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# Deeper Participation in Global Value Chains Will Strengthen Recovery of the Philippine Economy



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Post-pandemic, the Philippines has more opportunities to deepen its participation in global value chains (GVCs) especially in business clusters like industrial, manufacturing, and transportation; technology, media, and telecommunications; and health and life sciences. Addressing constraints to participation in these GVCs will boost the recovery, resilience, and competitiveness of the Philippine economy.



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A new World Bank report – **A New Dawn for Global Value Chain Participation in the Philippines** – launched today said there are global trends favoring the country's chances to succeed in GVCs, among them the increasing use of automation and artificial intelligence, the rise of services in manufacturing demanding higher labor skill, and the efforts by companies during the COVID-19 pandemic to diversify suppliers.

GVCs are international production sharing arrangements where manufacturing and assembly of products take place in multiple countries, with each step in the process adding value to the end-product. Through GVCs, countries trade more than products; they trade know-how and collaborate, boosting growth and creating jobs within their borders.

*"Greater participation in global value chains can be a powerful driver for productivity and growth, enabling countries to leap-frog their development process as seen in many countries in East Asia," said Ndiame Diop, World Bank Country Director for Brunei, Malaysia, Philippines and Thailand. "Countries that embrace GVCs are able to leverage their strengths in specific tasks and roles in manufacturing and services and export at scale, enabling them to sustain growth, create more jobs, and reduce poverty faster."*

The report says that the Philippines, for instance, can capture bigger shares in the electronics and electrical parts and components GVCs by attracting foreign investments in design capacity so that more value added is captured and manufacturing is retained and expanded in the country. There are also bigger opportunities for business process

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and expanded in the country. There are also bigger opportunities for business process outsourcing (BPO) companies to move up the ladder by providing value added services like analytics. This can be achieved through a 3-pronged strategy:

- **Strategic reorientation:** Mobilize key stakeholders to build opportunities from accelerated digitalization, automation and robotization for the electronics and BPO sectors for which the Philippines is known for.
- **Bundling:** Capitalize complementarities across clusters; diversify electronic and electrical intermediate goods into electric vehicles, medical equipment, and others; add analytics to the voice service sector; and expand the voice service sector into telemedicine, pharmacovigilance, and patient care services.
- **Sequencing:** Upgrade BPO to KPO (Knowledge Process Outsourcing) as a key steppingstone to an integrated telecommunication cluster; anchor health and life sciences businesses on telehealth and pharmaceutical multinational companies while further developing the life science subsector; and expand intermediate goods in the three industrial, manufacturing, and transportation subsectors (electronics, automotive, aerospace) which have increasing commonalities.

According to the report, the country needs to overcome some “structural constraints” to take advantage of on-going trends in GVCs. These constraints include restrictions on foreign direct investments (FDI) in various sectors of the economy and scarcity of advanced science, technology, engineering, mathematical skills, among others.

To attract FDIs, the Philippines passed amendments to the Foreign Investments Act, easing restrictions to foreign participation in the economy; Retail Trade Liberalization Act lowering the minimum paid-in capital requirement for foreign retailers, and the Public Service Act opening selected industries such as telecommunications, airline, maritime, and rail transport to foreign investments; among other reforms.

*“Timely implementation of these legislations is essential for the Philippines to attract investors looking for alternative production sites as transnational companies adjust to the challenges posed by pandemic,”* said **Souleymane Coulibaly, Lead Economist and Program Leader for Equitable Growth, Finance, and Institutions Practice Group for Brunei, Malaysia and the Philippines.**

Given fiscal space constraints, the report says that partnership with the private sector may be needed to raise the financing required to fill the country's infrastructure gap, focusing on connectivity – digital as well as physical – and secure access to a competitive and clean energy supply.

To boost advanced skills in the Philippines, the government needs to accelerate its innovation strategy, according to the study. In 2019, Congress enacted Republic Act no. 11293 or Philippine Innovation Act to support education, training, and research and development to foster innovation, internationalization, and digitalization. The implementation rules and regulations were published in February 2020. Accelerating the implementation of this strategy could help to create a Silicon Valley type of environment in which cities and clusters of cities host engineers, technicians, doctors, and nurses working in various business clusters in the country.

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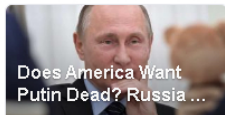
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A year on from the Taliban takeover in Kabul, Afghanistan is gripped by “cascading crises” including a crippled economy that humanitarian aid alone cannot address

...and, making a crippled economy that remains in dire straits almost assured, according to a [new report](#) from the UN Development Programme (UNDP) on Wednesday. It says that the already-declining regular economy, as opposed to the black market, lost nearly \$5 billion after August 2021 and is reversing “in 12 months what had taken 10 years to accumulate.”

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New case studies from the World Economic Forum show how comprehensive environmental, social and corporate governance (ESG) reporting has started to drive corporate transformation around the world, particularly in sustainability efforts and company culture.

Based on case studies from companies reporting on the Stakeholder Capitalism Metrics, the white paper found examples of specific strategy and operations changes as a result. These include initiatives such as new approaches to water management in real estate and implementing biodiversity strategies and targets.

The case studies also indicate that despite some progress, companies are still struggling with competing and disparate ESG frameworks around the world. As regulators begin to roll out mandatory ESG reporting across regions, alignment will be

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# Trade in 25 Technologies Can Help Climate Action



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Based on 30 interviews with industry and academia, the *Accelerating Decarbonization through Trade in Climate Goods and Services* report highlights technologies with high, immediate emissions-cutting potential, in five categories – refrigerants, energy supply, buildings, transport and carbon capture and storage (CCS). The list of technologies can guide trade ministers looking to support climate action.

“Climate change is a global concern,” says Sean Doherty, Head of International Trade at the World Economic Forum. “Our response must draw upon the innovation and capacities of the whole world, not be held back by protectionism.”

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