

President's Report
The Next 25 Years and Beyond
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President

PHILEXPORT BOT Elections and GMM
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My colleagues in the Board; Chapter and industry association leaders, members and staff; PHILEXPORT management and staff, friends, ladies and gentlemen:

On behalf of the Board, allow me first to greet you all with more meaningful blessings as we welcome the New Year. The Board, management and staff also wish to thank all of you for another fruitful year of collaboration, as we also extend our warmest welcome to this first quarter General Membership Meeting and election of the Board of Trustees for 2018-2019.

We gather today on the heels of an improving economic and export performance. In fact, the Philippine economy has been on a roll, and trade has a lot to do with it. Consider the following:

- The economy grew by an average of 6.7 percent in the first three quarters of last year and specifically, a stronger-than-expected 6.9 percent in the third quarter. Manufacturing, trade, and real estate, renting and business activities were the main drivers, while industry recorded the fastest growth of 7.5 percent followed by Services with 7.1 percent growth. However, Agriculture slowed down by 2.5 percent from 3.0 percent growth in the previous year.
- Unemployment rate has finally broken the 5% level in 2016 and poverty incidence has dropped substantially to 21.6% from 25.2%

in 2012, even as overseas deployment has slowed from 3.28% to .69% in 2015. To us, this is proof that jobs and livelihoods are being created within the country and that we are making inroads in addressing the jobs-skills mismatch of old;

- Some \$5.839 billion in new investments entered the country as of September last year according to Bangko Sentral records. This is close to matching the \$5.85 billion in FDIs tallied in 2016's comparable nine months. As of its December review, the Bangko Sentral saw foreign direct investments or FDI net inflows hitting a fresh high of \$8.2 billion this year, up from an expected \$8-billion in 2017 on the back of "sustained positive developments", improving global economic conditions, fast tracking and modernization of the country's infrastructure as well as growing interests from non-traditional investment sources such as China and Russia.
- The Tourism sector is also bullish, banking on more open skies policies, the growing gaming sector, medical tourism and retirement facilities and port upgrades within our development plans, programs and budget;
- Our ASEAN Free Trade Agreements is likewise doing us good, with ASEAN emerging as our largest trading partner in 2016. According to PSA statistics, ASEAN represented 21.7% of our total trade and 15.1% of total exports last year; and finally
- Philippine merchandise exports have maintained their double-digit positive performance in the first 10 months of 2017 compared to the same period in 2016, increasing by 11.68 percent, based on preliminary data from the Philippine Statistics Authority.

Last October alone, exports grew by a respectable 6.56 percent, marking the 11th consecutive month of positive growth being posted in the value of Philippine merchandise exports since

December 2016. For 10 straight months, the value of merchandise exports in the review period was shared almost evenly by electronics and non-electronics at 50.78 percent and 49.22 percent, respectively. We share the statement of National Economic and Development Authority (NEDA) Deputy Director-General Rolando G. Tungpalan who said that the export performance “signals the rebound of the exports sector, even surpassing most economies in the region during the period.”

All these accomplishments represent joint private and government sector effort to strengthen our economy through the appropriate support mechanisms that are at par with our competitors.

But more work needed

However, we know that these statistics do not show the whole story. Behind this performance are issues, new and old that are recurring, even worse in some cases now. True, as we celebrate these positive developments, we are seriously mindful of the challenges and gaps that have to be addressed to improve and sustain our exports. For indeed, we have a long way to go to achieve our dream of becoming the next tiger economy, considering how our competitors are also strongly positioning themselves.

For one, our hosting of the ASEAN Summit and related events was strategic particularly in positioning our MSMEs at the front and center of the regional economic development. It was also during the Summit that President Duterte announced that he will work with the Department of Budget and Management to get P50 billion for MSME projects and programs.

On our external trade, growth across most of developing Asia is expected to remain strong this year and 2018, buoyed by a revival in global trade, robust expansion in major industrial economies and improved prospects for the People's Republic of China (PRC).

Services exports is expected to account for 50 percent of the country's total exports by 2022, even as we have been reinvigorating the manufacturing sector which we believe is better positioned to generate more jobs and sources of livelihood. In contrast, we continue to struggle with agriculture but we are not giving up. Game changers towards this end are being outlined in the Philippine Export Development Plan 2018 to 2022.

PHILEXPORT's Role

PHILEXPORT takes its mandate as the exporters' umbrella organization very seriously. But as we celebrate this 25-year milestone, we acknowledge that PHILEXPORT is work in progress. The organization, together with the industry we serve, continues to evolve in response to the changing market demands and realities.

Our accomplishments are made more meaningful because of the millions of people who have been part of our 25-year journey. We drew strength from every company, sector and Chapter that was born; every successful product launched; every market opened and expanded; every survival strategy implemented; every challenge hurdled. We also wish to pay tribute to our management and employees, our most important resource that helped position PHILEXPORT where it is now in the economic history of our country.

The experience generated and the partnerships forged will continue to serve as our inspiration in the years to come. This, as we break barriers and realize our vision and goal of becoming a globally competitive exporting nation in the next few years.

A relevant direction towards this is maximizing our free trade agreements, including those of ASEAN and the groundwork for the US and EU FTAs. To help exporters further on this matter, PHILEXPORT has initiated a workshop in collaboration with the DTI to address constraints towards full utilization, including simplifying and navigating the rules of origin. However, due to the tight DTI schedules because of the ASEAN Summit, this workshop has been moved to next month. We strongly encourage you to attend and participate actively here.

Meanwhile, we have long institutionalized at the Export Development Council the networking committees through which the issues we face are processed with the appropriate agencies and groups. PHILEXPORT is a member of all these Committees, even as we also take our initiatives in collaborating with other partners to facilitate solutions.

Unfortunately, looming are measures that can have adverse effects on exports, including the Security of Tenure Act and the Comprehensive Tax Reform Act that will remove zero rating on indirect exports and may influence prices of raw materials to increase. On the other hand, the amendment of the Magna Carta is moving to our favor in the House version, although a Senate counterpart has yet to take off. The drafting of the IRR for the Customs Modernization may be in various stages, but we welcome the efforts of the Department of Finance to fast track the

implementation of the ASEAN and National Single Windows to facilitate export and import permits and clearances.

Parallel to the policy interventions are programs, projects and services that PHILEXPORT provide to members and even non-members. We do this as part of our efforts to spread the goodwill and benefits of what we believe are a stronger private public partnership at PHILEXPORT and EDC to address export competitiveness issues. We will respond to the extent of PHILEXPORTs available resources and mandate.

Other issues to reduce the cost of doing business were tackled in the various committees and fora of the EDC, PCCI, National Competitiveness Council and ECOP addressing issues on financing, shipping, bureaucracy and red tape, energy, transportation and logistics, streamlining of business procedures, sustainable development, elimination or reduction of fees, trade facilitation and labor.

Other Services and Programs

At this point, allow me now to look at how PHILEXPORT as an organization is faring. By the end of 2017, we have about 4,204 company-members under 20 active provincial and regional chapters and 25 active industry associations, although there are about 58 in our roster.

Even as we are busy with the macro issues, our frontliners were also working with members on various requirements. PHILEXPORT appropriated P5.9 million for Regional and P4.9 million for the Sectoral Support Funds or RSF/SSF. The RSF provided 13 Chapters fund access for 59 projects. Meanwhile, 10 industry associations from eight

sectors implemented 32 projects out of their sectoral fund. About 35% of these or 33 projects were used for trade fair participation, followed by the 22% share for seminars and trainings. Both facilities are administered by our Project Development and Monitoring Department.

Meanwhile, our One-Stop Export Documentation Center or OSEDC has processed 127,960 export declarations via air shipments and 33,557 government commodity clearances from the Bureaus of Animal Industry, Fisheries and Aquatic Resources, and Plant Industry.

There were more than 900 travel tax exemption applications processed last year for the participation of our members in trade fairs and exhibitions. Of this, over 160 applications were handled by our Export Facilitation and One-Stop Export Documentation Center representing 33 companies. These exemptions provided our members nearly P260,000 in tax savings.

As part of our compliance with the Customs E2M system, 308 new and 1,775 exporters have renewed their Client Profile Registration System applications. On the other hand, for easy access to APEC member-countries, the same office has facilitated about 70 new and renewal applications for the APEC Business Travel Cards representing 45 companies

Let me also acknowledge the fact that our Common Customs Bonded Warehouse (CCBW) operations remain your Confederation's bread and butter from which many of our expenses and members' assistance are being paid for. We handled 1,428 importations of raw materials that generated savings of P582 million in duties and taxes.

I hope you are also benefitting from our information campaign through PHILEXPORT's Policy Advisory, Market Updates and Activities Bulletin, daily News at a Glance and our media packet, the PHILEXPORT News and Features released every Friday of each week. This information tools aim to raise awareness and keep our members informed of policy developments, events, and other relevant information helpful to day-to-day business operations.

At this point, we are pleased to report about our healthy financial condition that now stands at P1.02 billion in unaudited total assets as of October last year, 22 percent stronger than our P828 million record in 2016. We hope to continuously implement our programs and services backed up by assets that continue to grow through the years. This financial position will help assure us that we will not only continue, but will have the capability to further expand our frontline services and direct assistance to industry associations and chapters so that in turn, they can offer meaningful support to their members in coping with market demands and requirements.

Conclusion

On a final note, let me just mention that other than the usual GMM agenda as you are aware, we will also be electing the next PHILEXPORT Board of Trustees that sets the policy and program direction for the organization. And as we move beyond our Silver anniversary, PHILEXPORT reiterates and renews our commitment to be an advocate and facilitator of positive developments for the industry, the organization and the country.

May I now end my Message with an invitation towards a closer and united front to continue to champion exports as the country's major economic driver.

Thank you and good afternoon.