

## THE PHILIPPINE ELECTRONICS INDUSTRY

# Clustering Identified as Key Factor to Sustain Export Growth

THE electronics industry continues to show potential for higher growth. To date, it still dominates the export chart with an annual growth rate of about 25 per cent, accounting for 61 per cent of the total Philippine exports. Shipments in 1999 improved by 23.9 per cent to \$ 21.1558 billion from \$17.387 billion in 1998. Producers project to hit 25 per cent growth rate this year.

With the industry's consistent export performance, government and the private sector are optimistic that the export target of \$50 billion by the end of 2001 can be achieved. Out of this gross revenues, the electronics sector targets to hit \$28.58 billion and \$33.83 billion this year and 2001 respectively.

How does the industry plan to achieve this target? The Semiconductor and Electronics Industries of the Philippines, Inc. (SEIPI) under-score the important role of foreign investments in the industry. According to executive director Ernesto Santiago, the industry generated a total of US \$ 671 million in investments last year. Inputs from these firms and that from the existing 462 have helped in improving the technological structure of Philippine exports compared with that of South Korea and Taiwan. SEIPI President Antonio Ng added that to achieve this millennium export target, the industry hopes to attract \$10 billion in new investments starting this year.

Among this is the planned water fabrication plant by American firm Intel Corp. estimated to cost between \$1 billion to \$2 billion. If this pushes through, the plant will facilitate the production of silicon wafers, transistors, capacitors and resistors are simultaneously fabricated. This facility will help reduce the dependence of the industry on imported inputs for production.

According to SEIPI, the presence of skilled professional managers and technical people remains as the country's strategic advantage over other ASEAN countries. There are approximately 30,000 to 40,000 graduates of engineering and technical courses every year, enough to supply the manpower needs of electronic companies.

The current outsourcing trend in the semiconductor industry can also provide the country with expansion opportunities that build upon its current position and strengths", added SEIPI.

### Capacity

A World Bank report last year said that the Philippines has "considerable indigenous technological capabilities". However, this structure is weakened only by the "striking mismatch" between local technological efforts due to low R&D activities and the high-technology structure of exports, the report added.

The local electronics industry is largely engaged in "contract manufacturing", with wafers being supplied by foreign clients and mother firms of multinational companies (MNCs) based in the country. These are then assembled into individual chips according to buyers' specifications.

A typical electronic company's capabilities include the manufacture of integrated circuit, packaging printed circuit board assembly and full product assembly.

### Export plan

Capitalising on the industry's growth pattern, both the government and the private sector drew up a development plan and strategies for the electronics industry as contained in the Philippine Export Development Plan (PEDP) for 1999 to 2001. The PEDP provides the guide for boosting export performance in the next three years and lays the groundwork for developing a sustainable and globally competitive export industry well beyond.

One is the industry clustering scheme where electronics is one of the pioneering sectors. The idea behind the new strategy is to group firms and companies in a cluster, including allied and support services for them to gain collective strengths. It dovetails with the overall government development plan of dispersing industries to the region. For electronics, the province of Laguna has been identified as the cluster model for the industry. The province is home to a number of electronics manufacturing firms such as Amkor Anam and Integrated Microelectronics, Inc. (IMI).

Under the clustering scheme for the electronics sector, priority will be given to the development of support industries to allow electronics exports to improve their local value added content. The country's dependence on the sector's strong performance underscores the need to strengthen the latter's linkages to the Philippine economy such that the value added will come not just from labour and utilities but also from raw materials, packaging, design and engineering.

The Estrada government likewise announced plans to establish a high-technology industrial estate as part of the BOI's Professional Information Technology Services Hub or Prof-IT strategy. This programme aims to promote the country as Asia's centre for IT services and backroom operations of multinational companies.

### Growing demand

Global developments are offering brighter prospects for the local electronics industry, as it stands to gain from the increasing demand from the European Union telecommunications terminal equipment market which is growing between 12 per cent to 23 per cent annually. In Germany, demand for computer peripherals and equipment an electronic components are likewise on the rise.

Industry analysts also see growth as increasing personal computer sales, converging telecom and computing market and emerging new technologies put more silicon chips into everyday items. The emergence of customised, highly integrated circuits that will merge dozens of single function semiconductors is another vital sign that the growth of the semiconductor business is stabilising, if not further advancing, according to the International Data Corp. (IDC) an IT research group.

As it is, the Philippines already enjoys increasing global market share, with the US accounting for major share Japan, 14 per cent; the Netherlands, ten per cent; and, Taiwan and Singapore with eight per cent each according to SEIPI.

### Courses Offered

**International Advanced Diploma in**

- 1. Computer Science & Programming
- 2. Computer System & Networking Technology
- 3. Computer Based Accounting

### Special Courses:

- SCO UNIX
- Windows NT
- E-mail and Internet
- Application Software
- V. Basic, JAVA, Oracle, V. C
- Kid's Courses
- Executive Courses

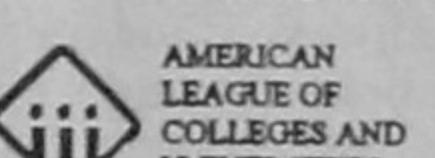
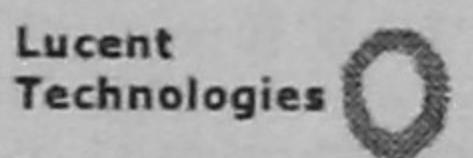
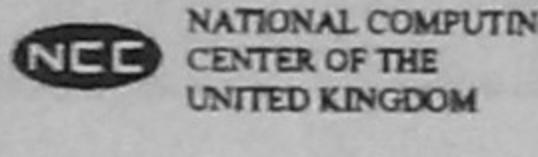
## Long live Philippines-Bangladesh friendship

## International Advanced Diploma in Computer Science & Programming

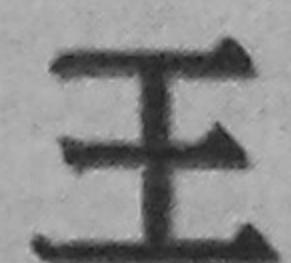
Asia's Pioneer and Largest Computer-Based Degree Education



ACCREDITED MEMBER OF:



**AMA-Technohaven CLC**  
Dhanmondi Center: 748 Satmosjid Road, Dhanmondi, Dhaka-1209, Tel: 9114496, 019-380245  
Paltan Center: Shawon Tower (2nd Floor), 2/C Purana Paltan, Dhaka-1000, Tel: 7110398, 7115735-6



## FU-WANG BOWLING CLUB



It's time to glow bowling!

Brunswick  
4 5  
411, GULSHAN-TEJGAON LINK ROAD, TEJGAON I/A, DHAKA, TEL: 9883274-5, 608881 FAX: 8823985

With  
The  
Compliments  
From



## Philippine Airlines

23/Ka, New Eskaton Road (3rd Floor,) Dhaka-1000, Bangladesh.

Tel: +(880-2) 935-0852/3 Fax: +(880-2) 935-0851

E-mail: [avl@bangla.net](mailto:avl@bangla.net), [www.philippineair.com](http://www.philippineair.com)

Our Warmest Congratulations to the 102nd Anniversary of the Philippines Independence, 12 June 2000

We are at your door step with the following services

- Packers and Shippers Division (Packing, Shipping, Specialised C&F Agent by Air, Sea & ICD Kamalapur with Door to Door Service)
- Duty Free Mail Order Division (Electrical and Electronic Items, House-hold Appliances and Reconditioned Cars) from Japan
- Continental Linkers Ltd (Specialised in Importing Canned, Dry & Frozen Food & Beverages)
- Trading Division (Indentor, Importer, Exporter and Supplier)
- Courier Service (Inland & Overseas)
- Rental Division (Rent-A-Car, Electrical and Electronic Office Equipment)
- Bartha Money Changer (Passport endorsement and currency exchange)
- Barlaw Freight System (International Freight Forwarders)



## BARLAW

PACKERS & SHIPPERS

### DHAKA OFFICE:

10, Metropolitan Shopping Plaza  
Gulshan North Circle-2, Dhaka  
Phone: 606761, 8824542, 8823430  
Fax: 8823097, 8822555  
PO Box No: 6103Gn.

### CHITTAGONG OFFICE:

Hotel St Martin Building  
25, Sk Mujib Road  
Agrabad C/A  
Chittagong  
Phone: 712499, 720306.

### THE PHILIPPINE ECONOMY

*Continued from page 8*  
these products in January-November 1999.

**Services:** The robust performance of the services sector (3.9 per cent) made the biggest contribution to growth in 1999. This was bolstered by the strong performance of private services (5.9 per cent) and transportation and communications sub-sectors (5.1 per cent). Trade (4.6 per cent) and government services (3.3 per cent) also performed strongly.

**Expenditure Shares**  
On the demand side, all major expenditure items improved in the last quarter. Faster rates of expansion were posted by personal consumption (3.0 per cent); exports (10.3 per cent); imports (8.0 per cent); and government consumption (4.7 per cent). Thus, for 1999, personal and government consumption posted 2.7 per cent and 5.5 per cent growth, respectively.

On the other hand, exports posted a full year growth of 1.8 per cent despite the strong showing during the last quarter. This was due to the relatively high negative growth (-11.4 per cent) registered during the first quarter of 1999. Moreover, imports posted a negative full-year growth (-2.7 per cent), which was primarily due to non-factor services (-11.0 per cent).

Meanwhile, the fall of investments narrowed (-1.0 per cent) during the fourth quarter, thereby posting a full year growth of -2.1 per cent.

### PROSPECTS FOR 2000

With their debt workout done in 1999, private corporations are poised for expansion in 2000. Foreign debt payments of the private sector have bottomed out in the second quarter of 1999. Meanwhile, loans of the banking sector have begun to go upward.

In view of the corporate sector's improved financial standing, the government is confident of a 4.5 per cent GDP growth target in 2000. Sources of this growth will come from the following: (a) services, which is expected to at least maintain its 1999 fourth quarter growth; (b) manufacturing, which can accelerate to at least 4.0 per cent considering its fourth quarter 1999 growth of 3.1 per cent; (c) utilities, which can easily accelerate to at least 5.0 per cent in view of its 4.7 per cent fourth quarter growth; (d) mining and quarrying GVA to at least return to its 1998 level or an 8.2 per cent growth. This is also not difficult considering the 15.6 per cent upturn in the fourth quarter; (e) recovery of construction to its 1998 level, which implies around 3 per cent growth and (f) agriculture to return to its normal growth of 3.0-3.5 per cent, down from its 6.6 per cent growth.

Bismillahir Rahman Rahim

Now in the market  
**Bashundhara Tissue**  
First Tissue of Bangladesh origin

World-Class Tissue Papers now being manufactured in Bangladesh

- Soft in touch
- Standard Quality
- Instantly absorbent
- Affordable price

Bashundhara Tissue  
A Commitment  
70 Excellence

Bashundhara Tissue is now available throughout the country

For details, please contact

Marketing Division  
Bashundhara Group of Companies  
Sena Kalyan Bhaban (4th Floor)  
195, Motijheel C/A, Dhaka-1000  
Phone: 9556452-4, Fax: 9556459

