

President's Report
Going for the Rebound Towards Sustainable Exports
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PHILEXPORT 2nd Quarter General Membership Meeting
June 18, 2019 * 2:00 – 5:00 * New World Manila Bay Hotel

Our Chairman Extraordinaire, Keynote Speaker, partner and friend DTI Secretary Ramon M. Lopez who will be properly introduced later; my colleagues in the Board of Trustees; PHILEXPORT members; other distinguished guests from the public and private sector including media; GMM sponsors and partners; friends, ladies and gentlemen:

Even as we speak of recovery, some positive developments are already shaping up. Trustee Gabor has mentioned the improvement in our April export performance already. Further, four major export industries continue to experience extraordinary growth. Exports of banana, travel goods and handbags, footwear, and cathodes of refined copper have enormously grown for four consecutive years from 2015 to 2018. This year, they continue to be major export champions with double digit growth rates in the first four months of 2019. As reported in the January to April 2019 combined data of Philippine Statistics Authority, Banana exports expanded by 79.5%, exports of Cathodes of Refined Copper grew by 27.2%, and Footwear exports increased by 23.1%.

Also, in the 2019 IMD World Competitiveness Yearbook released in May, the Philippines ranked first in terms of “High-tech exports” and ranked third in “ICT service exports” out of 63 countries. This is proof that while many of

the biggest technology-based products are being manufactured in other Asian countries, Philippine-made electronics remain in the global radar.

Agriculture exports likewise continue to get a boost from negotiations with major trading partners such as United States, China, South Korea, and Japan. Hence, we can expect robust agriculture export growth and other high-value exports primarily to Japan and South Korea, with bilateral trade negotiations this year anticipated to provide the impetus.

Likewise, following the third official visit of President Rodrigo Duterte to Japan on May 29, 2019, 26 agreements were signed which is equivalent to P288.804 billion worth of investment deals. Of the 26 agreements, 19 are letters of intent that can translate to manufacturing cars, wire harness, printers, medical devices, and electronics.

Soon after the President's visit in Japan, Agriculture Secretary Emmanuel Piñol also made a follow up visit upon the invitation of Japan's minister of agriculture, forestry, and fisheries. According to Secretary Piñol, Japan has become more receptive after the Philippines decided to lift the ban on fish species from Fukushima. Among the topics brought up during the meeting were the strict protocols in the exports of local bananas to Japan, as well as negotiations to get lower to zero tariffs on bananas, pineapples and mangoes.

Meanwhile, on June 3, 2019, the Philippines and South Korean government have officially started negotiations for the proposed bilateral

Free Trade Agreement (FTA) in Seoul, South Korea. This is a highly anticipated trade deal as this will mean improved market access for our agriculture products such as banana, pineapple, and mangoes, as well as industrial products and other services. To fast track the negotiations, the trade agreement will only largely focus on trade in goods and investments. With relatively limited scope, the signing ceremony is expected to be concluded in November this year. It will therefore be worthwhile for existing and potential exporters to South Korea to immediately consult and collaborate with the DTI for the inclusion of your concerns in the coming rounds of trade talks on this matter.

Coconut exports are also expected to grow this year. Following the announcement of the Philippine Embassy in Washington on May 29, the US government has confirmed that young coconuts or buko from the Philippines may now be exported through all ports in the USA. This is an important accomplishment, especially considering the negative campaign that some US stakeholders have been waging against coconut oil.

The Department of Agriculture is also working with the coconut producers on value-adding initiatives. These include the development of hollow blocks and roofing materials made out of coconut fiber and dirty plastic as binder, coco coir production for the growing greenhouse farming industry in foreign countries, coconut sugar, coconut syrup, coconut milk, dessicated coconut, coconut chips and virgin coconut oil.

Last but not the least, the country's gifts, décor and houseware (GDH) sector is also strongly growing and becoming competitive. In 2018, GDH exports recorded a \$206.34 million in export receipts, higher by 23.9 percent compared to 2017. Among the programs that may help sustain this performance and carve a niche in the international market is the re-launch of the brand MA'I, definitely a game changer for the GDH sector.

Persistent issues

While we can get easily excited because of these developments, we also recognize the risks, and there are many.

First is the ensuing trade war between China and the United States. While we may not suffer from a direct negative hit, the issue does not also afford us the full benefits. According to Japan-based Nomura, Vietnam is by far the largest beneficiary, gaining 7.9 percent of GDP from trade diversion, followed by Taiwan (2.1%), Chile (1.5%), Malaysia (1.3%) and Argentina (1.2%). In contrast, the Philippines is expected to gain only 0.1% from the trade diversion. And worse, with the global trade slowdown aggravated by the trade war, our exports of electronics and electronic parts are likewise experiencing weak demand.

Other industries such as Garments, Wood Manufactures, Furniture, and Chemicals are either stagnant or weakening. Of major concern here are our Wood Manufacture exports. From a \$ 2.8 billion industry in 2015, it has already declined by almost 88 percent, recording only \$350 million export

receipts in 2018. And in 2019, wood manufacture exports continue to dive, contracting further by 39 percent in the first quarter.

On the policy side, exporters are still suffering from tedious and costly regulations by the government. In other words, we have yet to feel the impact of the implementation of the Ease of Doing Business law.

Lastly, problems on very high shipping fees, business-unfriendly port policies and insufficient infrastructures still remain. Logistics is a very vital component of an efficient international supply chain. That we are more expensive than our ASEAN neighbours is a major pitfall that needs to be addressed at once. In line with this, we hope for the immediate implementation of the Joint Administrative Order that the DTI, Department of Transportation, and Department of Finance crafted to lessen or eliminate port congestion and reduce shipping costs.

As I have mentioned throughout this speech, many of the trade negotiations, policy interventions, and promotion activities will not be possible without government taking a pro-active role and a wholistic approach. We are certainly pleased that Secretary Lopez is able to give time for our meeting today. Obviously, the DTI has been our closest government partner, a *kapamilya* at *kapatid* particularly for our PHILEXPORT Chapters. Many of them are housed in DTI offices, with the DTI Regional Director serving as Vice Chairman of the Board. In fact, the Executive Director of our Davao Chapter is a retired DTI Regional Director,

ED Marizon Loreto. We certainly hope that such strong bond and working relationship can withstand changes in the administration and policies.

Indeed, international trade can be complex and challenging. As the country's umbrella organization of Philippine exporters, we remain committed to our mandate to be an advocate and partner for and with government and private sector in pushing for export growth. Among other major results, our programs and services have resulted to streamlining of government procedures and lowering costs; travel tax exemptions; APEC business travel card approvals; local and international trade shows and seminars organized and attended; marketing and promotional campaigns funded and implemented; duty free import of export inputs; facilitation of trade complaints; and strengthening of and capacitating business support organizations. We had been on this mission for nearly three decades. There is no turning back now or ever.

With that, may I end my message by wishing us all a meaningful meeting ahead! Thank you and good afternoon!