**PROCEEDINGS 2026-24**
Program on Political Economy

# The First Roundtable Discussion (RTD 1) on Progressive Industrial Policy (PIP)

05 November 2025

*Jedidah Dawal and Allan Benedict C. Solacito*

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UNIVERSITY OF THE PHILIPPINES
CENTER FOR INTEGRATIVE AND DEVELOPMENT STUDIES

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"An Aerial Shot of a City with a Busy Intersection"

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# About the Roundtable Discussion

The Roundtable Discussion (RTD) on “Progressive Industrial Policy (PIP): Which Way Forward?” forms part of a broader research and policy initiative led by the University of the Philippines Center for Integrative and Development Studies (UP CIDS) through its Political Economy Program (PEP) and the Strategic Advisory Group (SAG). This initiative responds to a rapidly shifting global and domestic economic landscape—marked by the retreat of globalization, heightened geopolitical competition, technological disruptions, and persistent structural challenges in Philippine industry, agriculture, and innovation systems.

The RTD is situated within this larger effort to articulate a Progressive Industrial Policy that reinvigorates the role of the state, strengthens innovation ecosystems, and ensures that industrial development advances social and national interests. The framework of PIP, as adopted by the project, integrates four core pillars:

1. Pro-poor orientation – Ensuring that industrialization generates quality jobs, reduces regional and sectoral inequalities, and supports the livelihoods of marginalized and rural communities.

2. Blue/green transformation – Embedding climate resilience, environmental sustainability, and ecological integrity in the country’s development strategy.

3. Innovation-driven growth – Strengthening domestic research and development capabilities, enhancing academe-industry linkages, and fostering technology adoption across firms, Micro, Small, and Medium Enterprises (MSMEs), and key sectors.

4. National security and resilience – Building strategic capacities in critical areas such as food, energy, health, defense, mobility, and digital infrastructure considering emerging geopolitical and economic risks.

These elements respond to the systemic weaknesses identified in the Philippine economy—declining manufacturing, agricultural stagnation, technological gaps, uneven regional growth, and the continued vulnerability of the industrial base to global shocks. Academic assessments and policy analyses underscore that while the country produces significant research outputs, only a fraction translate into scalable industry applications due to underdeveloped linkages between universities, industry, and government agencies.

The RTD aims to address these gaps by convening key actors from industry, the academe, government, finance, labor, and civil society to surface sectoral insights, identify binding constraints, and propose actionable pathways for a future-ready Philippine industrial policy. Guided by the conceptual work produced by the SAG-CIDS/PEP and aligned with the wider national discourse on industrial transformation, the RTD contributes to UP's mandate to provide intellectual leadership, evidence-based policy advice, and a platform for multi-sector collaboration.

Specifically, the RTD seeks to:

- Examine sector-specific challenges and opportunities in agribusiness, electronics and semiconductors, metal manufacturing, creative industries, and related emerging areas;

- Identify policy and regulatory gaps that hinder industrial upgrading, innovation adoption, and competitiveness;

- Capture grounded experiences and insights from MSMEs, industry leaders, development practitioners, and researchers;

- Contribute to the ongoing formulation of a forward-looking, pro-poor, innovation-led, and sustainability-aligned Philippine Industrial Policy; and

- Support the development of a national policy paper and subsequent multi-sectoral summit by surfacing empirical insights that will be consolidated into the final PIP framework.

This RTD serves as both a knowledge-gathering exercise and a consensus-building platform, ensuring that diverse perspectives inform the shaping of a new Industrial Policy for the Philippines. The dialogue aims to elevate the national conversation on industrial transformation and position the University of the Philippines as a central contributor to crafting a coherent, future-proof, and socially responsive development strategy for the country.

The RTD was held at the UP Diliman Board of Regents on November 5, 2025 and it brought together a multidisciplinary group of participants representing the academe, government, civil society, industry, and research institutions. The diversity of attendees reflects the project's commitment to broad-based, evidence-driven dialogue.

*Academic and Research Institutions*

1. **Dr. Rosalie Arcala Hall**
   Executive Director, UP CIDS

2. **Dr. Antoinette Raquiza**
   Convenor, UP CIDS Political Economy Program

3. **Dr. Rene Ofreneo**
   UP School of Labor and Industrial Relations (UP SOLAIR)

4. **Dr. Jose Tabbada**
   Strategic Advisory Group

5. **Dr. Gigi Alfonso**
   Strategic Advisory Group

6. **Dr. Jimmy Veneracion**
   Strategic Advisory Group

7. **UP faculty and research staff from CIDS, PEP, and associated**

# The First Roundtable Discussion (RTD 1) on Progressive Industrial Policy (PIP)

## The Case for a Progressive Industrial Policy (PIP)

"*May kinabukasan ba ang sambayanan?*" is the central question guiding the discussions for a Progressive Industrial Policy. This question compels a sober examination of structural economic trends and the viability of the Philippines' current development path. In a comprehensive presentation led by Dr. Rene E. Ofreneo, he asked to reflect on the country's long-term development trajectory and the need for a coherent, future-oriented industrial strategy.

He began his discussion by tracing the historical stagnation of the Philippines' industrial and agricultural development. The nation's position within Asia has steadily eroded over the past five decades. Dr. Ofreneo recalled that in 1962, the World Bank considered the Philippines second only to Japan in terms of industrial prospects. However, by the 1980s, the first generation of Asian tigers – Hong Kong, Singapore, South Korea, and Taiwan – had outpaced the country. This trend continued until other countries have already overtaken the country – Malaysia and Thailand in the 1990s, China in the 2000s, India and Indonesia in the 2010s; and Vietnam in 2021.

Furthermore, Dr. Ofreneo elaborated on the phenomenon of structural hollowing-out, which affects not only the industrial base but also agriculture and the formal side of the services sector. Drawing from regional assessments, he recalled the 2012 Asian Development Bank warning that the Philippine industrial sector was "hollowing-out," signaling a process of deindustrialization. While the Department of Trade and Industry (DTI) responded with the Manufacturing Resurgence Program, which mobilized 40 industry associations to craft roadmaps and pursue higher value-added integration into regional value chains, these efforts were not sufficient to reverse the broader trend.

A critical element of Dr. Ofreneo's analysis was the scale of informality in the Philippine labor force. Drawing on research by Emily Cabegin, he underscored that an estimated 82–83 percent of workers remain informal, with limited access to social protection and economic security. He argued that this level of informality is symptomatic of deeper structural weaknesses: an underdeveloped industrial sector, fragile agricultural systems, gaps in education and training, and the absence of coordinated state-led development planning.

In this context, Dr. Ofreneo presented Progressive Industrial Policy as a compelling framework for reorienting national development. Drawing from global trends and discussions, including insights from UNIDO, he explained that PIP emphasizes not only economic growth through innovation but also fairness, inclusion, resilience, decarbonization, and alignment with Sustainable Development Goals. For countries in the Global South, PIP also addresses immediate needs such as food security, infrastructure development, and domestic capability-building.

## On Human Capital and the Engineering Gap

What are the viable pathways for moving the Philippine industrial policy forward? What role should universities play in strengthening industry-academe partnerships? These are the questions that Prof. Gigi Alfonso posed to discuss the structural challenges hindering the country's industrial transformation, specifically the scarcity of highly trained scientists and engineers. She argued that universities must move beyond their traditional role as "lifelines of research" and become "dynamic problem-solving institutions," linking research and instruction directly to industrial and societal needs. In his opening remarks, Dr. Val Almoro gave the institutional context, noting that industrial policy must "structure institutions to unlock people's potential, knowledge, and innovation collectively. A very telling indicator of systemic constraints he argued is the low completion rates across UP's graduate programs which hinders the university's capacity to produce a highly skilled workforce.

Dean Tanchuling detailed the external reality of this gap, stating that the Philippines has only 160 to 170 researchers, scientists, and engineers per million population, whereas Vietnam has seven times more than ours. She argued that this disparity is a primary reason why high-value industries avoid the country, as investors would not be coming here because there are no people. To address this, she championed the "National Institutes of Engineering," a proposed "country-wide network" designed to decentralize advanced training and help

SUCs outside the capital to develop their faculty who are often restricted by financial and institutional barriers. Meanwhile, Prof. Joe Tabbada expanded on why these graduate programs struggle by articulating the "'chicken-and-egg' innovation trap." He explained that the absence of high-quality jobs discourages students from pursuing graduate studies," while simultaneously "industries claim there are not enough advanced-degree holders to justify investments in research and development (R&D). He shared a stark industry insight from a pharmaceutical head who noted, "In India, they have thousands of PhDs per field. There's no context for R&D here." This cycle, he argued, keeps the Philippines trapped in low-value economic activities and drives talent migration to countries like Australia.

Human capital cannot be solved in isolation as collectively agreed upon during the discussion. Human capital alone will not suffice if the investment environment is hostile as Dean Tanchuling underscored pointing to the high cost and unreliability of energy which is a primary deterrent to R&D facilities. Dr. Almoro further suggested that the architecture of industrial policy requires a formal PSA–UP cooperation agreement to shorten the bureaucratic "pilgrimage" for data, allowing the university to produce the data-driven analyses necessary to support local industry and policy reform. Such institutional integration is critical because government programs across agencies remain fragmented, and a whole-of-nation approach is currently rarely applied to economic and industrial development. By addressing this "constellation of interconnected factors," the policy framework seeks a "holistic transformation" that can reverse the country's slide toward deindustrialization and precarious work.

## Integrating Agriculture and MSMEs as Industrial Anchors

Mr. Leonardo Montemayor, a former Department of Agriculture (DA) secretary, anchored the discussion on the Philippine Constitution's call for industrialization based on sound agricultural development and agrarian reform. He argued that industrial and agricultural policies must be developed together, rather than as isolated agendas. This integrated approach is critical because when agriculture remains low in productivity, fragmented, and undercapitalized, the manufacturing sector has no stable supply base, no competitive raw materials, and no rural demand to sustain expansion. The sector is currently suffering from a lot of structural weaknesses as outlined by Mr. Montemayor such as youth exodus from agriculture and fragmented landholdings. These weaknesses fundamentally undermine the labor force, supply chains, and resource base the manufacturing sector needs.

Completing this, MSMEs and worker cooperatives serve as critical nodes of local industrialization. MSMEs can provide employment, skills retention, and community-based innovation but the rural industry and small manufacturing have seen thousands of small factories shut down. To reverse this, LGU procurement programs for MSME products, shared service facilities, local incubation hubs, and market development assistance are needed to ensure that MSMEs are not left behind and can benefit from the economies of scale.

Beyond these foundational issues, much of the machinery procured is suitable for large, uniform farms—not the small, irregular plots that make up most of Philippine agriculture. There is an overreliance on imported tractors and harvesters that are too large or inefficient on small farms. Because local manufacturers are rarely engaged, there is minimal domestic capability to produce small, modular mechanical tools. This disconnect reflects a broader systemic failure: Public money funds innovation, but outcomes do not reach the public. Consequently, mechanization must be redesigned for small farms, not imported for large ones while ensuring that public-funded technology must be accessible, not locked behind restrictive licensing.

Ultimately, agriculture must be the base of Philippine industrialization with “MSMEs and cooperatives protected and developed as industrial anchors.” Successful industrialization has always involved an “active developmental state: providing direction, protection, and support, rather than leaving development purely to private initiative.” The state’s role is to selectively intervene with incentives, tax treatment, affordable credit, and targeted sectoral policies that link farmer production to housing and construction demand. This establishes a clear backbone for a framework rooted in agricultural productivity, inclusive of MSMEs, sustained by local innovation, and guided by evidence-based trade strategy.

## Creative Industries and High-Value Branding

Dean Pat Silvestre from the UPD College of Music began by emphasizing that creative industries must be understood as integral to progressive industrialization, not as peripheral artistic pursuits. She framed the key issue by noting that while big corporations value music, national policy still treats us as decorative rather than foundational. These sectors are vital to the broader industrial ecosystem because they generate employment, drive innovation, enrich cultural identity, contribute to tourism and branding, and anchor the national soft power agenda. She further observed that disciplines within the Fine Arts, Media and Communication, and Music face a shared set of structural and institutional constraints. Ultimately, creative industries should be positioned to anchor national branding and digital economy growth within a future-ready industrial strategy.

One of the central points raised was the disruption of the educational pipeline where students often do not finish because they are already working and earning well. Silvestre described ongoing efforts toward curricular reform to better reflect the economic realities of creative labor, such as proposed degrees in "Music Entrepreneurship" and "Music Production." She candidly observed: "Face it. We are also commodities, whether we like it or not. We need to teach students how to earn, how to market themselves," pairing artistic training with business literacy, digital literacy, and industry immersion. This shift moves arts programs toward a creative economy model where artistic training is aligned with the demands of commercial media. Furthermore, the lack of equivalency pathways for established professionals results in a steady outflow of creative talent to private institutions that provide academic accreditation for industry experience.

Ms. Unyx Sta. Ana grounded the discussion in the historical trajectory of Marikina, noting that the industry became "trapped in a race to the bottom" following the entry of China into the global market. She highlighted that the decline was due to manufacturers who "never invested enough in innovation" and who did not "put value in the creatives to think outside." "Why don't we have our own Birkenstock?" she asked. This encapsulates the frustration of the Philippines having the talent and heritage, but lacks the ecosystem to transform these into high-value global brands. She recalled that Marikina's history was once anchored in a complete supply chain, wherein creativity and artisanal knowledge mutually reinforced industrial capability. However, manufacturers failed to mechanize for mass production or consolidate their artisanal niche, resulting in a "cheapening of the entire value chain.

To reverse this, Sta. Ana proposed public procurement as a strategic industrial tool where mandated government footwear purchases could form the backbone of a revived domestic industry. This inclusive architecture would require large manufacturers to share production with smaller workshops, ensuring that MSMEs are not left behind and can benefit from the economy of scale. As

Dr. Rene Ofreneo synthesized, revitalizing local industries requires cultural re-valuation, strategic protection, and a reorientation of policy toward inclusive, creative, and innovation-driven growth. He noted that the persistence of the shoe industry reveals that Philippine sectors fail less from a lack of talent than from structural neglect and fragmented state coordination. He concluded that industry dies when ecosystems collapse not when skills disappear, highlighting the urgent need for strong state-industry-academe collaboration to fully utilize creative innovation.

## The Active Developmental State and Data Architecture

The success of late industrializers suggests that a progressive industrial policy cannot be left to private initiative alone. To achieve this, it requires an active developmental state which provides direction, protection, and support. Furthermore, Dr Benjamin Velasco argued that this state must integrate climate sustainability, decent work, and pro-poor orientation into its core strategy. A clear failure to apply this mindset was seen in the jeepney modernization program, which incentivized imported minibuses instead of building a local manufacturing base (e.g., body builders like Sarao or Francisco). These choices sidelined domestic capabilities. This is highly critical because as data suggest approximately 70 percent of Filipino workers are engaged in informal employment, underscoring how deeply precarious the Philippine labor market remains and why industrial policy must be explicitly tied to formalization and decent work.

Industrial policy will stand or fall on the strength of its data systems, regulatory regimes, and the strategic role taken by the state. This rings true to Dr. Almoro's opening insights regarding a formal PSA–UP cooperation agreement to shorten the bureaucratic pilgrimage that farmer groups, industry associations, and advocates currently endure whenever they request data. With better access, the university could produce industry-specific, data-driven analyses including sharper definitions of capital, profits, and productivity needed to support tariff petitions, safeguard applications, or targeted interventions. Currently, the absence of a market and product intelligence system means there is no national product database to inform stakeholders who produces what or which products are appropriate for which uses, causing promising technologies to remain scattered.

One of the most prohibitive constraints is the high cost and unreliability of energy which deter manufacturers, reduce competitiveness, and limit the feasibility of establishing advanced R&D facilities. Regulatory regimes for electricity allow utilities to project massive future capital expenditures and embed the projected capital into today's pricing. Instead of these bearing the primary financial burden, the cost is then shifted onto the public as this socializes the risk of future investment to consumers. This results in high and opaque power costs that translate into high production costs and eroded competitiveness vis-à-vis imports. Furthermore, proposals like a PHP 150/kg excise tax on plastic packaging would function as a regressive, indirect tax on basic necessities, hitting the poorest consumers hardest, necessitating a policy that is science-based, pro-poor, and attentive to the actual technological options available.

The state must ensure that agencies like the Department of Trade and Industry, Department of Agriculture, Department of Foreign Affairs, and Customs align their programs so that they all point toward a shared progressive industrial strategy, rather than operating on parallel, uncoordinated tracks. While "whole-of-nation" approaches are mobilized for counterinsurgency the same level of integration is rarely applied to economic and industrial development. Consequently, the burden of proof in trade safeguards lies heavily on farmers, fishers, and local industries which is a burden they are often ill-equipped to carry. However, even small, well-designed shifts—in data use, utility regulation, sector strategies, procurement rules, and legal burdens—can cumulatively help reverse the slide and move the country closer to a "progressive, inclusive industrial future."

## Center for Integrative and Development Studies

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.

The UP CIDS currently has twelve research programs that are clustered under the areas of education and capacity building, development, and social, political, and cultural studies. It publishes policy briefs, monographs, webinar/conference/forum proceedings, and the Philippine Journal for Public Policy, all of which can be downloaded free from the UP CIDS website.

## The Program

The Political Economy Program (PEP) seeks to advance innovation-driven and equitable development through the conduct of problem-solving research on development policies and practice; the promotion of collaboration among the academe, government, industry, and other stakeholders in pursuit of inclusive technology and sustainable industrial policy; and the popularization of the political economy framework in the national conversations on policy options.


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