

# Joint Foreign Chambers of the Philippines

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.  
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.  
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.  
Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 9, 2011

Mr. Gregory L. Domingo  
Secretary  
Department of Trade and Industry  
385 Industry and Investment Building  
Sen. Gil Puyat Avenue, Makati City

Dear Secretary Domingo:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Manufacturing and Logistics**, in which Deputy Director General Tereso O. Panga and MIS and Corporate Planning Group Head Ma. Veronica F. Magsino generously participated.

**Highest Priority Recommendations.** The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Improve the business climate and level the playing field:
  - reduce the costs of doing business including electricity, transport infrastructure, domestic logistics, corruption, and red tape;
  - increase E2M coverage for customs;
  - professionalize the bureaucracy by limiting political appointees;
  - reduce unwarranted government interference in industry matters such as price controls;
  - link minimum wage policies to productivity enhancements;
  - rationalize holidays;
  - eliminate smuggling by sending smugglers to jail;
  - reduce or remove EVAT on electricity and fuel for domestic manufacturers;
  - pass the Rationalization of Fiscal Incentives bill; and
  - allow duty and VAT-free importation of capital equipment for manufacturing in priority industries.
  
- 2) Increase priority given to manufacturing and make serious efforts to offer competitive business environment:
  - develop an industrial master plan;
  - support the plan with consistent policies, fiscal incentives, legal,



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AUSTRALIAN-NEW ZEALAND



CANADIAN



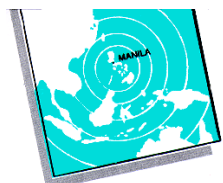
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KOREAN



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administrative, and other reforms; and  
-- put a strong economic team in the cabinet.

- 3) Promote the port of Batangas for CALABARZON-destined and -originated shipments and Subic for Central Luzon-destined and -originated shipments; penalize international containerized shipments through the the Manila harbor;
  - invite feeder vessel operators to call at Batangas and Subic;
  - request port operators to offer special promotional rates for feeder ships;
  - promote the use of both ports with PEZA and SBMA; and
  - PEZA should organize a meeting of export companies to coordinate actions to increase export cargo volume at Batangas.
- 4) Develop Subic as a true freeport for logistics to distribute goods from the US and Europe to Asia:
  - allow cargoes to freely enter uncontrolled assigned “to-order” of bearer as long as goods will not leave the freeport;
  - move customs out of the Subic freeport to a perimeter defined by SBMA;
  - put in place tight safeguards against smuggling; and
  - promote an Asian Distribution Center of Goods.

**Completed Recommendations.**The Breakout Session singled out the following two completed *Arangkada Philippines* reform recommendations:

- 1) Put a strong economic team in the Cabinet that works in tandem with designated private sector leaders of the targeted global industries.
- 2) Allow direct consolidation of cargoes to PEZA logistics warehouse instead of using non-PEZA CY/CFS operators.

**Ongoing Recommendations.**The Breakout Session identified the following six *Arangkada Philippines* reform recommendations as ongoing:

- 1) Increase funding for and promotion of Philippine exports, inward foreign investments, and tourism.
- 2) On the issue of labor contracting and security of tenure, government should continue to engage in tripartite discussions with labor groups and private sector.
- 3) The private sector should make a strong, collective statement to the government that reforms are needed for global manufacturing companies to remain in the country.
- 4) Government should provide CIQ services whenever needed, without penalizing the carriers.
- 5) Reduce high domestic shipping costs:
  - liberalize rules that do not allow foreign companies to operate in Philippine waters and encourage more joint ventures;
  - introduce more reliable new ships with larger TEU; and
  - limit the age of ships that can be imported to operate in the Philippines.

- 6) Allow duty and VAT-free importation of capital equipment for manufacturing in priority industries.

**Recommendations Not Under Way.** The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) Diversify Philippine exports.
- 2) Develop better data for the logistics sector.
- 3) Allow transshipment of cargo in various modes.<sup>1</sup>

**Low Priority Recommendations.** The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as low priority:


- 1) Groups of importing companies should explore chartering ships.
- 2) Take advantage of quick turnaround cycles and local BPO capability.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

But major challenges remain - including unanticipated ones - and the implementation of some important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.


We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



**AUSTEN CHAMBERLAIN**  
President

American Chamber of Commerce  
of the Philippines, Inc.



**JOHN CASEY**  
President

Australian-New Zealand Chamber  
of Commerce of the Philippines, Inc.



**JULIAN PAYNE**



**HUBERT D'ABOVILLE**

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<sup>1</sup> Transshipment will increase freight volume through the Philippines and reduce costs. Currently shippers cannot transship cargo via the Philippines without importing, paying duties and taxes, and then re-exporting. Most Asian countries allow transshipment without passing through customs, thus eliminating duties and taxes and paperwork.

President  
Canadian Chamber of Commerce  
of the Philippines, Inc.



**N OBUYA ICHIKI**

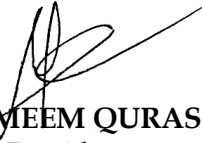
President  
Japanese Chamber of Commerce  
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President  
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**EUN GAP CHANG**

President  
Korean Chamber of Commerce  
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**SHAMEEM QURASHI**

President  
Philippine Association of Multinational Companies  
Regional Headquarters, Inc.

Cc:

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