

German-Philippine

Business Insight

Volume 3
Year 2023



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YEARS



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German-Philippine

Business Insight

Volume 3. Year 2023.

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About GPBI

The German-Philippine Business Insight (GPBI) is an annual publication of the German Philippine Chamber of Commerce and Industry, Inc. (GPCCI) / AHK Philippinen that covers business columns and industry reports featuring the latest socio-economic trends in the Philippines and in the international business community.

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Foreword

2023 has been a year of adjustment and advancement. As we are in the post-pandemic age, businesses and people have since adapted to a new normal. For us in the business community, this year, we are happy and honored to have assisted in the establishment of new partnerships and opportunities while growing established industries alongside the people and the nation.

As we mark and near the end of 2023, I cannot think of a better way than to present GPCCI's publication for the period. I would like to take this time to thank the growing number of advertisers for this year's German Philippine Business Insight.

I am confident this growing opportunity and positive outlook will open new doors for existing and interested investors, entities, and people to enter the market and to gain a glimpse of the road ahead.

Danke schön!

Christopher Zimmer
Executive Director
German-Philippine Chamber of Commerce and Industry





This year's edition serves as a compass navigating the currents of our economic collaboration between Germany and the Philippines, with a keen focus on three key areas: Skilled Labour Migration, the analysis of the 2023 State of the Nation Address, and findings derived from the recent version of the 2023 AHK World Business Outlook Survey in the Philippines.

Skilled Labor Migration stands as a cornerstone in the bridge connecting our two nations. As we delve into the dynamics of skilled professionals moving between Germany and the Philippines, we gain invaluable insights into the evolving workforce landscape around the world. This issue addresses the challenges and underscores the potential for collaboration in talent exchange, fostering innovation and mutual growth.

As we navigate through this publication and the cooperative journey of German-Philippine business relations, I am confident that the insights presented will inform and inspire. May it serve as a catalyst for continued cooperation, innovation, and prosperity.

Salamat po!

Stefan Schmitz
President
German-Philippine Chamber of Commerce and Industry



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Cover Story

Strengthening Skilled Labour in the Philippines

The Secret of Dual Education



Cover Story

Strengthening Skilled Labour in the Philippines The Secret of Dual Education

Story By:
Dr. David Klebs
Economic Counsellor, German Embassy Manila

Contributors:
Yves Aguilos

When speaking to German companies about skilled labour in the Philippines, I am often hearing similar feedback. Many companies are happy for the talented workers they get for their production sites and offices but the businesses sometimes feel that the new graduates are not yet “job-ready” in spite of having invested many years in training. Sometimes, the knowledge is not up-to-date, sometimes the knowledge has not “sunken in” completely. In many cases, companies offer additional in-house-training which exceeds the usual onboarding.

Luckily, the Philippine government has been able to identify the challenge. Already, in his inauguration speech on 30 June 2022, Pres. Marcos proposed to strengthen dual training. In fact, he mentioned Germany as being the prime example of technical and vocational training. At the moment, the Philippine Senate is deliberating on the Apprenticeship Bill which GPCCI has already positively endorsed in a letter to senators. It seems to me, that the Senate has identified the main building blocks when it comes to improving the quality of education in the Philippines.



Businesses and industries in the Philippines rely on better-skilled workers for future needs. It is very promising that we discuss how new approaches to training could lead to better qualifications for employees. This will allow the Philippines to bring home the potential created by its demographic advantages.

Economic Challenges to Dual Education?

Dual education does not come for free. There are several challenges ahead of us. Curricula need to be updated and companies need to get involved more. Luckily, German companies are willing to take the lead. In discussions with German employers in the Philippines, it is clear that they are already aware of the economic benefits of dual education and possess the expertise to implement such a system. Furthermore, they are willing to invest more in their Philippine workforce and, thus, in the Philippine labour market. Building the workforce for the future will only be successful when the government and businesses closely collaborate and create synergy for the mutual benefit of employers and employees.

Learning from Dual Education in Germany

I believe aspects of the dual training system in Germany could help here. When my interlocutors in the Philippines ask me about the secret of dual education in Germany, I believe there is no simple answer. Dual education is an ecosystem of learning that is supported by the Federal Government, the Länder governments, trade associations, and businesses. As with every ecosystem, it is impossible to transfer this to the Philippines one-on-one, as each country has its own social dynamics.

Did You Know?

President Fidel V. Ramos signed into law Republic Act No. 7686 or the Dual Training System Act of 1994, on February 1994. This institutionalized DTS in accredited public and private educational entities in the Philippines.

Source: TESDA Website

Nevertheless, some parts could be adapted to the Philippines. Therefore, in the following, I would like to outline some aspects of the dual training system in Germany, which in my opinion also be implemented in the Philippines.

1. A Mix of Theory and Practice

Firstly, dual education is a mix of theory and practice. Training is done both at schools/colleges and in companies. Especially for young pupils who do not know yet whether they want to go to a school/college or apply directly for a job in the labour market, the dual training system is an ideal way of combining both. This benefits practically inclined learners who want to develop their knowledge bottom-up rather than top-down.

2. Duality of Government and Businesses

Secondly, dual education is the duality of government and businesses. Both actors cooperate on various levels to facilitate and guide the education system. An example of a collaboration can be working in committees together. Collaboration also involves a division of labour, whilst both sides are actively involved in the training. Only with the active involvement of schools and businesses in education students avail of the benefits of theoretical skills at school and learn practical skills at the companies.

3. Theoretical and Practical Skills are being Taught at the Same Time

Thirdly and most importantly, dual education means that theoretical and practical skills are taught at the same time. In Germany, many curricula demand that students learn some days at the school/college, and then learn some days at the company, for example, three days here, two days there. Learning theory and practice together helps students to better understand the theoretical knowledge and “get a feeling for it.” The theoretical knowledge thus does not “hang in the air” but is connected to tangible life experiences.

The advantage of doing theory and practice at the same time is that the trainees can apply the knowledge immediately in practice after having heard about the theory. The close link between classroom and practical training ensures that the knowledge learned is not lost before employment begins. This is typically a case of learning psychology: The more senses are activated, the better our brain keeps the information. Applying the theory with one’s own hands, eyes, and ears activates more senses than sitting in a classroom, allowing students to retain knowledge better.

Companies shall also create an environment conducive to learning. For this, it has been found to be helpful when the trainee does not only have a boss (like any other worker) but also a second person as a mentor who monitors the learning and personal development of the student in the company.

Dual Training is Worth It

For these reasons, in my view, dual training is the best training modality. It is better than mere on-the-job training as it allows for more systematic access to knowledge. It is also better than mere schooling in which practical skills may be falling short. Dual training, however, is eventually also better than mere company-based training. Even though within one company, students can learn both theoretical and practical knowledge, the knowledge may be limited to the specific practices and needs of the company.

4. Teachers are Learning Something as well

Dual education works best when the teacher shadows their students in the companies. This means they can see the strengths and weaknesses of each of their students and adapt to this by offering tailor-made feedback. However, if teachers accompany their students to different companies, they further develop their expertise. They can keep up-to-date with industry practice and prioritize (within their limits) the knowledge necessary for more suitable and relevant teaching.

5. Getting to Know your Future Employer

This brings me to the next advantage of dual education: trainees already know their future potential employers. If a company trains many graduates, some of them may be able to be kept in the company after finishing their training. This is a win-win situation as both employer and employee know each other already.

When the trainees have already worked a little bit in a company during their training, they do not need a long settling-in period when they start working. They already know the company, the processes, and their colleagues, so there is no need for time-consuming training at the start of the job. Having been a former trainee, the employee is ready to go!

In contrast, public technical schools may have the advantage of providing standardized industry-wide knowledge. Students have thus access to a broader field as they learn the knowledge typical for an entire industry. They may be able to contextualize their company’s work within the industry context. This is also better for the company itself as the students experience the differences between the company and the industry. Knowing the different approaches may lead to innovation based on a larger knowledge portfolio.

Thus, dual training is an investment in the student as it is in the company. Plus, dual training pays off for the companies within 1.5 years of employing that person. This has been calculated in a study conducted in 2017 by the Federal Institute for Vocational Education and Training (BIBB) on the Philippine market, involving GPCCI as well as relevant Philippine stakeholders.

Where Germany Has Helped

The implementation of a new training system cannot be achieved overnight. However, German businesses, GPCCI, and German government institutions are here to support the Philippines in this transition. We have been assisting our Philippine friends in the past and will continue to do so in the future.

This started in 1982 when the Hanns-Seidel Foundation founded the “Dual Tech Training Center” which exists until today and has been in Philippine hands since 1999. It planted the seeds for the Dual Training System Act of 1994. Different German organisations are now working together with TESDA to help build and improve training in the Philippines.

With the legislation, the Philippines has an “adaptation from the German model,” as TESDA still specifies. It makes me happy that our BIBB experts have been partnering with TESDA since 2014 and are planning to do so in the future.

In addition, German companies are working together with TESDA in dual education, such as Porsche AG/Don Bosco, Continental TEMIC Electronics, Grohe Philippines Inc., MHE-Demag (P) Inc, Rhenus Logistics, TÜV Rheinland Philippines, ZAMA Precision Industry Manufacturing Philippines, Inc, Antrak, and Lufthansa Technik Philippines.

Finally, the German government has also helped during the last forty years in many programs of technical assistance, for example, the K to 12 PLUS Project and various public-private development partnerships. We will continue to do so, for example, in the healthcare sector through the Global Skills Partnership, implemented i.e. by the GIZ.



GPCCI together with German Ambassador Pfaffernoschke conducts courtesy visit with TESDA Director General Mangudadatu

Photo by: TESDA



Our Challenges Ahead

The Philippines are marching forward and promoting the benefits of dual training to more companies. Some companies may be afraid of the initial costs. Likewise, students nowadays may prefer a university degree or wish to start working immediately in an unqualified job, hoping for sufficient on-the-job training. In addition, as society and businesses are evolving, it is always a challenge to keep training courses up-to-date and avoid a mismatch between training received and industry-needs.

I would like to express my gratitude to GPCCI for continuing to support both TESDA and companies. Working together will ensure a smooth and effective transition during the implementation of dual training, leading to more benefits for all. In my opinion, both employees and companies will profit from the dual training system.



Dr. David Klebs was appointed as Economic Counsellor of the Embassy in August 2022. Before his time in the Philippines, he served as Legal Counsellor and Agent of Germany to the European Court of Justice, litigating many cases of economic, trade, IT and labour law. Before, he served as Judge in civil matters in Munich, and as a member of a Munich district council. He is socially engaged in the church in Germany, focussing on interreligious dialogues, as well as is assisting university education on matters of international commercial law and dispute resolution.

An aerial night view of a city intersection. A large, modern building with the BDO logo on its facade is prominent on the right side. The building has a helipad on its roof. The surrounding area is lit up with city lights, and there are other buildings and roads visible in the background.

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Feature Article

“Bagong Pilipinas”: A New Brand of Governance

The 2023 State of the Nation Address



Cover Story

“Bagong Pilipinas”: A New Brand of Governance

The 2023 State of the Nation Address

Story By:
Yves Aguilos

Contributors:
Bianca Denise Agoncillo, Jasmin Laura Escoto,
Edriza Alexa Banag, Chloe Cheyne Wu

On July 24, 2023, President Ferdinand "Bongbong" R. Marcos Jr. took the podium to deliver his impactful second State of the Nation Address (SONA). This address marked a significant milestone, encapsulating his first year of leadership. President Marcos Jr. used this platform to introduce his visionary concept of “Bagong Pilipinas” (New Philippines), a framework symbolizing a new era of governance and national progress.

In his speech, the President provided an extensive overview of the administration's accomplishments and strategic directions across several key areas. He focused on the economy, foreign policy, agriculture, healthcare, and infrastructure, outlining current and future endeavors. This comprehensive approach highlighted the administration's dedication to fostering sustainable growth and transformative policies for the Philippines.



Senate President Juan Miguel Zubiri and House Speaker Martin Romualdez join President Ferdinand Marcos Jr. as he delivers his second State of the Nation Address in Batasang Pambansa, Quezon City, on 24 July 2023.

Photo by: Presidential Communications Office



Mandated under Presidential Memorandum Circular No. 24., all government agencies, corporations, and state colleges and universities shall be guided by the principles, strategies, and objectives under the "Bagong Pilipinas" brand

Photo by: Official Gazette

Economic Resilience and Transformation

Despite global economic challenges, the Philippines has emerged as one of the fastest-growing economies in Asia, with a remarkable 7.6% growth in 2022, the highest in nearly half a century. The government's Medium-Term Fiscal Framework, in line with the Philippine Development Plan (PDP) 2023-2028, focuses on boosting production, expanding industries, and enhancing infrastructure. Notably, the nation's revenue collection has seen a significant uptick, with the Bureau of Internal Revenue and the Bureau of Customs posting substantial increases in their 2023 collections.

Agricultural Advancements

Agriculture, a cornerstone of the Filipino economy, has received special attention. The administration's efforts include the KADIWA program, which offers affordable, quality food to consumers, and a variety of initiatives to enhance agricultural production and infrastructure. These include amendments to the Fisheries Code, distribution of high-quality seeds and modern machinery, and expansion of farm-to-market roads. A new Agrarian Emancipation Act has also been enacted, erasing debts of over 600,000 beneficiaries.

Did You Know?

Medium-Term Fiscal Framework

- Government's blueprint for high growth economy
- Serves as the basis for the annual National Expenditure Program (NEP)
- Objectives
 - 6.5 to 8.0 percent real GDP growth annually between 2023 and 2028
 - 9.0 percent or a single-digit poverty rate by 2028
 - 3.0 percent National Government (NG) deficit to GDP ratio by 2028
 - Less than 60 percent NG debt-to-GDP ratio by 2025
- 5. Attainment of upper-middle-income status by 2025

Infrastructure Revolution through "Build Better More"

The ambitious 8.3-trillion peso "Build Better More" program is reshaping the nation's infrastructure landscape. This program focuses on improving physical connectivity, water resources, agriculture, health, digital connectivity, and energy, with significant progress in constructing roads, bridges, seaports, airports, and mass transport systems. The Luzon Spine Expressway Network and the Mega-Bridge Program are notable highlights presented by President Marcos, promising to revolutionize inter-island connectivity.

The Maharlika Investment Fund

The newly established Maharlika Investment Fund aims to fund high-impact infrastructure projects without increasing national debt. This fund is managed by internationally recognized economic experts and promises prudent and politically unbiased investments.

"With regards to the Maharlika Investment Fund, I assure that it will be free of any political influence. To ensure sound financial management, a group of internationally recognized economic managers shall oversee the operations... guided by the principles of transparency and accountability"

Energizing the Future

The administration is committed to achieving full household electrification by the end of the President's term, with significant progress already made. The goal is to increase renewable energy's share in the power mix to 35% by 2030 and 50% by 2040. To this end, the government has opened renewable energy projects to foreign investors, which could be a potential entry point for German expertise in renewable energy.

"Renewable Energy is the way forward. We are aggressively promoting renewables so that it provides a 35% share in the power mix by 2030, and then 50% by 2040."

Healthcare and Social Welfare Enhancements

The government is also refocusing its health priorities, addressing malnutrition, strengthening healthcare systems, and expanding PhilHealth coverage. Educational reforms and digitalization efforts are underway to streamline government services and enhance efficiency.



The Post SONA 2023 Philippine Economic Briefing provided a forum for business stakeholders to discuss and explore policy directions and opportunities bared during the 2nd State of the Nation Address of President Ferdinand Marcos Jr.

Photo by: Department of Finance

Workforce Upskilling

Recognizing the importance of a skilled workforce, the government has intensified its focus on education and vocational training. This aligns with the German apprenticeship and dual training systems model, presenting opportunities for collaboration in sectors like healthcare, maritime, and technical education. The administration's efforts in resolving the job-skills mismatch and improving maritime education underline the potential for German businesses to contribute to the Philippines' workforce development.

"TVET continues to prove itself to be an empowering educational intervention. There are many examples of how its graduates have gone on to secure competitive technical jobs."



Priority Legislation Mentioned during SONA 2023

1. Excise tax on single-use plastics
2. VAT on digital services
3. Rationalization of mining fiscal regime
4. Motor vehicle user's charge/road user's tax
5. Military and Uniformed Personnel Pension
6. Amendment of the Fisheries Code
7. Amendment of the Anti-Agricultural Smuggling Act
8. Amendment of the Cooperative Code
9. New Government Procurement Law
10. New Government Auditing Code
11. Anti-financial accounts scamming
12. Tatak-Pinoy (Proudly Filipino) law
13. The Blue Economy law
14. Ease of paying taxes
15. LGU income classification
16. The Philippine Immigration Act

Foreign Investments and Business Environment

The administration is keen on attracting foreign investments and promoting ease of doing business. Institutional reforms, such as creating "green lanes" for strategic investments and implementing the CREATE Law, which aims to create a conducive environment for business.

Post-SONA 2023 Economic Briefing

Following this address, a post-SONA economic briefing took place on 25 July 2023 at the Reception Hall in PICC. The "Agenda for Prosperity: Economic Transformation Toward Inclusivity and Sustainability" briefing featured two-panel discussions. The first panel was led by key economic government entities, including the Department of Finance (DOF), the National Economic and Development Authority (NEDA), the Department of Budget and Management (DBM), and the Bangko Sentral ng Pilipinas (BSP). In this session, they delved deeper into the economic plans and figures presented by PBBM during his SONA. The second panel of experts shared their perspectives on the socio-economic agenda of the Philippines

Conclusion

President Marcos' overall address paints a picture of a "Bagong Pilipinas" - a nation poised for robust economic growth, agricultural modernization, infrastructural development, energy transformation, and workforce upskilling. The emphasis on education, healthcare, and digital innovation further underscores a comprehensive approach to national development. With open doors for global partnerships, particularly in fields like renewable energy and vocational training, the Philippines is on a path to becoming a dynamic player in the global arena.

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The Philippines is continuously pursuing fiscal, structural, and administrative reforms aimed at making the country more accessible to investments and conducive to starting and doing business. Consistent with the policy of opening to more foreign participation in domestic economic activities, the Philippines, in recent years, had enacted laws geared toward easing restrictions on foreign participation in certain areas or activities.

Complimenting these legislations are the continuing reforms in the tax system, which certainly included the amendment of our taxation laws. The previous administration's Comprehensive Tax Reform Program resulted in the enactment of two important tax legislations – the Tax Reform for Acceleration and Inclusion Law and the Corporate Recovery and Tax Incentives for Enterprises Act. These twin laws introduced fairer individual taxation, updated the consumption taxes, reduced the corporate income tax, eliminated unnecessary exemptions or preferential tax treatments, and shifted to a targeted and time-bound tax incentive scheme. While there are glitches in the initial implementation, these are slowly being addressed, including the introduction of further amendments, so that the real objectives of these initiatives are realized.

The current administration is continuing the unfinished portion of the Comprehensive Tax Reform Program with the addition of its own tax reform initiatives. There are, in fact, a number of tax bills that are pending at different stages in the legislature, some of which are mentioned below.

About to become a law is the Ease of Paying Taxes (EOPT) Act, which intends to introduce improvements in both tax administration and tax compliance. Among others, the EOPT aims to modernize tax administration, improve its efficiency and effectiveness, and provide mechanisms that encourage ease in compliance.

Among the many features of this act is the requirement to classify or segmentize taxpayers for purposes of tax administration and perhaps for differentiation in compliance obligations.

The EOPT is also lifting the current practice of strictly requiring the filing and paying of taxes only in or within the jurisdiction to which they are registered or supposed to register. With the EOPT, taxpayers will not be restricted to a specific venue and may also file and pay manually or electronically at their option.

Another significant tax legislation in its advanced stage is a bill calling for the amendment of the Tax Code to provide clarity in the imposition of value-added tax on digital transactions. The Philippines is following the lead of many other countries that have gone ahead in enacting their respective domestic legislations imposing tax on digital transactions. In the Philippines, we are limiting it to the charging of business tax, which is the value-added tax. But this does not mean digital transactions are beyond the reach of other taxes if there is a basis to levy them.

The Passive Income and Financial Intermediation Taxation Act is also in the line. This proposed law aims to reform the taxation of capital income and financial services by redesigning the financial sector taxation into a simpler, fairer, and more efficient tax system. This includes reform in the taxation of capital gains, dividend income, and interest income. Among the objectives of the proposed law is the harmonization of the rates, such that the rates would be the same regardless of who the investor is and regardless of the nature of the investment instruments. Should the law be passed, this would minimize the practice of relying on tax treatment as a basis for making investment decisions. The passage of the law would also place the country at par with its neighbors in terms of taxation of investments.

These and other pending pieces of tax legislation are certainly necessary to achieving a tax system that conforms to best practices and responds to the requirements of modern times.

The German Chambers of Commerce Abroad (AHK)

German-Philippine Chamber of Commerce and Industry (AHK Philippines)

SINCE

1894

2,000+

EMPLOYEES WORLDWIDE

AROUND

300

MEMBERS

OVER

50.000

MEMBERSHIPS

SINCE

2008

150

LOCATIONS

93

COUNTRIES

15

YEARS

German-Philippine Trade 2022

GERMANY IS THE PHILIPPINES'...

#1

TRADING PARTNER
IN THE EUROPEAN
UNION

OVERALL TOTAL TRADE WITH GERMANY
IN 2022:

USD 4.72 billion



Philippine **Imports** from Germany

• Value at **USD 1.94billion**

Philippine **Exports** to Germany

• Value at **USD 2.78billion**

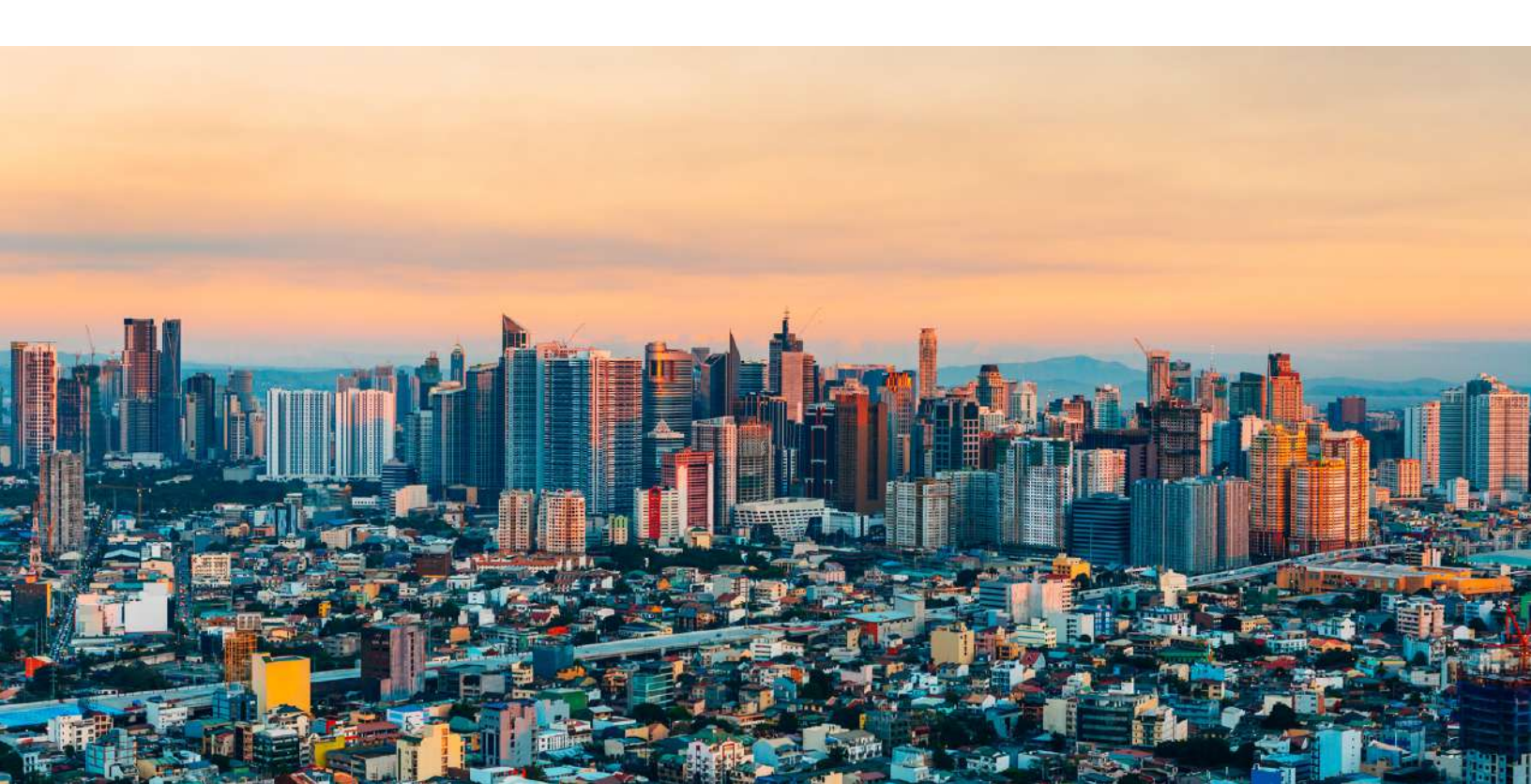


Source: Philippine Statistics Authority

GPCCI in Numbers

In Focus

2023 AHK World Business Outlook Survey: Rising German-PH Ties



In Focus

2023 AHK World Business Outlook Survey: Rising German-PH Ties

Story By: Yves Aguilos

Contributors: Edriza Banag, Chloe Wu

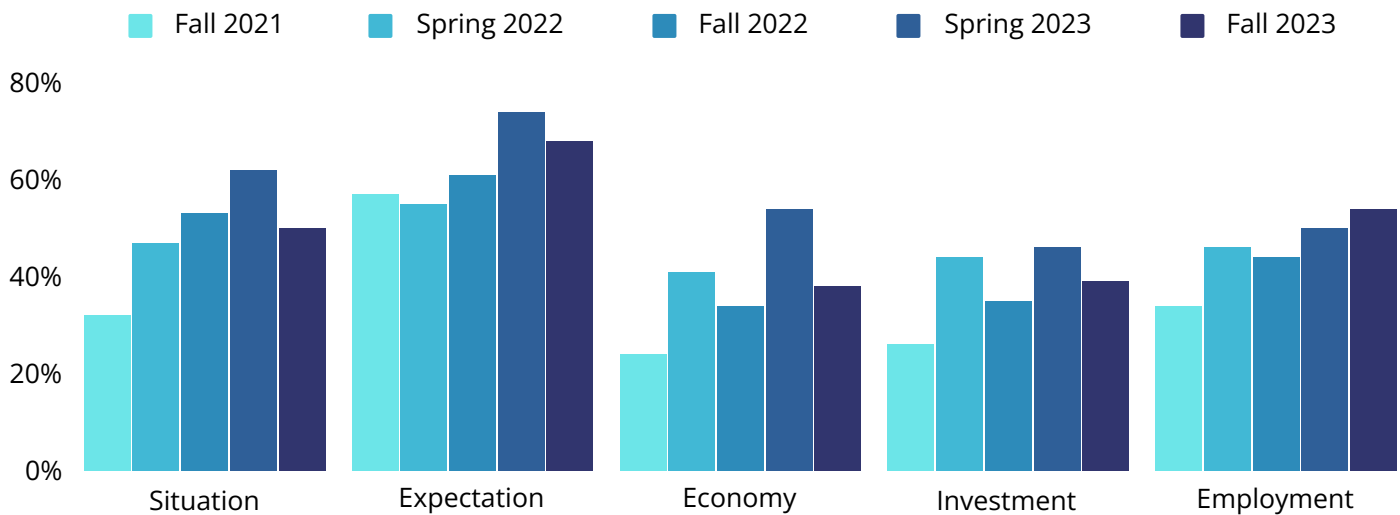
2023 stands as an important year in German-Philippine business relations, showcasing a significant positive trend. This period of dynamic growth and cooperation is effectively captured in the Spring and Fall editions of the AHK World Business Outlook Surveys, conducted by the German-Philippine Chamber of Commerce and Industry (GPCCI).

These surveys provide an in-depth look into the evolving economic interactions between Germany and the Philippines, reflecting the sentiments and trends of the business community in both countries. The Spring survey, revealing post-holiday economic trends, and the Fall survey, indicating end-of-year projections, together offer a comprehensive overview of the strengthening bilateral economic ties.

The Spring 2023 Survey: An Optimistic Outlook

The Spring survey started the year with a burst of optimism from the German-Philippine Business Community. A notable 62% of German-Philippine businesses reported an enhanced business situation, a significant improvement from previous years. In terms of investment and employment, the prospects were equally positive. Around 46% of businesses were poised to increase their investments, and half planned to expand their local workforce. This confidence was attributed to the proactive engagements of the Philippine government with the European Union in early 2023, fostering a strong business outlook.

Figure 1
AHK WBO Survey Philippines Results Fall 2021-Fall 2023
 "Good / Better" answers



74%

*of responding firms in
Spring 2023 forecast
**confidence in business
 development for the
 next twelve months***

54%

*of respondents in
Fall 2023 affirmed
 their intention to **hire
 more Filipino
 workers.***

The Fall 2023 Survey: Stronger Employment Outlook

The Fall 2023 survey presented a more reserved perspective. While there was still a prevailing sense of positive expectation, the October survey revealed a noticeable change in various economic indicators. Specifically, it showed that the number of businesses with a favorable view of the local economy had decreased to 38%, indicating a slight dip in confidence. Furthermore, the proportion of companies planning to expand their investments in the Philippines also saw a decline, dropping to 39%, but interestingly, the dedication to boosting local employment remained robust, with a majority of businesses expressing plans to augment their Filipino workforce.



TV Interview Feature

In an interview conducted by the ABS-CBN News Channel (ANC) last June 2023, German-Philippine Chamber of Commerce and Industry, Inc. Vocational Training Committee Chairperson Mr. Tristan Lovers shared the results of the AHK World Business Outlook Survey for Spring 2023.



Scan the QR Code or click the image to watch Mr. Lovers's interview at ANC's "Market Edge."

Top Geopolitical Risks

As reported in Spring 2023

47%

Inflation / Monetary
Policy Environment

42%

Increase of Political
Influence on Supply
Chains

37%

Cybersecurity

Challenges and Opportunities

In 2023, German-Philippine business relations were defined by a mix of challenges and opportunities, evolving in response to both internal and external pressures. As highlighted in the Spring survey, a key challenge was the scarcity of skilled labor, posing a significant hurdle to business operations and growth. This issue was compounded by additional complexities such as supply chain disruptions and the volatility of economic policies, which collectively added layers of unpredictability to the business environment.

The survey also pointed to broader geopolitical risks, including inflation and cybersecurity threats, necessitating a high degree of adaptability and strategic foresight from businesses to sustain growth and ensure stability. These challenges underscored the need for targeted interventions in workforce development and policy stabilization to navigate an increasingly intricate and demanding business landscape.

Figure 2
AHK WBO Survey Philippine
Spring 2023 vs Fall 2023

Spring 2023

44%

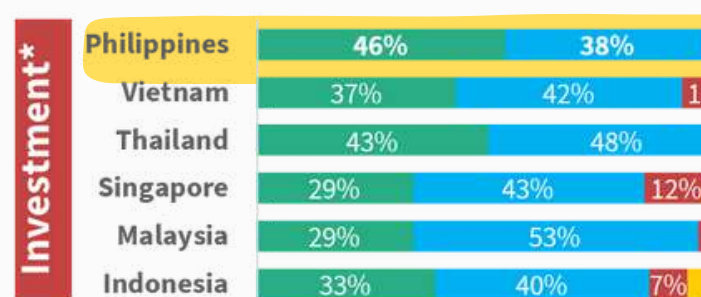
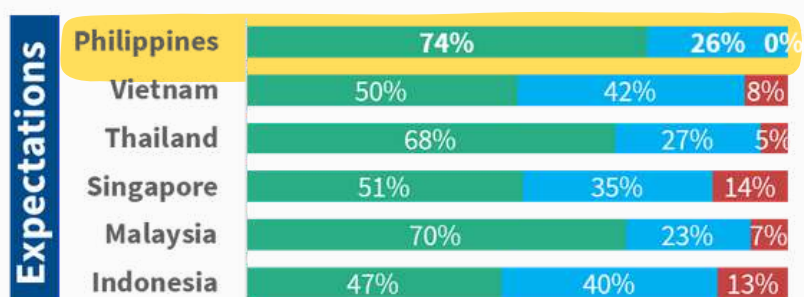
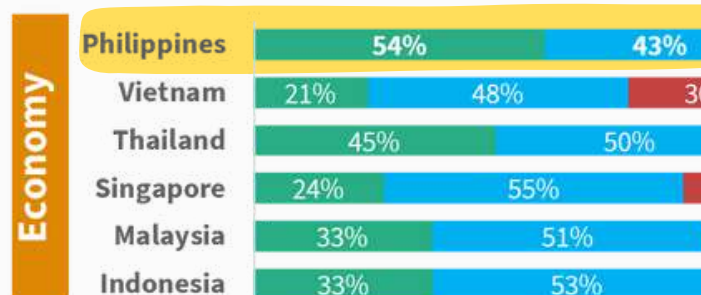
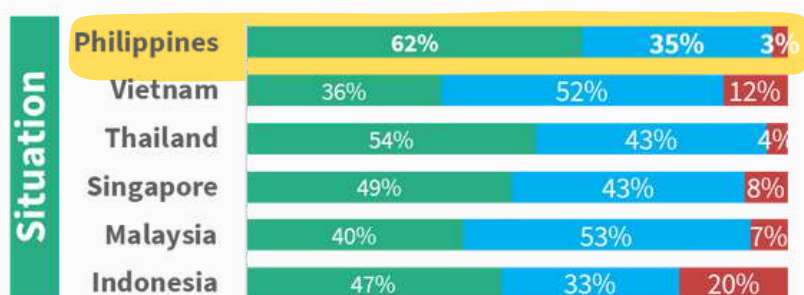
Lack of Skilled
Workers

39%

Supply Chain
Disruption

35%

Economic Policy
Conditions



Fall 2023

38%

Prices of
Energy

37%

Lack of Skilled Workers
and Demand

32%

Econ Policy Conditions
and Exchange Rates

By Fall 2023, the business climate had shifted, presenting new challenges while continuing to grapple with existing ones. The Fall survey revealed emerging concerns, such as fluctuations in energy prices and changes in market demand, reflecting the dynamic and interconnected nature of the global economy and its direct impact on local businesses. The persisting issue of skilled labor shortages remained a primary concern, correlating with the growing demand for employment in expanding sectors. These ongoing and new challenges highlighted the need for businesses to remain flexible and innovative, adapting to changing market conditions.

Furthermore, the Fall 2023 Survey offered insights into investment trends, indicating that the top areas of current and potential investment were sales and marketing, services (including shared service centers), and research and development. **Key factors influencing local investment decisions included market size and development (56%), the local economic policy framework (33%), and diversification strategies (29%).**

Top Investment Areas in PH

As reported in Fall 2023

42%

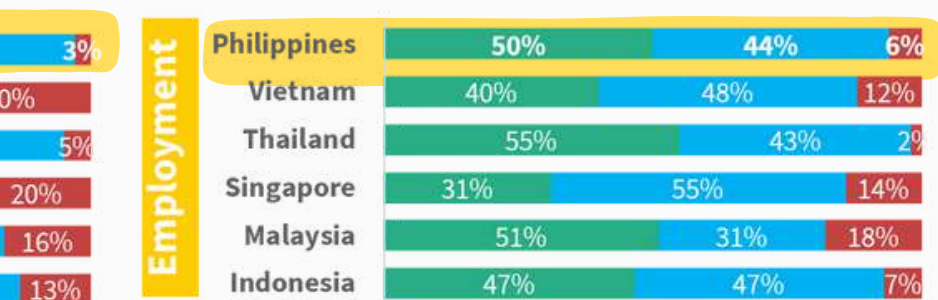
Sales and Marketing

37%

Services (e.g., shared
service center)

27%

Research and
development



ASEAN Comparison: Spring 2023

In comparison with countries in the ASEAN Region, the Philippines generally exhibited a better / higher results in almost all areas of the AHK World Business Outlook Spring 2023 Survey.

■ Better / Higher ■ About Equal ■ Worse / Lower ■ No investment*





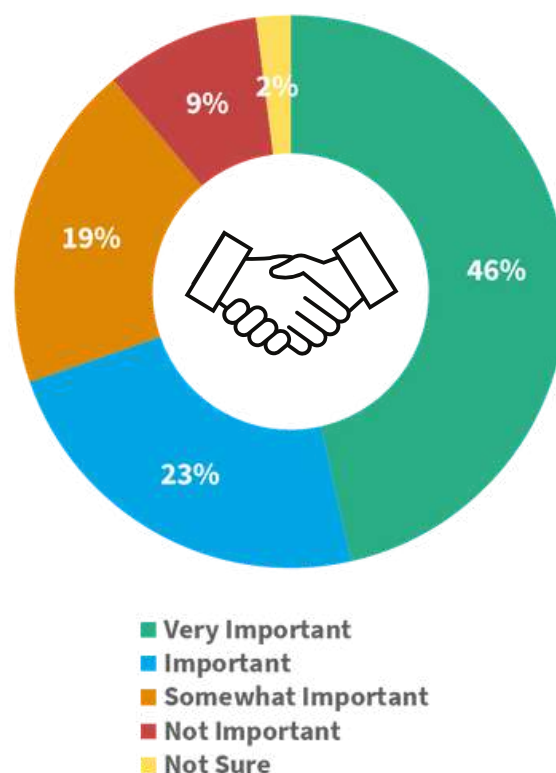
On August 1, various European business chambers and business groups expressed strong support for the resumption of the negotiations for the PH-EU Free Trade Agreement (PH-EU FTA) in a press briefing organized by the Department of Trade and Industry.

Photo by: Department of Trade and Industry

EU-PH Free Trade Agreement

The Fall 2023 survey highlighted the EU-Philippines Free Trade Agreement (EUPHFTA) as a pivotal factor for businesses operating in the Philippines. A significant portion of respondents (39% for simplified customs procedures, 37% for reduced tariffs, and 36% for overcoming technical trade barriers) emphasized the critical importance of the EUPHFTA to their operations. They anticipated that the agreement would streamline import-export processes, lower operational costs through reduced tariffs, and ease market access by addressing technical trade barriers. Beyond these trade-specific benefits, the EUPHFTA was also seen as a key driver for the expansion and maintenance of investments and for exploring new business opportunities. This perspective suggested that the agreement could significantly reshape the economic landscape in the Philippines, offering a more favorable environment for trade, investment, and business growth.

How crucial do you anticipate the EUPHFTA to help the success of your company's operations in the PH?



Top Potential Benefits of the EUPHFTA

40%

Expand/maintain current investments

33%

Gain competitive market advantage

32%

Consider new investments



Special Feature

GPCCI Policy and Advocacy Committee

Story By:

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Contributors:

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The Policy and Advocacy Committee was created to support the Chamber members' strategic objectives by identifying policy-related activities in the Philippines that affect the members' interests across all sectors, informing members on issues affecting the German-Philippine business community through various events and materials initiated by the Committee, and facilitating linkages between government agencies, non-government organizations, local and foreign business associations, academe, and other relevant policy institutions. With this, the Committee intends to focus mainly on policy-related events, advocacy and representation, an Information Hub, as well as surveys and other publications.

The Committee has conducted regular meetings that updated its network with the latest policy developments and invited speakers to facilitate discussions that serve as avenues for members to relay their concerns. The Committee primarily focuses on the following sectors to ensure the inclusivity of its activities: Economy and Trade, Education and Employment, Governance and Legislation, Infrastructure and Logistics, Energy and Environment, and Science, Technology, and Innovation. To further address the concerns of its members, the Committee consults with the concerned government agencies, represents GPCCI members in Congressional arenas, and serves as a platform for stakeholder mobilization wherein members can connect with the public and private sectors and individuals.



On **31 May 2023**, GPCCI organized the highly 2023 GPCCI Luncheon Forum at Dusit Thani Manila featuring Dr. Arsenio Balisacan, Secretary of the National Economic and Development Authority (NEDA). The event focused on the Philippine Development Plan (PDP) 2023-2028, which sets ambitious targets for economic growth, unemployment reduction, and poverty alleviation.



On **22 June 2023**, JMC Chairperson Tore Henriksen in cooperation with GPCCI PAC met offices of Senators Sonny Angara (19 June), Alan Peter Cayetano (22 June), and Risa Hontiveros (6 July) to discuss the issue of the current version of the Magna Carta for Seafarers bill and lobbied the inclusion of the escrow provision on the Senate version.



On **29 June 2023**, GPCCI held a luncheon forum at New World Hotel Makati to discuss government updates on streamlining applications and business permits, with a focus on the revolutionary Electronic Business One-Stop Shops (eBOSS) Compliance Report for Local Government Units (LGUs) through a digital portal, introduced by the Anti-Red Tape Authority (ARTA).



On **3 July 2023**, GPCCI participated and facilitated the Philippine Investment Forum and one-on-one business meetings, led by DTI Secretary Alfredo Pascual, in Berlin, Germany. This constituted a vital component of DTI Secretary Pascual's Europe Investment Roadshow 2023. GPCCI's representation comprised Executive Director Mr. Christopher Zimmer, and Director Dr. Marian Majer.



On **18 July 2023**, GPCCI's Policy and Advocacy Committee Meeting Featuring DOE's Director Sinocruz titled "Paving the Path for Sustainable Energy Development" webinar took place. The discussion focused on sustainable energy, specifically the new Philippine Energy Plan (PEP) 2020-2040, and possibilities for investment from foreign companies in the energy sector.



On **22 August 2023**, The Philippine Economic Zone Authority (PEZA) Director General Tereso O. Panga and the German-Philippine Chamber of Commerce and Industry, Inc. (GPCCI) President Stefan Schmitz have strengthened the parties' collaboration in promoting the Philippines as the smart investment destination for German investors.



On **27 September 2023**, GPCCI spearheaded a courtesy visit to Technical Education And Skills Development Authority (TESDA) Director General Suharto Mangudadatu, at the TESDA office in Taguig City. The discussions encompassed vocational education, training, apprenticeships, and the cultivation of partnerships with the private sector. Furthermore, the visit aimed to explore future collaboration and advancements with TESDA.



On **03 October 2023**, the Policy and Advocacy Committee held a stakeholder forum with The Anti-Red Tape Authority (ARTA), attended by Dr. David Klebs, Economic Counsellor from the Embassy of the Federal Republic of Germany. ARTA Undersecretary Geneses R. Abot discussed the outline of the upcoming Memorandum of Understanding between GPCCI and ARTA on the ease of doing business and allowing GPCCI to be accredited to receive complaints and concerns on behalf of the agency as an ARTA Champion.

Dr. Marian Majer
Chairperson
GPCCI Policy and
Advocacy Committee



Dr. Marian Majer has been one of GPCCI's board of directors since 2017 and has held the position of Vice President of the Chamber from 2018-2020. He is a registered foreign lawyer and currently serves as the Executive Director of Roedl and Partner Philippines – which provides auditing and consulting services to companies around the world. Before his assignment here in the Philippines, he was the General Manager and Legal Counsel of TUM Asia / TUM Create and a Legal Consultant for GSK Stockmann in Singapore. He acquired his Juris Doctor degree from the University of Konstanz in Germany. As a lawyer, his expertise includes Market Entry in Investment and Business Consultancy in the Philippines, Corporate Compliance, Alternative Dispute Resolution, and Expatriate Consulting.



On **26 October 2023**, the committee held a luncheon forum with the Department of Transportation Secretary Bautista tackling opportunities for public-private partnerships in the Philippine transportation sector and outlining DOTr's vision for future growth and improvement of infrastructure. This was attended by His Excellency, Ambassador Andreas Pfaffernoschke, German Ambassador to the Philippines



On **29 November 2023**, the German-Philippine Chamber of Commerce and Industry Inc. (GPCCI) and The Anti-Red Tape Authority (ARTA) signed a Memorandum of Understanding designating GPCCI as an ARTA Champion. This signing ceremony was attended by GPCCI President Stefan Schmitz, Executive Director Christopher Zimmer, and H.E. Ambassador Andreas Michael Pfaffernoschke and took place on the first day of ARTA's Ease of Doing Business (EODB) Convention 2023 this 29 November 2023.

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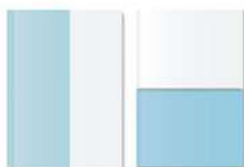
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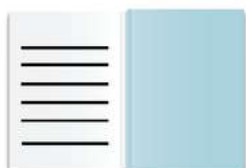
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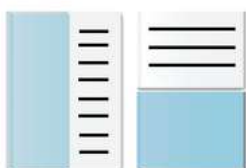
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