Philippine Country Report

Mr. Teo Kee Bin
President
Philippine Plastics Industry Association
I. BACKGROUND
The Philippine Plastics Industry Association, Inc. (PPIA) is the premier voice of the downstream plastics industry.

For 44 years now since it was formed in 1970, the PPIA carries the reputation of upholding the plastics industry’s interests in key policies and legislations, particularly on the issues of customs and tariff, environment, power and energy, labor, and product standards, among others,

To date, the PPIA is composed of 180 Member Manufacturers and 41 Advisers, from all over the country.
The PPIA continuously dedicates itself to promote harmonious genuine Cooperation and mutual understanding amongst the plastic product manufacturers in the country:

- It consolidates the views of the downstream plastics industry members, and represents them in the formulation of government policy and legislations that has impact on the industry’s competitiveness;

- Push for scientific and fact-based environmental policies affecting the plastics industry, and the judicious implementation of the Republic Act 9003, otherwise known as the Ecological Solid Waste Management of the Philippines;

- Establish linkages for the industry by initiating/co-organizing/participating in different activities, among others e.g. meetings/trade shows/trade missions and other similar endeavors, update members with the latest global trends and technologies, and explore more avenues to establish new partnerships and pursuit for new opportunities in facilitating the inflows of businesses and investments in the country.
PPIA maintains its active **Local Organizations Affiliations** with the:

- Philippine Chamber of Commerce and Industry (PCCI)
- Federation of Filipino Chinese Chamber of Commerce and Industry (FFCCCII)
- Federation of Philippine Industries (FPI)
- Exporters Confederation of the Philippines (Philexport),
- Employers Confederation of the Philippines (ECOP)
- Samahan sa Pilipinas ng mga Industriyang Kimika (SPIK)
- Philippine Employers and Labor Social Partnership, Incorporated (PELSPI)
- Solid Waste Management Association of the Philippines (SWAPP)
- National Recyclers Organization of the Philippines (NROP)
- And other organizations advocating the proper and effective implementation of RA 9003.
In the International Affiliations:

The PPIA is the country’s representative to the:

- **ASEAN Federation of Plastic Industries (AFPI)** since its establishment in 1981 and held Chairmanship in 1996-1997 (6th Term) and in 2007-2010 (12th Term).

PPIA is also a member of the:

- **Asian Plastics Forum (APF)**, a regional grouping formed to discuss and address environmental issues on plastics

And a signatory to the:

- **International Marine Litter Declaration**
- **Ocean Clean Swift** of the Society of Plastics Industry
PPIA is also hosting the -

25th Global Meeting on Plastics and Sustainability
08 to 10 December 2014
Manila Marriott Hotel, Newport City Complex, Pasay City
II. PHILIPPINE PLASTICS INDUSTRY PROFILE
PHILIPPINE PLASTICS INDUSTRY PROFILE

Structure

The Philippine plastics industry can be categorized according to the following manufacturing stages:

- **Upstream** manufactures the basic raw materials called monomers from naphtha which is an oil refinery by-product.

- **Midstream** manufacturers produces the plastic resins or polymers from monomers represented by the Association of Petrochemical Manufacturers of the Philippines (APMP).

However, developments took over with production capacities of the midstream industries. The NPC Alliance Corporation (formerly Bataan Polyethylene) produces 275,000 MTPY of Polyethylene (PE), the Petron Corporation (formerly Philippine Polypropylene Inc.) utilizing its Fluidized Bed Catalytic Converter boosted its Polypropylene (PP) production capacity to 160,000 MTPY, and JG Summit Petrochemical Corporation with its Naphtha Cracker Plant Project is set to increase its production of PE to 280,000 MTPY.

The supply of Polyvinyl Chloride (PVC) from the Philippine Resins Industries Inc. (PRII) at the current capacity is 160,000 MTPY and Polystyrene (PS) by Chemrez Technologies at 30,000 MTPY will likewise remain stable. The Polyethylene Terephthalate (PET) supply will continue to be imported.
PHILIPPINE PLASTICS INDUSTRY PROFILE

Structure

**Downstream Industry** represents the local plastic fabricators and converters who use the plastic resins to manufacture packaging, industrial and consumers’ plastic products.

There are only a few large downstream facilities. Majority are small and medium scale enterprises with varying and wide degrees of equipment sophistication.

The industry is categorized into subsectors based on their finished products such as: Flexible plastics, Net, twine and sack, Pipes and fittings, Plastic bags, PVC products, Recycled plastics, Rigid plastics, Styro products, Tapes and Others.

Based on industry survey, there are more than 1,000 plastic fabricators and converters nationwide. The labor force in the industry is estimated at 600,000 direct and indirect workers as production of plastic products have to go through many labor-intensive stages.

These include the preparation of the plastic resins i.e. mixing with additives/colorants or compounding before extruding, molding, forming or laminating the plastic products, and additional workers or cutting, printing, labeling, packing and warehousing stages.

The raw materials consumed by the downstream plastic industry are mostly imported as local midstream petrochemical companies still have to meet this requirement.
III. PPIA RECENT MILESTONES
A. Customs and Tariff Matters

1. PPIA has always maintained its position of a level playing field, that- “There should be no tariff distortion involving the plastic raw materials and finished goods”.

Hence, the industry submitted its position paper to the Tariff Commission in view of the MFN Tariff Review for 2016 and onwards, stipulating the following:

• Maintain a zero % MFN tariff structure regime for plastics raw materials to level cost playing field in order to attain the Downstream Petrochemical Industry needed competitiveness, amidst the ASEAN Integration/ASEAN Economic Community (2015), full implementation of the AKFTA (2016) and ACFTA (2018), all other future FTAs, and to realize the targets set forth in the Philippine Plastics Industry Roadmap (2016 to 2020);
• Oppose any forms of proposed tariff increase on plastics raw materials particularly the plastics resins.

2. Tie-up with Upstream Petrochemical Sector in establishing the reference Threshold Values of imported Plastic Resins (HS Codes: 3901, 3902, 3903, 3904 & 3907- PET) for the implementation of the Philippine Bureau of Customs.
The Philippine Plastics Industry Association is currently working out the enhancement of the **Philippine Plastic Industry Roadmap (2016 to 2020)**, with the Board of Investments of the Department of Trade and Industry (DTI), and continuously reviewing/monitoring/updating what were accomplished during the transition period of 2012 to 2014- towards achieving the desired path of the industry for 2016 and onwards.

The roadmap serves as a valuable guide to ensure the viability, sustainability, and competitiveness of the Philippine plastic downstream industry and its different subsectors, to be resilient amidst unforeseen local and global threats and challenges, with the following targets and timelines:

- **2016 (Strong Philippines)** – establishing product competitiveness and becoming a regional player in the petrochemical industry
- **2022 (Enter ASEAN + 4 Doors)** – establishing innovative products contributing to the mitigation of the climate change problem.
- **2030 (Global Market Capture)** – establishing the downstream plastic industry as the 3rd largest export industry in the country and addressing the climate change problem.
C. Recipient of Industry Awards

The PPIA for three (3) consecutive years is a recipient of the Annual Sustainable Development Awards (2012, 2013 & 2014) for Outstanding Sustainable Practices in the industry association category, conferred by the Federation of Philippine Industries (FPI), in recognition to the following contributions:

2012 - Most Outstanding Industry Association for the Optimum Use of Resources

2013 - Most Outstanding Industry Association for Implementing Corporate Social Responsibility (CSR) Programs, and

2012 - Most Outstanding Industry Association for the Practice of Waste Management.
IV. THE PHILIPPINE ECONOMIC OUTLOOK
A. Gross Domestic Product vs. Philippine Population

<table>
<thead>
<tr>
<th>Philippine Key Economic Indicators</th>
<th>2013</th>
<th>2014</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippine Population</td>
<td>97.704 M</td>
<td>100.617 M (2.98% up)</td>
<td>NSO</td>
</tr>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>7.2</td>
<td>6.0</td>
<td>NSCB</td>
</tr>
<tr>
<td>GDP by Industrial Origin (Growth Share)</td>
<td>10.4%</td>
<td>1.1%</td>
<td>NSCB</td>
</tr>
<tr>
<td>Industry (32.8%)</td>
<td>9.3%</td>
<td>NSCB</td>
<td></td>
</tr>
<tr>
<td>Services (56.8%)</td>
<td>7.2%</td>
<td>NSCB</td>
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</tbody>
</table>

Merchandise Trade

<table>
<thead>
<tr>
<th>Exports</th>
<th>US$32 B Jan-July</th>
<th>US$35 B Jan-July (9% up)</th>
<th>NSO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>US$31.3 B Jan-June</td>
<td>US$29.8 B Jan-June (5.4% up)</td>
<td>NSO</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>2.7 (June)</td>
<td>4.4 (June)</td>
<td>BSP</td>
</tr>
<tr>
<td>Interest Rates</td>
<td>5.50%</td>
<td>5.50%</td>
<td>BSP</td>
</tr>
<tr>
<td>OFW Remittance</td>
<td>US$ 23 B (7.4%)</td>
<td>US$ 13.5 B (5.8% 1st S)</td>
<td>BSP</td>
</tr>
</tbody>
</table>

NSO- National Statistics Office
NSCB- National Statistics Coordinating Board
BSP-Bangko Sentral ng Pilipinas

STRONG & RESILIENT ECONOMY REDOUND in 2014

1. Gross Domestic Product (GDP) - Economic growth is seen stable and resilient

With the country’s projected population reaching 100.617 Million, the Philippine gross domestic product (GDP) in the second semester of 2014 grew by 6.0% that bodes well registered higher growth trajectory in 2012 and 2013 (7.2%) for the Philippines to join the Top Asian Performers.

The strong growth is driven by most sectors of the Philippine economy during the period. Of the 2nd quarter GDP growth by industrial origin: Agriculture at 10.4% share grew by 1.1%, the Industry Sector with 32.8% share is up by 9.3%, and the Services Sector with 56.8% share rose by 7.2%, mainly due to trade, real estate, renting and business activities, and transport, storage and communication.

2015 Forecast

A more optimistic forecast is given for the 2015 Philippine economy. The GDP is seen to grow by 6.4. to 7.3 %, in feeling the rebound as the calamity reconstruction takes off in Typhoon Haiyan devastated areas, overseas remittances up by a 5 to 7% triggered by increased household consumption, expanded government spending by more than 12%.

World Bank forecast more than 6 to 7% growth in 2015 GDP. Strong domestic demand is expected to continue driving the Philippine economic force and thrives to maintain its position as one of the fastest growing economy in the in the East Asia and the Pacific (EAP) region this year until 2016, next to China.
This 6.0% growth achieved in the 2nd semester of 2014 was due to the country's sound macroeconomic fundamentals marked by:

- Stable Inflation rate of 4.4% within range target
- Favourable interest rate pegged at 5.5%
- OFW Remittance increased 7.4% as compared last year and is expected to increase more than 10% than last year end.
- Positive International Trade Performance:
  - Merchandise Exports rose by 9% to US$35 Billion Jan to July 2014 this year compared from the US$32 Billion of the same period last year.
  - Its cumulative value for the 2014 first semester registered an 8.3% increase to $29.809 billion from $27.515 billion in same period of 2013.
  - This rise in merchandise export sales was brought by the positive growth performances of the eight major commodities, namely: machinery and transport equipment; bananas (fresh); other mineral products; articles of apparel and clothing accessories; ignition wiring set and other wiring sets used in vehicles, aircrafts and ships; electronics products; and chemicals, of refined copper which was the tenth top exported goods. This growth is expected to surpass the recent years growth of 3.6% (from US$ 51.99 billion in 2012 to US$ 54 in 2013 billion).
  - Service Export grew by 3.6% (from US$ 20.00 B in 2012 to US$ 21.80 B in 2013), triggered by the BPO Sector that generated revenues of US$ 15.5 B. Revenue from this sector is set to rise 15% in 2014, which is now directly employing more than 900,000 employees.
  - Merchandise Imports likewise went up by 5.4% or US$31.3 B Jan to July 2014 from US$29.8 B of last year period.
Supply Side
The Industry and Services sectors were the main drivers of the country's GDP growth
• Among these subsectors are: 1) trade and manufacturing, 2) real estate, 3) renting, 4) business activities (particularly BPOs) and 5) tourism-related services (NEDA).
• On production, the Philippine Monthly Integrated Survey of Selected Industries (MISSI) Value of Production Index (VaPI) grew by 10.1% in 2013 from 0.8% in 2012, and the Volume of Production Index (VoPI) to 13.3% from 8.9 on the same period.
• Increase per Industry VaPI were recorded in the plastic allied industry sectors namely: Footwear & Wearing Apparel, Food Manufacturing and other industries.
• Construction grew robustly due to strategic public and private infrastructure investment projects.

Demand Side
• To reiterate, the household consumption with a population of about 100.617 Million Filipinos will remain as the main driver of growth.
• This is buoyed by the sustained inflow of OFW remittances US$ 13.5 B rise at 5.8% 1st Sem 2014) and low inflation rate. The OFW remittance consistently rise up by $6.1 billion in the first quarter of 2014. The 6.4% increase from the 2012 (US$21.39 B) to 2013 (US$22.76 B), growing stronger as demands of skilled and professional workers abroad are more, alongside with better data capture by banks and financial institutions.

Stock Market
The positive impact of the growth was felt as the Philippine Stock Exchange Index (PSEi) trading reached another all time high of 5,812.7 points in Dec. 2013 which represents a 33% increase from the 2012 December closing surpassing all previous records (PSE).

Increasing Investments Inflows
The total approved investments (in Billion US$) is up by 10.4%, from US$ 15.92 B in 2012 to US$ 17.48 B in 2013 as reported by the Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA). For the first quarter of 2014, BOI investments is P46.77B and PEZA registered went up by 31 percent to P127.455 billion in the first seven months of the year from P97.48 billion last year.

Year-on-Year Growth Rates for Production Index and Net Sales Index

<table>
<thead>
<tr>
<th></th>
<th>JUNE 2014</th>
<th>JUNE 2013</th>
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<tbody>
<tr>
<td>TOTAL MANUFACTURING</td>
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<td>YEAR-ON-YEAR GROWTH</td>
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<td></td>
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<tr>
<td>Production Index (2000=100)</td>
<td></td>
<td></td>
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<tr>
<td>Value (VaPI)</td>
<td>10.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Volume (VoPI)</td>
<td>13.3</td>
<td>8.9</td>
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<tr>
<td>Net Sales Index (2000=100)</td>
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<tr>
<td>Value (VoNSI)</td>
<td>7.9</td>
<td>12.0</td>
</tr>
<tr>
<td>Volume (VoNSI)</td>
<td>11.1</td>
<td>21.0</td>
</tr>
</tbody>
</table>

DTI- Department of Trade and Industry
NEDA- National Economic Authority
NSO- National Statistics Office
NSCB- National Statistics Coordinating Board
PSE- Philippine Stocks Exchange

OFW Remittance
US$ 23 B (7.4%)       US$ 13.5 B (5.8% 1st S)       BSP
Improved International Competitiveness Ranking

The Philippines retains improved rankings by on key macroeconomic indicators, institutional performance, state of the country’s technology and supporting infrastructure: WB Ease of Doing Business 2014 Report (+30) from 105 to 94 (189 countries), WEC Global Competitiveness Index 2013/2014 Report (+6) from 65 to 59 (148 countries), Economic Freedom of the World 2013 Annual Report (+5) from 61 to 56 (156 countries), Index of Economic Freedom 2014 (+8) from 97 to 89 (177 countries), and more.

Better Credit Ratings (Investments Grade)

The country's credit rating is up as graded by the following: Flitch: From BB to BBB- (Stable Outlook), Moody’s: From Ba1 to Baa3- (Stable Outlook), and Standards & Poor (as of May 2014): From BBB- to BBB+ (Positive Outlook).

Entering ASEAN integration

The formation of the ASEAN Economic Community (AEC) in 2015 is an important milestone in the process of ASEAN integration- transforming ASEAN into a single market fully integrated into the global economy.

Recommendations of the business sector for the integration:

The Philippine business communities suggested:

- Improvements in regulatory reforms in parallel with the integration goals;
- Policy reforms in promoting more business-friendly investment climate and tax schemes;
- Further streamlined business papers processing;
- Building more competitive infrastructure leading to lower power cost and logistics
- Seamless connectivity infrastructure to facilitate inter-island transport of goods and services, including farm to market roads
- Increased investments in R & D, and testing facilities, and
- Further promote certification and accreditation standards, and business incubation.
V. RP PLASTICS INDUSTRY PERFORMANCE
Philippine Resin Consumption (2001 - 2013)

**PHILIPPINE RESINS CONSUMPTIONS (2001 to 2013)**

<table>
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<tr>
<th>Source</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Polyethylene (PE)</td>
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<tr>
<td>Domestic</td>
<td>63,694</td>
<td>86,900</td>
<td>84,655</td>
<td>34,530</td>
<td>48,701</td>
<td>10,230</td>
<td>73,967</td>
<td>101,157</td>
<td>150,337</td>
<td>153,627</td>
<td>108,880</td>
<td>99,887</td>
<td>36,813</td>
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<tr>
<td>Imported</td>
<td>171,773</td>
<td>213,545</td>
<td>262,063</td>
<td>190,832</td>
<td>101,076</td>
<td>82,526</td>
<td>119,547</td>
<td>116,952</td>
<td>126,777</td>
<td>218,793</td>
<td>227,694</td>
<td>241,773</td>
<td>235,087</td>
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<tr>
<td>Total</td>
<td>235,467</td>
<td>300,445</td>
<td>346,718</td>
<td>225,363</td>
<td>149,777</td>
<td>92,756</td>
<td>193,514</td>
<td>218,109</td>
<td>277,114</td>
<td>372,421</td>
<td>336,574</td>
<td>341,660</td>
<td>271,900</td>
<td>43.61%</td>
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<tr>
<td>Polypropylene (PP)</td>
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<tr>
<td>Domestic</td>
<td>129,946</td>
<td>150,868</td>
<td>119,192</td>
<td>63,695</td>
<td>56,971</td>
<td>30,536</td>
<td>83,752</td>
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<td>79,083</td>
<td>113,847</td>
<td>111,612</td>
<td>68,584</td>
<td>124,420</td>
<td>99,451</td>
<td>176,650</td>
<td>156,420</td>
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<td>Total</td>
<td>264,123</td>
<td>273,293</td>
<td>250,839</td>
<td>189,536</td>
<td>174,562</td>
<td>109,619</td>
<td>197,599</td>
<td>164,870</td>
<td>120,988</td>
<td>183,995</td>
<td>141,519</td>
<td>189,595</td>
<td>170,126</td>
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<td>Polystyrene (PS)</td>
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<tr>
<td>Domestic</td>
<td>34,852</td>
<td>34,719</td>
<td>36,477</td>
<td>37,099</td>
<td>26,964</td>
<td>20,290</td>
<td>29,713</td>
<td>18,923</td>
<td>21,733</td>
<td>28,959</td>
<td>21,395</td>
<td>13,279</td>
<td>6,958</td>
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<td>34,256</td>
<td>41,640</td>
<td>42,310</td>
<td>43,750</td>
<td>23,174</td>
<td>32,022</td>
<td>27,949</td>
<td>18,120</td>
<td>31,753</td>
<td>41,745</td>
<td>51,657</td>
<td>48,192</td>
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<tr>
<td>Total</td>
<td>70,503</td>
<td>68,975</td>
<td>78,118</td>
<td>79,409</td>
<td>70,713</td>
<td>43,464</td>
<td>61,734</td>
<td>46,872</td>
<td>39,852</td>
<td>60,710</td>
<td>63,140</td>
<td>64,936</td>
<td>55,151</td>
<td>8.84%</td>
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<tr>
<td>Polyvinyl Chloride (PVC)</td>
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<tr>
<td>Domestic</td>
<td>68,505</td>
<td>86,416</td>
<td>91,020</td>
<td>77,305</td>
<td>95,575</td>
<td>101,217</td>
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<td>66,438</td>
<td>74,902</td>
<td>96,108</td>
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<td>18,646</td>
<td>21,953</td>
<td>17,985</td>
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<td>12,840</td>
<td>13,355</td>
<td>14,683</td>
<td>22,356</td>
<td>32,579</td>
<td>30,251</td>
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<tr>
<td>Total</td>
<td>87,578</td>
<td>106,737</td>
<td>109,665</td>
<td>99,258</td>
<td>99,560</td>
<td>11,940</td>
<td>14,490</td>
<td>17,039</td>
<td>14,683</td>
<td>84,983</td>
<td>107,480</td>
<td>126,360</td>
<td>120,351</td>
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<tr>
<td>Grand Total</td>
<td>657,670</td>
<td>749,450</td>
<td>785,340</td>
<td>593,565</td>
<td>494,047</td>
<td>316,868</td>
<td>566,904</td>
<td>704,004</td>
<td>630,027</td>
<td>703,672</td>
<td>623,536</td>
<td>100.00%</td>
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<tr>
<td>Growth Rate</td>
<td>12.25%</td>
<td>4.57%</td>
<td>-32.31%</td>
<td>-20.14%</td>
<td>-55.92%</td>
<td>44.11%</td>
<td>-5.11%</td>
<td>-4.47%</td>
<td>30.24%</td>
<td>-14.86%</td>
<td>10.47%</td>
<td>-12.85%</td>
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IMPORT OF FINISHED GOODS (IN MT)

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<tr>
<td>Value</td>
<td>177,121</td>
<td>182,494</td>
<td>210,447</td>
<td>344,493</td>
<td>349,174</td>
<td>275,548</td>
<td>284,834</td>
<td>300,163</td>
<td>316,766</td>
<td>358,903</td>
<td>353,980</td>
<td>403,414</td>
<td>422,075</td>
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EXPORT OF FINISHED GOODS (IN GK)

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>83,500</td>
<td>109,603</td>
<td>112,608</td>
<td>96,330</td>
<td>95,954</td>
<td>111,374</td>
<td>117,805</td>
<td>111,461</td>
<td>81,501</td>
<td>85,694</td>
<td>89,215</td>
<td>88,659</td>
<td>90,083</td>
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</table>

IMPORT EXPORT RATIO

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.12</td>
<td>1.67</td>
<td>1.87</td>
<td>3.58</td>
<td>3.64</td>
<td>2.47</td>
<td>2.42</td>
<td>2.69</td>
<td>3.89</td>
<td>4.19</td>
<td>3.97</td>
<td>4.55</td>
<td>4.69</td>
</tr>
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</table>

Source: National Statistics Office (NSO)
VI. INDUSTRY CONCERNS AND CHALLENGES
1. High Power Cost

Regional Comparison of Subsidies

A comparison of true cost of supply versus average tariffs shows that many countries in the region heavily subsidize their electricity rates. These subsidies have been mainly caused by the inability to pass through fuel price increases during that period.
## 2. Continuous Plastic Bags & Styro Ban (Updated as of 05 Oct 2014)

<table>
<thead>
<tr>
<th>Philippine Regions</th>
<th>Plastic Bag/Styro Ban Ordinance</th>
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<tbody>
<tr>
<td></td>
<td>Approved</td>
</tr>
<tr>
<td>Metro Manila</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8- Ban</td>
</tr>
<tr>
<td></td>
<td>2 - Regulation</td>
</tr>
<tr>
<td>Regions 1-13</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;136</td>
</tr>
<tr>
<td></td>
<td>*Including cities/municipalities covered by Provincial Ban</td>
</tr>
<tr>
<td>Total</td>
<td>&gt;146</td>
</tr>
<tr>
<td>Combined</td>
<td>&gt;220</td>
</tr>
</tbody>
</table>
IV. OPPORTUNITIES and CHALLENGES
Opportunities

- Strong local market based of **100.62 M Filipinos**.
- Continues pursuit for technology upgrading
- Continues pursuit for product innovation - product design and functionality.
- Establishing a Philippine National Standards (PNS) for Plastic Shopping Bags that will standardized the plastic bag production to ensure consumers the health safety and environmental friendly use of locally manufactured plastic bags, and likely to reverse the negative perception on the product from public misinformation.

Challenges

- **High production cost** because of:
  - **High raw material** cost and volatility of price of plastic resins
  - **High power cost** *(plastics as a power intensive industry)* because the **electricity rate in the Philippines** is **2nd highest in Asia** and **6 or 7th highest in the world**.

- **Proliferation of smuggling/sub-standard/low-cost imported** plastic **finished goods** in the domestic market.

- **Lack of existing government intervention and specific policy support** to develop the plastics industry **like no Income Tax Holiday (ITH) incentive** to **existing plastic facilities and recycling plants**, unless new and/or expanding and meeting the condition that at least **50% of the products are exported** (if Filipino-owned) and **70%** (if foreign owned).

- **High logistical cost** in the freight of raw materials and finished goods,
- **Tariff distortion** as ASEAN finished goods comes in 0% tariff while we import more resins in MFN countries particularly the middle east, while ASEAN raw material tariff is zero but these countries put premium that makes importation of raw materials from ASEAN is more expensive that those coming from MFN countries, whilst local resins supplies at most times are much expensive and grade not at par with the other foreign sources.

- **Negative perception on plastics** on health and environment severely affecting our of plastic bags and styro products and other plastic products (plastic book covers and toys sectors)
VII. PPIA ADVOCACY PARTNERSHIPS AND PROGRAMS
PPIA CONTINUOUSLY ADVOCATE AND ENTERED INTO PARTNERSHIPS ON THE FOLLOWING AREAS:

1. Promote WASTE PLASTICS RECOVERY & RECYCLING and the INFORMATION AND EDUCATION CAMPAIGN (IEC) on this:

Strengthen linkages with VARIOUS GOVERNMENT AGENCIES (such as Dept. of Environment & Natural Resources (DENR), Metro Manila Dev. Authority (MMDA), DILG (Dept. of Interior and Local Government (DILG), and other local government units (LGUs) RECOVERY of Non-Traditional Recyclable Plastics (plastics bag/styro) from the Source (Consumers)- Recovery (e.g. in-store-recovery-collectors-junkshops-waste consolidators) to RECYCLING (Recyclers), and closing the loop of RECOVERY- RECYCLING thereof, in implementing the following programs:

**Ecosavers Program** with the Dept. of Education and DENR where grade school students can exchange waste plastics for points in exchange of school supplies, etc.

**Home Owners Associations (HOAs)** with the LGUs and DENR in recovering plastic waste from subdivisions, condominiums, communities in implementing proper waste segregation at source.

**Mobile Waste Plastic Bags Waste Recovery** with the Dept. of Trade & Industry (DTI) and organized by the Metro Manila cities of San Juan, Malabon, Pasig and others recovering plastic bags and styro wastes implemented in the city hall or in different barangays under respective jurisdiction.

**Participation to RECYCLABLE FAIRS with IEC**
2. PARTICIPATION TO RECYCLABLE FAIRS organized by business & service groups: Ayala Foundation, Ortigas Corporation, SM Corporation, Philippine Airlines, etc.

3. REDEMPTION OF WASTE PLASTIC BAG & STRYO organized by religious/socio-civic groups like the Archdiocese of Manila, other Archdiocese Chapters, and Save the Sierra Madre Network Alliance religious group.

4. WASTE PLASTIC BAGS CROCHETED INTO FASHIONED BAGS/APPAREL of export quality in partnership with Invisible Sisters & Asian Social Enterprise Incubator.

5. RICE EXCHANGE PROGRAM in partnership with the Rotary Club of Dagupan City, exchanging waste plastic bags for 1 kg. of rice.

6. PROMOTE PARTNERSHIP WITH LOCAL INVENTORS OF INNOVATIVE PRODUCTS GENERATED FROM WASTE PLASTICS such as waste plastics to school chairs, to petroleum products (diesel, gasoline, kerosene, etc.), as brick fillers, and waste plastics as fuel to waste to energy projects.

7. ESTABLISHED PARTNERSHIP WITH PRESTIGIOUS TERTIARY ACADEMIC INSTITUTIONS like Miriam College & Ateneo De Manila University intensifying students’ awareness on the environmental & consumer benefits of using plastic bags, as well as the promotion of proper waste management, where students are graded by Industry Officers for presentation of original PR materials, and exceptional inputs are adopted for the Industry IEC materials.
8. Promote the DEVELOPMENT OF PRODUCT AND TECHNOLOGY INNOVATIONS and EFFICIENT RECYCLING TECHNOLOGIES, processes & facilities in its tie up with the agencies under the DEPARTMENT OF SCIENCE AND TECHNOLOGY (DOST) - Industrial Technology Development Institute (ITDI) and Philippine Council for Industry, Energy and Emerging Technology Research & Development (PCIEERD), and Technology Application and Promotion Institute (TAPI), and the GLOBAL LINK FOR LOCAL EXHIBITION OF PLASTIC PRODUCTS.

9. PUSH FOR THE ENACTMENT OF A NATIONAL LAW LIKE THE PLASTIC REGULATION ACT to the Philippine Congress that will supersede local ordinances banning plastic packaging, and would promote among others RECOVERY & RECYCLING of non-traditional recyclables (plastic bags and styro).

10. STRENGTHENED PARTNERSHIP WITH ORGANIZED LABOR GROUPS THRU THE PHILIPPINE EMPLOYER AND LABOR SOCIAL PARTNERSHIP (PELSP), to promote the noble pillars of Decent Work, Productivity and Competitiveness and to support the industry’s advocacy- that banning plastic products is not a solution- but a detriment to the national programs on job security and job generation.
Thank you very much.