



**Philippine Chamber Commerce & Industry**

**Japan International Cooperation Agency (JICA)**

Dusit Hotel Nikko, Makati City, Philippines

March 6, 2006



**A Commentary on the JICA Report  
Thematic Evaluation on Economic Cooperation:  
Social Capacity Development in Trade Sector and Development Assistance**

**by**

**RAUL C. HERNANDEZ**

*Vice President, Philippine Chamber of Commerce & Industry  
Consultant, Packaging Research & Development Center, DOST  
President, Ecop Institute for Productivity & Competitiveness*

## **OUTLINE OF PRESENTATION**

**INTRODUCTION**

**COMMENTARY on the**

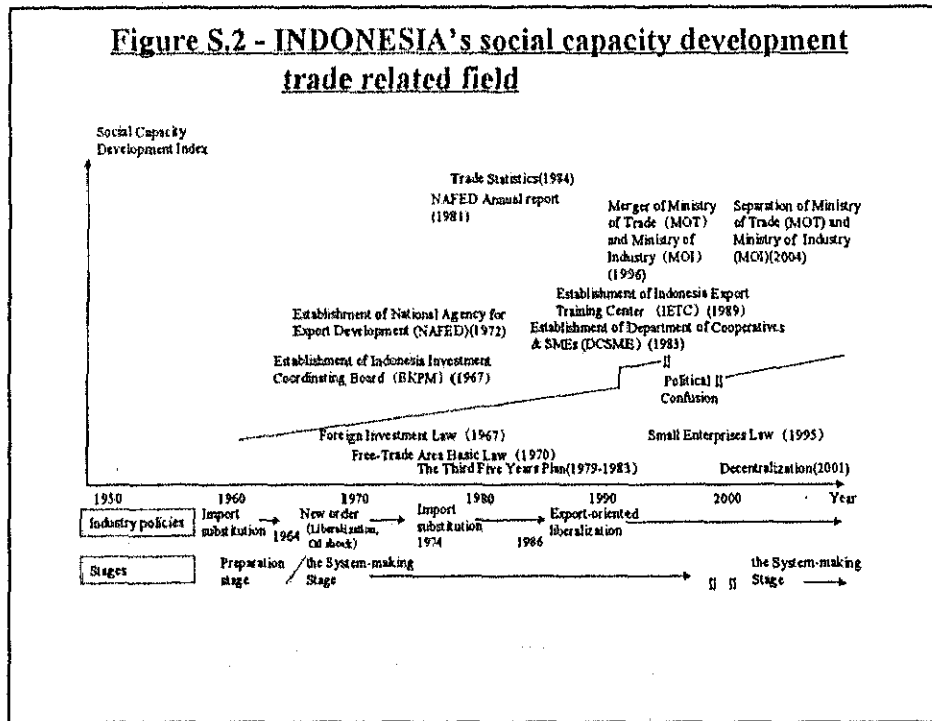
**SUMMARY of the**

**JICA FINAL REPORT**

**The PHILIPPINES TODAY**

**WHAT NEXT?**

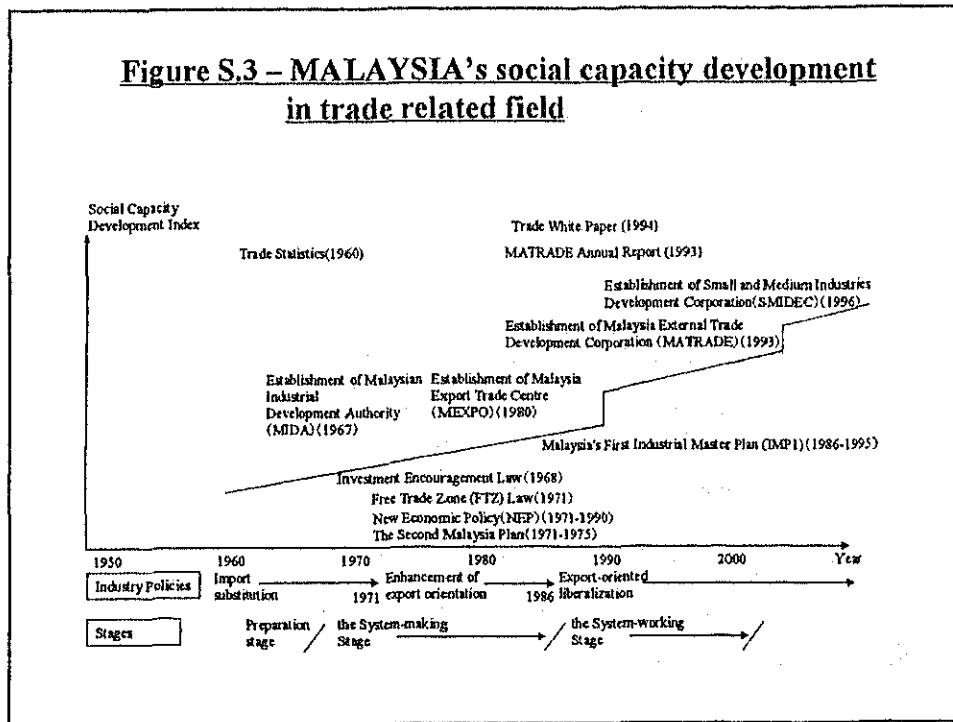
**CLOSING REMARKS**



**Table S.2 – shows the situation of INDONESIA's social capacity development stages and JICA's assistance inputs from 1980 to2005**

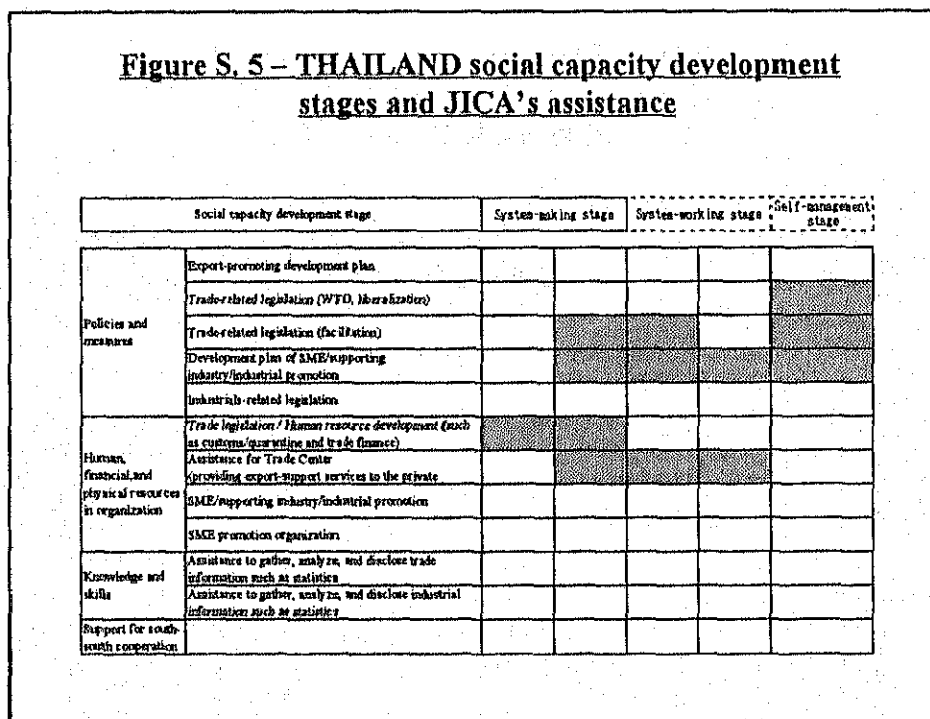
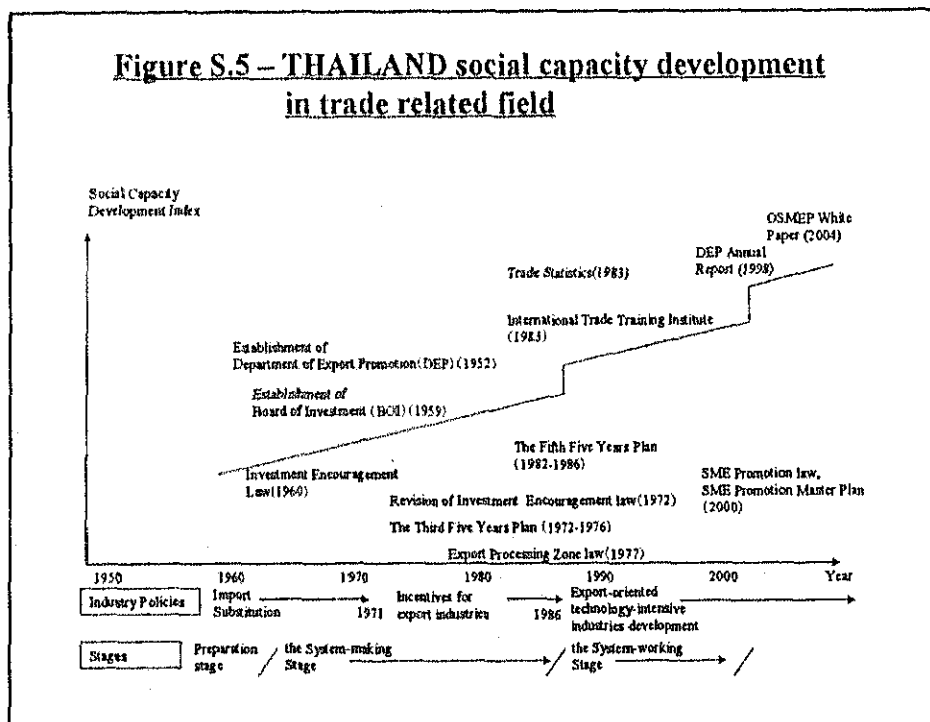
	Social capacity development stage	System-making stage	System-working stage	Self-management stage
Policies and measures	Export promoting development plan			
	Trade-related legislation (WTO, liberalization)			
	Trade-related legislation (localization)			
	Development plan of SME/supporting industry/industrial promotion			
	Industrial-related legislation			
Human, financial and physical resources in organization	Trade legislation / human resource development (such as customs/guarantine and trade finance)			
	Assistance for Trade Center (providing export-support services to the private)			
	SME/supporting industry/industrial promotion			
Knowledge and skills	SME promotion organization			
	Assistance to gather, analyze, and disclose trade information such as statistics			
Support for south-south cooperation	Assistance to gather, analyze, and disclose industrial information such as statistics			

**Figure S.3 – MALAYSIA's social capacity development in trade related field**

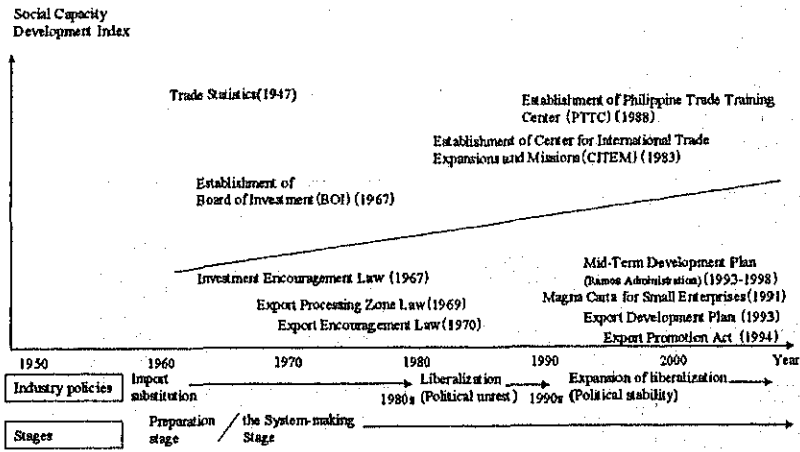


**Table S.3 – shows the situation of MALAYSIA's capacity development states and JICA's assistance inputs from 1980 to 2005**

	Social capacity development stage	System-making stage	System-working stage	Self-management stage
Policies and measures	Export-promoting development plan			
	Trade-related legislation (WTO, liberalization)			
	Trade-related legislation (facilitation)			
	Development plan of SME/supporting industry/industrial promotion			
	Industry-related legislation			
Human, financial and physical resources in organization	Trade legislation / human resource development (such as customs/quarantine and trade finance)			
	Assistance for Trade Center (providing expert-support services to the private)			
	SME/supporting industry/industrial promotion			
	SME promotion organization			
Knowledge and skills	Assistance to gather, analyze, and disclose trade information such as statistics			
	Assistance to gather, analyze, and disclose industrial information such as statistics			
Support for south-south cooperation				




**Figure S.4 – PHILIPPINES' social capacity development in trade related field**



**Table S.4 – PHILIPPINES' social capacity development stages and JICA's assistance.**

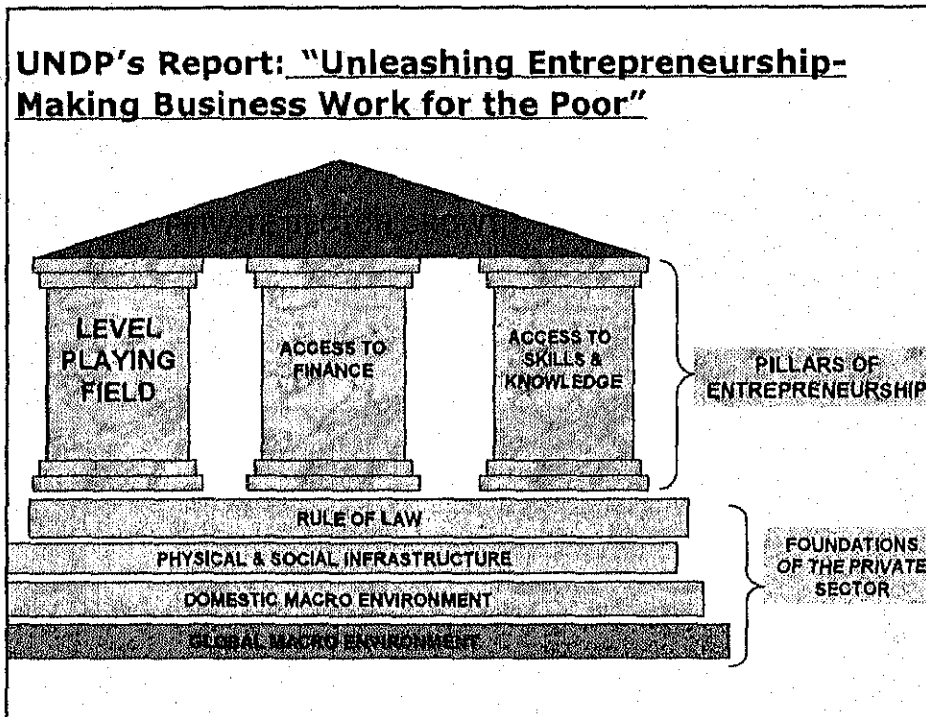

	Social capacity development stage	System-making stage	System-working stage	Self-management stage
Policies and measures	Export-promoting development plan			
	Trade-related legislation (WTO, liberalization)			
	Trade-related legislation (facilitation)			
	Development plan of SME/supporting industry/industrial promotion			
	Industrial-related legislation			
Human, financial, and physical resources in organization	Trade legislation / human resource development (such as customs/guarantee and trade finance)			
	Assistance for Trade Center (providing export-support services to the private)			
	SME/supporting industry/industrial promotion			
	SME promotion organization			
Knowledge and skills	Assistance to gather, analyze, and disclose trade information such as statistics			
	Assistance to gather, analyze, and disclose industrial information such as statistics			
Support for south-south cooperation				

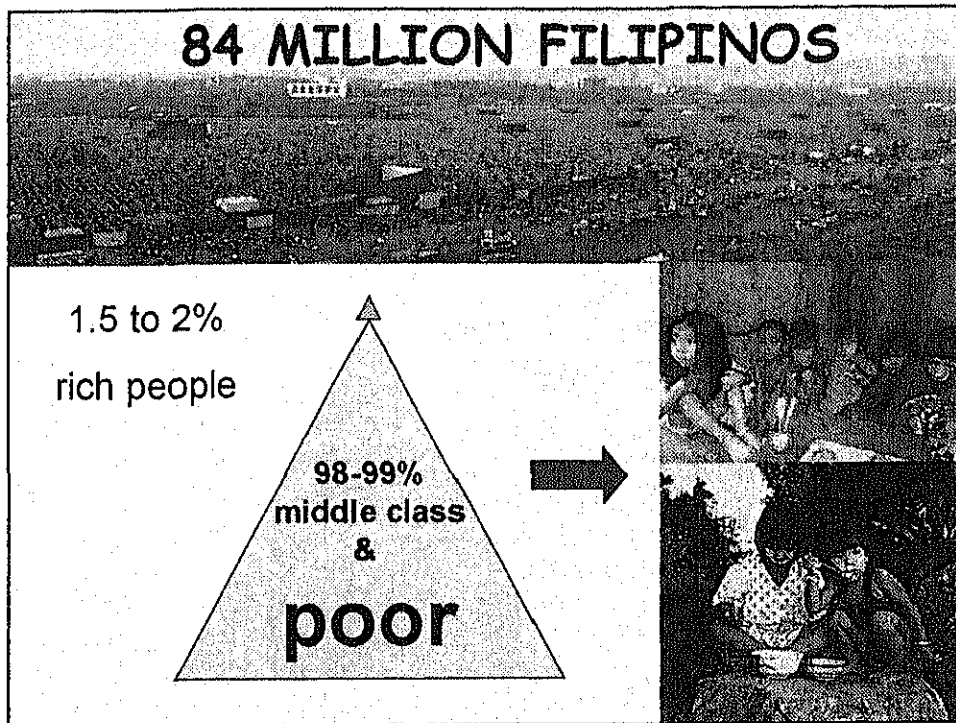


## THE PHILIPPINES TODAY

**FACTS:** (Source: UNDP report)

- 84 Million Filipinos!
- 30.4% of the population live below the poverty line!!
- Bottom 13.8% live in absolute or extreme poverty!!!
- Income Inequality has become STARK!
- 10% of the population are OFWs!
- 52% of the labor force or 15.6 Million are in informal sector!

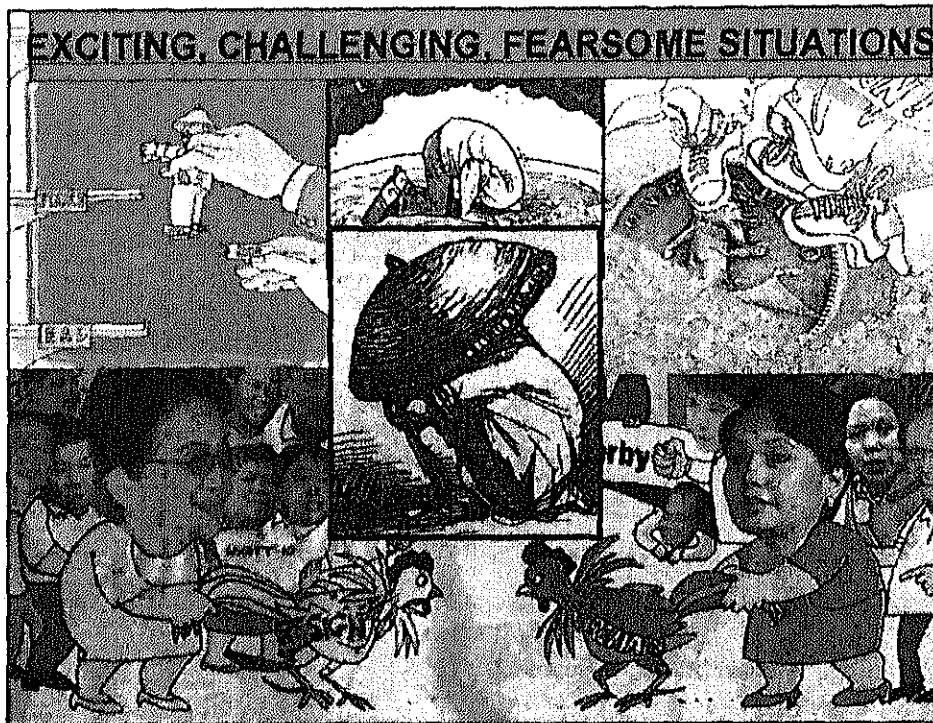




### PHILIPPINES TODAY - politics highly influencing conditions in the Philippines.

Issues: Good governance, peace & order, graft & corruption, budget deficit, national debt, Philippine peso unstable, etc.

PHILIPPINE DAILY INQUIRER | WWW.INQUIRER.NET



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*SUMMARY of the*

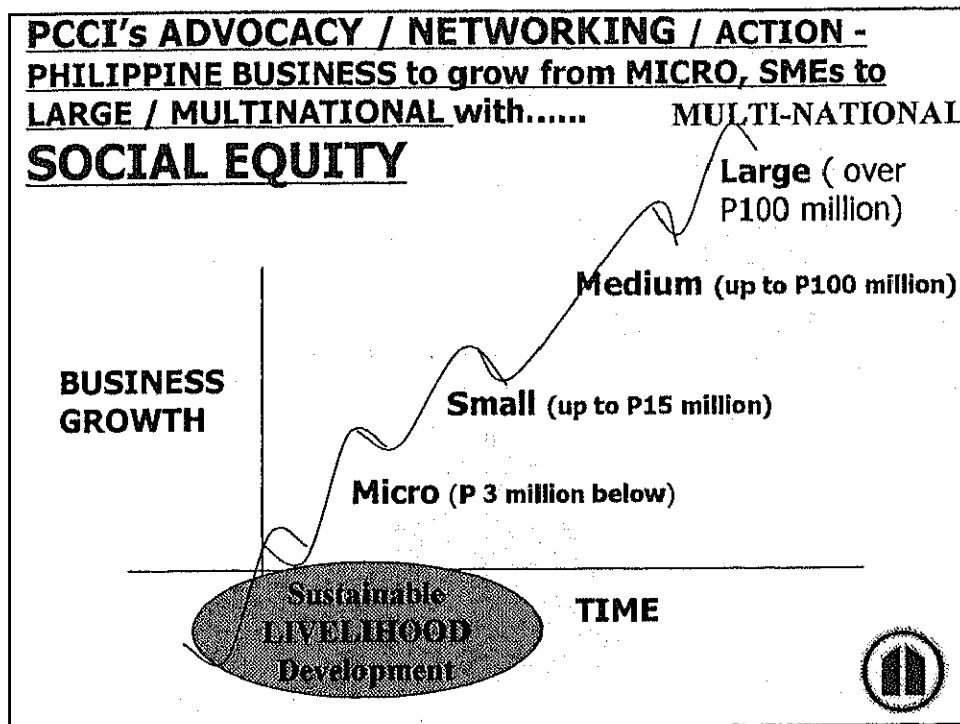
*JICA FINAL REPORT*

*The PHILIPPINES TODAY*

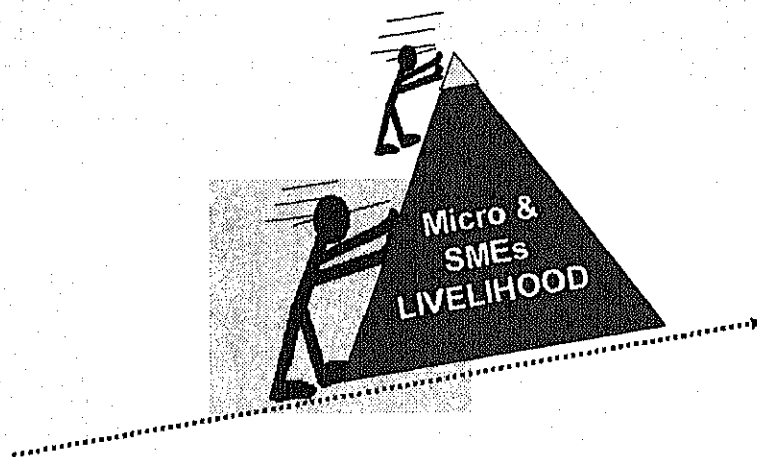
**WHAT NEXT?**

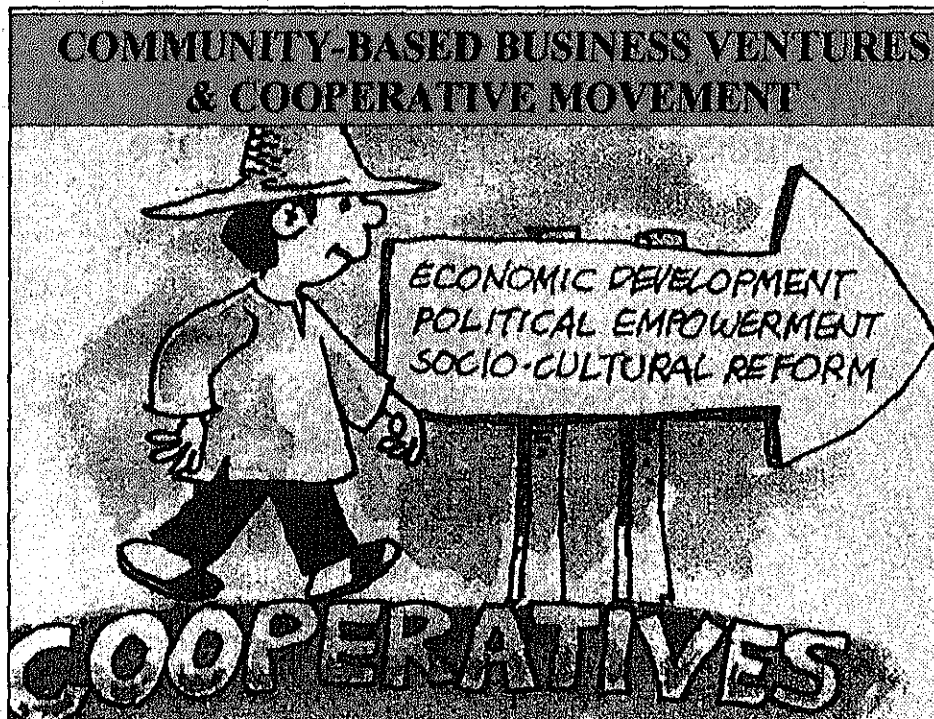
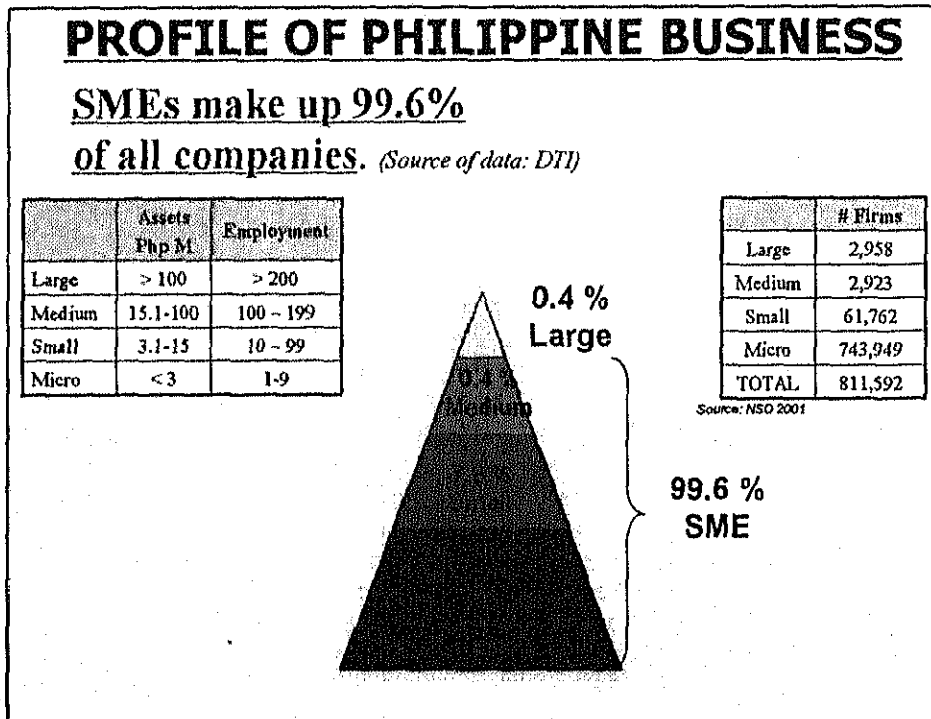
*CLOSING REMARKS*






**To move the economy faster,  
we need to push from the base.**








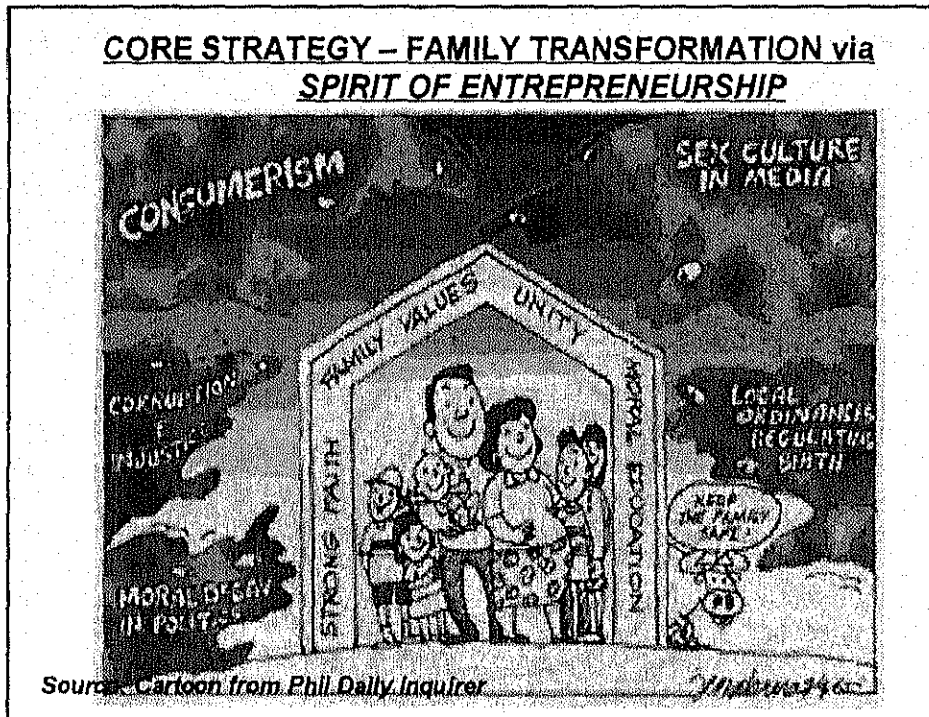
**PROPEL**  
**DEVELOPMENT**  
Promoting Regional Opportunities for Enterprise  
and Livelihood Development

**A Partnership Initiative of**  
**Senate Majority Leader "Kiko" Pangilinan**  
**Department of Trade and Industry**  
**& the**  
**Philippine Chamber of Commerce & Industry**

**TRANSFORMATION PROCESS**  
**GOOD GOVERNANCE in all Sectors of the Community**  
**To be UPRIGHT, WORLD-CLASS and SELF-RELIANT with a social commitment to help**  
**the less privileged and for the common good –**  
**a worthy challenge for Filipinos**

REGION/COUNTRY (SOCIETY)  
**PCCI / BUSINESS**  
**COMMUNITY**  
FAMILY  
INDIVIDUAL





Source: Cartoon from Phil Daily Inquirer

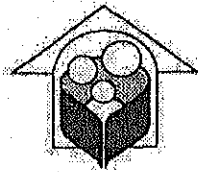
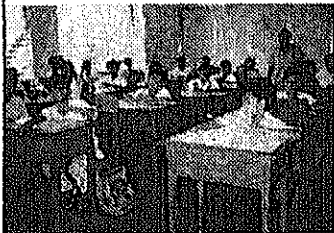
## Education . . .



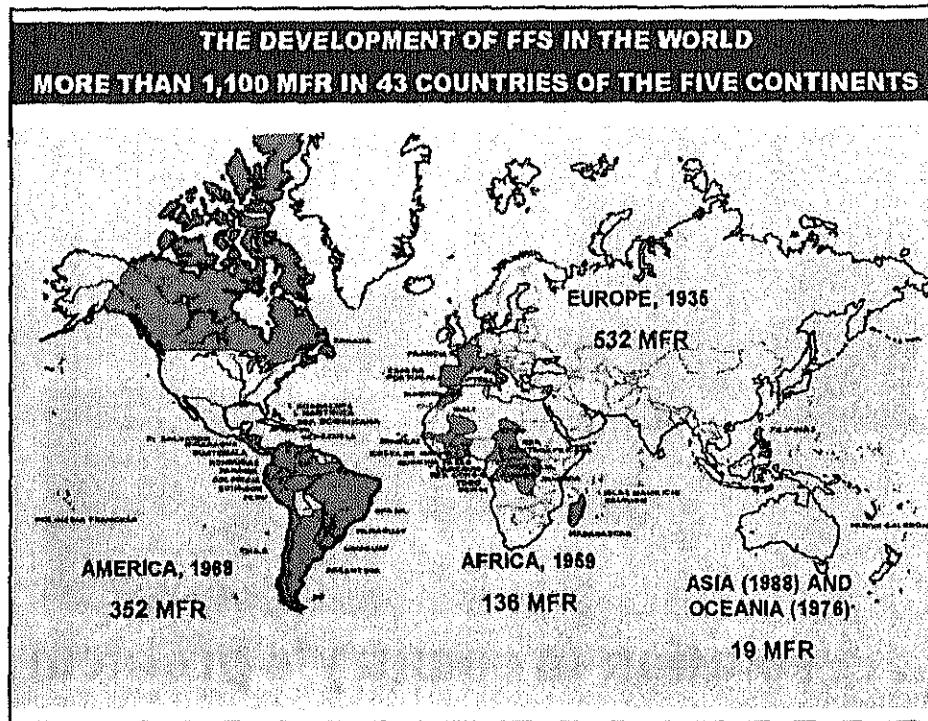
**. . . solution to country's problem**

## Family Farm Schools (FFS)

**. . .the ultimate answer to**



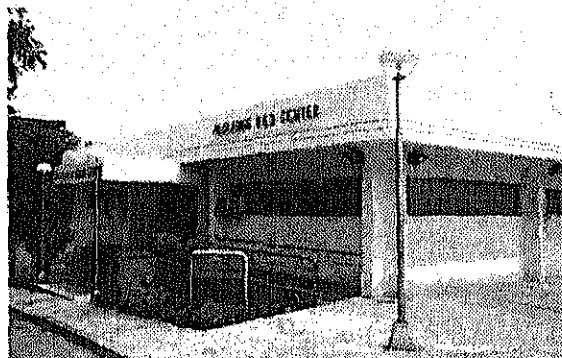
**RURAL  
DEVELOPMENT**



## **The Packaging R&D Center**

Established in  
September 1999.

Evolved from a  
need expressed  
by the industry



### **ROLE:**

“Make local industries and  
their products globally  
competitive through  
innovative and sustainable  
packaging technology”

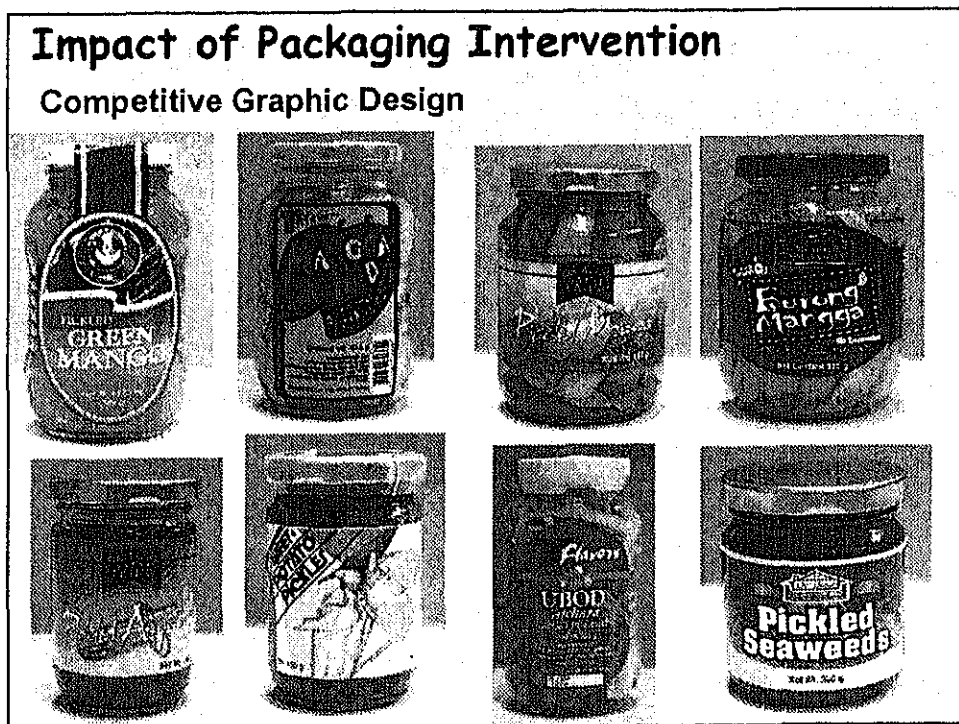
**Relevance of packaging.....**

**"The Package  
is  
the Product"**

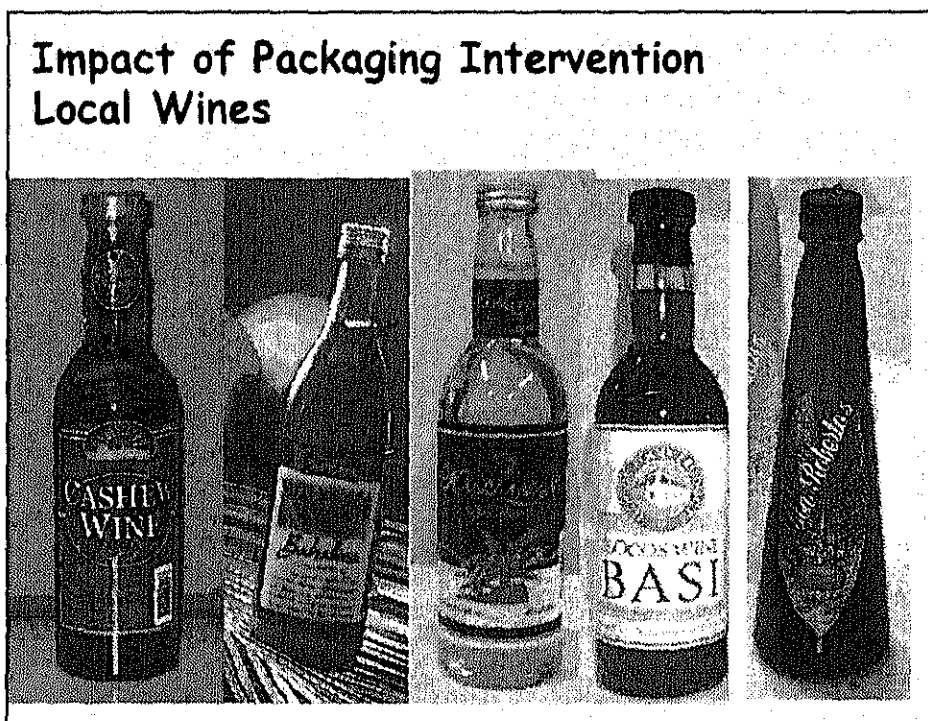
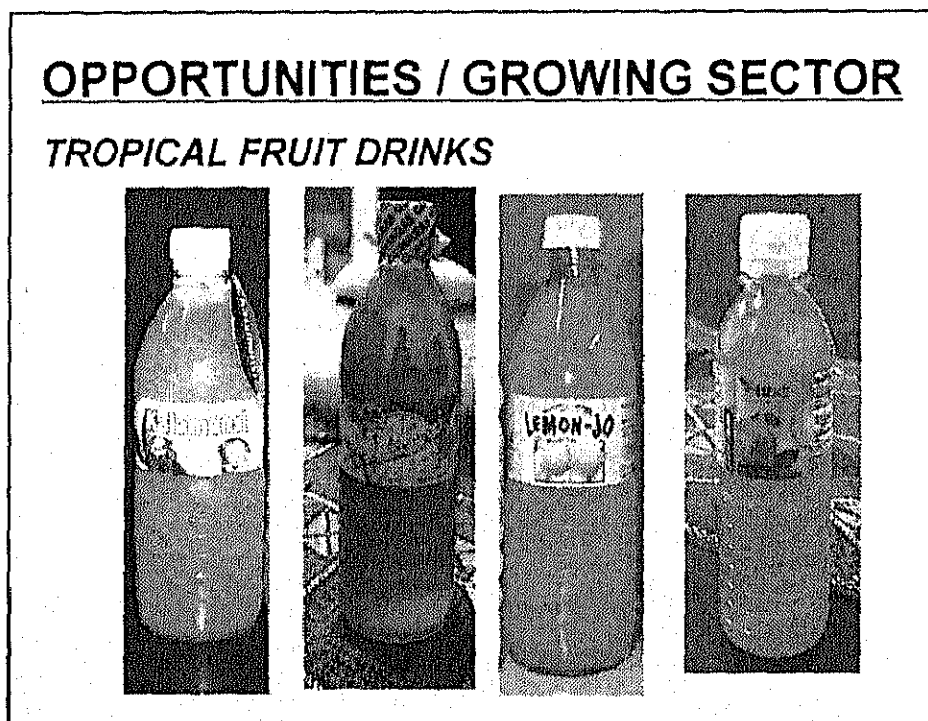
**Philippine packaged products are  
world-class  
and  
globally competitive!**



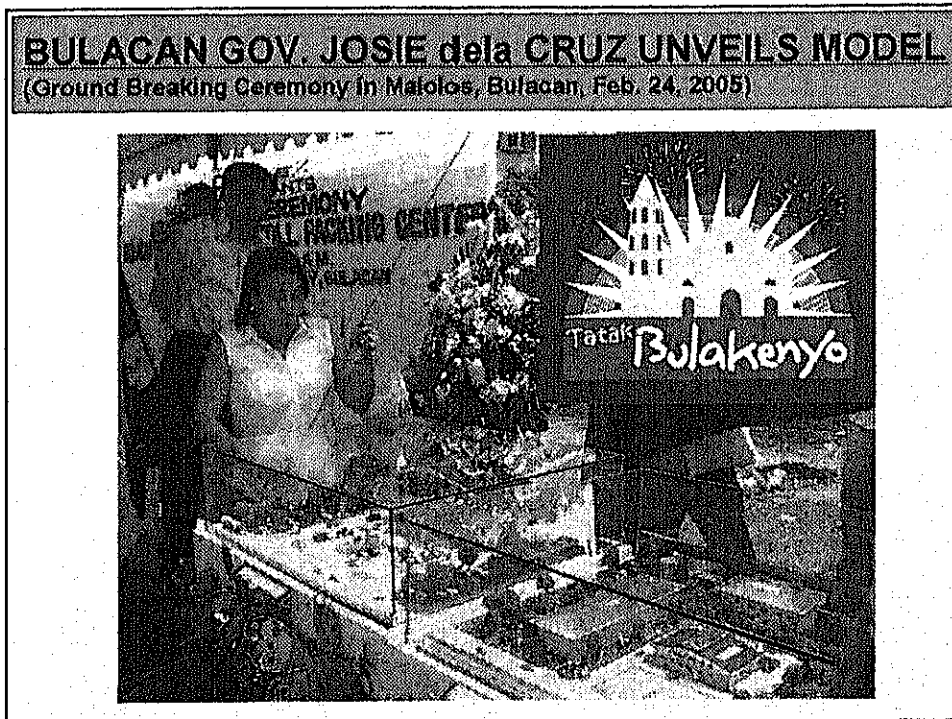
**Impact of Packaging Intervention**  
Competitive Graphic Design



The image displays eight distinct packaged products arranged in two rows of four. The top row includes a jar of 'GREEN MANGO', a can with a stylized face, a jar with a circular logo, and a jar labeled 'Kuring Munggo'. The bottom row features a jar with a dark label, a jar with a white label and a graphic, a jar labeled 'UBOD', and a jar labeled 'Pickled Seaweeds'.

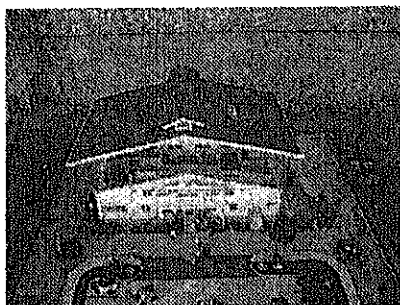






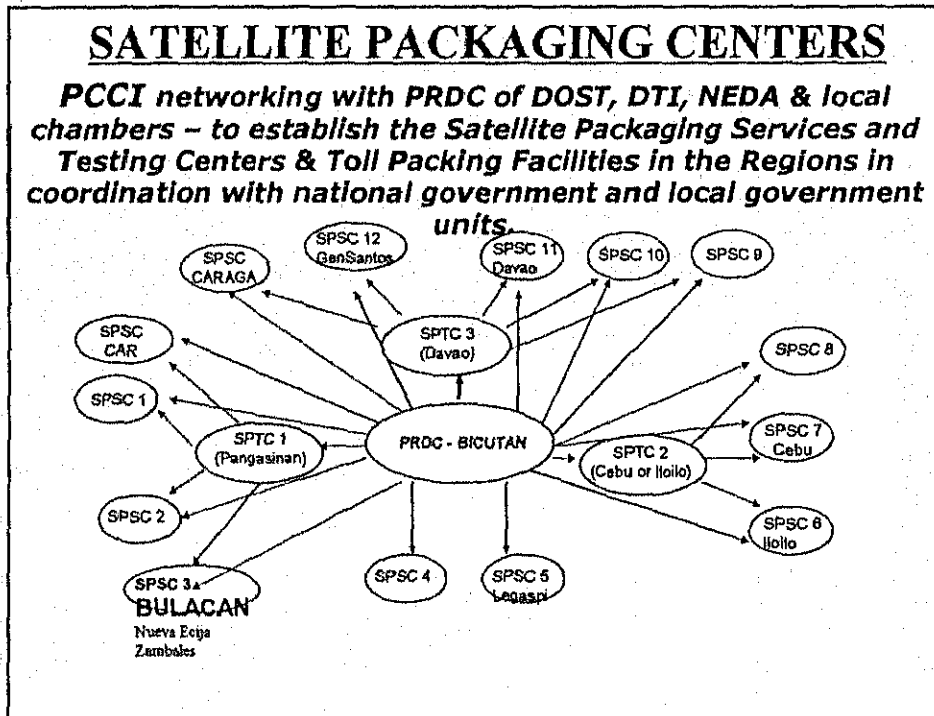
**A PACKAGING SERVICE & TOLL PACKING CENTER.....is**

- an **INCUBATOR** to start a business
- a **SEED** that will grow
- an **CENTER** for transformation



**4 P's in MARKETING**

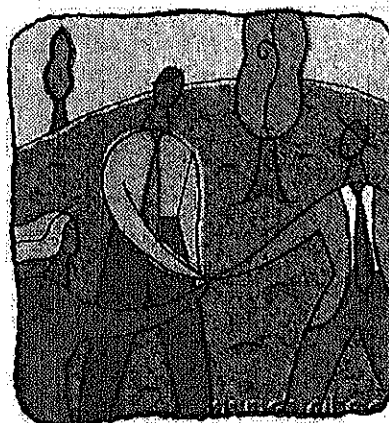
- **PRODUCT**
- **PRICE**
- **PROMOTION**
- **PACKAGING / PLACE (Distribution)**

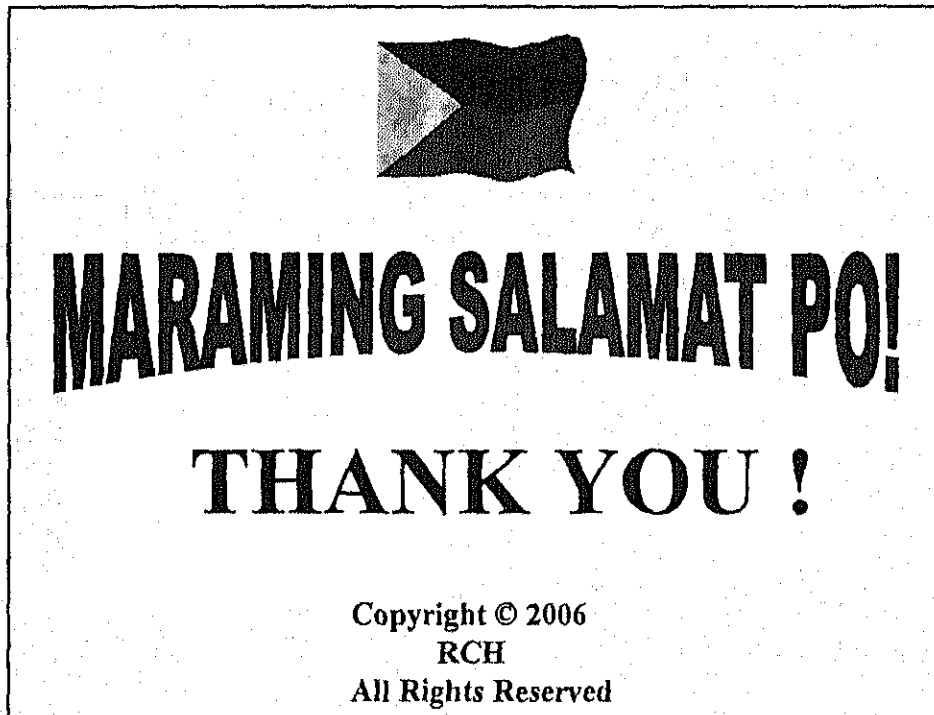
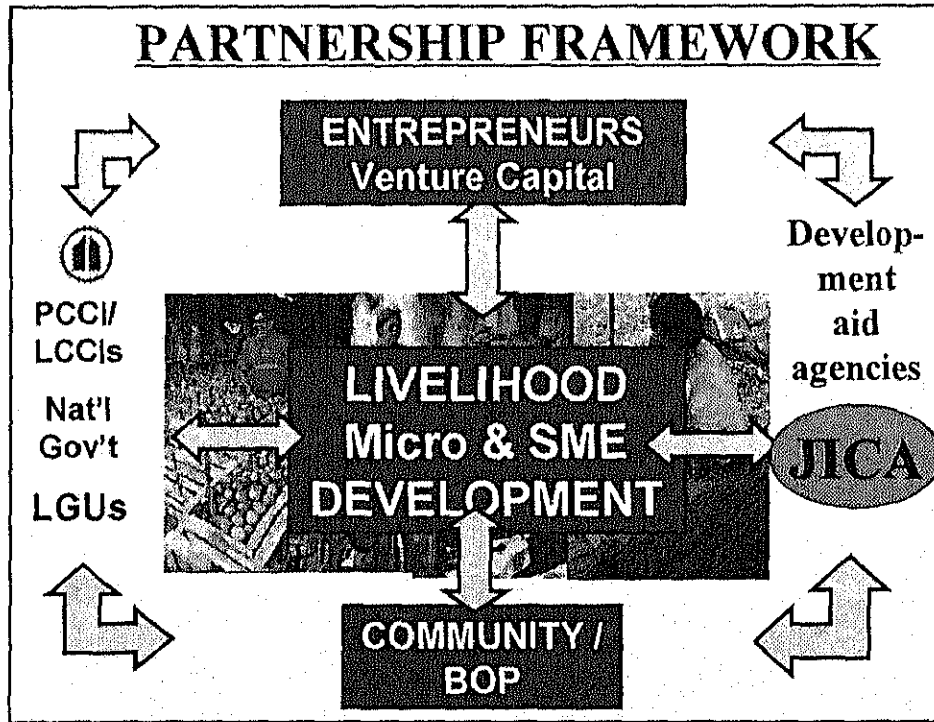




IN CLOSING.....

WHAT SHALL  
WE DO  
TOGETHER  
AFTER  
THIS FORUM?







## COMMENTS ON EVALUATING RESULTS

BY  
INDONESIAN EXPORT TRAINING CENTER

## Globalization and Indonesia

1992	AFTA (ASEAN Free Trade Area)
1994	WTO (World Trade Organization)
2002	AFTA-China
2003	AFTA – Japan (agreed to negotiate)
2004	AFTA – India (agreed to negotiate) AFTA – Korea (agreed to negotiate)
2005	Indonesia – Japan CPA (started negotiation)

## Economic Globalization

### Opportunities:

Market expansion for export products

### Threats:

Severe competition from imported goods  
in domestic markets

## Macro Economic Indicators

Indicators	2000	2001	2002	2003	2004	2005
GDP Growth (%)	4.9	3.3	3.8	4.5	5.1	5.6
Inflation (%)	9.3	12.5	10.0	5.1	6.5	17.2
Exports (US\$ B)	62.1	56.3	57.2	63.3	72.5	76.4
Imports (US\$ B)	33.5	31.0	31.3	39.5	48.1	9600
GDP/cap (US\$)	740	690	810	970	1030	1100

## **Trade growth**

1. Trade Performance reached pre-crisis just recently
2. Raising competition from China and Vietnam
3. Indonesia unable to offer financial assistance to exporters
4. Closed down ITPC in 1998 and reopen in 2002

## **International Competition**

1. Export a competitiveness analysis by Trade Specialization Index Model
2. Another model such Reveal Comparative Advantage probably gives another conclusion

## **Direct Investment**

Poor inflow of FDI since economic crisis (at least) because of :

1. Delay of new investment law
2. Poor domestic infrastructure
3. Labor dispute issues
4. Tax and custom issues

## **The Role of SME's**

1. The role of SME's is important in term of employment absorption and creation of domestic value added
2. SME's need access to low cost capital and access to market overseas



## **Training**

1. Welcomes the transfer of skills in the fields of quality control, product development, market research and trade promotion to Japanese market
2. Indonesia needs expertise on the market penetration to other markets

## **Government Institution**

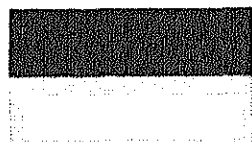
1. Re-split Ministry of Industry and Ministry of Trade
2. Problem of coordination
3. Most instruments to improve exports capability and competitiveness beyond jurisdiction of Ministry of Trade

## **The Role of NAFED**

1. NAFED has been actively promoted exports since 1970's
2. Limited funds available
3. NAFED needs expertise in marketing strategy and better export promotion technique

## **The Role of IETC**

1. IETC has been trained thousand of firms
2. IETC needs capacity to improve curriculum and laboratories to adjust to the new era of globalization
3. IETC needs additional funding



**THANK YOU  
ARIGATO GOZAIMAS**



JICA Evaluation Seminar Thematic Evaluation on Economic Partnership  
“Social Capacity Development for Trade and Japan's Assistance”

## **Panelist Comment**

**LEE CHENG SUAN**  
Chief Executive Officer  
Federation of Malaysian Manufacturers (FMM)

## **FMM's Comments on the Summary Report**

- **Malaysia's Trade Performance and SME's Contribution to the Economy**
- **Comments on Key Findings and Recommendations of the Report**

## Malaysian Economy is VERY OPEN

Country	In USD billion and rounded up			GDP	Ratio	
	Exports	Imports	Total Trade		Trade/GDP	Exports/GDP
Malaysia	143	118	261	118	2.21	1.21
Hong Kong	314	299	613	163	3.76	1.93
Singapore	233	200	433	107	4.05	2.18
Indonesia	76	70	146	258	0.57	0.29
Philippines	43	50	93	86	1.08	0.5
Thailand	115	108	223	163	1.37	0.71

Source: WTO and World Bank websites

## Malaysian SMEs' Contribution

- SMEs performance (MITI Report 2004)
  - 89.3% or 18,271 of total 20,455 companies in manufacturing sector
- Main challenges
  - Market access
  - Advancement of technology
  - Innovation & creativity development
  - Access to financing
  - Access to information
  - Human resource

Indicators	Performance (RM billion)			Share of Manufacturing	
	2004	2003	Growth	2004	2003
Total output	69.3	64.1	7.5%	16.3%	16.2%
Added value	14.2	12.9	9.7%	17.6%	17.4%
Employment (number)	309,935	302,172	2.5%	25.4%	25.3%

### FMM's Response to Study on Malaysia

Key Findings	FMM's Response
<ul style="list-style-type: none"> <li>• <b>Lack of fundamental law or basic plan for SME promotion</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>SMIDEC, National SME Development Council, National SME Development Blueprint 2006</b> <ul style="list-style-type: none"> <li>- Practical programmes more important</li> <li>- 170 key capacity programs</li> <li>- Entrepreneurship, marketing, adoption of higher levels of technology, upgrading of products</li> </ul> </li> </ul>

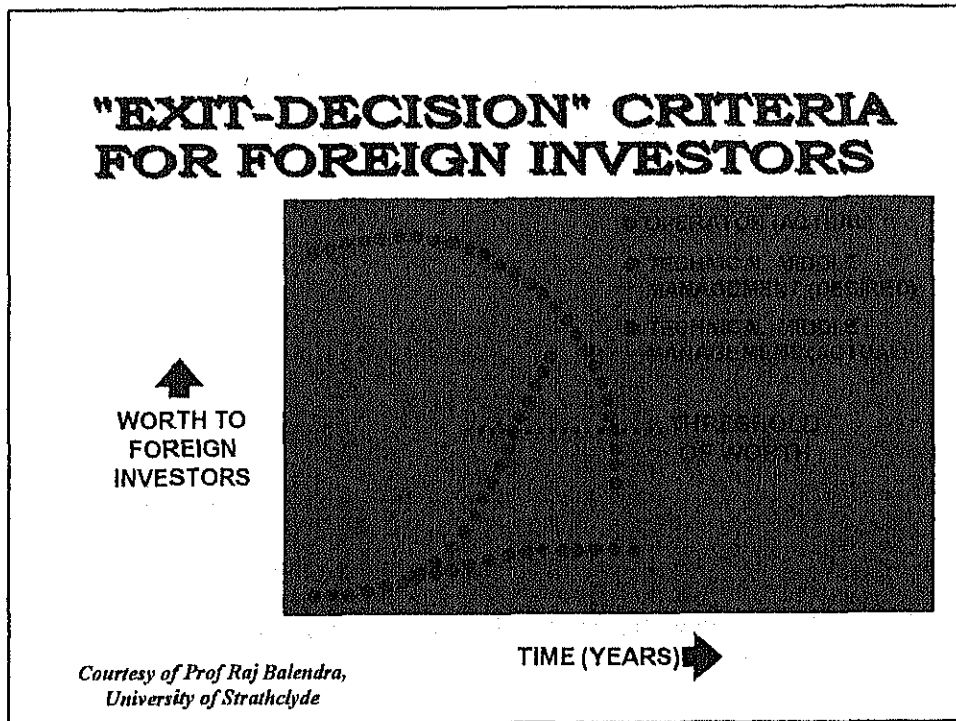
### FMM's Response to Study on Malaysia

Key Findings	FMM's Response
<ul style="list-style-type: none"> <li>• <b>Self-management Stage – support by JICA under consideration</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Export training for businesses</b> <ul style="list-style-type: none"> <li>- Assistance required</li> <li>- FMM's proposal - dedicated export training institute to offer:                             <ul style="list-style-type: none"> <li>• Specific and key training on areas of market research, pricing, negotiations, etc</li> <li>• Engineering skills to design and manufacture tools, dies, moulds</li> </ul> </li> </ul> </li> <li>• <b>Technology can be bought but not quality human resources and expertise - the most important differentiating factor</b></li> <li>• <b>Expert Dispatch program between JETRO &amp; FMM</b></li> </ul>

<b>FMM's Response to Study on Malaysia</b>	
<b>Key Findings</b>	<b>FMM's Response</b>
<ul style="list-style-type: none"> <li>• <b>Large increase in social capacity despite relatively low assistance inputs from JICA</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Success due to implementation of Industrial Master Plan which incorporates export targeting</b></li> <li>• <b>Ownership and Political will to make it happen</b></li> <li>• <b>Conducive investment climate and pro-business environment - key to export and investment growth</b></li> <li>• <b>Malaysia Inc Concept - private &amp; Public partnership</b></li> </ul>

<b>FMM's Response to Study on Malaysia</b>	
<b>Key Findings</b>	<b>FMM's Response</b>
<ul style="list-style-type: none"> <li>• <b>South-South cooperation under Malaysian Technical Cooperation Programme</b> <ul style="list-style-type: none"> <li>- <b>MITI, MIDA and NPC accept trainees from developing countries</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>FMM has also provided training to chamber staff in ASEAN on chamber management including export services and promotion in collaboration with Eurochambres</b></li> <li>• <b>Participated in MTCP as guest speaker - sharing of knowledge</b></li> </ul>





### Competitiveness in Engineering Design Skills

DESIGNERS	TRAINING	EXPERTISE
Product Process Machinery Systems	Postgraduate design & manufacturing	Original Machinery & System "Design & Manufacture"
Engineers	Engineering Under-graduate	Problem-solving Design
Design Technicians	Technical Colleges	Detailing Design
Design Managers	Non-engineer Under-graduate	Manage Design Procedure
Industrial Designers	Art Colleges	Product Modelling & Visualisation

*Courtesy of Prof Raj Balendra, University of Strathclyde*

### **Other FMM Proposals on Enhancing Trade Capacity**

- **Station private sector's representative at MATRADE  
oversea offices**
  - One to two years
  - Help promote Malaysian manufactured products
  - Markets of particular interest - Middle East and Japan
  
- **Employ retired export managers to provide  
handholding services to SMEs**
  - Help SMEs identify available sources of funding such as  
accessing government tax incentives and grants
  - Assist SMEs with process of obtaining financing and  
other forms of government assistance
  - Developing practical export market expansion expertise

**THANK YOU**

**Visit us at  
[www.fmm.org.my](http://www.fmm.org.my)**



