Interview: Peter Kompalla – Executive Director, German-Philippine Chamber of Commerce and Industry, Philippines



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13.09.2016

Tags: Philippines, Chamber of Commerce, Germany, Trade, Investment, FDI

Peter Kompalla, executive director of the German-Philippine Chamber of Commerce and Industry, discusses the chamber's activities in the country working to promote German-Filipino trade, their extensive and growing advocacy efforts on behalf of their members, as well how good business values help to bond German companies of all sizes operating in the Philippines.

To begin, could you please provide our readers with a general overview of the chamber's activities here in the Philippines as well as your current objectives?

The German Chambers of Commerce has Delegations and Representative offices at 130 locations in 90 countries and all have the same 3-pillar structure. First, we are the official representatives of the German Ministry of Economics, and they support us with a subsidy as they view our work as effective trade promotion most especially for small and medium sized companies (SMC) in Germany. There are 3.6 million companies in Germany, and many do not have the structure that you usually have in bigger companies, in terms of capacities and resources, so for these SMCs we are the first point of contact. The second pillar is our services brand, which is called DEinternational. Through this brand we provide market entry services, and the core competency is that we provide everything you need when making the first step to entering the market. 90 percent of the customers we have in this field are companies that are looking to do sales or sourcing in the

Philippines, with a small amount of companies entering as investors. These services are mostly comprised of connecting business partners, and providing pre-screening market research and assisting with marketing seminars and training. We also look at investors, something that is especially interesting for pharmaceutical companies, and do scoping missions and comprehensive market studies. After these first steps we connect companies with the third pillar of our system, which is our membership organization, currently 270 members. We are not focusing on increasing this number, because what we see in German-Philippine business relations is that most companies are already present. Instead we are focusing on having an attractive, active chamber which cares about the interests of our members. In summary, we have a strong interest in increasing trade between Germany and the European Union and the Philippines. With special regards to the current situation, trade volume is far too low compared to other countries in South East Asia. Many may have forgotten about the relevance of this market, and in general I believe that the potential of this market is underestimated in Germany.

What specific initiatives is the chamber currently pursuing to work to increase trade between Germany and the Philippines?

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We believe that with the current framework, which is not perfect, especially considering foreign investment restrictions, you have a very interesting market for German companies, and there is a high level of business potential. We are working to have good communication with Germany, and to inform them about the market opportunities here. We are also looking to be in Germany, to speak to these companies in person, including hosting consultation days, to give a general presentation about the Philippines, as well as establish personal relationships.

Another area we are focusing on is working to improve the business framework here in the Philippines. Once this occurs we believe you will see an immediate improvement in trade, and our work on this is reflected in the upcoming EU-Philippines free trade agreement. The first round of negotiations has already taken place, and the second round will take place in October. Through this we input feedback from our members and discuss how to improve the framework on both sides to promote trade and make the process more open and liberal.

Having been at the helm of the chamber for over 2 years, what have been some of the greatest opportunities and challenges that you have faced during your tenure?

The business development we did in terms of our supporting services, along with all of the work we did in being present in Germany at trade conferences, was an intensive process, however, we have

seen that our efforts have paid off greatly. We have recently supported over 15 companies from Germany in market entry, receiving more than 300 inquiries, and have seen that they have been very successful. Additionally, we had a focus recently on renewable energy, especially important considering the reasonably high energy prices here in the Philippines. Of course it is important for us to help business thrive, but also through this work we know that we are contributing to finding sustainable energy solutions for a country that is now emerging. In the short time we have been active in this we have seen the results really pay off.

Speaking more to the challenges, when you arrive in the Philippines for the first time, everything seems so familiar compared to other destinations in Asia. English is nearly universally spoken, making communication very easy, and the people have a very westernized lifestyle as well. Because of this, you feel familiar, which creates somewhat of a trap. You can forget that there are still cultural differences, which might bigger than some people believe. You communicate in the way you are used to; however, you still need to adjust to the reality of the Philippines. When I look at German companies coming to us with problems, it is many times due to communication. Companies believed that things would go a certain way, and underestimated that it is still a very different environment here.

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Generally speaking, what areas and sectors do you find companies within your chamber to be most active?

In general, electronics is an extremely important industry, which surprises many people. When you look at foreign trade figures of the Philippines, many companies are assembling here, but you also have electronic manufacturing suppliers, utilizing the relatively cheap, yet skilled, workforce. For example, we have a company, Continental, producing airbag sensors here in the country. They are produced with very high reliability, it is not simply that you have people sitting there assembling one product, but rather you have over 20 different technologies, requiring a great amount of automatization. This obviously requires a skilled workforce, something that is readily available in this country.

Additionally, if you look at our membership count, the shipping industry and maritime business is also very prominent. We see in this industry that workers are trained to a very high international standard, something that is not always immediately realized.

How prominent of a role does the healthcare industry play for your membership organizations, and how have you seen the industry adapt to the rise in generics in the

country?

Many companies in our membership are active in the healthcare industry, Merck and Bayer for example, with the latter having one of the longest relationships with the Philippines. From a sales perspective, the Philippines boasts a very profitable market, as well as a very attractive regulatory environment. The country has a large generic drug market, as many original products are very expensive, however, many of the companies producing generics are competitors of the German companies. If you look at the Filipino consumer, they are very brand oriented. Of course it matters if something is too expensive, as many people do not have savings, however I do have the impression that much of the spending done here in the country involves a high amount of short term thinking, which is something that companies have adapted to as well to serve the consumer.

Speaking to the prohibitive aspects of restrictions on foreign direct investment here in the Philippines, how do you feel these regulations are impacting growth here in the country, and in what ways are you collaborating with different entities to try and improve these regulations?

If you look at SMCs in Germany, they many times do not have the capital to make risky investments, leading them to invest here in the country with partners. However, many companies will not do this if they can hold only 40 percent of these operations, the risks are too high. I believe that removing this restriction would allow many more companies to invest. This is something in the law that is easily seen, however, there are many other restrictions that are not as easily seen that create difficulties, in terms of sales, licensing. In general, what we do to address this is join forces with all European chambers. We discuss all of these issues from a European standpoint and have what is called the European-Philippines Business Network, which is funded through the European Union. We publish advocacy papers as well, called the “Book of Dreams”, something that we will present to the new administration on October 4th.

How do you manage the dynamic between small and medium sized companies and large multinational companies when advocating for German business interests?

From a German perspective, we have basic principles and values that we see in all of our membership companies. Even larger companies, such as Bayer and Siemens, commit themselves to the values of honorable merchants. For us, our priority is to promote German-Philippines business relations. We do not simply represent our 270 members, but rather these broader business values. This is especially true when it comes to certain import regulations, as if you liberalize too much, you actually might pose a health risk to the public if you make market access

too easy. This especially is an area where we advocate for honorable business values, as we commit ourselves to doing responsible business.

Drawing on your previous experiences working in Germany and other South East Asian countries, what advice would you give to companies that are contemplating coming to work in the Philippines, and what goals do you have for the future?

From a company perspective, many perceive the Philippines as a very attractive market. We have asked companies across the ASEAN region where our member companies would like to expand, and the Philippines is among the top three. A typical thing that you find in many German companies is that they are highly specified, meaning that sometimes the Philippines is not the right market. This is an area we are active in, helping companies to look at whether of not this is a market they will find success in.

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In terms of advice, I would offer two things. First, preparation is important before entering the market. There is a lot of market potential, but there is also risk, meaning you must prepare well. Second, you must find the right partners and resources, a service we help to facilitate.

What would be your final message for our readers around the world?

In the near-future I hope to be leading a chamber that is operating in a better market. The Philippines is facing a middle income trap, something that I hope to have the chamber help to overcome. I also hope to be a strong partner for the European Union and help the society of the Philippines develop in tandem with their economy.

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