaysia. This has resulted in increased manufacturing costs, and hindered the competitiveness of Philippine manufacturing industry, leading many manufacturers to consider shifting their manufacturing base to other Southeast Asian countries with lower energy costs.

Table 6 Comparison of electricity prices and supply quality in major SE Asian countries

Units: US\$; Hour

Country	Average Electricity Price		Quality of Electricity Supply	
	Residential	Industrial	Average Downtime	Average Number of Outages
Philippines	0.2168	0.1511	4.6	4
Thailand	0.0815	0.0815	0.5	1
Vietnam	0.0963	0.0782	8.6	5.1
Indonesia	0.0687	0.0936	4.2	2.8
Malaysia	0.0762	0.1097	0.5	0.6
Singapore	0.1452	0.0999	0	0

Source :

1. Average electricity costs are based on "Average electricity costs compared by nation" published by Taipower, and the December 2018 edition of "Energy Statistics Monthly", published by the Bureau of Energy, Ministry of Economic Affairs, Taiwan. Exchange rates are based on the average NTD/USD exchange rate in 2017 from the Central Bank of the Republic of China, <https://www.cbc.gov.tw/content.asp?Cultem=27029>.

2. Statistics on quality of electricity supply are from the World Bank Doing Business report, <http://www.doingbusiness.org/data>.

In addition to high electricity prices, there is still considerable room for improvement in terms of quality of electricity supply in the Philippines. The World Economic Forum (WEF) GCI 2017~2018 rankings show that the Philippines ranked 92nd out of 137 countries in quality of power supply. Although this is two places higher than 94th place in 2016~2017, it still falls in the bottom third of the global ranking. In addition, according to the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI) from the

World Bank's Doing Business 2018 (as shown in Table 6), among ASEAN nations, the Philippines only surpasses Vietnam in terms of stability of powers supply. In the future, how to effectively improve power supply quality and reduce average electricity price will be one of the key issues that the Philippines must pay attention to in building a more competitive infrastructure environment.

Suggestions

According to data released by the Philippines' Department of Energy in 2017, of the country's dependable capacity, 37.40% came from coal, 30.53% from renewable energy and the rest was mostly hydraulic and geothermal energy.¹²⁵ Coal will remain the primary source of power in the foreseeable future, but with coal as the main part the Philippines energy mix, we must pay attention to the possible environmental impact of increasing carbon emissions. International fluctuations in the price of coal may also lead to a rise in the cost of power generation, which will, in turn, increase electricity prices for consumers.

Therefore, in the search for a suitable energy mix, renewable energy should still be considered an important alternative source of energy, including solar, geothermal, hydropower and wind power, which are currently being produced in the Philippines. The Philippine government's current enthusiastic promotion of the "Build, Build, Build" project involves the strengthening of energy infrastructure to ensure stability of the power supply and reduce the cost of power generation.¹²⁶ Furthermore, in terms of electricity demand, it is suggested that more energy-saving subsidies and incentives be provided to consumers, in order to encourage them to invest in energy-saving and energy-efficient technologies and equipment. This will reduce the burden of electricity costs for industrial development, and enable the Philippines to achieve rapid industrial and economic growth. Improving the country's overall energy efficiency, and reducing unnecessary energy wastage and consumption, will simultaneously boost economic growth and stabilize energy supply and demand, while reducing environmental impact.

The third part of this research focuses on cooperation between Taiwan and the

¹²⁵ Department of Energy (DOE), "2017 Power Demand and Supply Highlights," p. 33, https://www.doe.gov.ph/sites/default/files/pdf/electric_power/2017-power-demand-and-supply-highlights.pdf (accessed on September 17, 2018).

¹²⁶ Richard J. Heydarian, "Duterte's Ambitious 'Build, Build, Build' Project to Transform the Philippines Could Become His Legacy," *Forbes*, Feb 28, 2018, <https://www.forbes.com/sites/outofasia/2018/02/28/dutertes-ambitious-build-build-build-project-to-transform-the-philippines-could-become-his-legacy/#5be0e6d21a7f> (accessed on September 17, 2018).

Philippines in the renewable energy and energy-saving industries through increased technological exchanges in solar, geothermal and other energy industries, and bilateral cooperation on energy-saving.

(2) Infrastructure facilities

➤ Comprehensive transportation and communications infrastructure

Description of issues and impacts

Rapidly developing ASEAN cities such as Manila, Jakarta and Bangkok are facing serious traffic congestion because of underdeveloped bus networks and heavy reliance on road traffic. In order to solve the congestion problem, the Philippine government has adopted various laws, policies and plans to improve domestic transit: the 2016 Right of Way Act aims to speed up the acquisition of land for infrastructure project;¹²⁷ and the 2017 "Build, Build, Build" plan is expected to invest substantial funds to improve domestic traffic congestion in the next 5 years.¹²⁸ However, the WEF GCI 2017~2018 rating shows that Philippines still has a lot of room for improvement of public infrastructure (as shown in Table 7), especially in terms of transport infrastructure. Many foreign businesspeople feel that transport related infrastructure is one of the many factors hindering business, especially combined with the level of economic growth in the Philippines over the past few years. The Port of Manila has seen rising throughput year by year, with total port container volume increasing from 3.976 million twenty-foot equivalent units (TEU) in 2015 to 4.826 million TEU in 2017. This growth of more than 10% has resulted in increased load times year after year.¹²⁹ The carrying capacity and time required for goods entering and exiting Philippines ports have therefore increases year by year.¹³⁰

According to the 2017 Boston Consulting Group (BCG) report, Manila's traffic congestion ranks third among ASEAN cities, second only to Jakarta and Bangkok, with an average of 66 minutes of traffic jam per person per day, resulting in a loss of

¹²⁷ Senate of the Philippines, "Right-of-Way Act Will Accelerate Completion of National Government Projects – Guingona," March 19, 2016, http://www.senate.gov.ph/press_release/2016/0319_guingona1.asp (accessed on September 17, 2018).

¹²⁸ For more information please refer to the following website: <https://www.dof.gov.ph/taxreform/index.php/2018/01/23/build-build-build-roll-75-projects-worth-35-5-b/> (accessed on September 17, 2018).

¹²⁹ Philippine Ports Authority, "Annual Statistical Report," <http://www.ppa.com.ph/?q=content/statistics-1> (accessed on September 17, 2018).

¹³⁰ Due to serious downtown traffic congestion, Manila Mayor Estrada banned trucks from the roads in daytime from February 2014, in the name of improving traffic flow. This meant trucks going to and from the port could only operate at night and led to a huge buildup of goods at the Port of Manila. The ban was lifted in September the same year. Nestor Corrales, "Estrada Lifts Truck Ban in Manila," September 13, 2014, <http://newsinfo.inquirer.net/637672/estrada-lifts-truck-ban-in-manila> (accessed on September 17, 2018)

productivity of 100,000 pesos per person per year.¹³¹ It is estimated that the cost of congestion per day may be as high as 3.5 billion pesos.¹³²

Table 7 Rating for the Philippines for infrastructure items in the WEF Global Competitiveness Index

Indicator	Year		
	2017-2018	2016-2017	2015-2016
Quality of Overall Infrastructure, 1-7 (best)	3.0	3.0	3.7
	(113)	(112)	(95)
Quality of roads, 1-7 (best)	3.1	3.1	3.6
	(104)	(106)	(87)
Quality of railroad infrastructure, 1-7 (best)	1.9	2.0	2.3
	(91)	(89)	(80)
Quality of port infrastructure, 1-7 (best)	2.9	2.9	3.5
	(114)	(113)	(101)
Quality of air transport infrastructure, 1-7 (best)	2.9	3.2	3.6
	(124)	(116)	(108)
Quality of electricity supply, 1-7 (best)	4.2	4.0	4.2
	(92)	(94)	(87)
Fixed telephone lines/100 pop.	3.7	3.0	3.2
	(105)	(107)	(113)
Mobile telephone subscriptions/100 pop.	109.2	118.1	104.5
	(88)	(65)	(86)

Note :

1 Figures in brackets indicate GCI ranking for that year.

2 Gray cells indicate rankings that were below the Quality of Overall Infrastructure ranking for that year.

Source : World Economic Forum (WEF), *The Global Competitiveness Report 2014-2015*; World Economic Forum (WEF), *The Global Competitiveness Report 2015-2016*; World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017*.

Suggestions

Since 1987, the constitution of the Philippines has recognized the indispensable role of the private sector in economic development. Public Private Partnerships (PPPs) laid the foundation for the government's policies to encourage private sector

¹³¹ Raul Dancel, "Filipinos Spend 16 Days a Year Stuck in Traffic: Study," *The Straits Times*, November 28, 2017, <https://www.straitstimes.com/asia/se-asia/filipinos-spend-16-days-a-year-stuck-in-traffic-study> (accessed on September 17, 2018).

¹³² "PH Loses ₱3.5B a Day Due to Metro Manila Traffic-JICA," *CNN*, February 24, 2018, <http://cnnphilippines.com/transportation/2018/02/23/JICA-P3.5-billion-traffic.html> (accessed on September 17, 2018).

investment and provide the necessary incentives, and in 1994 the government further revised the law on private participation in public infrastructure.¹³³ Recently, the government also specifically mentioned PPPs in the "10 Point Socio-Economic Agenda" as an important part of the development of the country's infrastructure. At present, owing largely to the establishment of the PPP Center and the Project Development and Monitoring Facility (PDMF), the Philippines's PPP program is regarded as quite successful among ASEAN countries. In order to further strengthen and accelerate construction of transportation infrastructure, it is suggested that the Philippine government should continue to welcome private enterprises (including Taiwanese and other foreign enterprises with excellent technology, products and services) to participate in public works construction through PPPs. This will allow swift implementation of the "Build, Build, Build" plan, and greatly enhance the quality of infrastructure in the Philippines.

(3) Mobile communication network coverage and quality

➤ Improving mobile communication network coverage and quality

Description of issues and impacts

With the rapid progression of technology, the development of digital broadband has become a major factor affecting economic growth. The efficiency and innovation brought about by broadband facilitates the development of new commodities and business models, and increases the competitiveness and flexibility of the economy, thus increasing the importance of communication networks. World Economic Forum (WEF) data show that while the mobile phone penetration rate in the Philippines has increased in recent years, the global ranking has decreased, showing a lack of progress.¹³⁴ However, regarding internet users as a proportion of total population, the Philippines is only beaten by Singapore (82%), Malaysia (71%) and Thailand (67%), showing that the Philippines has achieved some progress in terms of Internet penetration (as shown in Table 8). In terms of network speed, according to a report released by Akamai in 2017, the Philippines' average speed in 2016 was 5.5 Mbps, the

¹³³ Official Gazette of the Republic of the Philippines, Republic Act No. 7718, <http://www.officialgazette.gov.ph/1994/05/05/republic-act-no-7718/> (accessed on September 17, 2018).

¹³⁴ From 2015 to 2016, there were 104.5 Internet users per 1,000 people and 109.2 Internet users in 2017 to 2018, but the ranking dropped from 86 to 88. World Economic Forum (WEF), The Global Competitiveness Report 2015-2016; World Economic Forum (WEF), The Global Competitiveness Report 2017-2018.

slowest among the six ASEAN countries. In addition, the proportion of the Philippines' national income spent on internet usage increased to 7.1%, second only to Indonesia, indicating that the Philippines still has considerable space for improvement in providing its people with a fast, low cost internet connection.

In order to further strengthen ICT infrastructure in the Philippines, and carry out national ICT development works, the Department of Information and Communications Technology (DICT) was created in 2016.¹³⁵ Through its National Broadband Plan, the Department is expected to spend 30 billion pesos to improve the speed and coverage of the national network using fiber optic cables, wireless technology and free WiFi in public places.¹³⁶

Table 8 Internet use situation in six countries of ASEAN

	Internet Usage in 2017 as Percentage of Population (%)^a	Average Internet Speed in the 1st Quarter of 2017 (Mbps)^b	Internet Cost in 2016 as Proportion of National Income (%)^c
Worldwide	50	7.2	13.9
Singapore	82	20.3	0.5
Malaysia	71	8.9	1.1
Philippines	58	5.5	7.1
Vietnam	53	9.5	1.7
Thailand	67	16.0	3.8
Indonesia	51	7.2	10.6
India	35	6.5	4.8

Source : a. Digital in Asia-Pacific in 2017, <https://kepios.com/blog/apac2017>.

b. Akamai's State of the Internet (2017Q1),

<https://www.akamai.com/uk/en/multimedia/documents/state-of-the-internet/q1-2017-state-of-the-internet-connectivity-report.pdf>.

c. Measuring the Information Society Report 2017 - Volume 2, ITU.

https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2017/MISR2017_Volume2.pdf

Suggestions

The Philippines has made plans to carry out ICT hardware improvements through its National Broadband Plan, and, in November 2018, introduced a third broadband operator to break the previous industry monopoly of the other two.¹³⁷ The

¹³⁵ Republic of The Philippines, "Republic Act No. 10844," <http://www.dict.gov.ph/about-us/republic-act-no-10844/> (accessed on June 13, 2018).

¹³⁶ Myrna M. Velasco, "Gov't to Spend P30 B for Broadband," *Manila Bulletin Business*, May 18, 2018, <https://business.mb.com.ph/2018/05/18/govt-to-spend-p30-b-for-broadband/> (accessed on June 13, 2018).

¹³⁷ The Mislitel Consortium, composed of China Telecom, Mindanao Islamic Telephone Company, Udenna Corporation and

Philippine government should continue to improve internet infrastructure to increase internet penetration among its population, reduce network usage fees and create a good environment for development of the digital economy. A high-quality digital communications network will not only help ordinary enterprises to enhance their operational efficiency, but will also contribute to the development of new industries and innovative startups. This will help achieve the vision of the AMBISYON NATIN 2040, which is to lift Filipinos out of poverty and create a prosperous middle class society.

C. Industrial issues and suggestions

1. Financial Sector (related ministries in Philippines: The Central Bank of the Philippines (Bangko Sentral ng Pilipinas (BSP),) Department of Finance, Department of Agriculture)

(1) Banking Industry

➤ Enhancing project credit loans and constructing a credit information system, enabling banks to help the agricultural industry and MSMEs obtain necessary funding

Description of issues and impacts

In order to ameliorate the difficulties in obtaining loans experienced by farmers and MSMEs, the Implementing Rules and Regulation of the AGRI AGRA Reform Credit Act of 2009¹³⁸ and the Magna Carta for Micro, Small and Medium Enterprises were passed,¹³⁹ which stipulate that Philippine banks must provide a certain level of credit to farmers, agricultural reform beneficiaries and MSMEs; if this level is not reached, the Bangko Sentral ng Pilipinas (BSP) can give quarterly penalties to banks that do not meet this requirement. Although this strategy is a good way of supporting

Chelsea Logistics Holdings, is confirmed as third home broadband supplier. Reference: Department of Information and Communications Technology (DICT), Republic of the Philippines, “NTC Names Mislattel as provisional NMP,” November 7, 2018, <http://dict.gov.ph/ntc-names-mislattel-as-provisional-nmp/>; Aerol John Pateña, “NTC Confirms Mislattel as 3rd Telco Player,” Philippine News Agency, <http://www.pna.gov.ph/articles/1054322> (accessed on December 12, 2018).

¹³⁸ Bangko Sentral Ng Pilipinas (BSP), “Implementing Rules and Regulation of the AGRI AGRA Reform Credit Act of 2009 (RA 10000),” http://www.bsp.gov.ph/regulations/laws/RA10000_IRR.pdf (accessed September 17, 2018). SECTION 6. Credit Quota. Banks shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and agrarian reform credit in general, of which at least ten percent (10%) of the total loanable funds shall be made available for agrarian reform beneficiaries. SECTION 15. Sanctions for Non-compliance or Under-compliance. Annual penalty of one-half of one percent (0.5%) of amount of non-compliance/under-compliance).

¹³⁹ Republic of the Philippines, “Magna Carta for Micro, Small and Medium Enterprises (Republic Act 9501),” <http://www.officialgazette.gov.ph/downloads/2008/05may/20080523-RA-9501-GMA.pdf> (accessed June 08, 2018). SECTION 15. Mandatory Allocation of Credit Resources to Micro, Small and Medium Enterprises.— For the period of ten (10) years from the date of the effectivity of this amendatory Act, all lending institutions as defined under Bangko Sentral ng Pilipinas rules, whether public or private, shall set aside at least eight percent (8%) for micro and small enterprises and at least two percent (2%) for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter, and make it available for MSME credit as herein contemplated. SECTION 19 - Penal Clause. - The Bangko Sentral ng Pilipinas shall impose administrative sanctions and other penalties on the lending institutions for non-compliance with provisions of this Act including a fine of not less than Five hundred thousand pesos (P500,000.00)).

agriculture and the development of MSMEs, implementation of the policy has not yet reached expected targets. According to the statistics from June 2016, loans for farms and fisheries only amounted to only 13.18%, and only 0.97% for agricultural reform beneficiaries, far less than the stipulated ratio.¹⁴⁰ The main reason is that banks evaluate loans primarily on the ability of the recipient to repay the loan. Although the Agriculture Guarantee Fund Pool (AGFP) was set up to guarantee such loans, farmers and MSMEs are often unable to submit the documents needed by banks, such as audited financial statements or income tax returns,¹⁴¹ so they are often classified as high-risk clients.¹⁴² Because the credit information of farmers and MSMEs is often complex and difficult to understand, lending to these groups is seen as high-risk, and the banks would rather be fined than award loans.¹⁴³

Suggestions

To solve the issue of farmers and MSMEs struggling to access finance, two courses of action are suggested. First of all, should be to increase project credit loans, expanding financial support for agriculture and MSMEs. For example, in recent years, the Land Bank of the Philippines has continued to provide the various strategic loans and assistance plans drawn up by the Department of Agrarian Reform (DAR) to bolster financial support for farmers, agricultural enterprises and MSMEs. These include the Agricultural Credit Support Project (ACSP), Production Loan Easy Access (PLEA) Facility, Agrarian Production Credit Program (APCP) and the Agricultural and Fisheries Financing Program (AFFP). All of these programs have achieved policy objectives through flexible lending procedures and interest rates, and their improvements in lending performance year after year warrant significant expansion of adoption.¹⁴⁴

¹⁴⁰ Edgardo Angara, "Financing Agriculture," *Business Mirror*, May 22, 2017, <https://businessmirror.com.ph/financing-agriculture/> (accessed on June 6, 2018).

¹⁴¹ Raynan A. Larosa, "CIC Paves Way for Credit Information System," *The Philippine Star*, July 12, 2016, <https://www.philstar.com/business/2016/07/12/1601811/cic-paves-way-credit-information-system> (accessed on June 6, 2018).

¹⁴² The Agricultural Guarantee Fund Pool provides 85% loan guarantees for agricultural loans. For details, see: Edna Atienza, "Agricultural Guarantee Fund Pool," http://www.microfinancecouncil.org/wp-content/uploads/2017/08/Partnerships-and-Convergence_Edna-Atienza.pdf, (accessed on September 17, 2018)

¹⁴³ Louise M. Simeon, "Farmers Now Get Easy Access to Credit – DA," June 24, 2017, *The Philippine Star*, <https://www.philstar.com/business/2017/06/24/1713306/farmers-now-get-easy-access-credit-da> (accessed on September 17, 2018).

¹⁴⁴ For details of the Agricultural Credit Support Project, see: Land Bank of the Philippines, "Agricultural Credit Support Project," <https://www.landbank.com/ACSP> (accessed on September 17, 2018); Agricultural Credit Policy Council, "Production Loan Easy Access (PLEA)," <http://www.acpc.gov.ph/faq-production-loan-easy-access-plea/> (accessed on September 17, 2018); Land Bank of Philippines, "Agrarian Production Credit Program (APCP)," <https://www.landbank.com/agrarian-production-credit-program> (accessed on September 17, 2018); Land Bank of Philippines, "Agricultural and Fisheries (AFFP) Financing Program," <https://www.landbank.com/affp-financing-programs> (accessed on September 17, 2018) • The short-term ACSP interest rate is 8.5%, the long-term interest rate is 9.5%, AFFP adopts a special

Secondly, although the Philippine government also offers various alternatives, such as purchasing various types of financial bonds or securities, to reduce the pressure on banks to make strategic loans for farmers and MSMEs, this will not help to reduce the risks of lending. To allow banks to more fully understand the credit status of farmers and MSMEs and thereby reduce risk, the credit information exchange system must be improved so that the banks can build a better picture of the applicants' credit status and assets. For example in accordance with the Credit Information System Act 2008 the Credit Information Corporation (CIC) was established to collect and collate borrower credit information from financial institutions, and provide this information to financial institutions and lenders.¹⁴⁵ It is suggested that in the future, banks continue to work with the CIC to fully understand and make use of borrowers' complete credit information, thereby reducing their exposure to risk and increasing their willingness to lend to farmers and MSMEs.

2. Medical equipment industry (related ministries in Philippines: Department of Health)

(1) Document review period excessively long

➤ Shortening review time for licenses/certificates

Description of issues and impacts

In accordance with Section 10, Paragraph K of the Food and Drug Administration (FDA) Act of 2009, a License to Operate (LTO) must first be obtained for the manufacture or sale of drugs.¹⁴⁶ A Certificate of Product Registration (CPR) must also be obtained from the FDA for each product before it may be sold.

interest rate, and the interest rate of PLEA is 6% annually or 0.5% monthly. The lending rate of ACSP is more flexible than that of ordinary financial institutions in the Philippines.

¹⁴⁵ CIC Company complies with the provisions established in the "Credit Information System Law", for details, see: Republic of the Philippines, "An Act Establishing the Credit Information System And For Other Purposes (RA 9510)," Section 4, <http://www.creditinfo.gov.ph/sites/default/files/Republic%20Act%20No.%209510%20%28Credit%20Information%20System%20Act%29.pdf> (accessed on September 17, 2018). By September 2016, 21 comprehensive banks, 19 Commercial banks, 56 savings banks, 758 rural banks, 333 financial companies, 16 credit card companies and 116 credit cooperatives had participated in and provided credit information to CIC. As of April 2017, CIC had a total of 3.6 million individual borrowers and 13.8 million loan contracts. For details, see: USAID, "Bolstering SMEs Through an Inclusive Financial System for All," <http://www.surge.org.ph/cdi-newsletter/april-june2017/> (accessed on September 17, 2018).

¹⁴⁶ "Food and Drug Administration (FDA) Act of 2009 (RA 9711)," https://www.lawphil.net/statutes/repacts/ra2009/ra_9711_2009.html (accessed on September 17, 2018). (Content : Section 10; Section 11, subsections (a), (b), (d), (g), (j),(k) and (l) of Republic Act No. 3720, as amended, are hereby further amended to read as follows:

(k) The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, or retail of any drug, device or in-vitro diagnostic reagent; the manufacture, importation, exportation, transfer or distribution of any food, cosmetic or household/urban hazardous substance; or the operation of a radiation or pest control establishment by any natural or juridical person without the license to operate from the FDA required under this Act.

According to FDA announcement No. 2014-003: Filing and Receiving of Registration, Licensing and Other Applications Using the Integrated Application Form, LTO and CPR applications have six steps: (1) download the application form; (2) fill out the form; (3) submit the application form by e-mail; (4) applicants will receive the Document Tracking Log (DTL) within two working days, and may start submission, with final submission date within 10 days of receipt of the application; (5) payment; (6) check all necessary documents; and (7) submit by scheduled date.¹⁴⁷ If all the documents are complete, LTO and CPR processing time is 3 months.¹⁴⁸ Newly issued LTOs are valid for 2 years, while reissued LTOs will be valid for a maximum of 3 years. New and reissued CPRs will be valid for 5 years.¹⁴⁹ Since September 2016, in order to improve administrative efficiency, all LTO applications must be submitted online.¹⁵⁰

January 2018 the FDA issued the Guidelines Governing the Issuance of an Authorization for a Medical Device based on the ASEAN Harmonized Technical Requirements (hereafter referred to as the "Guidelines"), to conform to the ASEAN categorization of medical equipment according to the level of risk. Devices is divided into four grades: A, B, C and D. For medical devices in category A, which denotes the lowest risk, a Certificate of Medical Device Notification (CMDN) must be obtained. For all other levels, a Certificate of Medical Device Registration (CMDR) must be obtained. When applying for these certificates for the first time, review will take 180 days, while reviews for re-applications will only take 30 days.¹⁵¹ But according to some Taiwanese enterprises, in the case of a typographical error in the application, the entire application and review process may take one year, resulting in delays to the product launch or export schedule of the manufacturer.

¹⁴⁷ Food and Drug Administration (FDA) Philippines, "LTO and CPR Processing," <https://ww2.fda.gov.ph/industry-corner/downloadables/237-list-of-laboratories-recognized-by-the-fda/integrated-application-form-and-process/148185-lto-and-cpr-processing-2> (accessed on September 17, 2018).

¹⁴⁸ Food and Drug Administration (FDA) Philippines, "How Many Days Will It Take for The Processing of The License to Operate (LTO)?," <https://www.doh.gov.ph/node/1237> (accessed on September 17, 2018); PFDA, "How Many Days Will It Take for The Processing of the Certificate of Product Registration?," <https://www.doh.gov.ph/node/1244> (accessed on September 17, 2018).

¹⁴⁹ Food and Drug Administration (FDA) Philippines, "New Schedule of Fees and Charges of the Food and Drug Administration for Licensing, Registration and Other Certifications," <https://ww2.fda.gov.ph/index.php/drafts-for-comments/340170-new-schedule-of-fees-and-charges-of-the-food-and-drug-administration-for-licensing-registration-and-other-certifications> (accessed on September 17, 2018).

¹⁵⁰ Department of Trade and Industry (DTI), Republic of the Philippines, "FDA Mandates Electronic Filing for License to Operate," <https://www.dti.gov.ph/exports/27-main-content/emb-news/9633-fda-mandates-electronic-filing-for-license-to-operate> (accessed on September 17, 2018).

¹⁵¹ Department of Health (DOH), Republic of the Philippines, "Guidelines Governing the Issuance of an Authorization for a Medical Device Based on the ASEAN Harmonized Technical Requirements (AO 2018-002)," http://home2.doh.gov.ph/ais2pub/reflist.php?showmaster=issuances&as_no=110025 (accessed on September 17, 2018).

Suggestions

According to the new 2018 Guidelines, although the Philippines has set different levels of risk for various medical devices under FDA jurisdiction, it has not set different review timescales according to different levels of risk, meaning all reviews for new applications take 180 days to complete. It is suggested that the Philippines follow the examples of Thailand,¹⁵² and Singapore,¹⁵³ and assign different review timescales to medical devices based on their risk levels. For devices with lower levels of risk, reviews can be completed faster, facilitating an accelerated review schedule for medical equipment certification.

In addition to online submission of application documents, it is worth considering the adoption of electronic documentation practices,¹⁵⁴ such as the e-certification system developed by the Philippine Economic Zone Authority (PEZA). Manufacturers are notified by email within a certain time limit after their application is approved, and can print out their certificate from the FDA website. This system avoids the delay of printing and mailing the certificate, shortening the current inspection schedule for medical device certification, and thereby improving product launch times and advancing development of the medical equipment industry.¹⁵⁵

¹⁵² According to different levels, the application time in Thailand is divided into 2-6 days, 6-8 months and 1 year. For details, see: Asia Actual, "Thailand Medical Device Registration," <http://www.asiaactual.com/thailand/medical-device-registration/> (accessed on September 17, 2018).

¹⁵³ Singapore is divided into 0 days, 30 days, 60 days, 100 days, 120 days, 160 days, 180 days, 220 days and 310 days according to different levels. For details, see: Asia Actual, "Singapore Medical Device Registration," <http://www.asiaactual.com/singapore/medical-device-registration/> (accessed on September 17, 2018).

¹⁵⁴ Liza Almonte, "Phase 1 of PEZA E-transfer of Goods System Takes Effect by Aug," *Port Calls Asia*, July 10, 2017, <https://www.portcalls.com/phase-1-peza-ettransfer-goods-system-takes-effect-aug/> (accessed on September 17, 2018).

¹⁵⁵ Licensing, Registration and Other Certifications). The certificate printing fee is included in the application fee, including one original and 19 electronically verified copies. ("The application fees for granting an authorization prescribed in this issuance shall cover the expenses of the following activities, including post-approval, when applicable: (4) Printing of one (1) original copy and issuance of additional nineteen (19) electronic authenticated copies of the LTO and CPR.") This draft defines electronic verification as follows: Electronic Authentication Copy: is a valid scanned copy of authorization with a barcode, whether CPR or License to Operate (LTO), issued by the FDA for special purposes, e.g. as part of the requirements to be submitted during biddings in government agencies. For details, see: Food and Drug Administration (FDA) Philippines, "Draft New Schedule of Fees and Charges of the Food and Drug Administration for Licensing, Registration and Other Certifications," https://www2.fda.gov.ph/attachments/article/340170/AO%20on%20Fees%20and%20Charges_%20with%20Annexes%20as%20of%2003%20June%202016.pdf (accessed on September 17, 2018).

Part 3 Advancing the development of Taiwan-Philippines business cooperation

Taiwan and the Philippines have enjoyed close bilateral relations for many years, cooperating in a wide range of fields, and the economic structures of the two countries are highly complementary. Increasing and expanding bilateral cooperation in trade, industry, investment and other related fields will help both sides to develop their trade, investment and industry for mutual benefit.

In particular, the Philippines is rich in natural resources such as minerals and fish, and boasts a large and relatively young population. The Philippine government is currently promoting various policies for industrial transformation and economic reform, hoping to create a stable, comfortable and safe living environment for its people. Taiwan is geographically close to the Philippines, and is a logistical hub in the Asia-Pacific region with strong manufacturing capabilities and the advantages of a well-planned supply chain. One of the major objectives of Taiwan's New Southbound Policy is to establish comprehensive exchange with the Philippines covering trade, industry, science and technology, culture, tourism, talent and public interaction. The policy aims to create a mutually beneficial trade relationship to cultivate and share each other's strengths through increased talent exchange. By sharing resources and increasing dialogue, the two countries can establish regional and international partnerships and find opportunities to work together to improve quality of life for their citizens.

Cooperation between Taiwan and the Philippines has successfully met the needs of bilateral development, with the Philippines benefitting from continuous improvements from Taiwanese industry, technology, talent and SMEs. This relationship has also helped accelerate the transformation of industry, and enhance Philippine's international competitiveness. The following eight areas have been selected as priority areas for increased cooperation, and are individually discussed in more detail below: human resources and training; development of SMEs; agricultural added-value and applied biotechnology; electronic and electrical and ICT innovative application; industrial machinery; industrial park development; medical equipment and healthcare; and the energy industry.

A. Cooperation in human resources and training

According to the 2017 Global Human Capital Report published by the World Economic Forum (WEF), in 2017 the Philippines had a population of more than 100 million, with a median age of 24.1 years. 68.8% of the population were aged 15-64, and over 65 million were employed, which means a high level of human resources.¹⁵⁶ According to statistics from the United Nations Development Program, the Human Development Index (HDI) of the Philippines in the past 27 years has increased from 0.586 in 1990 to 0.682 in 2015, ranking 116 out of 188 countries, which shows that substantial progress has been made in average life expectancy, education level and per capita gross national income.¹⁵⁷ However, this is still relatively low compared with the average HDI of East Asian and Pacific countries in 2015 (0.74), and it is necessary to put further policies in place to develop human resources.

To this end, the Philippine National Economic Development Agency (NEDA) has included in the Philippine Development Plan 2017-2022 (PDP 2017-2022) the specific goal of accelerating human capital development. This will be achieved by improving nutrition and health, ensuring lifelong learning opportunities and increasing earning capacity. Providing equal opportunities in this way will establish a good foundation for inclusive growth, trustworthy and resilient society and a globally-competitive knowledge economy.

In terms of developing labor capital, the specific goals for increasing earning capacity by 2022 include: increasing the labor productivity in the industrial sector from -4.2% to 3%~4%, while productivity in the service sector is expected to increase from 3.1% to 4.0%~5.0%. From this we can see that the Philippines has relatively clear substantive need to effectively improve labor productivity in the industrial and service sectors.¹⁵⁸

In view of the fact that the training of skilled workers is one of the most important factors in improving labor productivity and Taiwan has had success in promoting vocational education and training in the past; the large number of skilled workers and technicians trained in technical knowledge and skills formed the

¹⁵⁶ WEF, "Philippines," *The Global Human Capital Report 2017*, p. 152, http://www3.weforum.org/docs/WEF_Global_Human_Capital_Report_2017.pdf (accessed on J September 17, 2018).

¹⁵⁷ United Nations Development Programme (UNDP), *Human Development Data (1990-2015)*, <http://www.hdr.undp.org/en/data> (accessed on September 17, 2018).

¹⁵⁸ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippines Development Plan 2017-2022," Chap. 10.

backbone of Taiwan's technology-intensive industries, helping to establish Taiwan's position in the global supply chain and create the world renowned Taiwan Miracle, therefore, if Taiwan and the Philippines can increase cooperation in the training of skilled personnel and their teachers, this would help to improve labor skills in the Philippines, and help the Philippines achieve the specific goal of enhancing industrial labor productivity in the future.

Taiwan and the Philippines have made significant progress in education and personnel training collaboration in recent years. In 2012, the two sides signed the Memorandum of Understanding between the Taipei Economic and Cultural Office in the Philippines and the Manila Economic and Cultural Office in Taiwan Concerning Cooperation in Education and Learning Linkages (hereafter referred to as the Education Cooperation Memorandum) in order to strengthen the cooperation between educators and educational institutions. This MOU effectively promotes educational and academic exchanges enhancing educational opportunities between Taiwan and Philippines by supporting bilateral academic institutions to establish research partnerships and encouraging cooperation in language teaching. In 2017, the educational authorities of Taiwan and the Philippines extended the exchange operations of the Education Cooperation Memorandum for another five years, laying the foundation for continued bilateral cooperation and exchanges in education.¹⁵⁹

In recent years, Taiwan and the Philippines have taken concrete steps to implement Taiwan's New Southbound Policy and expand cooperation in education and personnel training, including the establishment of Taiwan Education Center in Manila, and the Resource Center for Economics, Industry and Academy Cooperation (NSYSU) in 2017. In December 2017, the 23rd Taiwan-Philippines Ministerial Economic Cooperation Conference was held in Manila. At the conference, the two sides came up with a plan to help train Filipinos in e-commerce, SMEs, food processing, integrated circuit design, machinery, textiles and shoemaking skills. Consensus was reached, within the Asia-Pacific Economic Cooperation (APEC) framework, to enhance skills exchange by conducting projects to improve the

¹⁵⁹ Department of International and Cross-Strait Education, Ministry of Education, Taiwan, Taiwan-Philippines Memorandum of Cooperation on Education renewed for another 5 years, a new milestone in educational cooperation with the Philippines, 06/08/2016, https://www.edu.tw/News_Content.aspx?n=9E7AC85F1954DDA8&s=A84FF338587117FF (accessed on September 17, 2018).

technical skills of industry personnel and collaborative projects in vocational education.¹⁶⁰

In addition, in terms of bilateral exchanges and cooperation between universities and colleges, Taiwan and the Philippines have made substantial progress in their respective domestic university systems. For example, since 2014, Taiwan's Southern Taiwan Universities Alliance (STUA) worked with the University of the Philippines System¹⁶¹, to establish the Edu-Connect Southeast Asia Association, which shares higher education resources through the Taiwan-Philippines Educational Cooperation Platform¹⁶² and the Taiwan-Philippines Academic Networking Platform (TPANP).¹⁶³ In January 2017, National Taiwan University System¹⁶⁴ staff also visited renowned Philippine universities such as Ateneo de Manila University and University of Santo Tomas to research future forms of cooperation and exchange. They also signed a memorandum of cooperation with the University of the Philippines System, and consulted with the Philippines Department of Science and Technology on the future signing of an exchange agreement.¹⁶⁵

From the above, we can see that Taiwan and Philippines have established a good foundation for cooperation on human resources and training. In the future, cooperation on human resources and training can be further advanced in the following two directions:

1. Cooperation on vocational education and professional training

Vocational education and professional training are key factors in the development and improvement of a country's industry. At present, in order to enhance labor productivity and promote the development of its national labor capital, the

¹⁶⁰ Department of International Cooperation, Ministry of Economic Affairs, Taiwan, 23rd Taiwan-Philippines Ministerial Economic Cooperation Conference ends, many achievements including renewed insurance agreement and boost to industry and talent exchange, 10/07/2017, https://www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu_id=40&news_id=75886 (accessed on September 17, 2018).

¹⁶¹ "University of the Philippines (UP) System" includes UP Diliman, UP Manila, UP Los Baños, UP Visayas, UP Baguio, UP Mindanao, UP Open University and UP Cebu.

¹⁶² The "Taiwan Philippine Academic Media Network Platform" is a creative media-based platform. It has been derived from the "University of the Philippines High-screen Friendship Center", "University of the Philippines Guest House", "UP Superstructure 100 Project", and "STU-UP Cebu International Academic Cooperation" and other Taiwan-Philippine education and academic exchange programs and cooperation platforms.

¹⁶³ Edu-Connect Southeast Asia Association, About Us: Origins, http://stuaup.com/about/view?about_id=3 (accessed on September 17, 2018)

¹⁶⁴ National Taiwan University System includes National Taiwan University, National Taiwan University of Science and Technology and National Taiwan Normal University.

¹⁶⁵ Center of Public Affairs, National Taiwan Normal University, NTU System Philippines Exchange in January achieved excellent results, 01/24/2017, <http://pr.ntnu.edu.tw/news/index.php?mode=data&id=16515> (accessed on September 17, 2018).

Philippines attaches great importance to reform and development of the overall education and training system. In view of Taiwan's successful experience in vocational education and professional training, Taiwan and the Philippines should consider deepening their cooperation in the following two areas:

Firstly, increased cooperation in science and technology will help the Philippines to cultivate talent in key industries. According to the 10 Point Socio-Economic Agenda and the Philippine Development Plan 2017-2022 (PDP 2017-2022) issued by the Philippine Government, the Philippines currently places special emphasis on developing human capital and increasing capacity for innovation. This focus makes it possible to achieve the specific objectives of driving economic growth, creating employment opportunities and raising the income of Filipinos, enabling the Philippines to respond to challenges of today's, knowledge-driven global economy. The Philippines is particularly focused on the development of science, technology, engineering, agriculture and fishing, mathematics and ICT, fields in which Taiwan has a great deal of successful experience. Taiwan is a world leader in ICT, and according to the WEF Global Information Technology Report 2016, Taiwan ranked second only to Finland in the "readiness" subindex of the Networked Readiness Index (NRI).¹⁶⁶ As a result, Taiwan's well-known enterprises, top technical colleges and specialized research institutes, such as the Industrial Technology Research Institute (ITRI) and the Institute for Information Industry (III) are all well placed to share their superior technology and resources in the IT industry through bilateral cooperation with the Philippines. In 2017, for example, an R&D team from ITRI and III went to the Philippines to conduct exchanges with the Philippine Department of Science and Technology (DOST) and the Department of Information Communications Technology (DICT). It is hoped that in the future, both sides can further combine their strengths, and establish bilateral strategic partnerships for innovative application strategies. Through enhancing substantial exchanges in science and technology, the Philippines can enhance the skills of ICT talent.¹⁶⁷

¹⁶⁶ Silja Baller, Soumitra Dutta, and Bruno Lanvin (Eds.), *Global Information Technology Report 2016* (Geneva: World Economic Forum and INSEAD, 2016), p. 18, http://www3.weforum.org/docs/GITR2016/WEF_GITR_Full_Report.pdf (accessed on September 17, 2018).

¹⁶⁷ *Increased cooperation between Taiwan and the Philippines, ITRI/III conduct substantive scientific and technological cooperation and exchanges with DOST and DICT of the Philippines*, 06/02/2017, "Industrial Technology Research Institute News Database", <https://www.itri.org.tw/chi/Content/NewsLetter/contents.aspx?&SiteID=1&MmmID=620605426331276153&SSize=10&SYe ar=2017&Keyword=&MSID=744702645645665476> (accessed on September 17, 2018).

Secondly, increase cooperation with key universities and colleges in the Philippines will help improve the training of academic, industrial and technical teachers. As of 2017, there were 1,943 public and private institutions of higher learning in the Philippines, of which 233 were public and 1,710 were private. However, in terms of teachers, there is still considerable room for improvement. Statistics show that in 2015, 40.34% of teachers in higher learning institutions held master's degrees, and 12.62% held doctorates.¹⁶⁸ Of full-time teaching staff (including assistants) in Taiwan's higher learning institutions, 25.89% held master's degrees, and 76.26% held doctorates, reflecting the trend of hiring teachers with doctorates. This shows that Taiwan has a lot of experience and resources to share with the Philippines in advancing academic, industrial and technical teacher training.¹⁶⁹

For example, Philippine public and private universities which are currently quite competitive encourage teachers to pursue doctoral studies abroad. Since 2016, the UP Superstructure 100 project launched by the University of the Philippines System is expected to enable all teachers who do not have doctoral degrees to obtain one by 2025, and the project has already sent 100 teachers to various universities and colleges of STUA¹⁷⁰ to pursue doctoral degrees. There is clearly still considerable room for increased cooperation in higher education and Taiwan can assist learning institutions of the Philippines to train academic, industrial and technical teachers.¹⁷¹

2. Continuing to compile improved talent databases and conducting exchanges

Foreign labor has served as an important resource for Taiwan's economic development in recent years, and work experience in Taiwan is also an important asset for deepening industrial exchanges and cooperation between Taiwan and Philippines. Since the signing of the Memorandum of Understanding between the Taipei Economic and Cultural Office and the Manila Economic and Cultural Office Regarding the Special Hiring of Workers in 2000, the number of Filipino laborers in

¹⁶⁸ "Education in the Philippines," *World Education Services*, March 6, 2018,

<https://wenr.wes.org/2018/03/education-in-the-philippines> (accessed on September 17, 2018).

¹⁶⁹ For information on the full-time teacher qualifications of Taiwanese colleges and universities, refer to the Education Statistics Enquiry Network of the Ministry of Education of Taiwan: <https://stats.moe.gov.tw/qframe.aspx?qno=MgAxADQA0>.

¹⁷⁰ The 11 Taiwanese colleges and universities joining the "Southern Taiwan University Alliance School" include: National Sun Yat-Sen University, National Pingtung University of Science and Technology, Shu-Te University, National Kaohsiung Normal University, Kaohsiung Medical University, National Kaohsiung University of Applied Sciences, National University of Kaohsiung, National Kaohsiung First University of Science and Technology, National Kaohsiung Marine University, National Kaohsiung University of Hospitality and Tourism and the Open University of Kaohsiung.

¹⁷¹ Yao Li-de & Bi Zu-an, Report on visiting the Philippines (Manila) for the 2017 Taiwan Expo and cultural education, 11/30/2017, <https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10604220/001> (accessed on September 17, 2018).

Taiwan has been increasing year by year. Statistics show that there were approximately 89,000 Filipino laborers in Taiwan in 2003, but by the end of May 2018, this number had increased to more than 151,000, making the Philippines the third largest source of Taiwan's foreign laborers after Indonesia (261,000) and Vietnam (213,000).

As Filipino workers in Taiwan are primarily engaged in manufacturing, healthcare, social work and other service industries,¹⁷² they contribute a great deal to the development of Taiwan's industry, healthcare and social welfare. Besides providing a method of foreign exchange for Filipinos, the experience gained in manufacturing techniques and service management is also very valuable. In addition, Filipino workers in Taiwan gain an understanding of the work culture and language of Taiwan, making them an important human resource for a close relationship in bilateral trade and investment and industrial operations in the future. To this end, Taiwan and the Philippines should continue to compile talent databases and conduct exchanges, in order to help Taiwanese enterprises in the Philippines recruit skilled and experienced Filipino personnel and provide more employment opportunities for Philippine workers.¹⁷³

B. Cooperating to develop Small and Medium Enterprises

According to the statistics of the Department of Trade and Industry of the Philippines (DTI), MSMEs¹⁷⁴ accounted for 99.57% of the 915,726 enterprises in the Philippines in 2016, employing 4,879,179 people, 63.3% of the total number of employed persons in the Philippines in that year. It is obvious that micro, small and medium-sized enterprises provide considerable stability and support for the development of the Philippine employment market and the stability of social and economic life.¹⁷⁵

¹⁷² Statistics on Foreign Workers in Taiwan, refer to Labor Statistics of the Department of Labor, Taiwan: https://statfy.mol.gov.tw/statistic_DB.aspx.

¹⁷³ For example, Department of Labor, Taiwan, New Southbound Taiwanese Business Trade Registration and Talent Seeking Platform (4 Nation Taiwan Recruitment Information), further improvement and expansion of this information platform's functions is planned in the future. For details, see website: http://www.fw.org.tw/flabor97/job_seek.php.

¹⁷⁴ According to the Philippines' legal definition, "micro enterprises" refers to employers with 9 employees or fewer, and assets of 3 million pesos or less; "small enterprises" refers to employers with 10-99 employees, and assets of 3.01-15.01 million pesos; "medium enterprises" refers to employers with 100-199 employees, and assets of 15.01-100 million pesos; "large enterprises" refers to employers with 200 employees or more, and assets of more than 100 million pesos. For more details consult Department of Trade and Industry (Philippines) records:

<https://drive.google.com/file/d/1JLSI49zX6DIIwoqQHpkS4Yetfnq8zEIU/view>.
¹⁷⁵ Department of Trade and Industry, Republic of the Philippines, "2016 MSME Statistics," <https://dti.gov.ph/businesses/msmes/msme-resources/msme-statistics> (accessed on September 17, 2018).

According to a joint study on ASEAN SMEs published in 2018 by Ernst & Young, United Overseas Bank (UOB) of Singapore and the Dun & Bradstreet Corporation (D&B), the Philippines has a promising overall economic environment due to its strong economic growth forecast, especially in the manufacturing and service industries. In other sectors, such as construction, mining, transportation, wholesale and retail sectors, the outlook is also good. This means that local SMEs development will enjoy a better overall development environment due to favorable economic conditions, rising national income and household consumption, as well as increased government spending on infrastructure driving overall development of the economy.¹⁷⁶

Nevertheless, if we look from the perspective of value added, in the past, only 35.7% of total value added in the Philippines came from MSMEs, while large enterprises accounted for 64.3%. Therefore, compared with large enterprises, the productivity and competitiveness of Philippine MSMEs still has considerable room for growth.¹⁷⁷

In order to expand economic opportunities for Philippine MSMEs and enhance their competitiveness, the Philippine government, in its Philippine Development Plan 2017-2022 (PDP 2017-2022), has formulated three major strategies: improving the production network, financing channels and productivity and production efficiency. This can be done through specific measures such as improving connections between MSMEs and large enterprises, simplifying financing channels and improving access to technology.

In addition, in the MSME Development Plan 2017-2022, the Philippine government also focuses on three major aspects of MSMEs: business environment, business capacity and business opportunities. By improving the business climate, ease of obtaining finance, labor capital, technology and innovation, and opening up new markets, the Plan aims to enhance the global competitiveness and regional integration of MSMEs, allowing them to drive inclusive growth in the Philippines.¹⁷⁸

¹⁷⁶ Ernst & Young Global Limited, United Overseas Bank Limited (UOB) and Dun & Bradstreet, "ASEAN SMEs: Are you transforming for the future?" p. 45, [https://www.ey.com/Publication/vwLUAssets/ey-asean-smes-are-you-transforming-for-the-future/\\$FILE/ey-asean-smes-are-you-transforming-for-the-future.pdf](https://www.ey.com/Publication/vwLUAssets/ey-asean-smes-are-you-transforming-for-the-future/$FILE/ey-asean-smes-are-you-transforming-for-the-future.pdf) (accessed on July 20, 2018).

¹⁷⁷ Department of Trade and Industry, Republic of the Philippines, "2016 MSME Statistics."

¹⁷⁸ DTI and MSMED Council, "MSME Development Programs in the Philippines," 2018, https://www.wto.org/english/forums_e/business_e/session1_1clavesillas_wto_djtc_final_main.pdf (accessed on September 17, 2018).

The Philippines attaches great importance to the development of MSMEs, and the situation in Taiwan is similar. In 2016 there were approximately 1,440,958 SMEs in Taiwan, accounting for 97.73% of all enterprises, and they employed 8.81 million people, accounting for 78.19% of total employment in the country. This shows the importance of SMEs to Taiwan's economy.¹⁷⁹ Taiwan's SMEs have fulfilled specific roles in Taiwan's economic development, including creating added value, promoting economic growth, creating employment opportunities, supplementing fiscal revenue, balancing regional development, driving entrepreneurship and building a robust labor network, and can be said to have been a major contributing factor to the Taiwan Miracle.¹⁸⁰ Taiwan's assistance with the development of SMEs has brought many successful experiences and solid achievements which can be shared, including creating a high-quality development environment, optimizing business management capabilities, building a platform for entrepreneurship and innovation, enhancing technology applications and enabling the stable development of enterprise finance.¹⁸¹ Taiwan and the Philippines share the same goal of helping SMEs grow and innovate, and there is clearly space for cooperation to share the benefits brought by developing SMEs.

Taiwan and the Philippines already have concrete experience of cooperation on SME development. In August 2012, Taiwan and the Philippines signed a letter of intent on cooperation on five topics, including "SME development" at the 18th Taiwan-Philippines Joint Economic Conference.¹⁸² In October 2016, at the 22nd Taiwan-Philippines Joint Economic Conference, Taiwan and Philippines once again discussed "SME development," and the two sides agreed to strengthen their cooperation on the issue of SMEs. The Philippines stressed the importance of MSMEs to the economic development of the Philippines, and looked forward to enhancing the competitiveness of MSMEs. At the meeting, the two sides exchanged views on how to assist MSMEs in product development and personnel training.¹⁸³

¹⁷⁹ Small and Medium Enterprise Administration, Ministry of Economic Affairs, Taiwan, 2017 White Paper on Small and Medium Enterprises (Small and Medium Enterprise Administration, Taipei, 2017), page 52.

¹⁸⁰ Small and Medium Enterprise Administration, Ministry of Economic Affairs, Taiwan, 2006 White paper on Small and Medium Enterprises (Small and Medium Enterprise Administration, Taipei, 2006), pages 189-201.

¹⁸¹ Small and Medium Enterprise Administration, Ministry of Economic Affairs, Taiwan, Organization History: Administration Targets, Strategies and Measures, 08/01/2018, <https://www.moeasmea.gov.tw/ct.asp?xItem=1173&CtNode=556&mp=1> (accessed on September 17, 2018).

¹⁸² International Trade Commission, Ministry of Economic Affairs, Taiwan, The Philippines National Record, 07/16/2018, https://www.moea.gov.tw/Mns/ietc/news/News.aspx?kind=1&menu_id=12011&news_id=59813 (accessed on September 17, 2018).

¹⁸³ Department of International Cooperation, Ministry of Economic Affairs, Taiwan, MOEA Convenes Economic Cooperation Meeting with Philippine Ministers to deepen implementation of the New Southbound Policy, 10/28/2016,

In view of the demand and opportunities for cooperation between Taiwan and Philippines on SME development issues, it is suggested that Taiwan and Philippines continue to increase cooperation in the following two areas:

1. Continuing to enhance dialogue, exchange and cooperation with regard to SME development issues using bilateral exchange platforms

At present, Taiwan and the Philippines have both official and non-official mechanisms for regular dialogue. It is suggested that in the future, dialogue, exchanges and cooperation on SME development issues should continue at the Taiwan-Philippines Joint Economic Conference. For example, in order to implement the Letter of Intent for the Development of SMEs, signed at the Taiwan-Philippines Joint Economic Conference, the two countries jointly hosted the Taiwan Expo 2017 in Manila from September 29 to October 1, 2017. At the Expo, the Small and Medium Enterprise Administration of the Ministry of Economic Affairs of Taiwan and the Ministry of Trade and Industry of the Philippines jointly conducted the "Taiwan-Philippines Seminar on SME Exchange" to share the experiences of the two countries in implementing the One Town, One Product (OTOP) program. Taiwan's local characteristic industries were also invited to participate in the sharing and exchange of successful cases. Through regular seminars, forums and other activities, we hope to promote exchange between business operators and experts and consultants, and share successful cases to achieve the goal of deepening bilateral cooperation and exchanges.¹⁸⁴

2. Enhancing cooperation on e-commerce

Many SMEs in Taiwan and the Philippines possess the capacity and technology required to produce excellent quality products. Taiwanese SMEs in particular possess superior skills and technology for product manufacture, while SMEs in the Philippines are skilled at producing products with local characteristics and providing instant services due to their familiarity with local market channels, business culture and language. Therefore, in order to assist SMEs from both sides to explore business

<https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10603444/001> (accessed on September 17, 2018).

¹⁸⁴ Su Wen-ling & Lin Jia-xin, Taiwan Expo 2017 and Taiwan-Philippines Forum for SME Exchange, *Public Administration Overseas Report*, 11/10/2017, <https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10603444/001> (accessed on September 17, 2018).

opportunities in each other's markets, it is suggested that SMEs from Taiwan and Philippines should increase their use of e-commerce model. By forming a cross-border e-commerce alliance, and selecting and utilizing suitable cross-border e-commerce platforms, SMEs can conduct online marketing, and organize seminars and matchmaking meetings to increase opportunities for business matching. By gradual integration of local logistics systems and construction of local physical channels, the two countries can jointly expand opportunities in local ASEAN markets.

C. Cooperation on agricultural high value and applied bio-technology

The Philippine archipelago is located in the tropics, and has a hot climate and abundant rainfall year-round, as well as abundant marine resources. The agriculture, forestry and fishing sector is therefore an important industry in the Philippines, employing a third of the population, but from 2013 to 2015, the industry only accounted for approximately 10% of GDP. As a result, the Philippines attaches great importance to the development of the agriculture, forestry and fishing sectors. Compared with high growth in the overall economy, the growth of this sector has been relatively slow, with the average Gross Value Added (GVA) only increasing by approximately 1% between 2013 and 2015, and 1.47% in the first quarter of 2018.¹⁸⁵

In order to expand the development opportunities in agriculture, forestry, fishing and animal husbandry, the Philippine government has set specific goals in the PDP 2017-2022 to this end, and to increase the economic opportunities of small farmers and fishermen. It hopes to improve the productivity of agriculture, forestry and fishing, increase the number of enterprises in the industries, increase participation in the industrial value chain, and increase innovative financing channels. The plan also aims to increase and protect the access of small-scale farmers and fishermen to land and water resources, enhance technology acquisition, to assist the growth of the industry's GVA to reach the specific target of annual growth of 2.5-3.5% by 2022.¹⁸⁶

The Philippines' abundant natural resources for agriculture, forestry and fishing, as well as increasing market demand at home and abroad helped the rapid

¹⁸⁵ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippines Development Plan 2017-2022," p. 109; Philippine Statistics Authority (PSA), Republic of the Philippines, "Performance of Philippine Agriculture, January to March 2018," p. 1 https://psa.gov.ph/sites/default/files/PAR_January_to_March_2018.pdf (accessed on September 17, 2018).

¹⁸⁶ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippines Development Plan 2017-2022," p. 114.

development of biotechnology applications such as natural health products. The country has seen rapid development of natural and organic products, with demand continuously increasing for health products, personal care products, medicinal plants and foods. However, 85% of the natural health products industry in the Philippines belongs to MSMEs, with large enterprises making up the other 15%. These enterprises often have limited access to financing and marketing channels due to their small scale and relatively low level of investment resources.

To assist the development of the natural health product industry, the Philippine government, through the Traditional and Alternative Medicine Act (TAMA), established a special research institute under the Department of Health to plan and promote industrial research and development activities, and to provide guidance on technology transfer for commercialized production technologies. In terms of implementing practical policies, the Philippine government also encourages the development and export of natural health products through regular trade shows, export assistance programs and financial assistance.¹⁸⁷

The Philippine government attaches great importance to the development of biotechnology applications in industries such as agriculture, forestry, fishing and natural health products. Thanks to the rapid development of applied biotechnology industries in Taiwan in recent years, especially in the fields of agricultural biotechnology, chemicals for biotechnology and food biotechnology, Taiwan and the Philippines have achieved many successes in technological research and development. If Taiwan and the Philippines can increase cooperation in applied biotech fields such as agricultural varieties, planting technology and refinement, as well as natural health products, they should be able to drive the development of agriculture and applied biotechnology, and create business opportunities for prosperous industry development.

Taiwan and the Philippines have maintained a close relationship in agriculture and its biotech applications, and in 2005 signed the Memorandum of Understanding Between the Taipei Economic and Cultural Office in the Philippines and the Manila Economic and Cultural Office in Taiwan on Agricultural and Fishery Cooperation to promote scientific, technological and economic. In 2012, Taiwan Agricultural

¹⁸⁷ Department of Trade and Industry (DTI) and Board of Investments (BOI), Republic of the Philippines, "Securing the Future of Philippine Industries: Natural Health Products," <http://industry.gov.ph/industry/natural-health-products/> (accessed on September 17, 2018).

Research Institute (TARI) and the International Rice Research Institute (IRRI) of the Philippines also signed a memorandum of cooperation to establish an international partnership; and in 2015, the International Rice Research Institute (IRRI) established a cooperative relationship with Taiwan's International Cooperation and Development Fund (ICDF). In addition to jointly organizing rice cultivation training courses with other international agricultural organizations, they agreed to strengthen bilateral cooperation on projects such as "capacity building", "consultation and promotion" and "seed exchange".¹⁸⁸

Second, under the Regional Agricultural Development flagship project which is actively promoted as part of Taiwan's New Southbound Policy, the current agricultural cooperation between Taiwan and the Philippines not only includes bilateral exchange of agricultural talent, but also involves selecting young Taiwanese agricultural ambassadors for research exchange in the Philippines. Taiwan also established the Refined Agricultural Technology Research Team and the Aquaculture and Processing Technology Research Team, and encouraged New Southbound countries, including the Philippines, to send personnel to Taiwan to participate in the research. In addition, a number of Taiwan's agricultural manufacturers have visited the Philippines many times to participate in various international exhibitions, including the Taiwan Expo, to strengthen bilateral exchange and cooperation between agricultural enterprises of both sides.¹⁸⁹

Based on the above-mentioned experience and foundation of cooperation between Taiwan and Philippines in agriculture and related applied biotechnology industries, it is suggested that Taiwan and the Philippines continue to increase cooperation in the following two ways:

1. Cooperating to promote agricultural high value and integrated agricultural demonstration parks

The sound and sustainable development of agriculture, forestry and fishing is currently a priority development area for the Philippines. In addition to the specific plans for expanding industrial development opportunities in the PDP 2017-2022, the

¹⁸⁸ Taiwan International Cooperation and Development Fund, ICDF Cooperates for the First Time With 3 International Agricultural Organizations, 10/24/2017, <http://www.icdf.org.tw/ct.asp?xItem=44853&ctNode=29687&mp=1> (accessed on September 17, 2018).

¹⁸⁹ Office of Trade Negotiations, Executive Yuan, Table of New Southbound Policy Results, 04/24/2018, https://www.moea.gov.tw/MNS/otn/news/News.aspx?kind=1&menu_id=2629&news_id=77834 (accessed on April 24, 2018).

government has also provided various incentives in the Investment Priority Plan 2017 (IPP) to encourage domestic and foreign enterprises to invest in the development of agriculture, forestry and fishing. In order to expand opportunities in this industry, and improve the income and skills of farmers and fishermen, the government is focused on the goals of increasing production capacity, establishing product value chains, forming industry clusters and strengthening research and development capacity.

Taiwan has made significant progress in commercialization of agricultural biotechnology and formation of industry clusters, and in recent years, has been enthusiastically promoting the development of new forms of agriculture such as the "agricultural bio-economy". As a result, Taiwan possesses technological superiority including new varieties of plant and animal, growing techniques, plant health management, recycling and usage of agricultural waste, and introducing "smart production" and "digital services", and "smart agriculture" management which systematizes farming from production and marketing to marketplace consumption.¹⁹⁰ Strengthening bilateral cooperation on higher value agriculture and related applied biotechnology products would help the Philippines achieve the goals of expanding the development of and opportunities in agriculture, forestry and fishing.

In terms of specific courses of action, it is suggested that Taiwan and the Philippines should expand the creation of Integrated Agricultural Demonstration Sites, focusing on added value crops, livestock or aquatic products suited to the Philippines. Taiwan should provide seeds, fertilizers, agricultural machinery and equipment, materials, and technical guidance on the management of agricultural enterprises in order to improve local agriculture and aquaculture systems, and improve the quality and yield of crop cultivation, livestock and aquaculture. The successful operation of Integrated Agricultural Demonstration Sites could even serve as the basis for bilateral expansion of the Philippine export market for agricultural and fishery products, generating foreign exchange and effectively helping to increase the income of farmers and fishermen in the Philippines.¹⁹¹

¹⁹⁰ Edited by Wu Zhong-xun et al, 2018 White Paper on the Biotech Industry (Industrial Development Bureau, Taipei, 2018), page 96-99; Yang Zhi-kai, Shi Ying-yan & Yang Shu-han, Driving Taiwan Agriculture 4.0 With Smart Technology, *Agriculture Policy & Review*, July 2016 (289th issue), <https://www.coa.gov.tw/ws.php?id=2505139>

¹⁹¹ In addition to various existing collaborations with Indonesia such as Integrated Agriculture Demonstration Sites, Taiwan has also begun bilateral consultation and planning on agricultural cooperation with Vietnam, India and other New Southbound Countries. For details see: <https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10603444/001>

2. Increasing bilateral cooperation and exchange on the marketing of local specialty agricultural products and related bio-tech health products

Developing local specialty agricultural products and related biotech products suited to different natural environments will not only help to stimulate local economies and increase local employment and business opportunities, but will also promote the balanced development of regional economies in the Philippines. According to the PDP 2017-2022, local specialty agricultural products and related biotech products with priority status currently include coffee, cocoa, processed fruits, aquatic products and meat, carrageenan, seasonings, bamboo products, rubber, coconut, palm oil, healthcare products and natural health products.¹⁹²

Since the late 1980s, Taiwan has been implementing the One Town, One Product (OTOP) policy; it not only combines the consumption capacity of domestic and foreign tourists, following the three strategies of local production for local sale, local production for domestic sales and local production for export, local industries are guided to develop in the direction of improving quality of life, merging in characteristics of villages and towns and creating a happy and LOHAS environment to thus enhance the international competitiveness of local SMEs.¹⁹³ It is suggested that Taiwan and the Philippines should increase cooperation in the development and marketing of specialty agricultural products and related biotechnological health products and enhance bilateral exchanges in these industries by regularly conducting matchmaking exhibitions, holding exchange seminars and establishing bilateral channel coordination and strategic alliances between enterprises.

D. Cooperating on electronic and electrical and ICT innovative applications

According to statistics from the Department of Trade and Industry of the Philippines, the semiconductor and electronics industry is the largest sector in the Philippine manufacturing industry. In 2013, for example, exports of semiconductors and electronics accounted for nearly 41% of the total exports of the Philippines in that year, attracting domestic and foreign investment of US\$918 million and creating 2.2

¹⁹² The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippines Development Plan 2017-2022," p. 131.

¹⁹³ Su Wen-ling & Lin Jia-xin, Taiwan Expo 2017 and Taiwan-Philippines Forum for SME Exchange, *Public Administration Overseas Report*, 11/10/2017, <https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10603444/001> (accessed on September 17, 2018)

million jobs.¹⁹⁴ In 2017, Philippine exports of electronic products reached US\$32.07 billion, which accounted for 52% of the total national exports in that year. It is clear that the production of electronic products is one of the major driving forces for direct and indirect creation of employment and industrial economic growth.¹⁹⁵

Information Technology and Business Process Management (IT-BPM) is also one of the key developing industries in the Philippines. According to statistics from the Information Technology and Business Process Association of the Philippines (IBPAP), in 2016, the revenue of the whole industry of IT-BPM in the Philippines reached US\$22.9 billion, creating 1.15 million jobs for the Philippines, while creating as many as 3.68 million direct and indirect employment opportunities in related industries.¹⁹⁶ This shows that the future development of the industry will have a major impact on the growth of the industrial economy and employment opportunities in the Philippines.

However, the Philippines still has the following major challenges to overcome in the development of the semiconductor and electronics industry and the IT-BPM industry: Firstly, in developing its semiconductor and electronics industry, the Philippines' superiority in the English language and low-cost labor force are important assets, attracting a number of major semiconductor producers from the United States, Japan and the Netherlands to invest and set up factories in Philippines for later stage packaging and testing. However, as far as the overall semiconductor industry chain is concerned, the Philippines lacks the capacity for upstream wafer fabrication and downstream electronic assembly. Secondly, in the IT-BPM industry, keeping the skills of Filipino employees up to date with scientific progress, and providing sufficient and qualified employees while expanding the industry are the main challenges the industry needs to overcome.¹⁹⁷

In recent years, in order to accelerate development, improvement and innovation in the Philippine semiconductor, electronics and IT-BPM industries, and overcome the bottlenecks and challenges faced in these industries, the Philippines has provided

¹⁹⁴ Department of Trade and Industry (DTI) and Board of Investments (BOI), Republic of the Philippines, "Securing the Future of Philippine Industries: Electronics," <http://industry.gov.ph/industry/electronics/>(accessed on September 17, 2018).

¹⁹⁵ "Philippine Electronics Exports Growth in 2017 is Highest in History," February 13, 2018, <https://www.philstar.com/business/2018/02/13/1787701/philippine-electronics-exports-growth-2017-highest-history#Xy0Uyt82aoD3z5Gb.99>(accessed on September 17, 2018).

¹⁹⁶ "IT-BPM Sector Expects Sustained Growth to Continue," February 4, 2017, <https://business.mb.com.ph/2017/02/04/it-bpm-sector-expects-sustained-growth-to-continue/>(accessed on September 17, 2018).

¹⁹⁷ "IT-BPM Sector Expects Sustained Growth to Continue," February 6, 2017, <https://ccap.ph/2017/02/06/it-bpm-sector-expects-sustained-growth-to-continue/#> (accessed on September 17, 2018).

substantial incentives to attract investment in its Investment Priority Plan 2017 (IPP). Preferential investment status is given to Philippine domestic companies that export at least 50% of their produce, and foreign-funded enterprises that export at least 70%. At the same time, in order to improve the productivity of the semi-conductor and electronics industry, and assist with quality control, material validation and research and development, the Department of Science and Technology (DOST) has also set up the Advanced Device and Materials Testing Laboratory (ADMATEL). The work of the Laboratory makes it easier to provide related equipment and material testing services to producers of semiconductors and electronics in the Philippines.¹⁹⁸

In addition, in order to encourage the development of strategic services such as IT-BPM, the IPP 2017 lists the IT-BPM industry as a major recipient of incentives. In response to the demand for talent training, the Philippine government has set up the Outsourcing Service Industry "Applied Talent Training Fund", dedicated to personnel training, to provide training vouchers and free skills training for job seekers who have not yet met company recruitment standards.¹⁹⁹ According to its IT-BPM Roadmap 2016-2022, the Philippines aims to create 7.6 million direct and indirect employment opportunities in the IT-BPM industry by 2022, as well as creating US\$40 billion in revenue, bringing the global industry market share of the Philippines to 15%.²⁰⁰

Semiconductors, electronics and IT-BPM are currently all key development industries for the Philippines. Considering Taiwan's excellent foundation and successful experience in developing these industries, Taiwan and the Philippines should continue to cooperate closely and in-depth on key issues in this field.

As an example of recent developments, in September 2017, the Chinese National Federation of Industries (CNFI) and the Philippine Chamber of Commerce and Industry (PCCI) jointly hosted the 2017 Taiwan-Philippines Industrial Collaboration Summit in Manila. Economic and trade officials from both sides participated in the Summit, which focused on exchange with regard innovative application of IT and electronics and other areas of industry. At this Summit, industry players on both sides hoped to enhance the level of cooperation on technology, talent, brand building and product channels through substantive cooperation, for the future creation of bilateral

¹⁹⁸ ADMATEL, "About Us," <http://www.admatel.com/base/index.php> (accessed on September 17, 2018).

¹⁹⁹ Taiwan Trade Center, Manila, BPO in the Philippines is Rapidly Becoming More Competitive, *Trade Insight Biweekly/Fortnightly*, issue 462 (March 1st-14th, 2017), page 18.

²⁰⁰ IBPAP, "Accelerate PH: Future-ready Roadmap 2022," <http://itbpm-roadmap2022.ibpap.org/#about-the-philippine-it-bpm-roadmap-2022> (accessed on September 17, 2018).

industrial connections and market expansion.²⁰¹ At the summit, the Industrial Technology Research Institute of Taiwan signed a bilateral memorandum of cooperation with Philippine industry players on the Internet of Things (IoT) and artificial intelligence.²⁰²

To sum up, Taiwan and Philippines have reached a consensus on strengthening industrial linkages and cooperation in electronics, machinery and ICT innovation, and have set up platforms for bilateral exchange and cooperation in industry, government and think tanks. It is suggested that future bilateral cooperation in related industries can be increased in the following two ways:

1. Enhancing bilateral cooperation on semiconductors and electronics assembly

Firstly, in the semiconductor industry, it is suggested that Taiwan and the Philippines should continue to expand the industry's existing bilateral exchange and cooperation platforms, following the principle of "non-governmental leadership with government support". To promote the industrial clustering effect, Taiwan's corporate R&D institutions should combine their energy and strengthen their cooperation with Philippine enterprises in order to expand the exchange of industrial technology. Discussions on incentives to attract Taiwanese investment in semiconductors in the Philippines should be continued through intergovernmental communication platforms. Taiwanese semiconductor producers should also be encouraged to set up factories in Philippines, making full use of the local abundance of labor resources. This would create more employment opportunities in the semiconductor manufacturing industry, helping the Philippines to cultivate industrial and technical talent.

Taiwan's industry clusters in electronics and electrical machinery are perfect examples of specialized labor division. It is suggested that Taiwan and the Philippines strengthen the existing bridging platforms established by industrial associations to expand business contacts in the future. Organizing exhibition groups and delegations to visit the Philippines will increase bilateral businesses exchange, help Taiwanese electronics assembly enterprises to understand and grasp opportunities in the Philippine electronics manufacturing industry, and increase their willingness to set up

²⁰¹ Chinese National Federation of Industries, Taiwan-Philippines Industrial Collaboration Summit <http://www.cnfi.org.tw/front/bin/ptlist.phtml?Category=100006> (accessed on September 17, 2018).

²⁰² Memorandum of Cooperation signed at Taiwan-Philippines Industrial Collaboration Summit, Central News Agency, <http://www.cna.com.tw/news/afe/201709280391-1.aspx> (accessed on September 17, 2018).

factories in the Philippines. The Philippines can also attract more Taiwanese electronics assemblers to invest in the Philippines by strengthening investment incentives and assisting Taiwanese enterprises to set up production bases in Special Economic Zones such as Subic Bay. Doing so would create more employment and business opportunities in the Philippine electronics assembly industry, and boost the development of the electronics and electrical machinery supply chain and related industry clusters.

2. Increasing bilateral cooperation on innovative ICT applications

Taiwan's telecommunications industry (including the information services industry) has a sound foundation for development, and its industry technology is internationally competitive. In recent years, in addition to actively developing the Internet of Things, cloud services, and data centers, it has also been committed to software development, the animation and gaming industry and health information management. Combined with the innovative energy of Taiwan's startups, the Taiwanese telecommunications industry can help to connect with overseas markets which have potential for development, including the Philippines, and increase the export and sharing of Taiwan's expertise in related industries. There is a growing demand for local innovation and entrepreneurship in the Philippines, as well as the introduction of ICT in other industries. If Taiwan and the Philippines can strengthen cooperation on innovative applications of information electronics, and jointly promote innovative applications of information service technology, they can meet the needs of related industries in the Philippines for the development of ICT applications.

Based on the current level of exchange and cooperation between Taiwan and the Philippines in innovative ICT applications, it is recommended that in the future, the two countries make good use of the existing industry bridges and communication platforms. They should also follow the “industry-based with government support” principle to strengthen the establishment and strengthening of bilateral partnerships. Taiwan can use its expertise in innovative applications of ICT in industry to meet the demands of relevant industries in the Philippines in the following key areas for cooperative development: the joint development of electric vehicles (such as electric cars and minibuses); cooperation between the Taiwanese chip design and semiconductor industry and Philippine startups or companies in the

commercialization of the Internet of Things (IoT); training personnel in integrated circuit (IC) packaging and testing; and introducing new ICT and IoT technology into smart retail, smart cities and smart healthcare.

E. Cooperation in the machinery industry

The Philippine machinery industry has a relatively shallow foundation. According to the Philippine Statistics Authority (PSA), the output value of the Philippine machinery industry from 2011-2014 was only 2.3% of the national industrial output value, much lower than that of the electrical machinery industry, which was 20.4%.²⁰³ The agricultural sector is very important to employment and social stability in the Philippines, and the introduction of agricultural machinery is conducive to agricultural modernization and the improvement of agricultural production efficiency. Due to strong demand in the agricultural sector, the Philippine machinery industry is still focused on the development of agricultural machinery, and is currently actively developing the following mechanical products: pulling machines, irrigation pumps, transplanters, drum seeders, weeders, rice harvesters, rice threshers, corn threshers, tractors, rice mills, grain hygrometers, coconut huskers, banana harvesters, grain and coconut flesh dryers and so on, are items which they are actively developing at present.

In order to promote the mechanization and modernization of the Philippine agriculture and fisheries industries, the Philippine government has paid special attention to the development and use of agricultural and fisheries machinery in the Philippine Development Plan 2017-2022 (PDP 2017-2022). By implementing the Agricultural and Fisheries Mechanization Law, the Philippines hopes to provide funds to encourage local manufacturing and assembly of machinery and related equipment for agricultural and fishery production. At present, the Philippines has a relatively high degree of mechanization in land preparation, rice husking and rice milling, but a relatively low degree in sprouting and sowing, , transplanting, harvesting, drying and other operations. In addition, imports of heavy machinery and prime movers are still mostly from Europe, the United States and Japan. In recent years, imports from Mainland China have also increased. The Philippines still mostly manufactures and

²⁰³ Department of Trade and Industry (DTI) and Board of Investments (BOI), "Securing the Future of Philippine Industries: Manufacturing," <http://industry.gov.ph/category/manufacturing/> (accessed on September 17, 2018).

assembles small agricultural machinery and equipment, and produces parts and components. Its heavy reliance on imports leads to high prices for some agricultural machinery and equipment, which has become a barrier to expansion.²⁰⁴

In addition to rewarding the increased usage of agricultural machinery, the Philippine government is also committed to developing of other manufacturing industries, and creating commercial demand for machinery and equipment. According to Philippines' Manufacturing Rejuvenation Program (MRP), the establishment of complete supply chains, including in the automobile, electronics, machinery, ready-made clothing and food processing industries, in order to become a regional and global production base, is one of its long-term industrial policies. The manufacturing of production machinery and equipment required for the development of the aforementioned industries will further drive the development of the country's machinery industry in the future, and the substantial demand is conducive to the trade and production opportunities.

Taiwan has a good foundation and solid export performance in developing agricultural machinery, machine tools and metalworking. In terms of agricultural mechanization, Taiwan also has a strong foundation in research and development of grain machinery; manufacture of crop cultivation and post-harvest processing machinery; animal husbandry machinery; applications of emerging technologies in agricultural machinery (e.g. electronic and photoelectric fruit sorting and grading technology, automatic spraying machinery, and fruit and vegetable quality inspection technology and testing equipment); research on hillside agricultural machinery; crop harvesting; fisheries; animal husbandry automation; automation of services for agricultural products and so on. In the last ten years, the development of agricultural mechanization has gained momentum and Taiwan's mechanized production level is now second only to Japan's in Asia. Its agricultural machinery products are of good quality and moderate price, and are proving quite popular with international buyers in markets such as Japan, the United States, Mainland China, India, Nepal and Thailand.²⁰⁵ As for the machine tool and metalworking industry, Taiwan's precision

²⁰⁴ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," pp. 116-117, <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf> (accessed on September 17, 2018); "Current Situation and Development Trends of Agricultural Mechanization in the Philippines", China-ASEAN Free Trade Area Network, 04/23/2014, http://www.agri.cn/V20/ZX/sjny/201404/t20140423_3882485.htm (accessed on September 17, 2018).

²⁰⁵ Feng Ding-shu, Development of Agricultural Mechanization in Taiwan, <http://nova.bime.ntu.edu.tw/~dsfon/Students/fm01/%E5%8F%B0%E7%81%A3%E8%BE%B2%E6%A5%AD%E6%A9%9F>

machinery and metalworking industry clusters are integrated with the supply chain, and are industry world leaders. In 2017, Taiwan was the fourth largest exporter of machine tools in the world.²⁰⁶ In the future, there is certainly space for Taiwan and the Philippines to further cooperation on supply chains, in order to make good use of Taiwan's expertise in machinery manufacturing, and help Philippines improve its machinery supply chain.

Taiwan and the Philippines have already made a good start on cooperation in the machinery industry. In 2017, the Chinese National Federation of Industries (CNFI) and the Philippine Chamber of Commerce and Industry (PCCI) jointly hosted the 2017 Taiwan-Philippines Industrial Collaboration Summit in Manila, where they discussed cooperation on smart machinery. At the summit, the Association of CAE Molding Technology (ACMT) and the Philippine Plastics Industry Association (PPIA) also decided to work together to establish a platform for technology exchange and cooperation. The two sides agreed to make use of the Taiwan's technical expertise in smart machinery solutions to improve training in advanced mold design and engineering analysis technology in the Philippines, and will also conduct bilateral exchanges on applications for smart manufacturing technology.

In addition, in recent years, quite a few Taiwanese associations in machinery and related business operators have been organizing trade shows in the Philippines to promote Taiwan's superior machinery products and share Taiwan's innovative experiences in the machinery industry.²⁰⁷

In view of the solid foundation for Taiwan-Philippines cooperation in the machinery industry, it is suggested that in the future, the two countries use the existing industrial bridge platform to push industrial cooperation in the following two directions:

[%E6%A2%B0%E5%8C%96%E4%B9%8B%E7%99%BC%E5%B1%95.html](#) (accessed on September 17, 2018); Wang Yang-jie, Ding Chuan-yi, "A Brief Analysis of Market Dynamics of Agricultural Machinery Industry and China's Competitiveness." Agricultural Technology Industry Information Platform, 12/17/2015, http://atiip.atri.org.tw/Report/PubReportShow.aspx?rpt_guid=b9d0bb6d-5c2e-4c31-a430-ba11f39c4a75 (accessed on September 17, 2018).

²⁰⁶ Industrial Development Bureau, Ministry of Economic Affairs, Taiwan, Important IDB Policies of May 2018, 07/20/2018, <https://www.moeaidb.gov.tw/external/ctrl?PRO=announce.rwdAnnounceView&id=3307> (accessed on September 17, 2018).

²⁰⁷ Taiwanese Machinery Industry Develops Business Opportunities, Filipino Exhibition Attracts Attention, *Epoch Times*, 05/20/2015, <http://www.epochtimes.com/b5/15/5/20/n4438589.htm> (accessed on September 17, 2018); Chinese National Federation of Industries, Federation News: Federation signed six letters of intent, with three focusing on industrial cooperation, 09/28/2017, <http://www.cnfi.org.tw/front/bin/ptlist.phtml?Category=100005> (accessed on September 17, 2018).

1. Enhancing bilateral cooperation with regard agricultural and food machinery, machine tools and metalworking machinery

Taiwan's technological expertise in machinery can help the Philippines to strengthen its own foundation in the industry, thereby improving the industrial chain and cultivating skills. It is suggested that the two sides should strengthen cooperation in the manufacturing of machinery and equipment urgently needed for Philippine industrial development in the future. In the field of agricultural machinery, cooperation can be conducted on agricultural projects with low degree of mechanization in the Philippines, such as sprouting and sowing, transplanting, harvesters, agricultural produce dryers, and even the application of emerging technologies in agricultural machinery. In view of the strong growth of the Philippine economy and the rising demands of national consumption, the demand for food machinery (including agricultural processing) and packaging machinery is also growing with the increase of economic growth and purchasing power. Taiwan has many years of successful experience and a solid foundation in the technological development of food processing machinery. There is certainly room for further cooperation between the two sides in terms of technology and market demand, which can be listed as one of the key bilateral cooperation items in the future.

As far as other machine tool and metalworking machinery is concerned, because the machinery-related supply chain in the Philippines is still underdeveloped, the conditions are not yet ripe for the machinery industry to set up factories in the Philippines. However, the Philippines is now making every effort to promote the development of manufacturing industries, and to increase demand for machinery-related equipment in the future. It is suggested that Taiwan and the Philippines could cooperate on planning of industrial zone development, and exchange information on Taiwan's high-quality and competitively priced machine tools and metalworking machinery. Bilateral business opportunities in machinery can be created through conducting related exhibitions and exchange visits with relevant government departments on both sides, machinery industry associations, research and development groups and business operator delegations, to enhance bilateral exchange and cooperation in technology.

2. Enhancing bilateral exchange in smart manufacturing to assist with industry

expansion in the Philippines

In its 2017 Philippine Inclusive Innovation Industrial Strategy (i3S), the Department of Trade and Industry of the Philippines clearly stated that, faced with the challenges of globalization, rapid developments in regional economic integration and the application of emerging technologies, the Philippines must innovate, strengthen links with domestic industry and global value chains, and create more high-quality employment opportunities. Only in this way can the Philippines achieve its development targets of prosperity and sustainability. The application of emerging technologies is crucial to expanding applications of industrial automation, robotization and even artificial intelligence (AI).²⁰⁸

In recent years, Taiwan has actively promoted the development of smart machinery in its "Five Major Industries Innovation and Development Plan". It is hoped that through the industrialization of smart machinery, industrial machinery will have intelligent functions such as fault prediction, longitude compensation, automatic parameter setting and automatic scheduling. At the same time, by introducing intelligent machinery into industry, high efficiency, high quality and high flexibility production lines can be created. It is hoped that market demand for high speed networking and cloud computing will connect the domestic industry, and that an ecosystem of smart machinery can be created and that international cooperation and equipment export can be expanded.²⁰⁹ Taiwan has accumulated a wealth of experience in applications of smart manufacture in aerospace; semiconductors; machinery; metal conveyors; information electronics; energy; computer, communication, and consumer electronics (3C), food and textile industries. It can strengthen cooperation and export exchanges with Philippine industry to help Philippine industry move towards the goals of automation and artificial intelligence.

F. Cooperation on industrial park development

In order to attract foreign investment and promote industrial development, in

²⁰⁸ Department of Trade and Industry (DTI), Republic of the Philippines, "Philippine Inclusive Innovation Industrial Strategy (i3S)," Policy Briefs, Series No. 2017-05, <http://industry.gov.ph/wp-content/uploads/2017/11/DTI-Policy-Brief-2017-05-Philippine-Inclusive-Innovation-Industrial-Strategy.pdf> (accessed on September 17, 2018).

²⁰⁹ Ministry of Economic Affairs, Taiwan, "Five Major Industrial Innovation R&D Programs and Smart Machinery Industry Promotion Program" 07/21/2016, https://www.ey.gov.tw/News_Content2.aspx?n=F8BAEBE9491FC830&s=16870C2F76DB63B4 (accessed on September 17, 2018).

addition to various financial and non-financial incentives, the Philippines has also established a number of industrial parks. The general industrial zones in the Philippines are mostly developed and operated by the private sector, and most of the land is sold rather than leased. The numerous industrial parks, special economic zones and free ports in the Philippines are managed by 13 investment promotion agencies, including Board of Investments (BOI), Clark Development Corporation (CDC), Philippines Economic Zone Authority (PEZA), Bases Conversion and Development Authority (BCDA), Cagayan Economic Zone Authority (CEZA), Philippines Retirement Authority (PRA), Subic Bay Metropolitan Authority (SBMA) and the Regional Board of Investments, Autonomous Region in Muslim Mindanao (BOI-ARMM), the Wade Industrial Authority, the Zamboanga Special Economic Zone Authority (ZCSEAZ), the Pacific Special Economic Zone and the Free Port Area (APECO), the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and the Freeport Area of Bataan.

According to its own statistics, as of November 2017, PEZA managed 74 manufacturing special economic zones, 262 IT parks/centers, 22 Agricultural Special Economic zones, 19 tourism special economic zones and 2 medical tourism parks/centers.²¹⁰ Among the 379 parks managed by PEZA, most of them were set up in cooperation with foreign enterprises, including Japanese, Singaporean, Malaysian, Thai and the American firms.

Taiwan has extensive experience in the successful management and development of industrial zones, and has seen continuous growth in the number of industrial zones since the rapid economic development of the 1970s. Taiwan and Philippines jointly developed the Subic Bay Industrial Park in the 1990s, and set up a development management company, attracting many Taiwanese businessmen to enter the Park. In recent years, TECO Industrial Park in the Philippines was planned and constructed by a Taiwanese design service team. Due to the investment of the Asia-Pacific Electric Power Company, a subsidiary of Formosa Heavy Industries Corp of the Formosa Plastics Group, which invested in the establishment of integrated gas and electricity power plants, the park became the most cost-effective Industrial Zone in the Philippines.²¹¹

²¹⁰ Philippine Economic Zone Authority, "Operating Economic Zone Map," November 30, 2017, <http://www.peza.gov.ph/index.php/economic-zones/list-of-economic-zones> (accessed on September 17, 2018).

²¹¹ Lien Yu-ping, Lin Su-ling and Liu Hui-jun, "2016 Taiwan-ASEAN Investment Cooperation Group" Overseas Report,

In conclusion, the joint development of industrial parks by Taiwan and the Philippines is founded on many years of cooperation, and can also strengthen bilateral cooperation and exchanges in the future. This can be done by strengthening bilateral cooperation on "energy resources integration" in industrial zones and cooperating on industrial zone development. Details are as follows:

1. Cooperating to enhance energy resources integration in industrial parks in Taiwan and the Philippines

In recent years, the Philippines has actively worked towards sustainable development goals and introduced the concept of the "circular economy" in step with the international community. The aim is to replace the linear economic and industrial model of "produce, use and discard" with the circular economy. Through the establishment of recyclable and renewable industrial systems, "biological cycles" and "industrial cycles" can be used to recycle waste and reduce the dependence of industrial production on fossil fuels and energy.

Taiwan has many successful experiences and examples of circular economy development. As far as the promotion of circular economy in industrial parks is concerned, Taiwan mainly focuses on the integration of energy resources. It hopes to improve the utilization of energy resources by manufacturers in major industrial parks, establishing effective circular utilization chains, constructing open platforms for energy resource information and exploring technologies for energy resource reuse and expanding their usage in order to push industrial development towards the goal of zero waste.²¹² Successful cases include the use of excess heat energy produced in the steelmaking process, transfer to the petrochemical and chemical industries, recovery of waste heat in industrial zones, development of steam and electricity symbiotic equipment, etc., which are all effective ways to integrate energy resources in industrial parks. In view of the wide range of industrial parks and other industrial centers in the Philippines, and the considerable demand for the integration and promotion of energy resources, it is suggested that Taiwan and the Philippines could promote closer cooperation on the integration of energy resources in industrial parks.

12/15/2016, <https://report.nat.gov.tw/ReportFront/PageSystem/reportFileDownload/C10502942/001> (accessed on September 17, 2018).

²¹² Industrial Development Bureau, Ministry of Economic Affairs, Taiwan, Action Plan for Integration of Energy Resources in Industrial Parks, 12/28/2017, <https://www.moeaidb.gov.tw/external/ctrl?PRO=project.ProjectView&id=704> (accessed on September 17, 2018).

The promotion of technology, exchanges and matching of related business opportunities for the circular economy will bring cooperation even closer, facilitating the industrial development of Philippine industrial parks, and creating the ideal environment for sustainable growth.

2. Furthering Taiwan-Philippines cooperation on industrial park development

At present, the Philippines has considerable room for development in terms of its industrial infrastructure, supply chain soundness, production capacity and technological capabilities. Taiwan has been successful in creating and operating industrial zones, and provided suitable incentives for investment are offered, Taiwan and the Philippines should be able to jointly develop industrial zones and attract more Taiwanese enterprises to set up factories in the Philippines, creating more business and employment opportunities.

In terms of specific courses of action, firstly, the two sides can continue to use established industrial communication platforms to exchange supply and demand information in the development of Philippine industrial zones. The Philippines can provide development information on existing and emerging industrial zones to Taiwanese industrial zone developers, so as to enhance their understanding of development requirements, and facilitate the provision of necessary assistance and encourage cooperative development. Secondly, in existing and new development zones, Taiwan could coordinate with the needs of Philippine industry in planning, development operations and land acquisition procedures. Finally, we can think about replicating the experience of Subic Bay, developing more parks or establishing Taiwanese Business Zones, providing more bases and assistance for Taiwanese businessmen to attract and facilitate their investment and development in Philippines.

G. Cooperating in medical equipment and healthcare

According to the World Health Organization (WHO) research report, the health of Filipinos has improved significantly in the past 50 years. The prevalence of infectious diseases has declined, and the average life expectancy has shown great improvement from only 53 in 1960, reflecting the outstanding achievements in healthy lifestyles. However, according to WHO statistics, the average life expectancy in Philippines in 2016 was 69.3 years (66.2 years for males and 72.6 years for

females), still slightly lower than that of other Southeast Asian countries (69.5), Western Pacific countries (76.9) and the worldwide average (72).²¹³ From this we can see that the Philippines still has considerable room for future improvement of average life expectancy and healthy lifestyles.

Ischemic heart disease has long been the main cause of death in the Philippines. In 2016, approximately 74,134 people died of this disease, accounting for 12.7% of deaths in Philippines, followed by neoplasms (10.4%) and pneumonia (9.9%).²¹⁴ The main causes of disease were acute lower respiratory tract infection, pneumonia and hypertension.²¹⁵ Because the health of citizens is often related to the relative ease of obtaining medical services, there are regional differences in the health status of citizens.

To improve the overall healthcare system in the Philippines, which suffers from a lack of financial resources, uneven distribution of medical resources and underdeveloped healthcare in remote areas, the Philippine government issued the Philippine Health Agenda 2016-2022. The Agenda set the direction and objectives for the development of national healthcare and hygiene from 2016 to 2022, and put forward three major guarantees: proper healthcare services for healthy and sick people of all ages; provision of a comprehensive network of health care facilities; universal health insurance through PhilHealth. To realize the above-mentioned guarantees, the Philippine Government intends to implement the following strategies of the Health Agenda 2016-2022: improving healthcare quality, health promotion and primary care; helping Filipinos to deal with health-related financial difficulties; strengthening strategic Human Resources for Health (HRH); investing in e-health and information systems; improving hygiene standards, accountability and transparency; and caring for all clients and patients, especially the those from poor and vulnerable groups.²¹⁶

The development of related medical equipment also plays an important role in improving the quality of health care. Due to the steady growth of the population and

²¹³ World Health Organization (WHO), *The Philippines Health System Review* (Manila : WHO Regional Office for the Western Pacific, 2011), pp. 7-8, http://www.wpro.who.int/philippines/areas/health_systems/financing/philippines_health_system_review.pdf (accessed on September 17, 2018); World Health Organization (WHO), *World Health Statistics: 2018*, p. 64, <http://apps.who.int/iris/bitstream/handle/10665/272596/9789241565585-eng.pdf?ua=1> (accessed on September 17, 2018).

²¹⁴ Philippine Statistics Authority (PSA), "Deaths in the Philippines, 2016," February 12, 2018, <http://psa.gov.ph/content/deaths-philippines-2016> (accessed on September 17, 2018).

²¹⁵ Department of Health (DOH), Republic of the Philippines, "Morbidity," <http://www.doh.gov.ph/morbidity> (accessed on September 17, 2018).

²¹⁶ Department of Health (DOH), "Republic of the Philippines. "Philippine Health Agenda 2016-2022: Healthy Philippines 2022," https://www.doh.gov.ph/philippine_health_agenda (accessed on September 17, 2018).

the economy, the demand for medical equipment in the Philippines is growing rapidly. According to research by Business Monitor International (BMI), the medical equipment market in the Philippines was worth approximately US\$356 million 2016, and the compound annual growth rate from 2015 to 2020 is estimated to be 9%.²¹⁷ As the Philippine medical equipment industry mainly consists of consumables, hospital furniture and other basic supplies, the majority of medical equipment needs to be imported.²¹⁸

Taiwan has a comprehensive medical system and public health disease prevention network comparable to other developed nations, and its medical equipment industry is very well-developed. Its products have a high quality-price ratio, and the successful development of its national health insurance system is world-renowned. Taiwanese medical materials manufacturers have marketing experience in Europe and the United States, and possess specialist technology for research and development of medical materials. In addition, Taiwan and the Philippines signed the Memorandum of Understanding Concerning Cooperation on Health Issues in December 2006, and the Memorandum of Understanding on Cooperation in the Regulation of Health Products in September 2014. In recent years, the two sides have conducted frequent exchanges on issues in healthcare, hygiene and related industries, as well as personnel. Taiwan and Philippines should continue to strengthen bilateral cooperation and exchanges on healthcare and hygiene issues in order to boost the related industries in the two countries. Details on this proposed cooperation are as follows:

1. Increasing Taiwan-Philippines cooperation in training healthcare talent to link the healthcare industries of both countries

At present, Taiwan is working to establish cooperative relations in the medical industry with Southeast Asian nations, including the Philippines, Indonesia, India, Vietnam, Thailand and Malaysia, with projects in each country being coordinated by a hospital in Taiwan. The projects include training of medical personnel, bridging connections in the health industry, creating a civilized and friendly medical environment, health-related industry regulations and market research and information

²¹⁷ BMI Research, "Philippines Medical Devices Report," <https://www.bmiresearch.com/philippines> (accessed on September 17, 2018).

²¹⁸ Business Wire, "Research and Markets: Philippines Medical Device Market 2015," October 6, 2015, <https://www.businesswire.com/news/home/20151006006406/en/Research-Markets-Philippines-Medical-Device-Market-2015> (accessed on September 17, 2018).

integration. At present, Taiwan has six competent institutions (National Taiwan University, National Chung Kung University, The Rong-Yang Team at Taipei Veterans General Hospital, Changhua Christian Hospital, Hualien Tzu Chi Hospital and Chang Bing Show Chwan Memorial Hospital) in charge of implementing the New Southbound Policy's "one country, one center" strategy.²¹⁹

In August 2018, Hualien Tzu Chi Hospital led a medical team to the Philippines to sign a memorandum of cooperation with three hospitals, Cardinal Santos Medical Center, Chinese General Hospital and Philippine Orthopedic Center. In addition, participating in international healthcare promotion in accordance with local government health policies, the team also helped to improve medical staff training exchange in three hospitals.²²⁰

In the future, Taiwan and Philippines should continue to establish closer cooperation in the healthcare and hygiene industry, especially in the development of long-term personnel training exchanges. Holding international medical seminars and clinical refresher training of medical personnel will aid progress in healthcare technology on both sides to progress. In addition, further cooperation in training Filipino workers who have experience of medical care or family medical care in Taiwan can also be carried out to promote industry linkages between the healthcare service industries in Taiwan and the Philippines, and create a comprehensive healthcare system that will benefit people on both sides.

2. Enhancing Taiwan-Philippines cooperation to help the Philippines improve its medical equipment industry

Taiwan's medical equipment industry has a strong foundation and capacity, and includes the complete upper, middle and lower levels of the supply chain. With its price competitive medical products of excellent quality, the bulk of its products are exported to the United States, Japan and the European Union, reaching a total export volume of 1.472 billion US dollars in 2017.²²¹ In the Philippines, the medical

²¹⁹ Office of International Cooperation, Ministry of Health and Welfare, Taiwan, "One Country, One Center" Creates New Energy New Southbound Cooperation in Medicine and Healthcare Industry, 06/01/2018, <https://www.mohw.gov.tw/cp-16-41446-1.html> (accessed on August 9, 2018).

²²⁰ Lin Xing-jian, "One Country, One Center: 3 Philippine Medical Centers Sign Memorandum", Central News Agency, 08/08/2018, <http://www.cna.com.tw/news/ahel/201808070384-1.aspx> (accessed on August 9, 2018).

²²¹ Ministry of Economic Affairs, Taiwan, *The International Trade Commission's Trade Statistics System*, <https://cus93.trade.gov.tw/>; World Forum for Medicine, "Taiwan Excellence: Taiwan's Medical Device Industry," https://www.medica-tradefair.com/cgi-bin/md_medica/lib/pub/tt.cgi/Taiwan_Excellence_Taiwan_s_Medical_Device_Industry.html?oid=82876&lang=2&ticket=g_u_e_s_t (accessed on September 17, 2018).

equipment industry is growing rapidly due to the domestic demand for medical products, and there is still room for growth.

However, because the current capacity of domestic medical materials industry in the Philippines cannot fully meet domestic market demand, it relies heavily on imports, and the dependence on imports of some products is as high as 90%. The primary purpose of international manufacturers establishing factories in the Philippines is still to produce products for export, reducing production costs by making use of the abundant local labor force. At present, Taiwan's medical equipment manufacturers have relatively little investment in the Philippines, so there is still considerable room for development in the future, with increased exchange and cooperation to help the Philippines improve its medical equipment industry.²²²

H. Cooperation in the energy industry

Like many non-oil-producing countries pursuing economic growth, the Philippines relies heavily on imports for its energy supply, with about half of its basic energy supply coming from overseas. In 2017, for example, the Philippines imported about 73.9 million barrels of crude oil, of which about 90% came from the Middle East, while the rest came from Russia, Australia, Britain and other ASEAN member countries. Owing to rapid economic growth and rising demand for electricity in recent years, the overall growth of demand has exceeded the supply capacity of the current energy industry sector, and the increase of imported energy has increased the fiscal deficit of the Philippines. Furthermore, the high price of electricity is also one of the problems often mentioned, and it has a significant negative impact on the development of manufacturing, especially in energy-intensive industries. Therefore, the key tasks of the Philippine government in implementing its energy policy are: increasing investment in the energy sector and enhancing its productivity; implementing sustainable energy policies to promote economic development; protecting energy consumers from excessive fluctuations in exchange rate and energy prices due to the high dependence on imported energy resources; and ensuring the quality of electricity supply and energy security.²²³

²²² Office of International Cooperation, Ministry of Health and Welfare, Taiwan, *Market Profile and Demand Analysis of Philippine Medical Industry*, 04/02/2018, <https://dep.mohw.gov.tw/OOIC/cp-3917-40547-119.html> (accessed on September 17, 2018).

²²³ "Long-term Policies Aim to Address Concerns over Energy Sustainability in the Philippines," Oxford Business Group, 2018, <https://oxfordbusinessgroup.com/overview/power-plans-depleting-reserves-give-impetus-long-term-policies-address-rising-d>

Firstly, in order to support various energy projects in the Philippines and increase investment in the energy sector, the Philippine government passed Executive Order (EO) No. 30 in 2017 to simplify the procedures and implementation processes of various energy projects. The aims of the EO are to encourage more investment in energy infrastructure, expand the country's energy supply framework, and create new employment opportunities and improve the well-being of energy consumers.²²⁴

Secondly, according to the PDP 2017-2022 proposed by NEDA, the Philippine government will use several major strategies for energy sector reform in the future, including: 1. supporting the necessary large-scale investment and basic energy investment projects to improve power supply, including renewable energy development; 2. encouraging competition to reduce electricity generation costs; 3. promoting the development of natural gas industry; 4. Ensuring the stability of electrical transmission equipment operations; 5. increasing the range of nationwide electricity supply to improve power supply in remote areas; and 5. improving energy efficiency.²²⁵

In addition, the Philippine Energy Plan 2016-2030 aims primarily at ensuring national energy security to support the livelihood of Filipinos and national economic growth. Specific goals of the Plan are to make improvements to the high cost of electricity, power supply interruptions, unstable transmission systems and power gaps in off-grid areas.²²⁶ The Plan also includes measures in response to global climate change, including proposed action plans for oil, gas, coal, renewable energy and geothermal energy.²²⁷

Based on the Philippine Republic Act 9513, or Renewable Energy Act of 2008, the development of renewable energy covers biomass, solar, wind, hydroelectric, geothermal and tidal energy. The goals of the Act are to achieve energy self-sufficiency, reduce the Philippines' dependence on fossil fuels as much as possible and minimize the impact of international market price fluctuations on the

omestic-demand-and (accessed on September 17, 2018).

²²⁴ Department of Energy (DOE), Republic of the Philippines, "Energy Annual Report 2017," p. 4.

²²⁵ The National Economic and Development Authority (NEDA), Republic of the Philippines, "Philippine Development Plan 2017-2022," pp. 305-308, <http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022-07-20-2017.pdf> (accessed on September 17, 2018).

²²⁶ Department of Energy (DOE), "Philippine Energy Plan 2016-2030," p. 6,

<https://www.doe.gov.ph/pep/philippine-energy-plan-2016-2030> (accessed on September 17, 2018).

²²⁷ Department of Energy (DOE), "Philippine Energy Plan 2016-2030,"

<https://www.doe.gov.ph/pep/philippine-energy-plan-2016-2030> (accessed on September 17, 2018).

Philippines.²²⁸

In order to achieve the objectives of the Renewable Energy Act, the Philippines also proposed the National Renewable Energy Program 2011-2030 (NREP 2011-2030) in early 2011. The objectives include: (1) increasing geothermal power generation by 75%; (2) increasing hydroelectric power generation by 160%; (3) increasing biomass power generation capacity by 277 MW; (4) integrating wind energy with the electrical grid to generate 2,345 MW of additional energy; (5) increasing solar power generation by 284 MW, working towards the target of 1,528 MW; and (6) developing Philippine's first tidal energy facility.²²⁹ The Energy Plan 2016-2030 updates and adjusts the energy policy of the Philippines in accordance with the Department of Energy's Energy Agenda, the 10-point Socioeconomic Agenda and the energy development needs of the Philippines.²³⁰

At present, the renewable energy produced in the Philippines mainly includes geothermal, hydroelectric, biomass, solar and wind. Since it began in 2005, when it produced only 2 GWh, solar power production in the Philippines has grown rapidly to 17 GWh in 2014, reaching 1,201 GWh by 2017, an annual growth rate of 70.43%.²³¹ However, the Philippines lacks a complete supply chain, and must depend on imports or foreign companies establishing local factories for the products needed to support industrial development.

In response to climate change and global warming, the people and government of Taiwan are also actively promoting renewable energy, energy efficiency and energy-saving. Regarding renewable energy, Taiwan I considers both technological feasibility and cost-effectiveness in its development process, and has adopted a phased development approach to gradually promote the development of its domestic green energy industry. At present, there are already manufacturers in Taiwan who have the ability to manufacture and provide related service technology to power generation industries such as solar photovoltaic and wind. In terms of energy efficiency, there are also many energy technology service companies with the ability to export to overseas markets. There is plenty of space for Taiwan and the Philippines

²²⁸ Department of Energy (DOE), "Republic Act No. 9513," December 16, 2008, <https://www.doe.gov.ph/laws-and-issuances/republic-act-no-9513> (accessed on September 17, 2018).

²²⁹ Department of Energy (DOE), Republic of the Philippines, "National Renewable Energy Program," <https://www.doe.gov.ph/national-renewable-energy-program> (accessed on September 17, 2018).

²³⁰ Department of Energy (DOE), Republic of the Philippines, "Philippine Energy Plan 2016-2030," p. 35, <https://www.doe.gov.ph/pep/philippine-energy-plan-2016-2030> (accessed on September 17, 2018).

²³¹ Department of Energy (DOE), Republic of the Philippines, "2017 Power Demand and Supply Highlights," p. 37.

to strengthen cooperation in the energy industry, and it is suggested that the two countries use their respective industrial advantages to push energy industry cooperation in the following two directions:

1. Enhancing Taiwan-Philippines technical exchange and cooperation in the photovoltaic and geothermal energy industries

The high degree of growth in the Philippine economy will also lead to an increase in energy demand. In order to solve the problem of domestic power shortages and achieve the relevant carbon reduction goals, the Philippines also encourages foreign investment in the energy industry, particularly in renewable energy and green energy. In recent years, the Philippines has actively invested in solar power generation, and although its power generation has increased year by year since 2005, it still only accounts for 1.27% of the total power generation in 2017, so there is still considerable room for growth.²³²

Due to the lack of a complete supply chain in the Philippines, there is still a need for foreign companies to set up factories or import related equipment to support the country's industrial development needs. Over the years, Taiwan's solar industry has developed the advantages of high efficiency, low cost and flexibility, and has successful businesses upstream-midstream-downstream with regard silicon wafers and chips, batteries and battery modules, systems, systems engineering and power plants. As far as the products are concerned, taking the global production of silicon solar cells as an example, although China produces over 60% of cells worldwide, Taiwan ranks second with 15%, followed by Japan, South Korea and Malaysia and other countries. Taiwan's solar cells are of stable and excellent quality, which not only sets it apart from Mainland China, but also gives a competitive advantage in the international market.²³³

On the other hand, in order to increase the proportion of total power generation that comes from renewable sources,²³⁴ Taiwan also plans to investigate the feasibility of developing geothermal power. At the 2016 Taiwan-Philippines Ministerial

²³² *Ibid.*

²³³ Industrial Value Chain Information Platform, "Introduction to Solar Energy Industry Chain", <http://ic.tpex.org.tw/introduce.php?ic=A100> (accessed on September 17, 2018).

²³⁴ Taiwanese New and Renewable Energy Group, "Geothermal and Other Renewable Energy Promotion Program" Focus Promotion Program (Program), 02/27/2018, <http://energywhitepaper.tw/upload/201803/152030101552540.pdf> (accessed on September 17, 2018).

Economic Cooperation Conference, the Taiwan-Philippine Memorandum on Geothermal Cooperation was signed to strengthen bilateral cooperation on geothermal technology and boost development in the energy industry. Geothermal power generation technology is relatively advanced in the Philippines, generating 27.96% of the reliable power capacity of renewable energy in the Philippines, and its expertise in geothermal power generation is deserving of Taiwan's use as reference. Therefore, Taiwan and Philippines should increase bilateral technological exchanges and establish cooperative relations on renewable energy, especially solar photovoltaic and geothermal power generation. The development of these two renewable energy industries can advance the achievement of their respective energy policy objectives.

2. Increasing Taiwan-Philippines bilateral cooperation in the energy-saving industry

The promotion of energy conservation is one of the most important tasks for countries worldwide in implementing their energy policies. The Philippine Department of Energy, with the assistance of the European Commission's SWITCH-Asia, formulated the Energy Efficiency and Conservation Roadmap 2014-2030 and the Philippines Energy Efficiency and Conservation Action Plan 2016-2020, aiming to reduce energy intensity in Philippines by 40% from 2005 to 2030, a saving of 10,665 kilotonnes of oil equivalent (ktoe).²³⁵

Energy service companies (ESCO) are closely linked to energy conservation, but the development of the Philippine ESCO industry is still in its infancy, and so does not yet possess superior products and technology. Taiwan's ESCO industry, on the other hand, has advanced energy-saving equipment, hardware and software systems, measurement and verification technology, and has practical experience, with successful cases in the public sector, manufacturing industry and service industry. In addition, some ESCO operators in Taiwan have the ability to establish energy-saving business contacts in the Philippines, which can meet the local energy-saving needs of the Philippines. Therefore, future cooperation between Taiwan and Philippines in the ESCO energy-saving industry will not only help the Philippines achieve its own

²³⁵ Department of Energy (DOE), Republic of the Philippines, "Philippines Energy Efficiency and Conservation Action Plan 2016-2020," p. 1, https://policy.asiapacificenergy.org/sites/default/files/philippines_energy_efficiency_action_plan2016-20.pdf (accessed on September 17, 2018).

energy-saving goals, but also help the Philippine ESCO industry to learn from Taiwan's successful experience, furthering exchange and growth in both countries.

Part 4 Conclusion and Proposals

1. Taiwan Enterprise Investment in the Philippines - History and Current Situation

Taiwan and the Philippines have a close business relationship, the geographical proximity of the two countries explaining why Taiwan enterprises have chosen to invest there and play an important role in the local industry chain. However, figures from the Investment Commission, Ministry of Economic Affairs, show that although Taiwan companies first started investing in Southeast Asia in the 1950s, the first official record of investment in the Philippines was in 1966.

As of December 2017, there had been 1,093 Taiwan investment cases in the Philippines, valued at US\$2.521 billion. However, if investments made through third countries or territories and in the name of local Philippines enterprises are included Taiwan enterprises have invested much more than those figures suggest. It is estimated that the Taiwan Association Philippines has 250 enterprise members and around 6,000 Taiwanese business people are based in the Philippines. Initially, Taiwan

enterprises invested mainly in the footwear and garment industries, industrial park development, travel and flight booking services, electron tube manufacturing, cement, communication equipment manufacturing, and real estate development; later, investment gradually expanded into wholesale drugs and medical supplies, motorcycle/scooter and automobile parts manufacturing, clothing accessories manufacturing, wholesale recycled materials, electrical equipment manufacturing, medical equipment and supply manufacturing, real estate leasing and sale, starch and related product manufacturing, home appliance manufacturing, wholesale electronic equipment and components/parts and power generation, transmission and distribution machinery manufacturing. In recent years, increased investment by the food, electrical equipment and other manufacturing industries and the financial and insurance industries has seen investment from Taiwan rise to record highs. At present, Taiwan enterprises are mainly based in Metro Manila (Manila, Pasig City, Makati City), Bataan, Lima Technology Center in the Province of Batangas, Carmelray Industrial Park and Subic Bay Industrial Park. There are also Taiwan SME manufacturing clusters in Cavite Province and Cebu Province; and several Taiwan enterprises in Clark Freeport Zone and Mindanao.

Overall, investment in the Philippines by Taiwan enterprises can be divided into two types, namely export and domestic demand oriented. For export oriented Taiwan firms, rising manufacturing industry costs at home and geographical proximity, together with the population bonus, tax incentives, language advantage and good investment prospects, make the Philippines an important overseas production base. For Taiwan companies that are domestic demand oriented, a population in excess of 100 million and the rising consumption needs and disposable income of Philippine citizen's represents a huge domestic market, offering business opportunities with outstanding potential. In addition to the development of bilateral trade and investment relations, in 2000 Taiwan and the Philippines signed the Memorandum of Understanding on the Direct and Indirect Hiring of Workers, after which Taiwan officially began importing labor. Since then the number of workers from the Philippines in Taiwan has risen steadily, with about 151,000 currently in the country, mostly working in manufacturing, human health & social work activities and other services. The Philippines is one of the main sources of foreign workers for Taiwan and those laborers contribute to the development of the local economy, health care

and social welfare. They also earn foreign currency for their home country, while learning production and service management skills, accumulating valuable experience that can be utilized by domestic industry when they return home.

In recent years, the Philippine economy has grown rapidly; the country is actively taking part in international economic integration, opening up to the outside and aligning with international norms, while also offering various investment incentives. As a result, Taiwan enterprises and other foreign investors have designated the Philippines an important target market for investment in ASEAN. UNCTAD's 2017~2019 World Investment Report showed that from 2017-2019 the Philippines was the ninth most popular country for multinational companies looking to invest, an indication that the country's market represents a major attraction for companies from around the world. Moreover, the Philippines has also improved its standing in various international economic indexes in recent years, a concrete reflection of the government's efforts to improve the competitiveness of local enterprises and the investment environment. However, analysis for this study shows that Taiwan enterprise investment in the Philippines continues to face issues relating to regulations, administrative procedure, labor, human resources, trade, investment, tax and infrastructure, with the banking and medical equipment industries facing specific issues in urgent need of resolution. We very much hope that Philippine government will pay attention to the opinions and proposals of Taiwan enterprises detailed in this survey and remove related barriers the improvement of their operating efficiency and competitiveness. Such measures would enable those firms to make an even greater contribution to improving the overall investment environment in the Philippines. The following issues of concern and related proposals from Taiwan enterprises looking to invest are outlined below in the hope that related agencies in the Philippines can help with their resolution.

2. Issues of concern and proposals relating to Taiwan enterprise investment in the Philippines

Issues	Proposals
Common issues and proposals	
(1) Regulations and administrative procedures (related agencies: various Philippines government agencies, Board of Investment)	
a. Regulations	<ul style="list-style-type: none"> ● Improving systemization and digitization of the regulatory system and administrative governance.

Issues	Proposals
b. Execution procedure	<ul style="list-style-type: none"> ● Simplifying administrative procedures to increase their efficiency.
(2) Labor issues (related agencies: Department of Labor and Employment)	
a. Work Permits	<ul style="list-style-type: none"> ● Simplifying the application process for a Special Work Permit (SWP) to reduce application time. ● Simplifying the application process for an Alien Employment Permit (AEP) and extending the period of validity so Taiwan and foreign enterprise can develop business opportunities and help boost market development in the Philippines.
(3) Human resources (related agencies: Department of Labor and Employment, Department of Education)	
a. Skilled labor	<ul style="list-style-type: none"> ● Enhancing basic vocational and technical education to improve labor skills level.
(4) Trade issues (related agencies: Department of Finance, Department of Trade and Industry, Department of Foreign Affairs)	
a. Tariffs and customs	<ul style="list-style-type: none"> ● Promoting Taiwan, Philippine business cooperation to lower mutual tariff barriers. ● Enhancing customs transparency, promoting faster and more convenient customs clearance to reduce import/export administrative and trading costs.
b. Industry supply chain	<ul style="list-style-type: none"> ● Enhancing the links between Taiwan and Philippines industry to help the latter improve alignment and integration with the global supply chain.
(5) Investment issues (related agencies: The National Economic and Development Authority, Department of Trade and Industry, Securities and Exchange Commission)	
a. Reducing restrictions on foreign company investment	<ul style="list-style-type: none"> ● Relaxing restrictions on foreign company investment in the Philippines to attract more long-term foreign investment.
b. Threshold for foreign companies to operate retail business	<ul style="list-style-type: none"> ● Lowering the threshold for foreign companies to operate retail businesses in the Philippines so Taiwan enterprise can develop local market business opportunities.
(6) Tax issues (related agencies: Department of Finance, Department of Foreign Affairs)	
a. Business income tax	<ul style="list-style-type: none"> ● Harmonizing the tax gap with ASEAN countries to reduce the operational burden on enterprises
b. Bilateral tax agreement	<ul style="list-style-type: none"> ● Urging the early implementation of the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion to ensure the reasonable tax rights of Taiwan enterprises.
(7) Infrastructure issues (related agencies: Department of Energy, Department of Transportation, Department of Information and Communications Technology)	
a. Electricity price	<ul style="list-style-type: none"> ● Promoting a reasonable and feasible energy mix, energy conservation policy and improved power infrastructure, to stabilize power supply quality and lower power supply costs.
b. Infrastructure	<ul style="list-style-type: none"> ● Improving transportation and communications infrastructure

Issues	Proposals
c. Mobile communications network and quality	● Improving mobile communications networks and quality
Industry issues and proposals	
(1) Financial industry (related agencies: Central Bank of the Philippines, Department of Finance, Department of Agriculture)	
a. Banking industry	● Enhancing project credit loans and the establishment of a credit loan information system, so banks can provide farmers, micro enterprises and SMEs with the financing they need.
(2) Medical equipment industry (related agencies: Food and Drug Administration, Philippines)	
a. Excessively long document review time	● Reducing document review time

3. Promoting the development of Taiwan-Philippines cooperation

The Philippines has rich mineral, fishing and other resources, a large and young population and the government is implementing industry upgrading and economic reform policies, making it one of the main target markets of Taiwan and foreign enterprises investing in ASEAN countries. Taiwan neighbors the Philippines and is an Asia-Pacific logistic hub with substantial industrial power and a high level of linkage to the global industry value chain. The country is also actively promoting the New Southbound policy, which seeks to enhance bilateral exchange across the board, including trade, industry, technology, culture, tourism, talent and people-to-people interactions. It is hoped that enhancing bilateral dialogue and exchange will facilitate the building of a partnership with the Philippines that has international links.

The promotion of Taiwan-Philippines bilateral cooperation meets the development needs of both sides and helps the Philippines make use of Taiwan's experiences in industry, technology, talent and SME development. It also assists with the acceleration of industrial structural readjustment and improving international competitiveness in that country. Although there are many areas in which Taiwan and the Philippines can cooperate, this study focuses on eight areas of priority consideration for cooperation and related proposals:

(1) Human resources and training

a. Enhancing vocational and technical education and professional talent training cooperation: At present, with the aim of increasing labor productivity and making an all out effort to increase national human capital development, the Philippine

government is attaching much importance to general educational reform, particularly the vocational and technical education system. In light of Taiwan's success in vocational and technical education and the training of professional talent, in future the two countries should consider enhancing cooperation in these areas. Focus should be placed on academic subjects the Philippine government designates important, the training of technical talent in key industries and enhancing cooperation with top universities and colleges in the Philippines to raise the level of trainers/teachers in academic, industry and technical fields.

b. Continuing to enhance talent databank establishment and exchange: in light of the fact that laborers from the Philippines who have worked in Taiwan are important assets in the deepening of industrial exchange between the two countries, both sides should step up the establishment of talent databases and engage in exchange to assist Taiwan enterprises in the Philippines recruit skilled Philippine talent with technical skills and experience working in Taiwan, thereby providing Filipinos with more employment opportunities.

(2) SME development

a. Continuing to enhance dialogue, exchange and cooperation on SME development issues through a bilateral exchange platform: Taiwan and the Philippines have mechanisms for regular governmental and non-governmental dialogue. In future dialogue, exchange and cooperation on SME development should continue at bilateral ministerial-level economic cooperation meetings and Taiwan-Philippines Economic Joint Meeting etc.

b. Enhancing e-commerce cooperation: To assist bilateral SMEs develop business opportunities in each other's markets, Taiwan and Philippine SMEs should step up the use of e-commerce; by forming cross-border e-commerce alliances, choosing and using suitable e-commerce platforms online marketing can be conducted; Supported by seminars and matchmaking meetings, this will increase business opportunities at matchmaking meetings, while gradually creating local distribution systems and establishing local physical channels, jointly developing business opportunities in Taiwan, the Philippines and ASEAN.

(3) High-value agriculture and biotech applications

a. Cooperating in promoting high-value agriculture and integrated agricultural demonstration areas: Taiwan and the Philippines should improve their promotion of

Integrated Agricultural Demonstration Areas; Taiwan can provide seeds, fertilizer, related agricultural machinery, materials, technical guidance and agricultural enterprise management experience on high value added crops, cultivated livestock and aquaculture products suited to the Philippines. After first making improvements to the facilities and processes of local farming and aquaculture systems, the quality and output of crops, livestock and aquatic products can be improved: The successful operation of such Integrated Agricultural Demonstration Areas should also serve as a basis for the joint expansion of agricultural and fishery product exports, earning foreign currency for the Philippines and increasing the income of local farmers and fishermen.

b. Enhancing bilateral experience exchange in distinctive local agricultural product and related bio-tech health product marketing and development: Taiwan and the Philippines should step up cooperation in the development and marketing of local agricultural produce and related bio-tech health products. By holding regular matchmaking events and seminars, while building channel cooperation and strategic alliances between enterprises in the two countries, substantive exchange between the two sides can be promoted in the fields of agriculture and related bio-tec health products.

(4) Electronic/electrical and ICT innovative applications

a. Strengthening bilateral cooperation in semiconductor and electronics assembly industries: In terms of the semiconductor industry, Taiwan and the Philippines should continue to deepen their current bilateral industry exchange and cooperation platform on the basis of “private sector guidance and government support.” This should involve ongoing consultations about how to help the Philippines attract investment from Taiwan semiconductor enterprises through the provision of incentives and preferential treatment. Such measures can be used to encourage enterprises to establish plants in the Philippines and make use of the ample labor resources in the country, which also creates employment opportunities in the local semiconductor manufacturing industry, helping to cultivate local industry technical talent. In terms of the electronics assembly industry, Taiwan has electronics/electrical industry clusters and embraces professional division of labor. In future, the two countries should use the platform established by the industry association to expand contacts between their respective industries. Indeed, expo participating groups and business delegations

should visit the Philippines to increase exchanges and ensure Taiwan electronics assembly firms have a better understanding of the development of electronics manufacturing and related business opportunities, to increase their willingness to invest in plants in the country. The Philippines could also improve the investment incentives available to Taiwan electronics assembly enterprises and provide assistance to Taiwan firms looking to establish production bases in such special Economic Zones as Subic Bay Freeport Zone, thereby attracting more investment from Taiwan companies.

b. Deepening bilateral cooperation in the innovative application of information electronics: Taiwan's information and communications industry (including the information services sector) have an excellent foundation for future development. At the same time, industry technology is internationally competitive and recent years have seen the active developing of the Internet of Things, cloud services and digital centers. The sector has also focused on software development, animation, gaming, health information management services etc. As the demand for information and communications applications increases in innovative entrepreneurship and other sectors in the Philippines, the two countries should increase cooperation in information electronics innovative applications, while jointly promoting information services technology and application innovations to meet the growing needs of related industries in the Philippines.

(5) Machinery industry

a. Strengthening bilateral cooperation in the agricultural, food machinery, machine tool and metal working machinery sectors: Taiwan has a technological advantage in the machinery industry and is in a position to help the Philippines strengthen its machinery industry, while improving industry chain and talent training. In future, the two countries should improve cooperation in the manufacture of machinery and equipment urgently needed for industry development in the Philippines. Agricultural machinery, food machinery (including for agricultural produce processing), packaging machinery, machine tools, and metal working machinery should all be listed as priority areas of cooperation.

b. Increasing bilateral exchanges in smart manufacturing and helping with industry upgrading in the Philippines. Taiwan has accrued much smart manufacturing experience in such areas as aerospace, semiconductor, machinery/equipment, metal

shipping tool, electronic information, energy, 3C, food and textile industries. Cooperation and exchanges with Philippine industry should be increased so that local industry can embrace greater automation and smart elements.

(6) Industrial park development

a. Enhancing Taiwan and Philippines cooperation in industrial zone energy resources integration: Taiwan has had considerable success in promoting the circular economy and related cases. In terms of the wide distribution of industrial park and other industrial zones/centers in the Philippines, there is strong demand for energy resources integration. The two countries should promote closer cooperation with respect to technology promotion in industrial park resources integration and the industrial circular economy, to create an ideal environment for the development of industry in industrial parks and sustainable growth.

b. Taiwan and Philippine industrial zone development cooperation: The Philippines still has considerable room for growth in terms of industrial infrastructure, industry chain improvements, productivity and technical capability; Taiwan has abundant experience in establishing and operating industrial zones, therefore if supported by related investment incentives from the Philippines government, joint development of industrial zones should be possible. That would encourage more Taiwan enterprises to set up factories and invest in such industrial zones, boosting business and employment opportunities.

(7) Medical equipment, health and medicine

a. Promoting Taiwan-Philippines healthcare talent training cooperation, linking the bilateral healthcare industries: In future, Taiwan and the Philippines should seek to work more closely with respect to healthcare industry, particularly in the area of long-term talent training and exchange, including international health seminars and medical professional clinical training to promote advancement in healthcare technology. In addition, further training should be given to workers from the Philippines who have experience of medical care or homecare work in Taiwan, to facilitate better linkage and cooperation between the medical service industries in the two countries, ensuring citizens benefit from more comprehensive healthcare systems.

b. Enhancing Taiwan-Philippines medical equipment industry cooperation, assisting with the upgrading of the Philippine medical equipment industry: Taiwan's medical equipment industry has a solid foundation and a comprehensive industry chain. In

addition, product quality, price competitiveness and other advantages ensure its main products are exported to the US, Japan, the EU and other advanced countries. Currently, the Philippines medical equipment industry is unable to meet domestic demand and the country is highly reliant on imports, which account for up to 90% of some products. In light of the relatively limited investment in the Philippines by Taiwan medical equipment companies, there remains much room for related exchange and cooperation to assist with the upgrading of the industry and other issues.

(8) Energy industry

a. Strengthening energy industry technical cooperation and exchange between Taiwan and the Philippines in such areas as solar and geothermal energy: With rapid economic growth in the Philippines, demand for energy continues to rise and in order to realize carbon emissions targets the country has encouraged foreign investment in the energy sector, prioritizing renewable and green energy. In Taiwan, the solar energy industry has developed over many years and is highly efficient, flexible and low cost. In 2016, the two countries signed the “Taiwan-Philippines Geothermal Energy Memorandum of Understanding,” in the hope of strengthening technical cooperation in the field of geothermal energy. As such, Taiwan and the Philippines should also be able to cooperate on renewable energy, particularly solar and geothermal energy, expand bilateral technology exchange and establish cooperative partnerships. This would boost the development of both renewable energy industries and facilitate the realization of energy policy objectives in both countries.

b. Promoting cooperation between energy saving industries in Taiwan and the Philippines: The promotion of energy conservation work is one of the main tasks of energy policy around the world. Energy service companies (ESCOs) are part of an industry closely involved in energy conservation, but the development of such enterprises is still in its infancy in the Philippines. In contrast, Taiwan’s ESCOs have mature energy saving equipment, hardware and software systems, and measurement verification industry technology. They also have practical experience and numerous successes involving the public sector, manufacturing industry and the service sector. In addition, some of Taiwan’s ESCO operators are already able to establish energy conservation related industries in the Philippines and meet local demand for such services. In future the two countries should enhance ESCO energy conservation industry cooperation as that will help the Philippines realize its energy saving

objectives. It will also ensure that local ESCO industry learns from the experience of Taiwan's ESCO sector, thereby promoting bilateral industry exchange and growth.

Appendix

1. Introduction to World Taiwanese Chambers of Commerce

As the amount of investment undertaken by Taiwan enterprises overseas has increased, Taiwan Chambers of Commerce have been established around the world. In order to bring together the strength of those disparate associations and improve the services available to Taiwan companies, the World Taiwanese Chambers of Commerce (WTCC) was officially established in September 1994. The WTCC embraced a five point mission statement in its efforts to serve its members: (1) To encourage Taiwan enterprises around the world to work together to develop business and expand international markets; (2) To improve contacts, mutual assistance and friendship between Taiwan enterprises around the world and exchange experience in business administration, academia, science and technology; (3) To provide Taiwan enterprises around the world with business and financial information, thereby enhancing regional business cooperation; (4) To improve the international position of Taiwan enterprises and encourage host countries to protect their rights; (5) To promote global social and cultural exchange to better facilitate mutual understanding and economic development.

The WTCC has about 40,000 members in 187 area chambers of commerce, operating in 75 countries, and six continent-based branches representing Asia, Europe, North America, Central and South America, Oceania and Africa, a scale of operations that make it a private organization with global impact.²³⁶

The WTCC has one president who serves a single one-year term in office and the directors of the continental branches serve as deputy presidents. In accordance with the organization's charter the president can appoint a volunteer secretary-general, and financial officer to assist with WTCC business. In addition, there are 17 committees for Election Affairs, Public Fund Management, Mainland China Taiwan Enterprise Work, Women's Affairs, Taiwan-based Activities, Taiwan Enterprise Elite Training, Business Opportunity Promotion, Discipline, International Affairs, Public Relations, Projects, Education and Culture, Overseas Taiwan Enterprises Panshi Award, Expertise, Network Information, Publications, Rules and Regulations etc. In recent years, the WTCC has guided the continental branch organizations in establishing

²³⁶ For the latest information, visit the World Taiwanese Chambers of Commerce website: <http://www.wtcc.org.tw/>

youth chambers of commerce, to encourage a younger generation of Taiwan enterprises to join. In October 2010, the World Taiwanese Chambers of Commerce Junior Chapter was established in Taipei to promote the legacy and sustainable development of the WTCC.

2. Introduction to Asia Taiwanese Chambers of Commerce

In the late 1980s, Taiwan enterprises began to invest more in Southeast Asia and from 1990-1992, Taiwan Chambers of Commerce were established in several countries but there was little interaction between them and they remained unconnected. As a result, the founding president of the Taiwan Chamber of Commerce in Thailand Mr. Yu Sheng-ching met with the heads of the chambers of commerce in the Philippines, Malaysia, Singapore, Indonesia etc. and proposed the establishment of an Asia Taiwanese Chambers of Commerce (ATCC).

In July 1993, the ATCC was established in Taipei and outlined a five point mission statement: (1) To encourage Taiwan enterprises in Asia to cooperate in the development of business and expansion of international markets; (2) To improve contacts, mutual assistance and friendship between Taiwan enterprises in Asia and exchange experience in business administration, academia, science and technology; (3) To provide Taiwan enterprises in Asia with various business and financial information, thereby strengthening regional business cooperation; (4) To improve the international position of Taiwan enterprises and encourage host countries to protect their rights; (5) To promote social and cultural exchange between Asian countries to better facilitate mutual understanding and economic development.

The ATCC has more than 27,000 enterprise members in 12 official branches in Thailand, Philippines, Malaysia, Singapore, Indonesia, Japan, Hong Kong, Macau, Vietnam, Laos, Cambodia and Brunei, with six observer countries and areas, including Bangladesh, India, Myanmar, East Timor, Jeddah and Guam. A South Korean branch is also about to be established. The organization has one president with the directors of its national branches serving as deputy presidents, a standing council, business council and board of supervisors. In addition, there are 14 committees for Election Affairs, Public Affairs, Industry, Corporate Charter, Publishing, Education and Culture, Financial Affairs, Mainland China Taiwan Enterprises, ATCC Affairs Promotion, Discipline, Young Entrepreneurs, Crisis Management, Long-term

Development and ASEAN Affairs Development. There is also an office responsible for communicating with members and consultants. The ATCC falls under the World Taiwanese Chambers of Commerce (WTCC) and is as an excellent platform for member countries to conduct exchanges, develop business opportunities and promote investment. This is particularly true at a time when the members of ASEAN are developing rapidly and as the ATCC seeks to combine resources from different sources to provide its members with even better services.

3. Introduction to Taiwan Association INC. Philippines (TAP)

The Chinese Association Philippines, predecessor to the Taiwan Association INC. Philippines (TAP), was established on October 25, 1980 by Taiwanese business people with investments in the Philippines and other interested parties. In 1999, as the number of Taiwan companies investing in the Philippines grew and in order to better promote interaction between local and Taiwan businesspeople and assist Taiwan entrepreneurs handle matters relating to investment, residency and widen the service offered, the Chinese Association Philippines was renamed TAP, the name used to this day.

Today, TAP has almost 1,000 individual members and more than 250 corporate members. It is headed by a president, who is elected by directors and supervisors, serving a maximum of two two-year terms. The president appoints a secretary-general and a deputy secretary-general. TAP also has a Secretariat that is in charge of sending and receiving documents, accounting investigation, statistics etc. It also contacts and coordinates with every committee as well as handling matters tasked by the president. Currently, TAP's board of directors have established 13 functional committees, including the organization, foreign affairs, business opportunities, financial affairs, promotion, cultural and education, entertainment, mediation, women and children, sports, youth, member development and crisis management committees.

For many years, under the leadership of successive presidents and vice presidents, directors, supervisors and members, TAP has actively sought to connect and serve members. It has also been involved in various large-scale expos, for example it helped TAITRA organize Taiwan Expo 2017 in the Philippines, an event that attracted 37,000 visitors and generated US\$97 million in transactions. In addition, together with the overseas compatriot community in the Philippines, TAP has made

every effort to engage in social welfare and disaster relief work. For example, over the years it has donated a total 497,500kg of rice to disaster-affected people, 2,041 wheelchairs to needy Filipinos and, in cooperation with the Noordhoff Craniofacial Foundation, provided 18 free cleft palate operations. For many years, TAP has also worked hard to increase horizontal contacts with major overseas compatriot groups in the Philippines enhancing joint promotion of overseas community service work. This has facilitated closer interaction between Taiwanese who live in the Philippines and overseas community groups, by promoting unity and mutual assistance. It has also encouraged mutual help and cooperation between scholars, farmers, workers and businesspeople, as they pursue common interests and wellbeing, advancing the Taiwan-Philippines friendship in line with TAP's mission statement and objectives.

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出版者：世界台灣商會聯合總會

菲律賓台灣商會聯合總會

亞洲台灣商會聯合總會

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出版日期：2019 年 1 月 4 日

ISBN:978-986-97435-2-5

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