

PH Trade, Employment, Exports Growth and MSMEs Integration into the Export Global Value Chains

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Panel Discussant

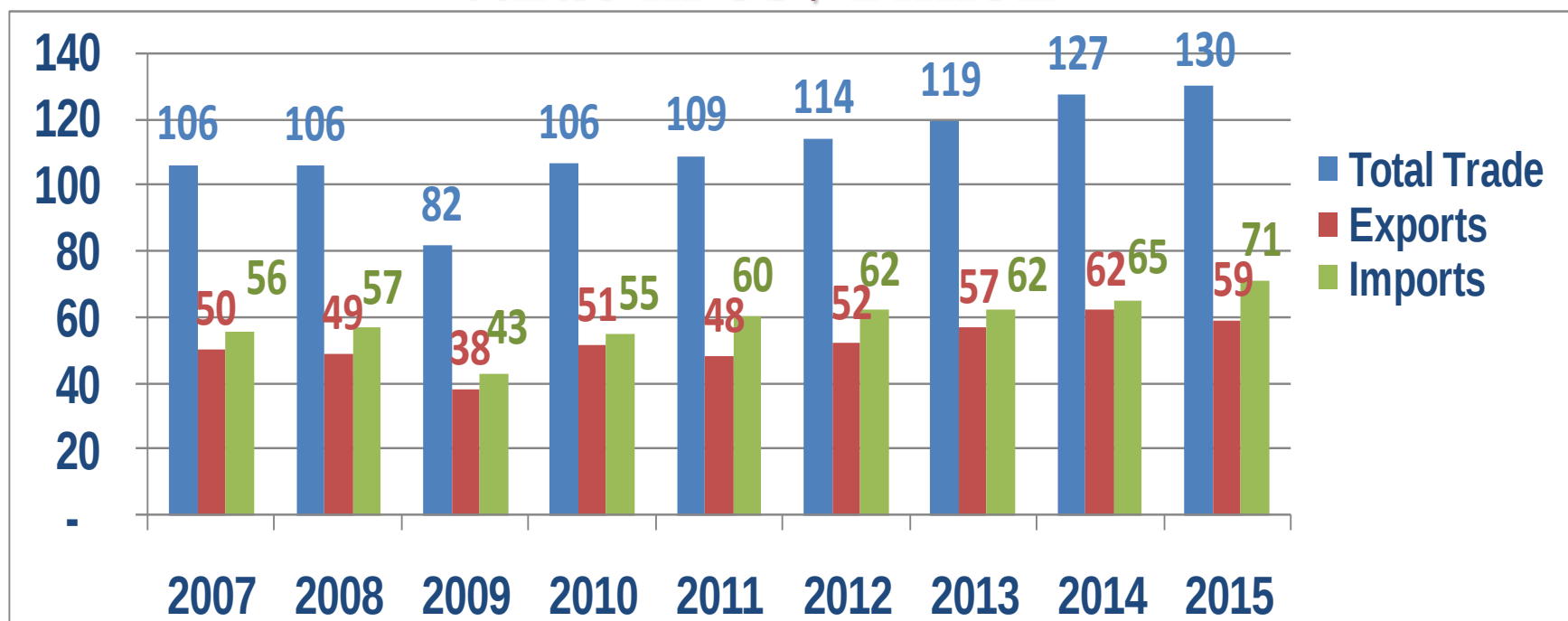


Outline

- **PH Export – Import Statistics**
- **Case Studies: Export-Employment Metrics**
 - Vietnam, USA, PH
- **Opportunities for PH SME Internationalization**
- **Trade in Value – Added (TIVA)**
- **Conclusion**



PH Merchandise Trade Value in US\$ Billion



2014 vs 2015: Growth Rates:

Total Trade ~ 1.87%; Exports ~ (5.27%); Imports ~ 8.67%

Table 1: Structural change in manufacturing output in Vietnam, 1995-2009
(in%)

Manufacturing industries by a two-digit VSIC ^a	Composition ^a			Growth rates ^b		
	1995	2000	2009	95-99	2000-09	1995-2009
15: Food products and beverages	32.4	27.6	24.2	8.7	14.7	13.0
16: Manufacture and tobacco products	4.8	3.6	1.9	4.8	8.4	8.1
17: Manufacture of textiles	7.4	6.4	4.6	8.0	12.2	11.5
18: Manufacture of wearing apparel	3.5	3.8	4.6	15.3	18.8	17.6
19: Manufacture of leather products	4.3	5.6	4.9	21.3	14.7	16.5
20: Manufacture of wood and wood products	4.0	2.3	2.1	-1.1	15.5	10.4
21: Paper and paper products	2.3	2.5	2.7	15.5	17.4	16.6
22: Publishing and printing	1.8	1.4	1.1	7.4	12.7	11.2
24: Chemical and chemical products	6.1	7.0	0.1	17.5	14.8	15.5
25: Rubber and plastic products	2.7	4.1	6.2	24.3	20.9	21.7
26: Manufacture of non-metallic mineral products	11.0	11.5	5.7	12.6	13.5	13.9
27: Manufacture of basic metals	4.1	3.7	9.2	9.9	16.9	14.9
28: Fabricated metal products	2.8	3.6	3.9	21.2	23.0	21.8
29: Machinery and equipment	1.6	1.7	6.0	12.6	13.7	14.3
30: Office, accounting and computing machinery	0.0	0.8	1.4	179.5	24.2	51.2
31: Electrical machinery and apparatus	1.3	2.3	1.5	28.3	23.1	24.6
32: Radio, television and communication equipment	2.5	2.8	3.8	17.9	15.0	15.4
33: Medical, precision and optimal instruments	0.2	0.3	2.5	18.2	26.2	22.5
34: Motor vehicles, trailers and semi trailers	1.8	2.0	0.6	6.0	22.4	20.5
35: Manufacture of other transport means	2.3	4.1	3.2	24.7	20.2	22.8
36: Manufacture of furniture, n.e.c	2.4	2.5	5.4	14.6	23.1	20.1
<i>Labour-intensive sector^c</i>	18.3	20.3	26.3			
Whole of manufacturing				12.6	16.4	15.4



Notes:

(a) Ratios are calculated based on the 1994 constant price.

(b) Average annual growth rate over the period on the 1994 constant price.

(c) Labour-intensive sector includes traditional labour-intensive industries (VSIC 18, 19, 20 & 36) and the electronics industry (VSIC 30-33).

Source: Compiled from C.E.I.C. Asian database, 2012.

Table 2: Manufacturing employment in Vietnam: composition and growth, 2000-2009 (in %)

Manufacturing industries by a two-digit VSIC	Composition			Growth rates ^b
	2000	2004/05 ^a	2009	2000-09
15: Food products and beverages	16.8	14.1	12.9	7.9
16: Manufacture and tobacco products	0.8	0.5	0.3	1.3
17: Manufacture of textiles	7.7	5.6	4.8	5.5
18: Manufacture of wearing apparel	14.5	17.1	18.5	14.2
19: Manufacture of leather products	18.6	17.7	14.7	8.3
20: Manufacture of wood and wood products	4.0	3.8	3.1	8.1
21: Paper and paper products	2.3	2.2	2.1	10.0
22: Publishing and printing	1.4	1.4	1.5	11.9
24: Chemical and chemical products	4.1	2.6	2.9	7.1
25: Rubber and plastic products	3.2	3.7	4.3	14.7
26: Manufacture of non-metallic mineral products	8.0	7.4	6.9	9.3
27: Manufacture of basic metals	1.8	1.4	1.6	9.8
28: Fabricated metal products	3.2	4.2	5.1	17.1
29: Machinery and equipment	1.9	1.5	1.7	9.3
30: Office, accounting and computing machinery	0.2	0.3	0.8	31.0
31: Electrical machinery and apparatus	2.5	2.5	2.8	12.7
32: Radio, television and communication equipment	1.0	1.1	2.1	20.3
33: Medical, precision and optimal instruments	0.4	0.4	0.4	11.2
34: Motor vehicles, trailers and semi trailers	1.0	1.2	1.4	15.6
35: Manufacture of other transport means	2.5	2.9	3.3	14.6
36: Manufacture of furniture, n.e.c	4.1	8.1	8.6	20.6
<i>Labour-intensive sector^c</i>	45.3	50.9	51.1	
Whole of manufacturing				11.1



Notes:

(a) Two-year averages.

(b) Average annual growth rate over the period 2000-2009.

(c) the labour-intensive sector includes traditional labour-intensive industries (VSIC 18,19, 20 & 36) and the electronics industry (VSIC 30-33).

Source: Compiled the *GSO Enterprise Survey* 2000-09.



Table 3: Vietnam's export growth, 1990-2011 (in %)

	1990-1994	1995-99	2000-11	1990-2011
(a) Growth rate (% p.a.)				
Primary products	14.0	-16.9	19.8	9.8
Manufacturing exports ^a	14.6	36.9	21.1	23.6
Total non-oil exports^b	14.0	14.2	21.0	18.7
(b) Contribution to incremental in export growth (%)				
Primary products	61.6	-44.5	11.9	10.7
Manufacturing exports	39.5	144.0	87.5	88.7
Total non-oil exports	100	100	100	100

Notes:

(a) The original export data based on the Standard International Trade Classification (SITC) are converted into VSIC. The value of VSIC-based manufacturing exports is approximately equal to SITC 5-8, less SITC 68 (non-ferrous metal) and plus processed foods.

(b) Non-oil exports: total exports less oil and gas exports (SITC 33, SITC 34).

Source: Compiled from C.E.I.C. Asian database, 2012 and UN Comtrade database.

Table 4: Composition of exports, Vietnam, 1990-2011

	1990	1995	2000	2011
Export value (US\$ million at current prices)				
Total non-oil exports	2,404	5,449	10,754	87,609
Primary products	1,481	3,257	1,453	10,617
Manufacturing exports	901	2,192	9,273	76,500
<i>Processed foods</i>	200	407	2,897	13,823
<i>Chemicals</i>	18	31	159	2,876
<i>Resource-based manufactures</i>	107	350	889	10,445
<i>Machinery and transport equipment</i>	1	89	1,276	18,835
<i>Miscellaneous (labour intensive products)</i>	575	1,315	4,052	30,521
Unclassified	22	0	6	63
Percentage of total exports (%)				
Primary products	61.6	59.8	13.5	12.1
Manufacturing exports	37.5	40.2	86.2	87.3
<i>Processed foods</i>	8.3	7.5	26.9	15.8
<i>Chemicals</i>	0.7	0.6	1.5	3.3
<i>Resource-based manufactures</i>	4.5	6.4	8.3	11.9
<i>Machinery and transport equipment</i>	0.0	1.6	11.9	21.5
<i>Miscellaneous (labour- intensive products)</i>	23.9	24.1	37.7	34.8
Unclassified	0.9	0.0	0.1	0.1



Notes: Processed foods are separated from the SITC 0 (food and live animals), SITC 1 (beverages and tobacco) and SITC 4 (vegetable oils) using the classification system developed by Athukorala and Sen (1998). This system was defined using a commodity concordance linking Standard International Trade Classification (SITC) and International Standards Industrial Classification (ISIC). The comparable sections in the ISIC are industry groups 15-16.

Source: Compiled and calculated from C.E.I.C. Asian database, 2012 and UN Comtrade database.

Table 5: Manufacturing exports: Composition and growth in Vietnam, 2000-2011 (in %)

Manufacturing exports by a two digit VSIC	Composition			Growth rate ^a	Contribution ^b
	2000	2006	2011	2000-2011	
15: Food products and beverages	27.7	20.2	16.1	16.0	14.7
16: Tobacco products	0.1	0.4	0.3	34.8	0.3
17: Manufacture of textiles	4.7	7.1	8.2	28.0	8.6
18: Wearing apparel	19.7	18.1	13.7	17.9	12.9
19: Leather products including footwear	19.1	15.6	10.7	15.5	9.6
20: Wood products	2.1	1.8	1.8	20.1	1.8
21: Paper products	0.4	0.6	0.4	21.9	0.4
22: Publishing and printing	0.3	0.1	0.2	19.1	0.2
24: Chemical products	1.5	3.0	3.2	30.4	3.4
25: Rubber and plastic products	1.5	2.4	3.2	30.9	3.4
26: Non-metallic mineral products	1.7	1.8	1.7	22.0	1.7
27: Basic metals	0.8	1.6	3.6	40.0	4.0
28: Fabricated metal products	0.7	2.1	1.8	33.5	2.0
29: Machinery and equipment n.e.c	1.2	1.7	4.3	37.3	4.7
30: Office, accounting and computing machinery	5.6	4.5	1.2	5.9	0.6
31:Electrical machinery and apparatus	2.9	5.4	5.3	28.4	5.6
32: Radio, television & communication equipment	3.7	2.5	11.5	35.1	12.5
33: Medical, precision and optimal instruments	0.5	0.7	1.7	36.2	1.8
34: Motor vehicles, trailers and semi trailers	0.1	1.2	0.9	56.7	1.1
35: Manufacture of other transport means	1.1	0.8	1.5	25.5	1.6
36: Manufacture of furniture, n.e.c	4.6	8.6	8.6	28.8	9.1
<i>Labour-intensive sector^c</i>	58.3	57.2	54.4		
Total VSIC-based manufacturing exports	100	100	100	21.8	100



Notes:

(a) Average annual growth rate over the period 2000-2011.

(b) Contribution to manufacturing export growth over the period.

(c) The labor-intensive sector includes traditional labour-intensive industries (18,19, 20 & 36) and the electronics industry (VSIC 30-33).

Source: Compiled from UN Comtrade database, 2012.



Table 7: Contribution of manufacturing exports to employment
Vietnam 2000 and 2007

Sectors	2000			2007		
	Total*	Export-related		Total*	Export-related	
		Number (‘000)	% of all jobs (%)		Number (‘000)	% of all jobs (%)
	(1)	(2)	(2)/(1)	(1’)	(2’)	(2’)/(1’)
Agriculture	25,045	3,764	15.0	24,368	6,488	26.6
Mining and quarrying	219	6	2.7	299	47	15.7
Manufacturing	3,208	1,595	49.7	5,741	3,861	67.2
Construction and public utilities	1,018	30	3.0	2,534	834	32.9
Services	7,212	488	6.8	12,266	1,634	13.3
All sectors	36,702	5,884	16.0	45,208	12,863	28.5

Note: * Total employment for the whole economy

Source: Computed from the I-O tables, 2000 and 2007



Table 6: Sectoral composition of employment created by manufacturing exports, Vietnam 2000 and 2007

Sectors	2000		2007	
	Number (‘000)	Percentage (%)	Number (‘000)	Percentage (%)
Agriculture	3,764	64.0	6,488	50.4
Mining and quarrying	6	0.1	47	0.4
Manufacturing	1,595	27.1	3,861	30.0
Construction and public utilities	30	0.5	834	6.5
Services	488	8.3	1634	12.7
All sectors	5,884	100	12,863	100

Source: Calculated from the I-O tables, 2000 and 2007

Vietnam



- Vietnam is emerging as the **clear leader in low-cost manufacturing** and sourcing, with the country's manufacturing sector now accounting for 25 percent of Vietnam's total GDP.
- Vietnam's growing popularity is the **country's collection of free trade agreements (FTAs)**—most notably, the **Trans-Pacific Partnership (TPP)** and **EU-Vietnam FTA**.
- In terms of regulatory and financial incentives, Vietnam has become **increasingly investor-friendly** in recent years –the government has taken such actions as reforming its financial sector, streamlining business regulations, and improving the quality of its workforce.

USA



INTERNATIONAL
TRADE
ADMINISTRATION

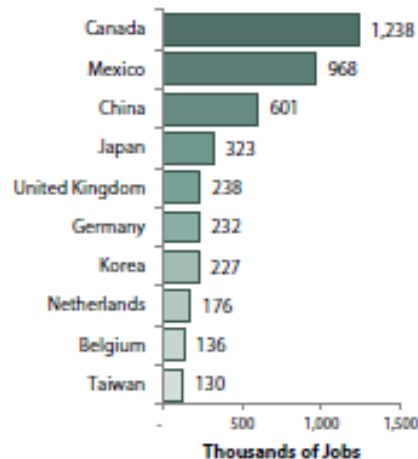
Jobs Supported by Export Destination, 2015

Jobs by Country

- Jobs supported by goods exports to Mexico have increased by 296 thousand since 2009, one-third of total growth in jobs supported by goods exports.
- Jobs supported by service exports to China have grown by 182 thousand since 2009, the largest increase among markets for which there is data.

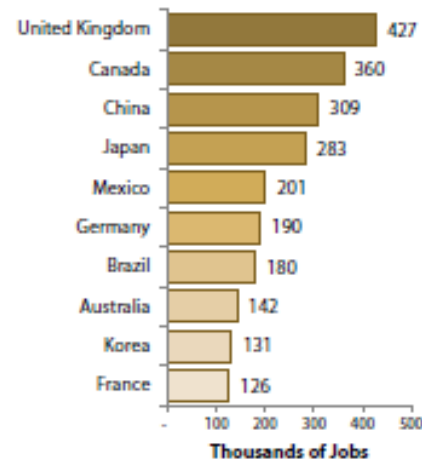
U.S. Goods Exports Supported 6.7 Million Jobs

Top 10 Destinations, Jobs Supported by Goods Exports in 2015



U.S. Service Exports Supported 4.8 Million Jobs

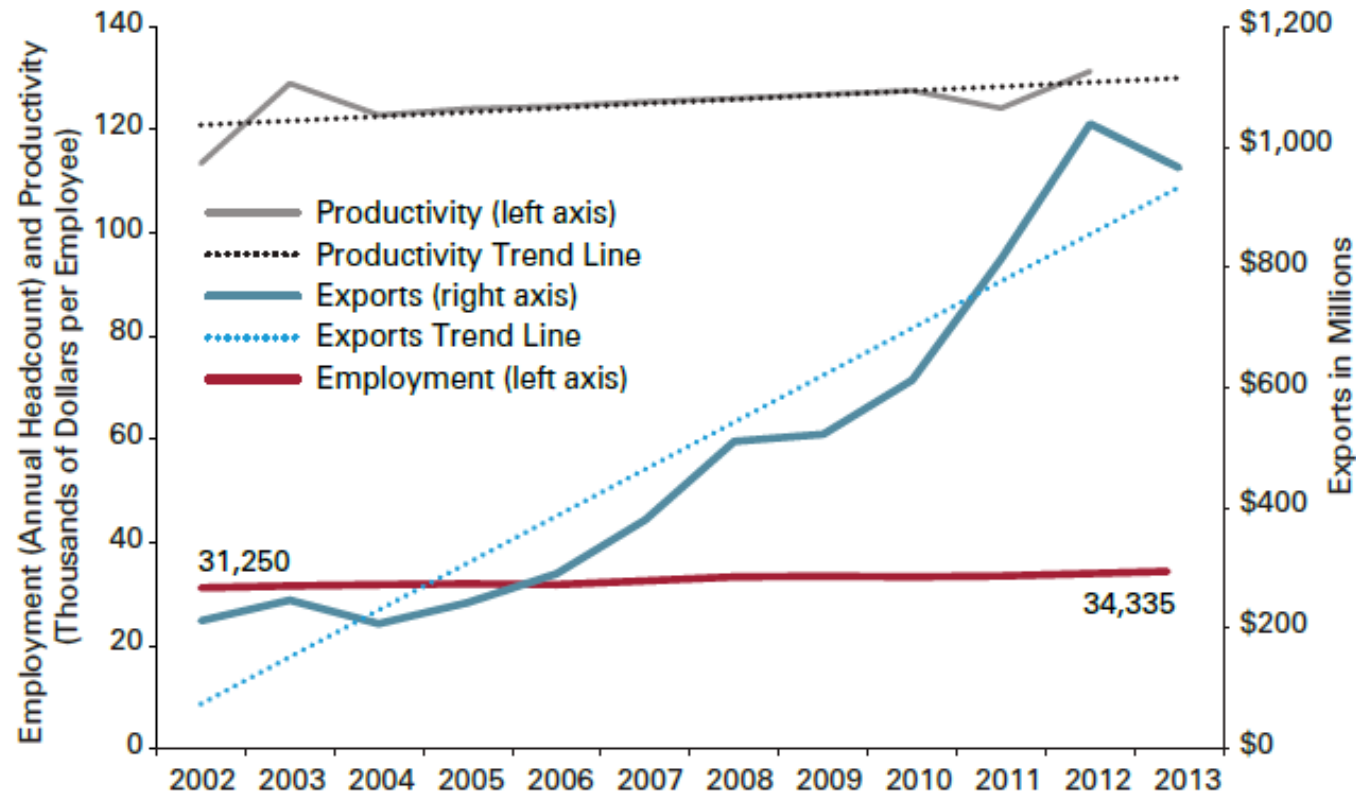
Top 10 Destinations, Jobs Supported by Service Exports in 2015



Case Study: USA

Food manufacturing is the only industry of significant size to show a strong and positive correlation between employment and exports.

FIGURE 1: Food Manufacturing Employment, Export and Producti



Source: Quarterly Census of Employment and Wages (employment), WISERTrade (exports) and U.S. Census Bureau (productivity)

Does Export Growth Create Jobs?

Timothy Slaper, Ph.D. Director of Economic Analysis, Indiana Business Research Center, Indiana University Kelley School of Business



BUREAU OF
LABOR AND
EMPLOYMENT
STATISTICS

DEPARTMENT OF LABOR AND EMPLOYMENT
Manila, Philippines

ISSN 0118-8747

LABSTAT

Updates



Vol. 1 No. 25

December 1997

EMPLOYMENT PROFILE OF ESTABLISHMENTS ENGAGED IN EXPORT TRADE: 1995-1996

INTRODUCTION

Export promotions play a key factor in the country's quest for economic progress. As source of foreign exchange, export earnings are necessary to finance our growing import bills and huge external debt. Moreover, exports generate productive employment opportunities for the country's 30.0 million labor force.

This report presents employment data on export-oriented industries. Statistics were culled from the Survey of Specific Groups of Workers (SSGW) conducted annually by the Bureau of Labor and Employment Statistics since 1989. The SSGW covered establishments with employment of at least ten (10) workers and was designed to capture employment of specific groups of workers covered by special laws in the Philippine Labor Code. Information on export-oriented establishments were available since 1993.



1995. The biggest increase occurred in the financing sector (from 200 to 600), followed by the trade sector (from 500 to 600) and community, social and personal services sector (from 100 to 200). Manufacturing was the only sector which posted a decline (from 1,900 to 1,600).

SURVEY RESULTS

Characteristics of Establishments Engaged in Exports

Establishments engaged in export trade upped by 13.8% in 1996



Majority of export-oriented establishments were engaged in manufacturing, trade and financing



Export-oriented establishments were mostly engaged in manufacturing. In 1996, they comprised nearly half (48.5%) of total

TABLE 1 - NUMBER OF EXPORT-ORIENTED ESTABLISHMENTS AND
WORKERS HIRED BY MAJOR INDUSTRY GROUP, REGION
AND EMPLOYMENT SIZE, PHILIPPINES: 1995-1996



Indicators	1995				1996			
	Establishment		Workers Hired (000)		Establishment		Workers Hired (000)	
	Total	Export-Oriented	Total	Export-Oriented	Total	Export-Oriented	Total	Export-Oriented
TOTAL	35,700	2,900	2,692	711	35,200	3,300	2,606	664
All Industries								
Agriculture, Fishery and Forestry	700	100	143	57	600	100	143	64
Mining and Quarrying	200	a	39	12	200	100	27	19
Manufacturing	9,300	1,900	964	545	9,100	1,600	881	476
Electricity, Gas and Water	300	0	68	0	300	a	65	b
Construction	800	a	103	22	800	a	159	2
Wholesale and Retail Trade	8,500	500	336	28	8,400	600	314	32
Transportation, Storage and Communication	1,300	100	131	6	1,300	100	173	17
Financing, Insurance, Real Estate and Business Services	5,000	200	355	17	4,900	600	308	46
Community, Social and Personal Services	9,600	100	553	24	9,600	200	536	8
All Regions								
National Capital Region	17,800	1,600	1,566	401	17,900	2,000	1,461	331
Cordillera Administrative Region	400	a	25	6	400	a	23	8
Region I	1,100	a	39	2	1,000	100	41	3
Region II	500	100	20	2	400	a	19	2
Region III	2,300	200	97	12	2,200	200	97	18
Region IV	3,300	400	292	126	3,400	300	272	110
Region V	800	a	35	3	900	a	39	5
Region VI	2,100	100	139	11	2,000	100	152	22
Region VII	2,100	200	156	44	2,100	200	168	55
Region VIII	500	a	24	2	500	a	23	1
Region IX	700	100	50	26	600	100	36	8
Region X	1,400	100	67	11	1,200	100	80	22
Region XI	2,100	200	154	61	2,000	200	167	75
Region XII	600	a	28	4	600	a	28	4
Employment Size								
10 - 19	18,300	800	-	-	17,800	1,000	-	-
20 - 49	10,200	800	-	-	10,300	900	-	-
50 - 99	3,200	400	-	-	3,200	400	-	-
100 - over	4,000	900	-	-	3,900	1,000	-	-

a - Less than 50.

b - Less than 1,000.

**EMPLOYMENT
PROFILE OF
ESTABLISHMENTS
ENGAGED IN
EXPORT TRADE:
1995-1996**

PEDP 2015-2017



KEY EXPORT SECTORS

	World CAGR, % 2006-13	PH CAGR, % 2006-13	Exports (US\$ B) 2014	Employment Multiplier	Trade map Category
Processed food and beverages	9.1	14.2	1.4	14.066	Champion
Electronics	5.3	(0.4)	29.8	1.847 – 4.511	Laggard
Motor vehicle parts	7.2	7.4	4.3	4.467	Champion
Coconut oil	7.2	8.2	1.2	30.494	Champion
Oth business services – technical ^{1/}	7.5	14.1	14.2	1.340	Champion
Computer and information services ^{1/}	5.7	29.8	3.1	3.216	Achiever

^{1/}Comprising the IT-BPO sector

Philippines



- Most of the Export Oriented Industries' factories or investments established in the 1970s and 1980s were producing **garments, footwear, toy and fashion accessory producers as part of the global value chains** of the investing multinationals which set up these factories in the newly established Philippine EPZs to take **advantage of the generous fiscal incentives and cheap labor** in the country.
- It was an 'enclave' export-oriented economy with **limited domestic linkages and limited job creation for the host country**

Source:

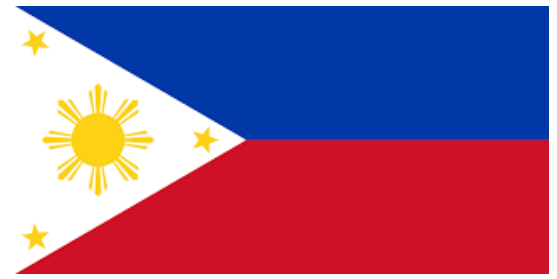
Ofreneo, R.E. (2015) Growth and employment in de- industrializing Philippines, *Journal of the Asia Pacific Economy*, 20:1, 111-129, DOI: 10.1080/13547860.2014.974335

Philippines



- The **absence of scaling up through innovation and learning is amply illustrated by the electronics industry**, which got stuck in the assembly work, from the mid-1970s to the present.
- In contrast, the electronics industry of South Korea, Malaysia and Singapore zoomed upward at the **higher stages of electronics processing and value-adding product application because of continuous efforts in technology and skills upgrading** (ADB 2003).
- In the case of the supposedly ‘liberal’ Singapore, the government set up **special technical training institutions and even engineering and polytechnic universities** (Nanyang Technological University, Singapore Polytechnic, Ngee Ann Polytechnic, Temasek Polytechnic and Nanyang Polytechnic) just to **address the requirement for engineering and technical people needed by electronics and other industries being nudged by the government to go higher up the value chain** (Swee 1996).

Opportunities



Manufacturing grows at record pace in Sept 2016

The Philippine manufacturing sector grew at a record pace in September, outpacing the performance of other countries in Southeast Asia, according to the latest reading of the Nikkei Philippines Manufacturing Purchasing Manager's Index (PMI).

PricewaterhouseCoopers (PwC) estimated that the Philippines economy will be greater than Thailand in 2045 and will be the second biggest economy in ASEAN in 2060

source: [List of IMF ranked countries by past and projected GDP \(PPP\)](#)

Currently, median age of Filipinos is 23

source: [List of countries by median age](#)) so the Philippines still has a chance to get [demographic dividend](#).

Intraregional trade could significantly deepen with implementation of the ASEAN Economic Community

25%

of region's exports of goods go to other ASEAN economic partners...



forged regional FTAs with:



AUSTRALIA



NEW ZEALAND



CHINA



INDIA



JAPAN



SOUTH KOREA

A potential MEGA trading bloc with:

3 BILLION

Consumer base

\$21 TRILLION

Combined GDP

30%

of World Trade

Source: McKinsey & Company

Opportunities for SME Internationalization



The image shows a mockup of the APEC MSME Marketplace website. The header features the APEC logo and the text "Asia-Pacific Economic Cooperation" on the left, and a navigation menu with links: HOME, KNOWLEDGE CENTER, ABOUT, MEETINGS, MEDIA ADVISORY, CONTACT, and SEARCH on the right. The main banner has a blue background with a world map and the text "Welcome to the APEC MSME Marketplace". Below the banner, a section titled "What do you want to sell online?" displays six categories with icons: All Sectors (globe), Agriculture (wheat), Handicrafts (hand), Food Processing (hard hat), Electronics (chip), and Automotive (car). The bottom of the page has a blue background with the text "COMING SOON IN 2017!" in yellow.

APEC Asia-Pacific Economic Cooperation

HOME KNOWLEDGE CENTER ABOUT MEETINGS MEDIA ADVISORY CONTACT SEARCH

Welcome to the APEC MSME Marketplace

What do you want to sell online?

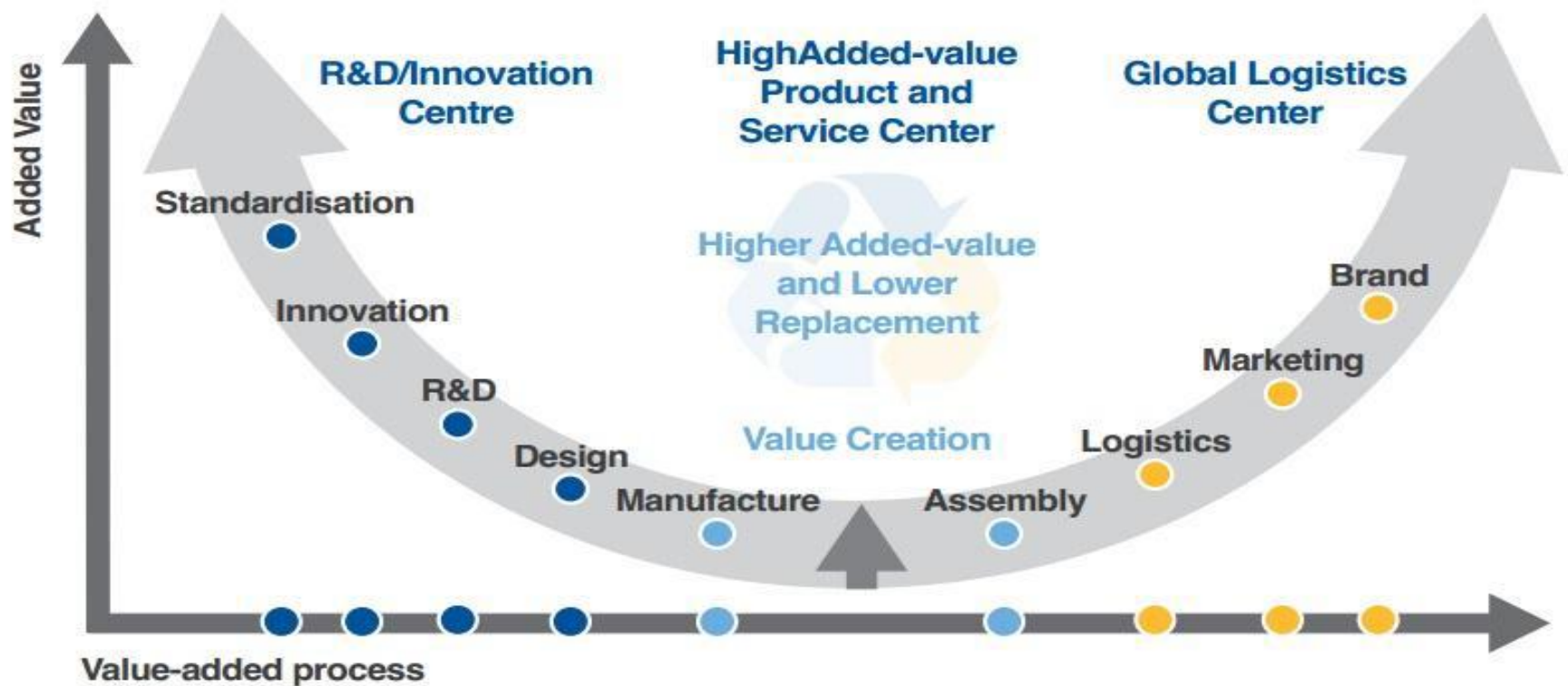
- All Sectors
- Agriculture
- Handicrafts
- Food Processing
- Electronics
- Automotive

COMING SOON IN 2017!

Trade in Value Added (TIVA):

The value of value-added

“Smiley Face”: conceptual model of the shift to a high value added, globally integrated, services economy



Source : Business Week International online extra, May 16, 2005, Stan Shih on Taiwan and China

- Most goods are made in the world & countries compete on economic roles within the value chain
- Strategy on how to position our industries: **competitiveness**
- **Industrial policy needed to upgrade industries**

Bottomline



A photograph of a spiral-bound notepad with a green cover. The notepad is open to a page with horizontal lines. The formula $GDP = C + I + NX + G$ is handwritten in black ink. Below the formula, the letter 'X' is written in red ink, with the word 'export' written in red ink below it. To the right of 'X' is a red minus sign, followed by the letter 'M' written in red ink, with the word 'import' written in red ink below it. A red arrow points from the 'NX' part of the formula down to the 'X' and 'M' section. A red pencil is visible on the right side of the notepad, and a black pencil is visible on the left side.

$$GDP = C + I + NX + G$$

X - M
export import

-the **NEED** for evidence-based studies on export-employment metrics for policy formulation and monitoring