

The Philippines is well positioned to support high-tech electronics manufacturing companies' growth in Southeast Asia

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The Philippines has a long history in the semiconductor supply chain since the 1970s, supporting semiconductor assembly, test, and packaging requirements for such firms as Texas and Intel. By the 1980s, Philippine firms were building electronics printed circuit board assemblies for high-tech customers primarily from the US and Japan. Today, the Philippines semiconductor and electronics manufacturing industries are major exporters of high-tech and leading-edge products to global customers.

The industries are the top contributor to the country's economy, contributing 62% of Philippine total exports in 2020 at US\$43 billion.

"We are strongly optimistic of a post-pandemic recovery as the fundamental structure and strength of our economic fundamentals remain intact. Despite the disruptions brought about by COVID19, the Philippines Central Bank reported a 37.8% increase in Foreign Direct Investments in the country from January to May of this year, compared with the same period last year. The Philippines is also experiencing strong manufacturing and services growth in the last 10 years. For Q2 2021, manufacturing growth is at 22.3%," Trade Undersecretary Rafaelita Aldaba said during her keynote message at the Make it Happen in the Philippines online business dialogue: Asia Outsourcing Insights – Top reasons to move your electronics manufacturing outsourcing business to the Philippines held on 24 September 2021.

Adding further, Undersecretary Aldaba highlighted that such resilience and success can be attributed to one of the Philippines' key advantages – its 45 million, highly-skilled and educated, dedicated and cost-efficient workforce with low turn-over or attrition rate. The young and dynamic population not only boost domestic consumption and local demand but also continues



Panel discussion on the top reasons to move your electronics manufacturing outsourcing business to the Philippines

to use innovation as an engine of growth. In 2021, the Philippines placed 51st out of 131 countries in the global innovation index.

The Philippines provides access to key markets through bilateral and regional free trade agreements with Japan, the European Free Trade Association, ASEAN and ASEAN's FTA partners including China, Australia, New Zealand, India, South Korea and Japan. The Philippines is also a recipient of the generalized system of preferences representing tariff privileges with countries such as the US, Canada, the EU, UK, and Russia. The country is also accelerating discussions with India, currently not a member of the Regional Comprehensive Economic Partnership (RCEP), to commence negotiations on a preferential trade agreement. This presents vast opportunities to lay foundations for American businesses expansion and diversification plans into the region. The Philippines certainly fits the bill as the next complimentary investment destination since it provides preferential trade agreements with global strategic partners, being part of the support industries for global manufacturing.

The Philippines is home to about 500 semiconductor and electronics companies and is a successful hub for Semiconductor Manufacturing Services (SMS) and Electronics Manufacturing Services (EMS). It is also becoming an emerging player in IC design, with a growing base of competitive IC design companies. The pandemic, likewise, led to the fast development of the Philippine medical devices industry.

"There has been a trend in automation in the industry, we are not just labor anymore. Philippine companies have been investing in a lot of automated equipment. For Ionics, our strategy is always to keep with advanced manufacturing capabilities used for electronics manufacturing. Back in 2015, Ionics launched our Industry 4.0 strategy, so on top of automation, we also focused on connectivity and intelligence in the production line. We established a digital twin of the factory to ensure that we are always ahead in terms of manufacturing technology," Mr. Jay Chavez, Ionics-EMS chief operating officer, shared during his presentation.

As far as product capability, Chavez mentioned that a wide range of advanced products from different industries are being produced in the Philippines. With Ionics, they produce medical devices such as telehealth diagnostic products; dashboards, infotainment systems, security systems for automotive; backhoe equipment for 4G and now transitioning to 5G equipment; wireless fiber networking equipment; home automation products; and computer peripherals. In addition, they have established data science division to implement data analytics and deep learning to detect anomalies happening in the production line for rapid root cause identification. A lot of companies in the Philippines are starting to go into Industry 4.0 trend.

The culture of quality in manufacturing is also one of the most important reasons why companies should consider having a manufacturing operation in the Philippines added Chavez. The Philippines imbibed this culture, learning and benefitting from the presence of a large base of Japanese firms and customers. Most Philippine companies have multiple quality and management certifications demonstrating focus on quality.

Adherence to IP protection and focus on environment, social and governance are also added advantages in manufacturing in the Philippines. It is noteworthy to mention that the Philippines is not included in the USTR Special 301 watch list.

The global supply chain scene has been strongly impacted by the Covid19 pandemic, and manufacturing firms are looking for alternative locations. The Philippines is a viable alternative location because Philippine companies are very flexible in providing services to customers, provides full transparency and visibility across the supply chain, and adheres seriously to qualified sources.

There are other key advantages that companies should consider the Philippines: English is widely spoken and it is the official business language, which facilitates communication and good commercial discussions, particularly when it is time sensitive and without need of interpreters or translators, hence, reducing the overall cost of doing business. The Philippines has advanced telecom and datacom infrastructure, owing to the large number of IT/Business Process Outsourcing sector; robust logistics industry, with the presence of global forwarders and courier services; duty free and "green lane" system in importation and exportation in the economic zones.

To learn more about the Philippines key advantages, please visit the online recording of the webinar at <https://www.youtube.com/watch?v=9kx9-ZwJMg0>

The Board of Investments (BOI) and the Philippine Trade and Investment Centers (PTICs) in Silicon Valley, Los Angeles, Washington, DC and New York, co-organized the webinar.

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