

Policy and Strategy for Competitive Strengthening Philippines Local Industry

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Article History: Submitted: 20.10.2019

Revised: 16.12.2019

Accepted: 12.01.2020

ABSTRACT

Issues regarding strengthening competitiveness of local industries in era of the ASEAN Economic Community (AEC), are very significant in strengthening integration of economy in ASEAN region. The Philippines as one of the countries in ASEAN region, currently continues to strive to increase economic growth in an effort to strengthen economy of ASEAN region.

Increased industrial competitiveness is done through increasing competitiveness of local Philippine leading industries which have become a trade priority sector to respond to the MEA era, this is done with the consideration that increasing competitiveness is in accordance with Philippines potential with its superior products, both food and non-food and sectors or types of commodities that are the priority of trade in the ASEAN region going forward.

In the perspective of industry and trade, the role and existence of Department of Trade and Industry (DTI), the main body tasked with

implementing Philippine participation in the AEC, states that the stable economic performance in the country, along with various reforms that have been implemented have putting Philippines in a good position to benefit from economic integration. DTI is carrying out a variety of policy packages taken by the government, specifically regarding the Philippine Government's development policies in dealing with the ASEAN Economic Community.

Keywords: Development Policy, Competitiveness, Local Industry, Local Industry Protection.

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DOI: [10.5530/srp.2020.1.72](https://doi.org/10.5530/srp.2020.1.72)

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INTRODUCTION

Preliminary

The Philippines is one of the developing countries that has developed quite rapidly in the Southeast Asian region. Compared to other developing countries in the same region, the Philippines is a country that has developed quite rapidly in terms of the economy. Economic growth in the Philippines is predicted to increase by the World Bank to reach more than 6% until 2019.

The Philippine government's policies have been quite successful in focusing the direction of development through improving infrastructure and the manufacturing industry. This condition then attracted many investors from big countries like Russia and China and increased the size of the Philippine economy which reached USD 292 billion, more than double that of Malaysia and 10 times that of Singapore in 1960. Philippine foreign direct investment also surged five times over 2010-2015 in the amount of USD 5.8 billion (sindonews.com, 8/23/2017).

Philippine national development policies and strategies refer to the Philippines Development Plan 2017-2022 document. In the document, the vision of the Philippines in 2022 is to strive to realize the status of the sun, *maginhawa*, at *panatag na buhay* or stable, convenient, and secure life. To realize this there are three main pillars of development, namely; *Malasakit* (building a high-trust society), *Pagbabago* (effecting inequality-reducing transformation), and *Patuloy na Pag-unlad* (Increasing Growth Potential).

Thus, for the first time the Philippines has a program design and vision of medium-term economic development. On the other hand, the Duterte Government also has an *ambisyon Natin 2040* development plan as a long-term development plan. The Philippines Development Plan 2017-2022 as the first part of the medium-term plan becomes the basis for the long-term development of the Philippine economy.

Local Industry Competitiveness Policy

Philippine development policy focuses on efforts to reduce poverty and unemployment in rural areas through a variety

of policy packages that can support the empowerment of rural communities in developing innovative local superior products. The government is aware that one of the important factors that can be an indicator of the success of the Philippines' national development is economic growth and increased development in the regions.

In the 2017-2022 Philippine Development Plan regarding expanding economic opportunities in industry and services through *Trabaho in Negosyo* as outlined in the 2017-2022 Philippine Development Plan, that by 2022, the Industrial and Service sectors will be globally competitive. Economic relations with other countries will be strengthened, and lead to free trade agreements and other cooperation agreements that can be maximized by local stakeholders. Filipino citizens will be given access to economic opportunities through job creation and encouraging entrepreneurship in the country.

In addition, in the Philippines also known and developed the concept of OTOP (One Town One Product) Philippines, namely One City One Product. Whereas *Go Local* is a retail store concept that shows the quality and innovation of products from the Philippines that are designed, manufactured and produced by small and medium businesses. It can be said that *Go Local* is a medium (vehicle) to market quality goods in high market potential.

As time goes by and the dynamics of the economy in the ASEAN region, the presence of the ASEAN Economic Community (AEC) has been responded to passionately by Filipinos. They increasingly benefit, as well as opportunities and opportunities to develop local product values, build regional and global production networks or value chains. Increased labor mobility can provide more employment opportunities for Filipinos, as well as to reduce the situation of unemployment at home and increase remittances from Filipino workers abroad. From this perspective, the Philippines could further encourage the country's economic growth due to high demand in the ASEAN market for local products.

On the other hand, there are interesting things where the Philippine Government in increasing the competitiveness of its local industries in the ASEAN market, it appears that the

Philippines is showing seriousness and considers strengthening the competitiveness of local industries to be protected by various national policies in order to continue to exist and be able to compete with countries in the region ASEAN to navigate the application of the regional economy, namely the ASEAN Economic Community.

Starting in 2012, the Department of Trade and Industry (DTI) has created four special programs for the protection of local industries in the Philippines. The protection program includes: the Shared Serviced Facility (SSF) program, the SME Roving Academy program (SME training), financial assistance through ASES0 (Access to Small Enterprise for Sound Lending Opportunity) and finally the promotional assistance program through the DTI website.

Today, the Philippine Government through DTI has prepared various work programs to deal with the free market, the Philippine government also pays very high attention to the existence of local industries, especially to local industries based on Small and Medium Enterprises (SMEs) which have supported the development of the Philippine economy very well.

The existence and role of the Ministry of Trade and Industry

In facing the era of competition in the international market, especially in the free market of the ASEAN region, a country needs to prepare various policy packages that can support the country's industrial competitiveness policy. So, what is the local industry's competitiveness policy in the Philippines? Is there a policy that specifically regulates this?

In general, in an effort to develop the industry and trade sector in the Philippines, it is under the Department of Trade and Industry (DTI). In DTI, there is one part, Competitiveness Bureau which regulates policies to increase the competitiveness of local industries. The Philippine Government through DTI has several programs including using the Industry Cluster approach which is an approach to strengthen certain commodity industries.

Until now there are 15 priorities namely; Bamboo, Banana, Coconut, Coffee, Dairy Products, Gifts / Decors and Housewares, Health and Wellness, ICT, Mango, Milkfish, Mining, Palm, Chicken, Rubber, Seaweed, Tourism Industry, Tuna, Wood and Wearables & Homestyle. Through this clustering program the government can provide assistance with ease of business and capital with more focus. In addition, the Philippine government also has various other strategies as outlined in the Comprehensive National Industrial Strategy (CNIS) and Manufacturing Industry Roadmap (MIR). Meanwhile, Go Local is one of the DTI programs to empower local products to be marketed locally, nationally and internationally.

Indeed, not all local products, both food and outside food, all go to the Department of Trade and Industry (DTI), because only products that have undergone a strict selection can be entered in the Go Local gallery for example. However, the government always encourages mutual support between companies or industries to improve the results and quality of the products produced, including making attractive product designs.

In this case, the Marketing Division of the Department of Trade and Industry (DTI) will assist its marketing in various retails and supermarkets in the Philippines. As for intensifying product marketing dynamics, the promotion is

done through various expos, then when there is a lot of demand for a particular product, then this is facilitated by the Department of Trade and Industry (DTI), so that large retailers can enter, and build partnerships; or a kind of "foster father in Indonesia".

The above description clearly shows that the Philippines is preparing itself to navigate the MEA era, which in time will be implemented as a whole. Another preparation from the Philippines is the issuance of an online company registration system, which began in January 2014. This system is supported by an online payment system for company name registration. The aim is to facilitate investment and trade flows in the Philippines.

The Philippine Government's development policy is one of the reasons triggered by the low number of Foreign Direct Investment (FDI), therefore the Department of Trade and Industry (DTI) seeks to attract foreign investment back to the Philippines and strengthen the local industry where of 99% of SMEs in it, by 70% Lower-class SMEs continue to be supported by the government so that it continues to grow in the midst of the current AEC.

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