

President's Report and Christmas Message

Building on the Momentum

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President – PHILEXPORT

General Membership Meeting and Christmas Party 2019

Philippine Exporters Confederation, Inc.

December 5, 2016 * 4:00 p.m.

Grand Ballroom, City of Dreams, Parañaque City

Our esteemed guest who will be formally introduced later; my colleagues in the PHILEXPORT Board; leaders and members of the various PHILEXPORT Chapters and affiliated industry associations; leaders and representatives from other business organizations and government agencies; friends, ladies and gentlemen:

I am personally and officially pleased to see you all tonight in this joint GMM and Christmas party not only for the members but also for PHILEXPORT employees. As in all GMMs, we have again exceeded our target number of attendees, something that we appreciate and excite us. Note that almost all the PHILEXPORT Chapters are also represented here, including from areas hit by Tisoy. It has certainly been another challenging year. But the good news is that we are all here as resilient survivors, hoping for a recovery towards sustained progress.

Philippine economic condition

Despite the general conservative projections, experts believe that our economic outlook remains to be bright, with still many reasons for the business community to be upbeat. Just to cite a few, our country's headline inflation in October eased for the fifth straight month to its

slowest pace in nearly three-and-a-half years, remarkably hitting a 0.8% level. This is a significant development that will favor our sourcing activities. Meanwhile, our Gross Domestic Product (GDP) in the third quarter of 2019 grew to 6.2%, putting the year-to-date average GDP at 5.8%, just a couple of percentage points away from the goal of 6% to 7% for the entire year. This performance partly tells us that production activities in the country remain robust.

However, we also recognize some missing and weak links. First, our export performance, which has been growing in small margins for five consecutive months, has once again contracted in September, dipping to negative 2.6%.

Second and more worrying is that for the first time in seven and a half years, fixed capital formation in our economy actually fell, registering -8.5 percent growth in the second quarter of this year. This means that total real investment, whether domestic or foreign, public or private, the kind that creates jobs, is declining. Our foreign direct investments (FDIs), one of its major components, fell by a steep 39 percent in the first half of this year, and by an even steeper 54 percent counting the second quarter alone.

Hopeful prospects

Despite the setbacks, we are pleased to report some milestones borne out of the strong government and the private sector partnership particularly in the export industry.

First is the signing of the Philippine Export Development Plan (PEDP) 2018-2022 by President Rodrigo Duterte through Memorandum Circular No. 62 last June 26, 2019. This plan provides a roadmap to achieve the export target of \$122 billion to \$130 billion by the end of President Duterte's term. Concerned government agencies are mandated to submit an inventory of relevant policies, programs and actions plans that will boost export growth and ensure the free flow of goods. Strategies have also been laid out and being monitored to achieve the targets.

On ease of doing business, we laud the efforts of the Anti-Red Tape Authority (ARTA) to simplify processes and requirements towards trade facilitation. We hope to sustain, if not further improve on the recently released country performance in the Doing Business 2020 report of the World Bank where our performance jumped by 29 notches, from 124th place to 95th place this year.

Further, our legislative advocacies have won us some export-friendly measures such as the Ease of Doing Business Act, Personal Property Security Act to help ease MSME access to finance; Revised Corporation Code; and Innovative Startup Act. That the Security of Tenure Act was vetoed by the President is another critical accomplishment, considering the tremendous political pressure for this measure to be passed.

On transport and logistics, while it is unfortunate that a Joint Administrative Order nor an Executive Order on regulating the local charges imposed by international shipping lines and lessening port congestion was not signed this year, we believe that the series of dialogues and consultations between the government and the private

sector stakeholders have become instrumental in at least easing the challenging logistics ecosystem in the country. Also helpful is that the Department of Trade and Industry has institutionalized the Logistics Summit which has created core groups to address specific issues.

PHILEXPORT's Role

While we see evidence of economic improvement, there are still structural weaknesses that question the sustainability of these reforms and progress. Hence, for the 2020 work plans of PHILEXPORT and the Export Development Council, we will continue to push our policy agenda that include the following:

- On incentives, PHILEXPORT is advocating for the immediate reduction of corporate income tax rate to 20 percent with no condition to make us at par with our ASEAN neighbors. To this end, we strongly support the Corporate Income Tax bill of Senator Ralph Recto which proposes a taxpayer segmentation that will help MSMEs enjoy even lower tax rates than the proposed 20% CIT. We also recommend to remove the performance threshold to avail of incentives such as tax refunds for start-ups and MSMEs.
- On telecommunications, we believe that the country needs major reforms which the Open Access in Data Transmission Act and the amendment to the Public Services Act may help address.
- On transportation and logistics, we recommend the urgent issuance of a Joint Administrative Order or Executive Order establishing guidelines in the application of local charges imposed by international shipping lines. It also instructs the Bureau of Customs and Philippine Ports Authority to improve productivity in the handling of cargoes at the ports as agreed with private sector.

- On market access, we support the review of the Philippine – Japan Economic Partnership Agreement (PJEPA) and the completion of the Free Trade Agreements with South Korea and the United States which will help us improve our market access in these major trading partners.
- On legislative advocacy, we are pushing for the passage of the Warehouse Receipts Act, Bamboo Industry Development Act, Murang Kuryente Act, Open Access in Data Transmission Act, Customs Amnesty Act, National Quality Infrastructure, and Amendments to the Magna Carta of MSMEs, Philippine Ports Authority Act, Public Services Act and Asin Law. We are also involved in blocking attempts to pass unfriendly labor bills such as the Security of Tenure which has been re-filed.
- Our work with the Executive Department includes advocacy for the Sugar Regulatory Authority to allocate imported sugar to domestic food processors to put them in a level playing field with counterparts from ASEAN who are enjoying low-cost sugar inputs. Likewise, we seem to be making sure though slow progress in our efforts to implement the ATA Carnet system in the country to facilitate international trade fair participation.
- On the cost of doing business, simplification of procedures and full computerization of government processes also remain in our agenda as a way to reduce costs. We have been working with government agencies regulating the furniture, chemicals and food sectors as priorities in this effort.
- On capacity building, we appreciate that the DTI and the Department of Science and Technology (DOST) have been helping businesses, particularly the MSMEs, in innovating and

digitalizing their operations. More common services facilities and laboratories are needed as part of this program. Complementing this is a program which PHILEXPORT will launch next year to assess, build and monitor the readiness and capabilities of our members towards the 4th Industrial Revolution.

- PHILEXPORT is also involved in disaster resilience that aims to institutionalize business continuity management and plans in MSMEs.
- As part of Chapter strengthening, we just concluded our Regional Consultation yesterday with most of our Chapters represented. This may be a regular part of the annual Exporters Week celebration.
- Finally, believing in the tremendous potentials of tourism for inclusive growth, we launched yesterday the PHILEXPORT Souvenir for Exports program under our Trustee for Tourism, Dr. Mina Gabor in cooperation with relevant sectors and Trustees.

These are all part of the big plan to empower MSMEs to be more competitive as they prepare to upgrade to digital operations for the Fourth Industrial Revolution or 4IR. Disruptive technologies and trends such as the Internet of Things (IoT), robotics, virtual reality (VR) and artificial intelligence (AI) are already here, whether we like it or not; whether we are prepared or not. We might as well know and use them to our advantage. And also for these reasons, the presence of our guest speaker and long-time PHILEXPORT partner is very timely and relevant, knowing the agency's full appreciation of and support for MSMEs to be more engaged in R&D and be innovators.

Conclusion

Ladies and gentlemen, I believe that we have all acknowledged the urgent need for to level up our operations and processes. This should help improve our business strategies amid the rapid changes and emerging opportunities in this age of digitalization and innovation. As your umbrella organization, PHILEXPORT remains committed to continue delivering services and programs for MSMEs and the export industry to contribute meaningfully to national development and progress. Let me at this point thank the DTI again for helping us revive a number of Chapters, to the extent of giving them office spaces within the DTI building. This is certainly what it means to walk the talk.

In closing and on behalf of the PHILEXPORT Board, management and staff, may I extend my wishes for an advance blessed Christmas and a more productive new year ahead! I also look forward to an enjoyable Meeting and party for us all! Thank you and good afternoon.