Revolutionizing The Philippine Economic Zone Authority and the Philippine Investment Climate
“PEZA UPDATES, POLICY DIRECTIONS, AND INITIATIVES”

A Presentation for the:

AMCHAM GENERAL MEMBERSHIP LUNCHEON MEETING

Tower Club, PhilamLife Tower,
Paseo de Roxas, Makati City
12:00 PM, 18 June 2019
396 OPERATING ECOZONES NATIONWIDE

Manufacturing: 74
Tourism: 19
Agro-Industrial: 22
IT Parks and Centers: 278
Medical: 3
TOTAL PEZA LOCATOR COMPANIES

4,371

As of February 2018
CUMULATIVE TOTAL
PEZA INVESTMENTS
1995 - 2018
P 3,754 TRILLION
(as of December 2018)
TOTAL PEZA EXPORTS

US$ 760.505 BILLION AND COUNTING

(1995 - 2018)
63% of Total Philippine Commodity Export in 2018

80% of Total Philippine Service Export
### CONTRIBUTION OF PEZA EXPORTS TO GDP

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL (in US$ Billion)</th>
<th>GDP (in US$ Billion)</th>
<th>% PEZA EXPORTS CONTRIBUTION TO GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994 (Base Year)</td>
<td>2.739</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1995 (PEZA Creation in February)</td>
<td>4.284</td>
<td>82.12</td>
<td>5.21%</td>
</tr>
<tr>
<td>1996</td>
<td>6.500</td>
<td>91.79</td>
<td>7.08%</td>
</tr>
<tr>
<td>1997</td>
<td>10.626</td>
<td>91.23</td>
<td>11.64%</td>
</tr>
<tr>
<td>1998</td>
<td>13.270</td>
<td>72.21</td>
<td>18.37%</td>
</tr>
<tr>
<td>1999</td>
<td>15.807</td>
<td>83</td>
<td>19.04%</td>
</tr>
<tr>
<td>2000</td>
<td>20.025</td>
<td>81.02</td>
<td>24.71%</td>
</tr>
<tr>
<td>2001</td>
<td>19.498</td>
<td>76.26</td>
<td>25.56%</td>
</tr>
<tr>
<td>2002</td>
<td>22.775</td>
<td>81.36</td>
<td>27.99%</td>
</tr>
<tr>
<td>2003</td>
<td>27.313</td>
<td>83.91</td>
<td>32.55%</td>
</tr>
<tr>
<td>2004</td>
<td>30.924</td>
<td>91.37</td>
<td>33.84%</td>
</tr>
<tr>
<td>2005</td>
<td>32.030</td>
<td>103.07</td>
<td>31.07%</td>
</tr>
<tr>
<td>2006</td>
<td>36.077</td>
<td>122.21</td>
<td>29.52%</td>
</tr>
<tr>
<td>2007</td>
<td>40.889</td>
<td>149.36</td>
<td>27.37%</td>
</tr>
<tr>
<td>2008</td>
<td>40.543</td>
<td>173.6</td>
<td>23.35%</td>
</tr>
<tr>
<td>2009</td>
<td>32.897</td>
<td>168.49</td>
<td>19.52%</td>
</tr>
<tr>
<td>2010</td>
<td>40.473</td>
<td>199.59</td>
<td>20.27%</td>
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<tr>
<td>2011</td>
<td>42.144</td>
<td>224.14</td>
<td>18.80%</td>
</tr>
<tr>
<td>2012</td>
<td>40.023</td>
<td>250.09</td>
<td>16%</td>
</tr>
<tr>
<td>2013</td>
<td>42.872</td>
<td>271.84</td>
<td>15.77%</td>
</tr>
<tr>
<td>2014</td>
<td>44.034</td>
<td>284.58</td>
<td>15.47%</td>
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<tr>
<td>2015</td>
<td>43.970</td>
<td>292.77</td>
<td>15.01%</td>
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<tr>
<td>2016</td>
<td>47.926</td>
<td>304.91</td>
<td>15.71%</td>
</tr>
<tr>
<td>2017</td>
<td>51.349</td>
<td>313.42</td>
<td>16.38%</td>
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<tr>
<td>2018</td>
<td>54.221</td>
<td>332.85</td>
<td>16.28%</td>
</tr>
</tbody>
</table>

**2018**

PEZA EXPORTS CONSTITUTE **16.28%** of GDP

TOTAL GDP – **US$ 332.85 BILLION**

US$ 54.221 BILLION

US$ 332.852 BILLION
NO OTHER GOVERNMENT AGENCY ASIDE FROM PEZA CAN CONTRIBUTE THIS HUGE EXPORT RECEIPTS FOR OUR COUNTRY
In the Philippines: Breadwinners support an average of 5 family members. If half of the total direct and indirect employment are breadwinners or \(3,771,817 \times 5 = 18,859,087 + 3,771,817 = 22,630,904\) or 1 in every 5 Filipinos are positively affected by PEZA’s Economic Zone Program.
From 2014-2018 PEZA COMPANIES PURCHASED A TOTAL OF PHP1.345 TRILLION OF EQUIPMENT AND RAW MATERIALS FROM THE DOMESTIC MARKET.
LOCATOR INVESTMENTS BY NATIONALITY
(1995 - 2018)

- 27.63% - Japanese
- 22.61% - Filipino
- 15.18% - American
- 12.30% - Dutch
- 7.28% - British
- 4.45% - Others
- 3.71% - Singaporean
- 3.51% - Korean
- 1.54% - German
- 0.97% - Taiwanese
- 4.45% - Others
LOCATOR INVESTMENTS BY PRODUCT SECTOR
( 1995 - 2018 )

- 36.17% - Electronics/ Semiconductors
- 20.68% - Other Manufacturers
- 11.67% - Information Technology Services
- 7.55% - Metals/ Fabricated Metal Products
- 5.68% - Transport (Shipbuilding, Aerospace, Car Parts, Equipment)
- 4.79% - Electrical Machinery & Apparatus
- 2.04% - Medical, Precision and Optical Instruments
- 1.65% - Rubber and Plastic Products
- 1.13% - Medical Tourism
- 20.68% - Other Manufacturers

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The Present Investment Conditions and Situation of the Philippines
The Philippines’ Strengths

1. Strategic location / center of Asia and the Pacific

2. Rich in natural resources

3. Fertile lands

4. Two seasons; Wet and Dry. We can plant / manufacture the whole year round

5. The Filipino workforce is young, can speak English, easily trained, friendly, hospitable and helpful
6. 75 years land lease

7. 60-40 Rule; Philippine Constitution

8. Rights Guaranteed to remit profit and foreign obligations

9. Repatriate investments

10. Land and building lease rates are affordable, including public zone charges

11. Buildings, condominiums, sports facilities, medical services, hospitals - cheaper rates
The Philippines’ Weaknesses

1. Unstable economic and investment policies and laws; may change every administration

2. Highest CIT

3. Highest power rates

4. Mismatched manpower skills & lack of skills

5. Red Tape, delayed approvals of proclamations and clearances etc.
Weaknesses

6. No food security

7. Low manufacturing and production capability

8. There is no economic umbrella program; agencies have their own separate programs and inefficient implementation

9. Too much political interference in project identification and implementation and employment selection

10. Continuous corruption

11. Slow justice system
Weaknesses

12. No opportunities for investors in growing the country’s technology and modernization.
The Philippines' Opportunities

1. Great concept of Economic Zones by building townships integrating the industrial, commercial and residential areas. Creating green, smart and healthy economic zones where locators and workers can Work, Live, Learn and Play.

2. Cheapest cost of utilities

3. Training Filipinos to have multi-skills, vocational and technical skills. Teaching them work ethics and transforming them to become world class workers.

4. Horizontal ecozone development can broaden the businesses with the township concept
5. The Philippines has more allies and friends through which we can establish a vibrant export-import relationship

6. Giving incentives / subsidies to Ecozone developers and industries developing the countryside

7. Making the economic zones as economic drivers to grow Smart Towns, Digital Cities and New Metropolitan areas.

8. PH can be a regional hub for training, KPOs and BPOs & IT, Industries and Manufacturing Hub, Food Hub, Tourism and Retirement Hub, and Defense Industrial Hub.
The Philippines’ Threats

1. Insurgency and Rebellion

2. Crime Rate, still high in some LGUs

3. External threats from war and escalating conflicts

4. Cyber terrorism and industrial espionage

5. Too much political interference in business and in trade

6. Alliances with superpower

7. Credible / Good Government is still to be established
10 GOALS OF THE NEW PEZA
10 GOALS OF THE NEW PEZA

1. TO FULLY INDUSTRIALIZE AND DEVELOP THE PHILIPPINES.

2. TO ERADICATE OUR BEING IMPORT-DEPENDENT

3. TO CREATE JOBS FOR EVERY FILIPINO AND GIVING APPROPRIATE TRAINING
10 GOALS OF THE NEW PEZA

4. SPREAD THE DEVELOPMENT TO THE COUNTRYSIDE.

5. UTILIZE AND MAKE THE IDLE LANDS PRODUCTIVE

6. TO EMPOWER AND ENRICH THE LGUs
10 GOALS OF THE NEW PEZA

7. CREATE SUSTAINABLE GREEN AND HEALTHY ECOZONES AND GREEN INDUSTRIES

8. CONSTRUCT MORE LOGISTICS HUBS, INTERNATIONAL AIRPORT & SEAPORTS

9. ENHANCE PEZA LAW, STRUCTURE, MARKETING AND PROMOTION SERVICES

10. ENHANCE FINANCIAL INCENTIVES PACKAGES
10-POINT PROGRAM OF THE NEW PEZA
10-POINT PROGRAM OF THE NEW PEZA

1. ECOZONE MAP
2. GREEN ECOZONES
3. SEZ INSTITUTE
10-POINT PROGRAM OF THE NEW PEZA

4. INTEGRATING THE INDUSTRIAL, COMMERCIAL AND RESIDENTIAL INSIDE EZs

5. KA-PIPPs (PEZA INVESTMENT PROMOTIONS PARTNERS)
10-POINT PROGRAM OF THE NEW PEZA

6. ‘GALING PINAS’
10-POINT PROGRAM OF THE NEW PEZA

7. AFFILIATION OF PEZA, ECOZONES AND INDUSTRIES AS MILITARY RESERVE UNITS
10-POINT PROGRAM OF THE NEW PEZA

8. AN ENHANCED PEZA STRUCTURE

9. CREATION OF FOOD TERMINALS, LOGISTICS HUBS IN EVERY REGION

10. THE NEW PEZA IS “EVERY FILIPINO DRIVEN”
PROPOSED PEZA AMENDMENTS
1. Remove attached to DTI instead under the Office of the President just like BCDA, SBMA etc.

2. PEZA Board to include: DND/ AFP, CHED, TESDA, DoT, DICT, DOTr

3. Chairman of the PEZA Board: NEDA Secretary

4. PEZA as a Member of:
   - Regional Development Council (RDC)
   - TESDA
   - BOI/ for Domestic Enterprise/ Indirect Exporters
   - NEDA Board
   - CHED
   - SUCs Board of Regents

5. Incentive Package for Exporters representative and indirect Exporter / Domestic Enterprise
6. Subsidiaries can also be provided (land, power, infrastructure, long ITH etc.) subject to the criteria:

- Performance based
- Targeted
- Transparent
- Timebound to the ff:
  - Strategic industries
  - Basic industries
  - High ticket industries

Which the PEZA Board will deliberate and recommend with the President’s final approval.

7. Another section will list down different types of Ecozones

- Agro-Industrial
- Agro-Forestry
- Aquamarine
- IT Parks and Centers
- Tourism Ecozone
- Medical Tourism
- Defense Industrial Complex
- Knowledge, Innovation, Science and Technology
- Halal Hubs & Production
- Island Cities
- Cultural, Arts and Creative Industries
8. PEZA Industries are exporters who are into manufacturing, processing, refinery, assembly, KPO, BPO & IT industries, ecozone development (land and buildings) horizontal and vertical ecozone, tourism-oriented medical tourism.

9. PEZA’s ecozones are separate customs territory and Freeport zones.

10. Special Economic Zone Institute (SEZ) in every region to consolidate training needs of industries manpower requirements of educational, technical and professional courses to be located inside economic zones or PEZA’s partner SUC’s for its classroom, laboratory and other facilities.

11. PEZA’s economic zones and industries must be environment-friendly and in accordance with green international standards.
Incentives Package for Exporters:

1. ITH pioneer 10 years; non-pioneer 6 years

2. 7% GIE distributed as follows:
   a) 3% national government
   b) 2% LGU (city/municipality)
   c) 1% province
   d) 1% PEZA

3. Tax & duty free importation of raw materials NOT available in the domestic market, capital equipment, spare parts and other related to the registered activity.

4. Zero VAT for local purchases including utility bills.

5. Employment of foreign workers not more than 5% of the manpower requirement

6. 100% foreign-owned with the right to remit profit, to pay obligations, right to repatriate investments

7. 99 years lease of public or private lands.

8. PEZA visa for foreign locators & workers and industries family members.
Incentives for Indirect Exporters & Domestic Enterprises

- same as #1 to #5 incentives for exporters

For subsidiaries for both Exporters & Indirect Exporter/ Domestic Enterprise will be subject to criteria

- Performance based
- Transparent
- Time Bound
- Targeted
- Additional 10 years ITH for those who will develop the countryside

To be determined by the PEZA board and approved by the President only for:

- Basic Industries
  - To establish food security
  - Maximum production & manufacturing capability
  - Maximize export capability
  - Complete the supply chain
• **For Strategic Industries**
  a) Agriculture  
  b) Tourism  
  c) Construction materials and steel  
  d) Industrial equipment and machinery  
  e) Renewable source of energy  
  f) Technology new and homegrown  

• **Big Ticket Industries**
  a) Capital investment of billions of pesos and dollars  
  b) Big number of jobs  
  c) Homegrown technology
Thank You

PHILIPPINE ECONOMIC ZONE AUTHORITY
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www.peza.gov.ph