

Industrial Policy at a Crossroads

**Navigating Challenges in Philippine Trade
and Investment**

12 September 2024

**Encarnacion Hall, UP School of Economics,
University of the Philippines Diliman, Quezon City**

Prepared by Queenie Angel Celestino



UNIVERSITY OF THE PHILIPPINES
CENTER FOR
INTEGRATIVE AND
DEVELOPMENT
STUDIES



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Held on 12 September 2024 at the UP School of Economics and organized by the Program on Escaping the Middle-Income Trap: Chains-for-Change (EMIT C4C) of UP CIDS, the event featured insights from Dr. Adrian R. Mendoza and Dr. Annette O. Balaoing-Pelkmans, who highlighted the urgent need for coherent, well-structured industrial policies to strengthen domestic industries and global competitiveness.

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About the Proceedings

This is a documentation of the Anchor Themes workshop on Philippine industrial policy, organized by the Escaping the Middle-Income Trap: Chains-for-Change (EMIT C4C) Program of the UP Center for Integrative and Development Studies (UP CIDS) on 12 September 2024 at the UP School of Economics (UPSE).

The Anchor Themes workshop was structured into two segments. In the first segment, Adrian R. Mendoza, Ph.D. of UPSE presented his working paper on the role of industrial policy in strengthening trade and attracting investment in the Philippine context. He presented a framework for diagnosing Philippine trade competitiveness, which he used to pinpoint the underlying issues that hampered the Philippines' participation in the Global Value Chain (GVC). He ended the presentation with policy questions addressing the identified constraints to Philippine trade and investment, which were carried over to the second segment.

In the second segment, Annette O. Balaoing-Pelkmans, Ph.D. led a workshop on the Philippine industrial policy framework, where she discussed the importance of industrial policy to developing economies. She also presented the various types of industrial policy combinations, as well as the parameters for creating and implementing well-structured industrial policies, specifically in the Philippine context. Overall, the primary objectives of the event were to:

- Expand the knowledge of the audience on industrial policymaking;
- Promote awareness about the critical constraints to Philippine trade and investment and the underlying issues on domestic production;
- Highlight the role of industrial policy, and hence, government intervention, in alleviating the deficiencies in domestic manufacturing; and
- Provide a foundation for the creation and implementation of policies that target both key domestic markets and the economy as a whole.

The proceedings were prepared by Queenie Angel Celestino of the EMIT C4C program.

Keynote Address

Diagnosing the Critical Constraints to Trade and Investment in the Philippines: What’s the Role of Policy?

Adrian R. Mendoza, PhD

UP School of Economics

In his working paper, Dr. Adrian R. Mendoza¹ explored the current state of trade competitiveness in the Philippines by examining its export market and the constraints that continue to impede growth in terms of trade and investment. He began his presentation by discussing the framework he used for studying Philippine trade competitiveness, which was adopted from the Trade Competitiveness Diagnostic (TCD) toolkit by Reis and Farole (2012). The framework divides the key variables affecting export growth into four margins:

Table 1. Philippine Trade Competitiveness Framework

| 1. INTENSIVE MARGIN | 2. EXTENSIVE MARGIN |
|---|--|
| a. Value of exports and its share in the total GDP b. Value of exports per commodity group c. Global value chain (GVC) trade d. Number of products with revealed comparative advantage (RCA) | a. Export diversification index b. Number of products c. Number of markets |
| 3. QUALITY MARGIN | 4. SUSTAINABILITY MARGIN |
| a. Export unit value index b. Export sophistication index c. Product space | a. Net birth of export products b. Entry, exit, and survival of firms |

¹ Dr. Adrian R. Mendoza is currently an assistant professor and the Director for Undergraduate Studies at UPSE, where he earned his Professional Doctorate degree in Economics in 2019. His research interests include international economics, industrial economics, innovation and technological change, and applied econometrics.

Dr. Mendoza proceeded to present his diagnostic findings on the export market in the Philippines, beginning with an analysis of the weaknesses of the Philippine trade competitiveness based on data from 1990 to 2020. Following the TCD framework, he began exploring the weaknesses that lie on the intensive margin:

1. *Small export sector*

One key finding about the Philippine trade sector is that it remains constrained relative to its ASEAN neighbors, based on 2020 data² (Figure 1). The same finding could be observed from the trade-to-GDP ratio, which reveals that the Philippines ranks tenth among the eleven ASEAN countries in terms of the size of its trade sector.

2. *Declining share of exports in the GDP*

In addition, the trend in merchandise trade in real value terms from 1990 to 2020 reveals a growing gap between imports and exports, particularly after the year 2000 (Figure 2). Dr. Mendoza explained:

During the same period, imports have consistently increased and surpassed exports, which led to the exponential widening of the trade deficit. In other words, exports are higher than imports. The sharp increase in imports may partly reflect the growing inability of the domestic supply base to cater to the needs of domestic producers and satisfy consumer demand.

3. *Erratic growth pattern of major export items*

While the export sectors of neighboring countries like Vietnam and Thailand have consistently grown over the past two decades, the Philippine export sector continues to shrink. According to Dr. Mendoza, this could be traced back to the weak performance and erratic, if not declining, growth of the domestic industries behind our major export items—such as electronic products, machinery, and transport equipment, as well as other historically significant export items such as garments (Figure 3). However, he pointed out that some export items, such as coconut products, fruits, and vegetables, have been relatively on the rise since the early 2000s.

2 Graphs are attached in the appendix.

4. *Weak GVC linkages*

As expected, the Philippine GVC participation is strongest in the manufacturing sector, specifically in the aforementioned export items. Data revealed that the GVC trade growth accelerated in the early 2000s, driven by an increase in domestic value-added in the exports of other countries (Figure 4). However, from 2011 to 2018, the Philippines' GVC participation rate began to decline, accompanied by a slowdown in domestic value added after the Global Financial Crisis from 2007 to 2008.

5. *Limited number of products with comparative advantage*

Among the ASEAN-6³ economies, the Philippines has the fewest number of export items at the HS4 level⁴ with a revealed comparative advantage (Figure 5). According to Dr. Mendoza's interpretation of RCA, there are more products that other countries can produce better than the Philippines. The Philippine export products that have high RCAs come from traditional, agri-based sectors. However, improving trade competitiveness entails having high RCAs in export products from more modern, high-technology sectors. Unfortunately, as mentioned earlier, the domestic production of machinery, electronics, and electrical equipment has been weakening over the past two decades.

On the extensive margin, Dr. Mendoza mentioned the lack of product and market diversification as main weaknesses of Philippine exports.

6. *Lack of product and market diversification*

The Philippine export basket is the smallest and least diversified among the ASEAN-6 countries (UNCTAD) (Figures 6, 7, and 8). The number of export products manufactured domestically is relatively low compared to the regional average in Southeast Asia. There are also only a few foreign markets that receive a bulk of Philippine exports.⁵

3 The "ASEAN-6" countries include Thailand, Indonesia, Vietnam, Malaysia, Singapore, and the Philippines.

4 The Harmonized System of Codes (HS code) is a classification system used globally to identify and organize export commodities based on product description. It is divided into three levels: HS2, HS4, and HS6. The higher the level, the more precise and detailed the classification becomes.

5 The top 4 importers of Philippine products are the United States, Japan, China, and Hong Kong (WITS World Bank).

Dr. Mendoza referenced a popular principle in finance: “*Do not put all your eggs in one basket.*” He emphasized that product and market diversification are of great help in mitigating the effects of sectoral and industrial supply shocks on the overall export growth and trade performance. Having a relatively less diversified export basket and markets, the Philippines is at greater risk should crises in these areas occur.

It is important to note that the Philippine export basket did slightly expand over the last twenty years, though it remains the least diversified among its ASEAN neighbors. However, Dr. Mendoza emphasized that the augmentation of existing products in already-established markets had a larger impact on export growth than the emergence of new products and markets. In this regard, he noted that:

[The] limited contribution of new products and new markets is actually an indication of weak innovation in the domestic manufacturing sector.

This remark transitioned the discussion toward the sources of vulnerabilities of the Philippine export economy on the quality margin.

7. *Lack of innovation*

The sluggish trend in the unit value of Philippine exports over the last two decades reflects the lack of innovation in domestic production (Figure 9). Relative to its ASEAN peers, the Philippines has been producing commodities of subpar quality, with little to no sign of upgrading. Nonetheless, Dr. Mendoza noted that for some indicators, such as the export sophistication index (EXPY)⁶, the Philippines is observed to be at par with its neighbors despite the recessing quality of its exports. According to him, it would be interesting to further explore the contributing factors behind this contrast in findings.

8. *Limited presence in the product space*

6 In evaluating a country’s economic status, the World Bank (WB) uses an outcome-based measure called PRODY, where a commodity is considered “sophisticated” if it is produced by “rich” or developed countries. Based on this, the World Bank introduced a new measure of technological sophistication called export sophistication index (EXPY), which is calculated by taking the sum of the PRODY values of all products exported by a particular country.

In the product space—or what Dr. Mendoza described, “*the universe of all export products in the world*”—Philippine exports are sparsely populated (Figure 10). This indicates the country’s limited ability to produce and trade a wide range of commodities. As an example, Dr. Mendoza discussed the garments industry, which was severely affected by the trade liberalization in the 1990s. This reform caused a vast decline in the domestic production of garment products from 1996 to 2021.

Tackling the sustainability margin of the framework, Dr. Mendoza pointed out that the weaknesses of Philippine exports stemmed from the modest net birth of new products in domestic sectors, as well as the eroding export base.

9. *Modest net birth of products*

As previously mentioned, the emergence of new products across all domestic sectors remains low in the last two decades (Figure 11). In addition to this, the low survival rate of Philippine products, both in domestic and global markets, is induced by the inadequate technological innovation of domestic manufacturing industries.

10. *Eroding export base*

Lastly, Dr. Mendoza discussed the decline in the number of entrants to exporting and the simultaneous rise in the number of domestic producers permanently exiting the market from 2000 to 2012 (Balaoing, 2017). This, according to him, is indicative of a shrinking domestic production base, or the increasing inability of local producers to enter and survive foreign markets.

The trade outcomes analysis is meant to explore the observed trends across the four margins of trade in the Philippine context. This is followed by the second part of the diagnostic exercise, which entails investigating the underlying issues behind the observed trends in Philippine trade. Dr. Mendoza classified these issues into three categories: (1) Market Access, (2) Supply-side Factors, and (3) Trade Promotion Infrastructure.

In terms of market access issues, findings reveal that nontariff barriers have a larger impact on Philippine trade competitiveness than tariff barriers. If one were to look into protectionist policies, as Dr. Mendoza suggested, one must

veer away from studying tariffs given their trivial effect on trade. Instead, nontariff barriers must be studied as, in the case of the Philippines, these have more significant influence on production and export trends.

Additionally, Dr. Mendoza associated nontariff barriers with supply-side factors, particularly trade facilitation. This involved processes domestic exporters have to undergo prior to trading and exportation. The efficiency of these processes is captured by World Bank's trade facilitation index, in which the Philippines lags behind its ASEAN neighbors. The same is true for the logistics performance index, indicating that the country falls short in terms of customs procedures, trade infrastructure, and logistics quality and competence. Dr. Mendoza added:

As we all know, logistics support is an important determinant of the growth of domestic supply capacity. In fact, some studies show that internal transport cost has a significant negative impact on export performance.

Another supply-side issue faced by the Philippine export market is the reduced inflows of foreign direct investment (FDI) relative to its neighbors. FDI inflows have been associated with export performance, as GVCs have become increasingly more interconnected with production. Dr. Mendoza mentioned that a study by Oxford Economics found the Philippines to be one of the least attractive foreign investment destinations in Southeast Asia, along with Indonesia, which also scored poorly in terms of infrastructure indices. The low FDI inflows are attributable to the relatively poor performance of the Philippines in terms of indicators of the factors attracting foreign investors such as internet speed, institutional quality⁷, human and technological capital⁸, competitiveness of domestic industries⁹, and domestic credit access

7 Institutional quality includes indices on corruption perception, rule of law, ease of establishing foreign business, and strength of investor protection.

8 Human and technological capital encompass labor productivity, expected years of schooling, PISA (Programme for International Student Assessment) scores in reading, math, and science, government spending on research and development, and an index on global innovation.

9 The logistics performance index of the Philippines remains relatively low, while the residential electricity prices is the highest among its neighbors (based on 2019 data).

to the private sector. Incidentally, in 2020, the Philippines ranked highest in Asia in terms of overall FDI restrictiveness¹⁰.

Moreover, Dr. Mendoza emphasized the need for support in the domestic manufacturing sector in the Philippines to diversify its export basket and produce more sophisticated commodities. This is to rise through the economic complexity rankings, which entails generating substantial improvements in domestic production to attract foreign demand.

The final category of the underlying issues affecting the Philippine trade trends is related to trade promotion infrastructure. According to him, the trade and investment institutions in the Philippines are highly fragmented. There are too many agencies in charge of planning and implementation, which generates difficulties in terms of collaboration and cohesiveness of plans and actions related to the promotion of trade and investment.

According to Dr. Mendoza, the findings of the diagnostic exercise suggested that the state of the Philippine trade economy can be summarized by quoting Williamson and de Dios (2014):

The Philippines' deviant manufacturing behavior after the 1960s and its path towards premature deindustrialization was created by "perfect storm" of protectionism, political instability, missed opportunity during the surge of FDIs in the 1980s, overreliance on foreign capital, and two financial crises.

The last part of Dr. Mendoza's presentation discussed possible areas of intervention or solutions to the identified trade issues, following the TCD framework. These involved the (1) alignment of macro incentives, (2) improvement of backbone services and reduction of transaction costs, and (3) implementation of proactive policies for overcoming government and market failures. With this, Dr. Mendoza posed some policy questions he considered

10 The FDI restrictiveness index is a consolidation of four types of restrictions: (1) foreign equity restrictions, (2) discriminatory foreign investment screening and approval requirements, (3) restrictions on the employment of foreigners and other key personnel, and (4) other operational restrictions.

worth pursuing for policymakers and researchers in the areas of trade and competition.

1. Why is the Philippine trade sector still lagging despite the liberalized environment and extensive policy support? Is it due to bad targeting, outdated strategy, or inefficient policy coordination?
2. What are the institutional and micro-level factors that contributed to the stagnating Philippine trade sector? What is the potential role of policy in reversing the downward trend in the Philippines' trade-to-GDP ratio?
3. What particular aspect of trade facilitation needs to be improved?
4. What policy interventions are needed to push for high-quality export diversification? Which sectors should be targeted? How can the government stimulate economic complexity to broaden the Philippines' presence in the product space?
5. What are the most important interventions to improve the intensive margins of Philippine exports? What constraints limit the upscaling of the domestic industrial base? What are the roles of logistics and financial access? Does the nature of GVC participation exert pressure on the growth of trade volume?
6. How do the size and quality of the domestic industrial base affect the margins of trade? How can the number of export products be pushed to levels at par with the region?
7. What are the critical binding constraints that must be given priority intervention? What combination of policy interventions will work best to remove these constraints? Is there a pecking order or correct sequence in terms of interventions and sectors? Where are the implementation bottlenecks? Is there a more efficient regulatory infrastructure? What is the optimal role of LGUs?
8. What are the roles of GVCs, finance, and innovation in modern industrial policy?

9. Should regional benchmarking figure more prominently in domestic industrial strategies?
10. How can the number of FDIs be increased? What are the most important issues that must be addressed to attract more good-quality FDIs? What is working and what's not in the current investment promotion strategy?
11. What policy lessons can be learned from exporters who exited and survived the market? What factors affected their divergent fates in the export market? What kind of interventions will increase birth and survival rates? What are the critical binding constraints to survival?
12. Is there a more appropriate model of institutional infrastructure to coordinate the implementation of trade and investment policies?

Ending his presentation, Dr. Mendoza noted that there is a lot of work that needs to be done in the area of Philippine industrial policymaking, especially if we aim to climb up the global value chain. Included in his final slide was a quotation taken from his and Dr. Annette Balaoing-Pelkmans' paper in 2021, which read:

Weak institutional coordination leads to the duplication of programs... There is a lack of systematic monitoring and evaluation of most programs that would allow policymakers to strengthen those that work, and drop those that don't.

Open Forum

A participant in the audience asked about issues concerning trade facilitation and institutional coordination. Specifically, the question was, “Can you cite instances where the duplication of programs occurred in the Philippines?” In response, Dr. Mendoza referred to institutional agencies as an example, particularly those in charge of trade and investment, such as the Philippine Economic Zone Authority (PEZA), the Board of Investments (BOI), and the Department of Finance (DOF). According to him, these agencies often differ in their principles, objectives, and trade policies. In a hypothetical scenario, incentive packages offered to an aspiring exporter or manufacturing firm may vary across agencies. The duplications and inconsistencies in policies and principles may also drive foreign investors away. Furthermore, Dr. Mendoza stressed the need for more coherent industrial policies, backed by extensive research on the various industries within the Philippine manufacturing sector.

Workshop

Industrial Policy Framework

Annette O. Balaoing-Pelkmans, PhD

UP School of Economics

Dr. Annette O. Balaoing-Pelkmans¹¹ began the workshop by discussing the importance of industrial policy in economic development, specifically the role of government intervention in the market. She painted a picture of an orchestra comprised of efficient and capable musicians, asking the audience to think of it as a market of consumers and producers. As the orchestra expands, the need for a conductor arises to ensure smooth collaboration among the members and maintain the coherence of the music being produced. She introduced a new scenario in which gaps and difficulties emerge, requiring members to fill vacant roles. Without proper supervision and division of labor, the orchestra becomes inefficient. Dr. Balaoing-Pelkmans explained that, like in an orchestra, the bigger the market, the greater the incentives for its members to specialize. She added, *“Specialization and division of labor are triggered by the size of the market.”*

In order for members to specialize and divide the labor on their own, Dr. Balaoing-Pelkmans stressed the need for institutions that oversee these processes and address any market failures that may emerge. This, according to her, is the essence of industrial policy. Government intervention is particularly crucial for developing economies with relatively small basic industries. Aside from strategizing on production to provide enough for the population, the

11 Dr. Annette O. Balaoing-Pelkmans is a professorial fellow at the UP School of Economics and a visiting professor at Erasmus University Rotterdam, where she earned her Professional Doctorate degree in Economics. She is also the convenor of the Escaping the Middle-Income Trap: Chains for Change (EMIT C4C) Program of the UP CIDS. Her research interests include international trade, regional integration, export dynamics, global value chains, and development economics (middle-income country trap).

role of the government is to mitigate the effects of market failures, such as fragmentation, marginalization, and environmental decay, among others.

Nevertheless, it is also important to recognize the growing distrust in industrial policy, especially when used by inept leaders. Some tendencies include discretion¹², policy capture¹³, and lobbying. In addition, industrial policy is perceived to be prone to errors and waste given the asymmetric information between the public and private sectors. Oftentimes, policymakers fail to target the right sectors because of the insufficiency of market information, leading to wrong and wasteful decisions. According to Dr. Balaoing-Pelkmans, all of these are signs of governance failure, which involves corruption, incompetence, and lack of confidence in the country's administrators.

Dr. Balaoing-Pelkmans introduced four perspectives on government intervention, focusing on the various types of intervention and the circumstances that demand it.

1. *The government is incapable of delivering proper intervention, so it is better to simply let the market forces drive the economy.*

Dr. Balaoing-Pelkmans aligned this perspective with Krugman's belief that it is best to leave the market alone, regardless of whether if it is deemed optimal to let the government intervene. This is because government failures, as she noted, are much worse than market failures.

2. *The government is capable of delivering proper intervention but the vested interests are too strong.*

In this perspective, the government has the resources and knows how to use them to intervene in the market. However, there are forces too involved in the policymaking process. The policies implemented prioritize private and political affairs over the public interest.

12 Granting the government too much discretion gives it power over all entities, which may do more harm than good in the wrong hands.

13 The Organization for Economic Cooperation and Development (OECD, 2017) defines policy capture as the instance "where public decisions over policies are consistently or repeatedly directed away from the public interest towards a specific interest."

3. *The government can and should deliver proper intervention.*

The government is capable of intervening and the need for it arises, which is common in larger, more developed countries, where the aggregate demand for commodities is higher. In this case, the government is forced to create policies that ensure that resources are properly allocated among the public.

4. *The government can and should deliver proper intervention but only through certain types of policies.*

Horizontal policies are those that target the whole economy, as opposed to vertical policies that target specific sectors. In particular, vertical policies are usually policies that the International Monetary Fund (IMF) and World Bank recommend for developing countries with limited resources.

Additionally, Dr. Balaoing-Pelkmans highlighted the differences in the needs and priorities of developed and developing countries when creating industrial policies. Developed countries, such as the US and EU, are focused on strategizing for geopolitical competition, defending existing strategic sectors, stabilizing employment, and adapting to climate change. In contrast, developing countries prioritize catching up with global innovation, developing new industries, diversifying their commodity baskets, and generating employment.

To further establish the role of industrial policy in economic development, Dr. Balaoing-Pelkmans circled back to one of the factors hindering the trade competitiveness of the Philippines, as discussed earlier by Dr. Mendoza. The lack of product diversification and complexity in the Philippine export basket, according to her, can be addressed by a well-constructed industrial policy. For example, producing more complex products entails a more comprehensive division of labor, which helps generate more jobs for the people. Additionally, complex products have a higher value, which helps the domestic economy climb up the global value chain. Dr. Balaoing-Pelkmans emphasized that industrial policies guide domestic economies in terms of how they allocate their resources, prioritizing the sectors that contribute greatly to raising global competitiveness.

Moving forward, Dr. Balaoing-Pelkmans revisited the economic diversification strategies involving horizontal and vertical industrial policies. As previously mentioned, horizontal policies are neutral, broad-based strategies that aim to improve the conditions that support all sectors. Meanwhile, vertical policies are selective, targeted approaches focused on providing support for specific sectors. Dr. Balaoing-Pelkmans also added that horizontal policies are meant to “level the playing field,” but the benefits may be enjoyed more by already established firms. On the other hand, vertical policies may be more beneficial to start-ups or new entrants. These also trigger industrial collaboration among firms and sectors. It is important to note that a well-structured industrial policy framework is a combination of both vertical and horizontal policies.

Table 2. Industrial Policy Approaches

| VERTICAL POLICY | HORIZONTAL POLICY | | |
|-----------------|-------------------|--|--|
| | | LOW | HIGH |
| | HIGH | I. Interventionist / Protectionist without enabling conditions | II. Growth-oriented / High Impact |
| | LOW | III. Laissez-Faire with state capacity gap | IV. Laissez-Faire with enabling conditions |

Additionally, Dr. Balaoing-Pelkmans identified four industrial policy approaches that comprise varying combinations of horizontal and vertical policies. In the Philippine context, protectionist policies without enabling conditions (Quadrant I) were especially prevalent in the 1960s to 1980s, which unfortunately paved the way for the emergence of crony capitalism. After the 1986 People Power Revolution and until the early 1990s, the country’s administrators implemented economic reforms aimed at dismantling monopolies by liberalizing the economy (Quadrant III). Unfortunately, this caused state capacity gaps, as revealed by the inability of some firms to enter and survive in the market without government assistance.

Investing highly in both vertical and horizontal policies (Quadrant II) could be costly for developing countries with limited resources. In the Philippines, the government found a way to implement such in specific areas called export processing zones (EPZ). These industrial zones encourage domestic manufacturers to produce export commodities with little to no restrictions

(Remedio and International Labour Organization, 1996). Currently, there are four EPZs in the Philippines managed by the Philippine Economic Zone Authority (PEZA): (1) the Bataan Export Processing Zone, (2) Mactan Export Processing Zone, (3) Baguio City Export Processing Zone, and (4) Cavite Export Processing Zone.

As a take-home activity, Dr. Balaoing-Pelkmans asked the audience to briefly research on the *Tatak Pinoy* (Proudly Filipino) Act—the most recent effort of the government to strengthen domestic industrialization and improve global competitiveness. Furthermore, she added that it was interesting to consider whether this was enough to encourage domestic manufacturing firms to enter the export market.

Closing Remarks

Ending the event, Dr. Balaoing-Pelkmans stressed the importance of “going back to basics” when formulating industrial policies. Instead of implementing resource-heavy schemes, such as transfers, subsidies, and tax rate reduction, policymakers should shift the focus towards enabling conditions for domestic manufacturing industries. One area of target could be the rising cost of production in the country, driven by high electricity and transport costs. Furthermore, Dr. Balaoing-Pelkmans emphasized that the problems of the Philippine manufacturing sector do not revolve merely around the lack of resources or ideas. Instead, issues stem from the lack of proper coordination between the public and private sectors and among the various government agencies. Aside from competence and a genuine vision, proper coordination among institutions—a crucial element of good governance—determines the future of the economy. “If we do not export commodities, we export people,” she concluded.

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APPENDIX

Appendix A: Graphs

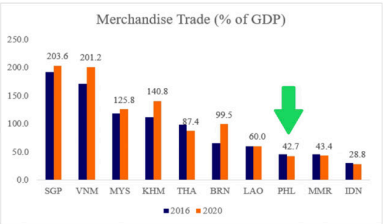
The graphs were taken from the slides of Dr. Adrian R. Mendoza.

Figure 1

PHL has a relatively small trade sector compared to ASEAN peers



Source: WTO



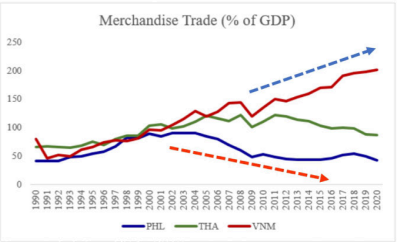
Source: World Bank WDI

Figure 2

PHL merchandise exports generally flat after reaching peak year in 2000



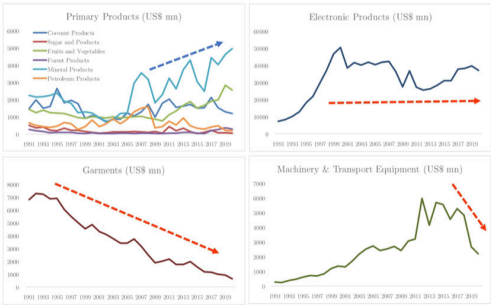
Source of data: PSA, 2018 prices



Source: World Bank WDI

Figure 3

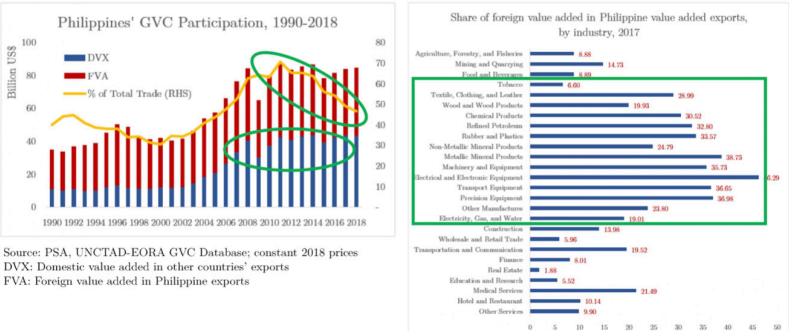
Major PHL export items haven't sustained robust growth



Source of data: PSA and CEIC, constant 2018 prices

Figure 4

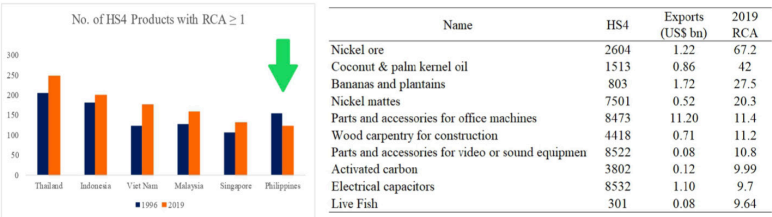
PHL GVC trade accelerated in early 2000s but slowed down over the past decade; participation mostly in “backward” GVC trade



Source: PSA, UNCTAD-EORA GVC Database; constant 2018 prices
DVA: Domestic value added in other countries' exports
FVA: Foreign value added in Philippine exports

Figure 5

PHL has relatively small set of products with revealed comparative advantage



Source: Harvard Atlas of Economic Complexity

Figure 6

Philippine export basket and markets lack diversification

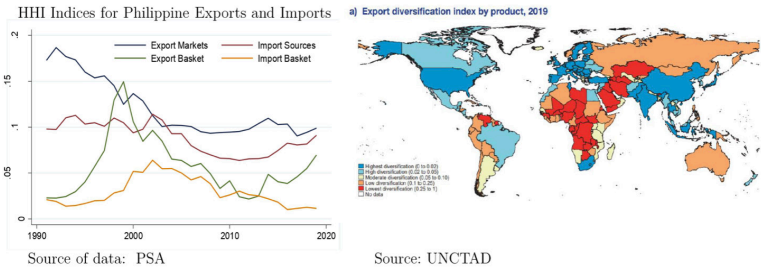


Figure 7

Philippine export basket and markets lack diversification

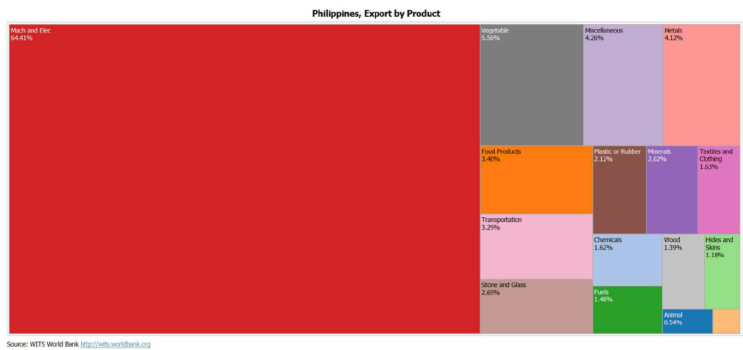


Figure 8

Philippine export basket and markets lack diversification

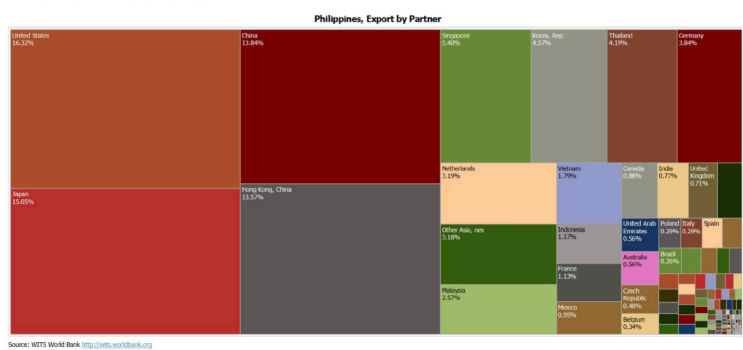
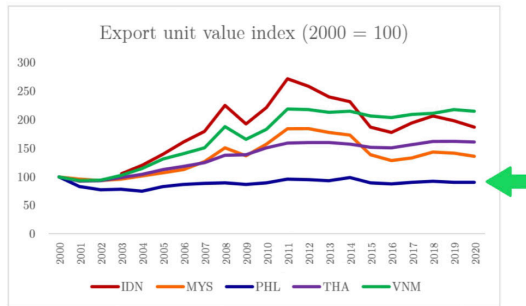


Figure 9

Quality of PHL exports shows little sign of upgrading



Source: World Bank WDI

Figure 10

Number of new entrants to exporting is declining while permanent exit is increasing

Rates of new entry,
survival, one-time entry,
permanent exit and
resilience of Philippine
exporters, 1991-2012
(Balaoing, 2017)

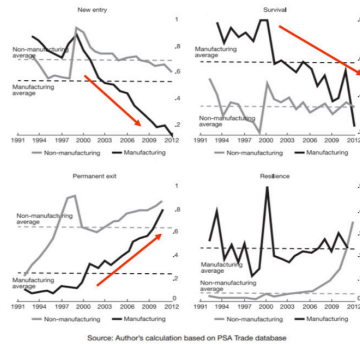
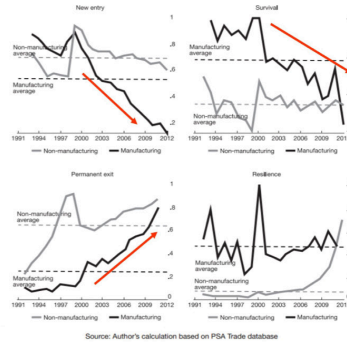


Figure 11

Number of new entrants to exporting is declining while permanent exit is increasing

Rates of new entry,
survival, one-time entry,
permanent exit and
resilience of Philippine
exporters, 1991-2012
(Balaoing, 2017)



Appendix B: Documentation



- Dr. Annette O. Balaoing-Pelkmans delivering her response to Dr. Adrian R. Mendoza, who presented his keynote speech through Zoom.



- The workshop participants were undergraduate and graduate students from the UP School of Economics.

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Established in 1985 by University of the Philippines (UP) President Edgardo J. Angara, the UP Center for Integrative and Development Studies (UP CIDS) is the policy research unit of the University that connects disciplines and scholars across the several units of the UP System. It is mandated to encourage collaborative and rigorous research addressing issues of national significance by supporting scholars and securing funding, enabling them to produce outputs and recommendations for public policy.

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