Achieving and Institutionalizing Breakthroughs
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Our special guest, partner and friend, Trade Undersecretary Nora K. Terrado who will be introduced later; my colleagues in the Board of Trustees; PHILEXPORT members; other distinguished guests from the public and private sector; GMM sponsors and partners; friends, ladies and gentlemen:

Let me start with the good news. The papers are full with reports about the Philippines consistently being one of the fastest-growing economies in the region, with a robust 6.8 percent GDP performance during the first quarter of 2018, the 10th consecutive quarter that the economy grew beyond 6.5%. Credit rating agencies and our own National Economic Development Authority are upbeat that the economy can in fact expand from 7% to 8% this year, banking on a growing middle class, strong manufacturing sector and domestic economy, and the continuing reforms towards good governance that are hopefully sending positive signals to investors.

These developments may have influenced NEDA to position the Philippines to achieve upper middle-income economy status by 2019. Expanded economic activities have also seen unemployment rate improved to 5.5 percent in April, the lowest in the past decade, from 5.7 percent during the same month last year. The industry sector posted a surging 8.1-percent growth rate, or 605,000 workers, that heightened its total employment share to 19.7 percent, the largest in the past decade.

Unfortunately, the export industry did not perform as well. Data released by the Philippine Statistics Authority showed total exports went down 3.8 percent to $5.76 billion in May this year from $5.99 billion last year, marking the sixth straight month of fall in our outbound shipments. Cumulative exports for the January to May period also declined five percent to $26.92 billion this year from $28.33 billion a year ago.

I believe that lower exports was partly due to the move of some exporters to cater to the domestic market given the growing demand. The kick is however expected to come in this second half as global markets prepare for the holidays.

But there is bigger push from the Presidential approval of the Philippine Export Development Plan (PEDP) 2018 to 2022, with export target projected to reach $122 billion by 2022. Complementing this are two directives: Memorandum Circular 27 that directs all concerned government agencies to help in the successful implementation of the PEDP, and the new Ease of Doing Business Act or RA 11032 which lessens significantly the processing time in government transactions and imposes heavy penalties especially on non-compliant government employees.

Development Plans

The PEDP strategy deals in part with the removal of regulatory impediments, enhanced trade facilitation, improved access to trade finance and export competitiveness.

Another approach will improve exporters' understanding of the country's free trade arrangements to help them to take advantage of these deals. Aside from these key strategies, the plan also identified as urgent the passage of a National Quality Infrastructure Bill, to harmonize standards, testing, certification and quality accreditation, all of which are expected to improve consumer protection, free trade, and environmental protection.

The PEDP and the Strategic Investment Priority Plan of the Board of Investments have identified priority sectors that are expected to contribute very strongly to our growth targets. These are manufacturing, especially electronics and the design-oriented creative sectors; agribusiness, tourism, infrastructure and logistics and services, particularly information technology and business process management.

Meanwhile, the MSMED Plan that was recently signed by President Duterte is providing the impetus for MSMEs especially those in the regions to level up under the DTI's 7Ms strategy. This is good foundation as we prepare the local value chain to link to the global networks.

While the development plans and support mechanisms are in place, in between are gaps that hamper the seamless flow of goods and services.

How do we expect to double the exports of agri-based manufacturers, for example, if there is shortage in the supply of raw materials? Or when available, such as sugar, they are three times more expensive compared to their imported counterparts? On the other hand, delays in the government's Build, Build, Build program is traced to the lack of skilled labor. Our electronics exports could have surged long ago if we only we have the downstream support; or perhaps, if electricity costs are lower and supply stable. Tourism is supposed to be a low-hanging fruit but it continues to miserably lag behind the number of visitors to our ASEAN neighbors. More investors remain wary or timid from pronouncements such as on labor policy reforms, including EO 51 implementing a more stringent regulation on fixed-term employment and petitions for across-the-board increases in minimum wage nationwide in response to the soaring prices of goods and services brought about by petrol price hikes and the inflationary impact of the tax reform law.

Outside our borders, we see protectionism rearing its ugly head and directly threatening our exports.

Breakthroughs needed

We are indeed looking for breathing room and breakthroughs to create a more conducive export ecosystem that can finally bring our export performance to bridge the $100 billion level this year. Urgent positive response is needed such as shift in government regulatory mindset; access to developmental MSME financing; bigger export promotion funds that are comparable to what our ASEAN neighbors have; and streamlined documentation and processes in government transactions through full computerization.

Thankfully, there are some silver lining. On the matter of computerization, for example, we are pleased to learn that the Bureau of Customs (BoC) has completed all the requirements for a World Bank (WB) loan designed to modernize and improve the country's flow of trade. Commissioner Isidro Lapeña made the announcement as he unveiled that WB's Philippine Customs and Trade Facilitation Project (PCTFP) that aims to support export-led economic growth by assisting the BOC to reduce trade costs, improve transparency and increase revenue collection. The project is estimated to cost over P8 billion or US$150 million.

On the other hand, the amendments to the Magna Carta for MSMEs that we are working on are seen to help increase the value and access to MSME loans.

We also welcome the favorable foreign exchange level now, which we'd like to think is largely due to the paradigm shift of the new Bangko Sentral ng Pilipinas governance, its "tolerance" and belief that a competitive currency will help drive instead of harm the economy.

Finally, there are talks about the revival of our interests in joining the Trans Pacific Partnership or TPP agreement, as well as the RP-US bilateral trade agreement. If completed, this will definitely boost our exports.

Conclusion

In closing, although our over-all economic performance may have successfully removed the chip off from the Philippines being “the sick-man of Asia”, I believe you will agree with me that we can still do much better considering that we have not really maximized our potentials as a country and people. The big challenge is to get our acts together, to look beyond the short term and personal agenda and work as one Philippine team to bring us to our vision of a sustainably prosperous nation.

Let me now end on this note and wishes for all of us to have a meaningful meeting ahead. Thank you and good afternoon.