



Republic of the Philippines

*The Importance and
Challenges of Institutional
Connectivity of
Transportation and Customs
between Asia and Europe*

12 September 2018
Tokyo, Japan

Outline of Presentation

- I. Transportation and Customs**
- II. The Challenges Against Institutional Connectivity**
- III. Initiatives at Transportation and Customs Connectivity**
- IV. Building Quality Infrastructure in the Philippines**

Transportation and Customs

Europe-Asia Merchandise Trade (2016)

- **USD 1.5 trillion / JPY 166.85 trillion**

EU-Philippines Merchandise Trade (2017)

- **USD 15.747 billion / JPY 1.744 trillion**

European Visitors to the Philippines (2017)

- **649,545**

Sources: *World Trade Organization, Philippine Department of Tourism*

Physical Connectivity

- **crucial for the easy flow of materials, goods, and peoples**
- **comprises of “hard” and “soft” infrastructure**

“Hard” infrastructure

- **Systems of transportation, energy, and telecommunications**

“Soft” Infrastructure

- **Trade and logistics facilitation**
- **Coherent and effective customs rules and procedures**

Gains from Transportation and Customs Connectivity

- **Increased trade volume from lower logistics cost**
- **More opportunities for investments**
- **Access to new markets/increased market size**

- **Comparative advantage and productivity enhancements**
- **Job creation**
- **Income growth**
- **Increasing standards of living**

Economic growth, development, and integration

Challenges Facing Institutional Connectivity

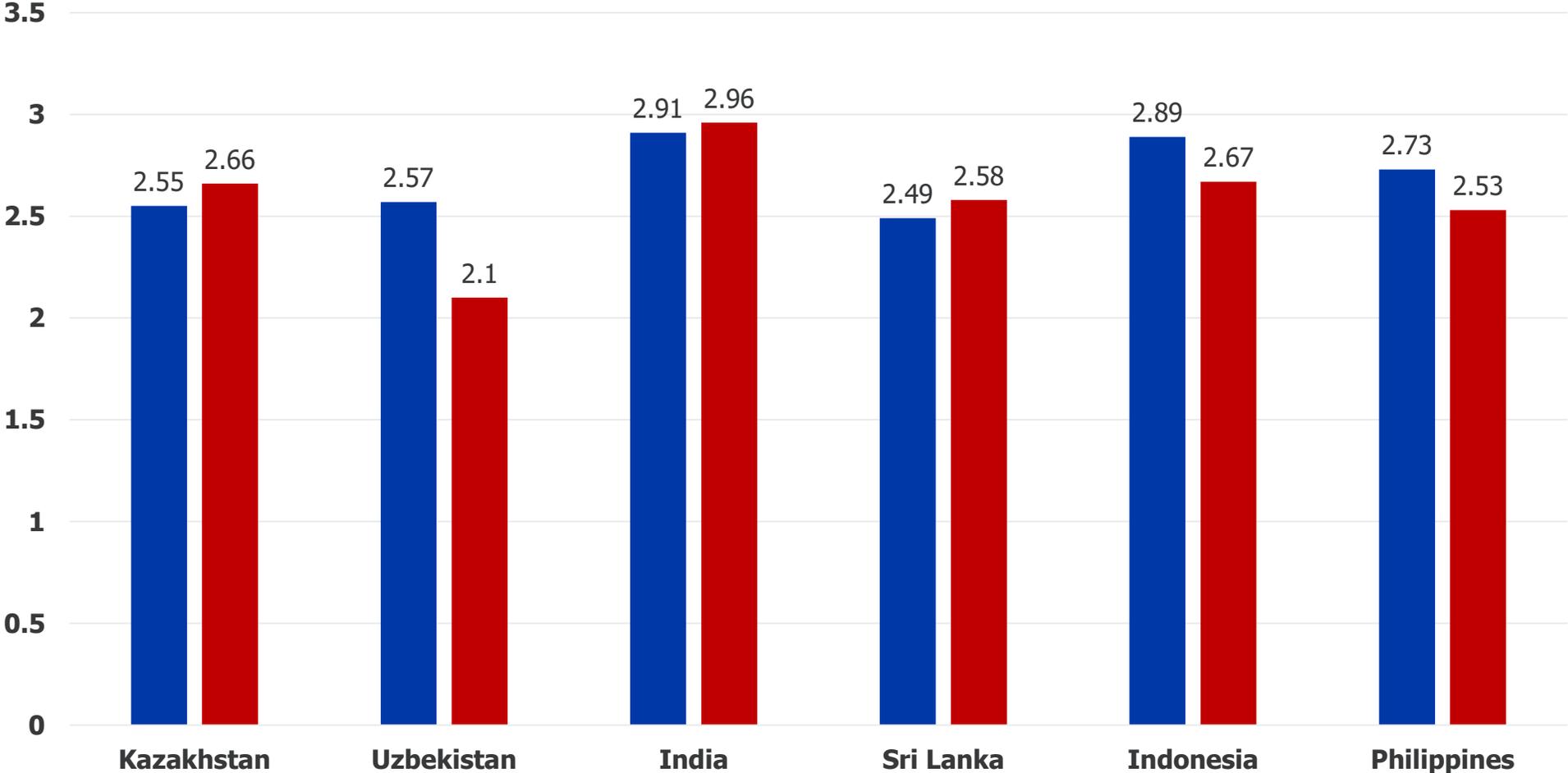
The Imposition of Tariffs and Retaliatory Tariffs

- **United States of America**
- **European Union**
- **People's Republic of China**

Stagnant Infrastructure Ranking and Scores

Logistics Performance Index (2018)

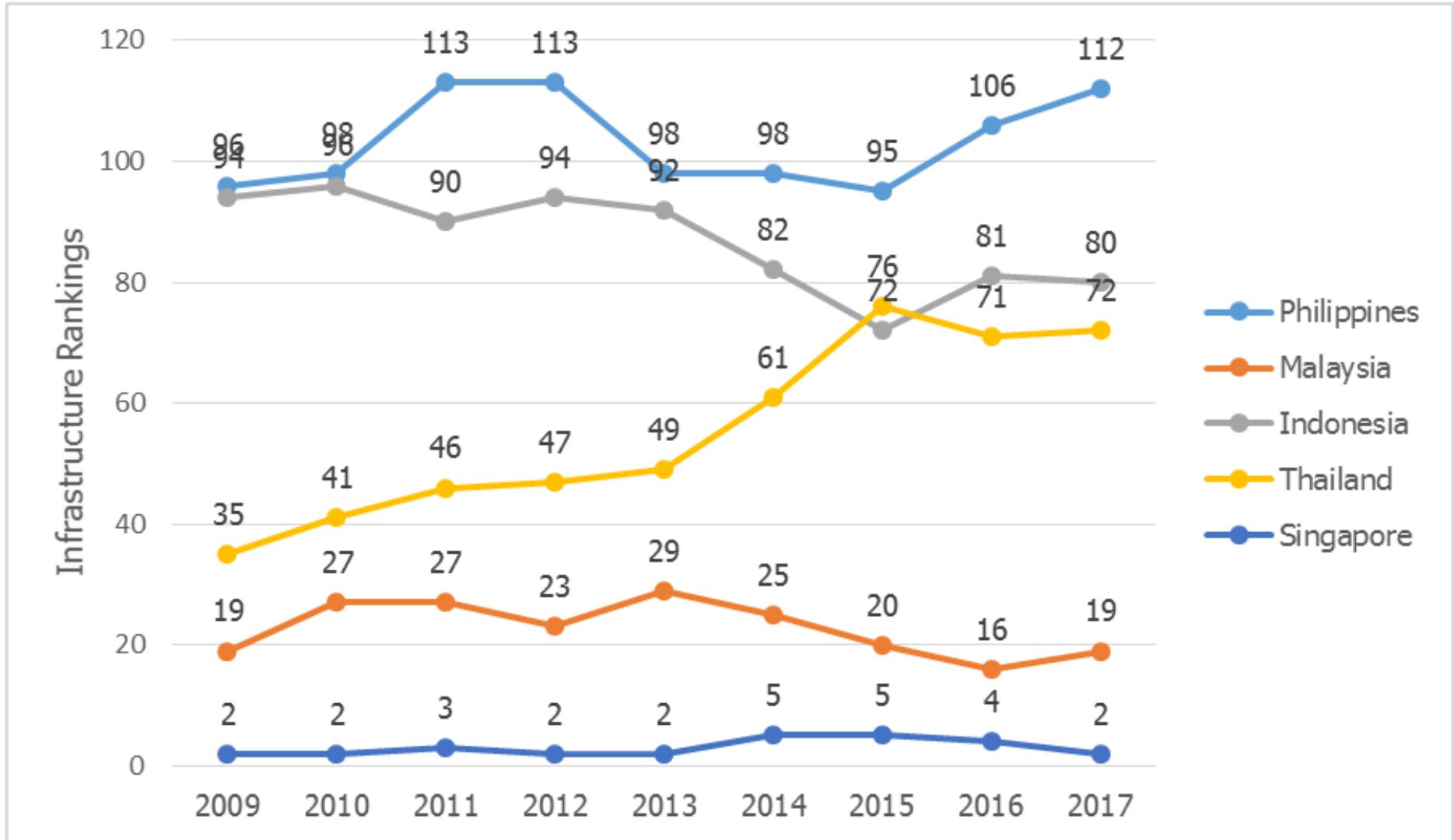
■ Infrastructure Score ■ Customs Score



Source: World Bank, 2018

Stagnant Infrastructure Ranking and Scores

World Economic Forum Overall Infrastructure Rankings (2009 – 2017)

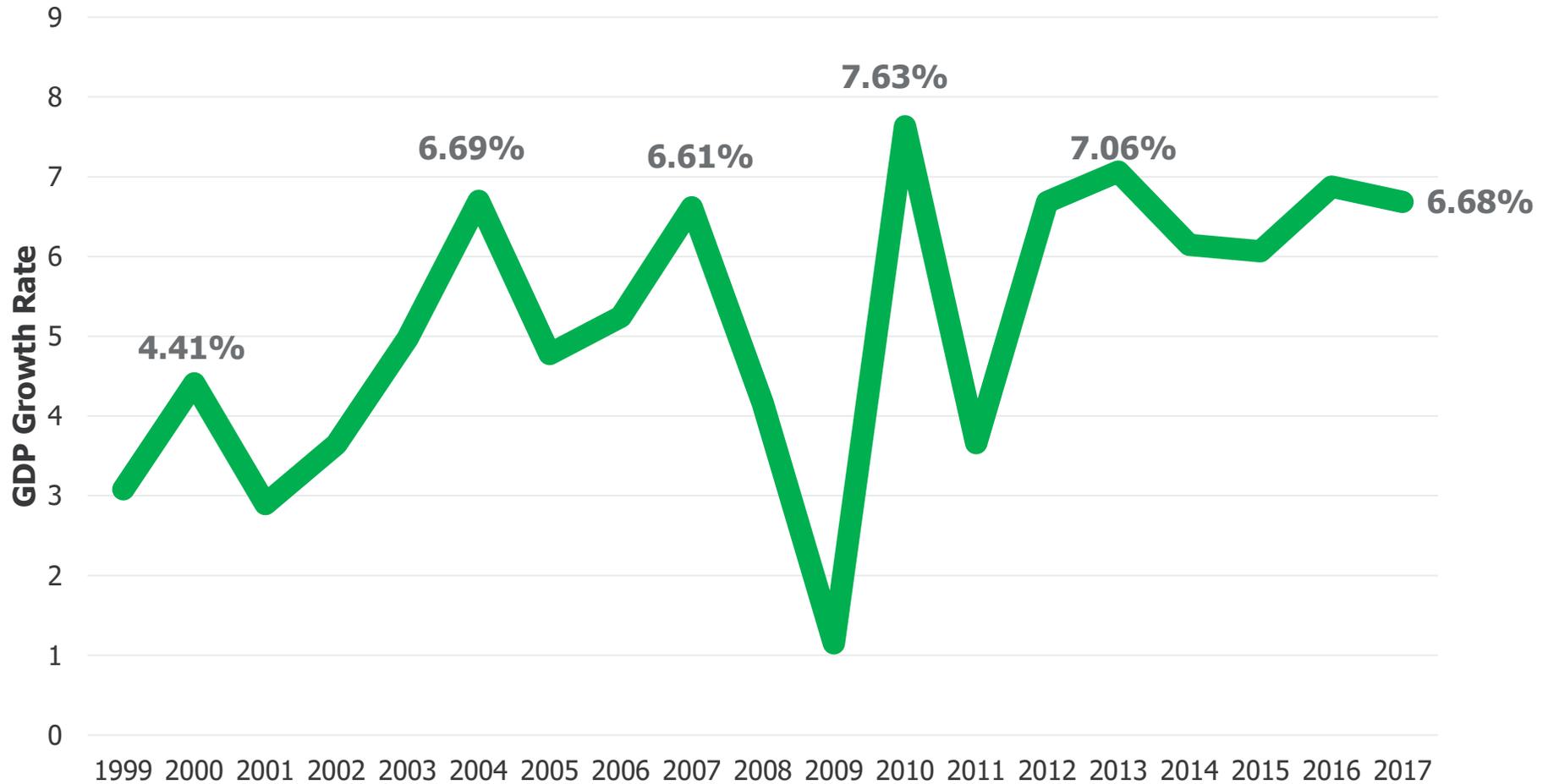


Financial Institutions

- **Play a significant role in upgrading infrastructure in Asia.**
- **They should continue their cooperation and work with national governments to achieve economic integration and connectivity for their respective countries.**

Rapidly Growing Philippine Economy

GDP Growth Rate of the Philippines (1999 – 2017)



Costs of Infrastructure Underinvestment



Congestion Cost:
PhP 3.5 billion daily
JPY 7.30 billion

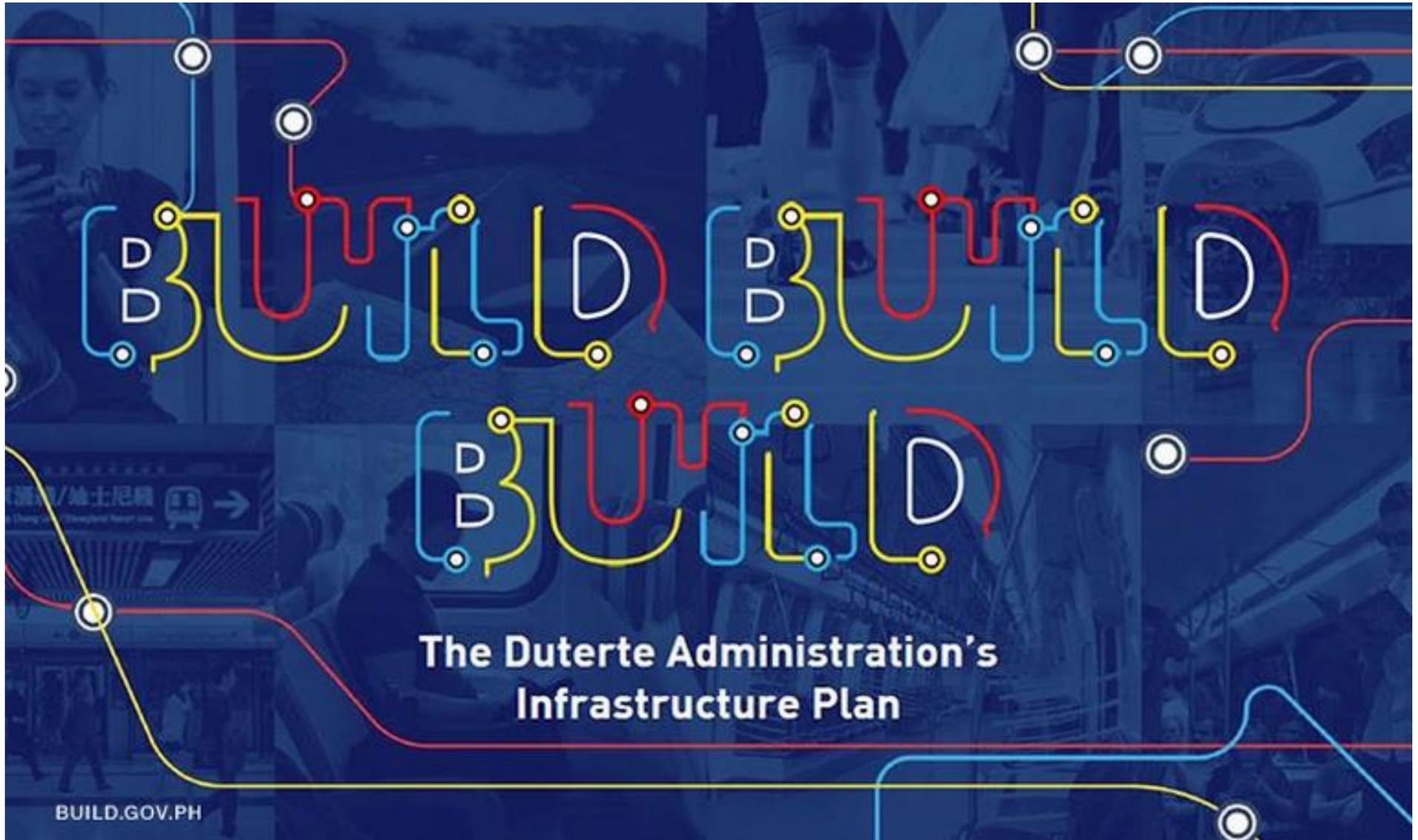
Picture Source: news.mb.com.ph

Export Cost:
USD 755
JPY 83,982

Picture Source: gmanetwork.com



The Duterte Administration's Infrastructure Program



Build Build Build Infrastructure Program

75 Big-ticket projects

- 31 roads and bridges
- 12 rail and urban transport
- 6 air transport
- 4 water transport
- 4 flood management projects
- 11 water supply and irrigation
- 4 power projects
- 3 other public infrastructure projects

4000 smaller projects across the country

Economic Growth Target:

Achieve annual growth of 7% to 8% in the medium-term.

Push the PH economy to upper-middle income status by 2022.

Poverty-Reduction Target:

Reduce poverty rate from 21.6% in 2015 to 14% by 2022.

Financing Mix	2017 Actual	2018 Program	2019 Program	2020 Program
Foreign	19%	35%	25%	25%
Domestic	81%	65%	75%	75%

Financing Mix	2021 Program	2022 Program
Foreign	25%	25%
Domestic	75%	75%

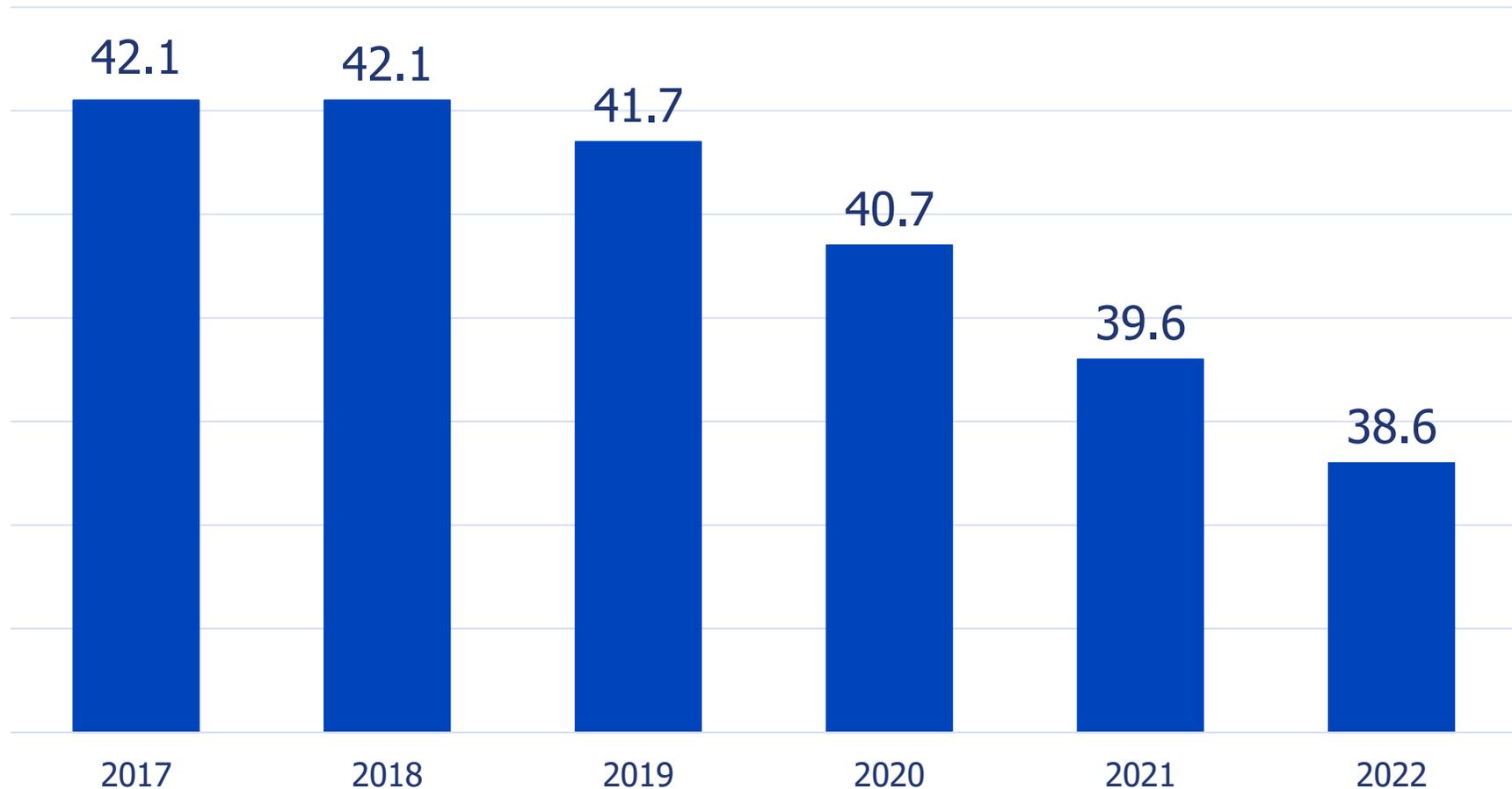


Medium-Term Fiscal Policy

Medium-Term Fiscal Strategy

The Philippine Economy will outgrow its debt burden in the medium-term

Declining Debt-to-GDP ratio (2017-2022)



Reforming the Tax System

Projected Revenue Yield of Tax Reform Packages in Billion Pesos

2018	2019	2020	2021	2022	Total Revenue-Yield (2018-2022)
PhP 89.9 B	PhP 181.4 B	PhP 284.1 B	PhP 301.5 B	PhP 306.4 B	PhP 1,163.3 B
JPY 186.55 B	JPY 376.42 B	JPY 589.53 B	JPY 625.6 B	JPY 635.8 B	JPY 2,413.9 B
Package 1A	Package 1A Package 1B	Package 1A Package 1B Package 2+	Package 1A Package 1B Package 2+	Package 1A Package 1B Package 2+	Package 1A Package 1B Package 2+

Other Sources of Funding

- Public-Private Partnerships (PPP)
- Unsolicited Proposals subject to Swiss Challenge
- Official Development Assistance (ODA)



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