

President's Report
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President

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Fellow trustees, members, officers and staff of PHILEXPORT, good evening.

If we are to summarize our experience for the year just past, we can only say it was a very difficult year for the entire industry. This was reflected in the latest export performance until November when exports dipped by 2% as reported earlier by Chairman Paterno Dizon. When the whole year's performance shall have been tallied, we would be lucky if we can register a five percent growth.

At the ground level, a recent survey conducted by our staff had shown that many of our members incurred between 17 and 20 percent exchange rate losses during the past year. Not a few had reported refusing orders as the strong peso continued to erode their margins. And many have laid off some of their workers.

We did our best to seek mitigating measures from government. Although some actions were taken by the Bangko Sentral ng Pilipinas (BSP) and other agencies of government, these proved not enough.

Kulang pa rin.

As of last week, the peso was hovering a few centavos above P40 to the dollar, its highest in seven and a half years.

As if the strong peso woes were not enough, the price of crude oil peaked at \$100 a barrel before the year ended. Although the government announced it is cutting by one percent the import duties on all oil products, this will translate to only 25 centavos cut in the retail price of a liter of diesel and gasoline.

And if our reading of the recent media statements of the electric power industry is correct, electric rates are bound to go further up this year, instead of go down.

On top of these, no less than President George W. Bush of the United States has admitted that dark clouds loom over the US economy as a consequence of the home mortgage crunch in our biggest export market.

We may not be able to talk of any growth in exports for this year. The global and local climates are such that we may have to struggle to stay in business.

Indeed, we face old and new challenges that demand more creative solutions. Peso-dollar transactions in the local currency market hit a billion dollars in one day last week. That indicates that so many

dollars are floating around, putting more pressure on further appreciation of the peso.

This situation has happened because monetary policy makers have totally opened the gates for the inflow of dollars including those meant for speculative investments or hot money. And yet, they have not fully opened the gates for the flow of the same dollars outward.

Towards the end of last year, we made two bold suggestions. One was for the government to stop borrowing dollars starting this year and to keep on pre-paying old dollar loans with the money remitted by Overseas Filipino Workers. Government response to the proposal is such that they now plan to reduce their foreign borrowings to just 25 percent of their planned borrowing portfolio this year.

If they are to really help save the export industry, the economic managers must be bold enough to go all the way and stop foreign borrowings. A crisis situation demands bold decisions. And we are an industry in crisis.

Another tack is our proposal to facilitate Filipinos with excess dollars to invest in foreign blue chip stocks through Depository Receipts or DRs, transactions of which may be made through the Philippine Stock Exchange. The idea of DRs, strongly proposed by DBP President Reynaldo David and PSE President Francis Lim, actually evolved after both industry leaders agreed that this is a better, more viable option than resurrecting the dollar bourse. By implementing

the DRs, we are provided an avenue to influence higher demand for dollars and temper its inflow. A very strong export ally, Congressman Junie Cua, who is also the Sr. Vice Chair of the House Committee on Trade and Industry, initiated this brainstorming meeting on this dollar investment instrument as part of the mitigating measures against the impact of the strong peso on the industry. BSP Governor Amando Tetangco recently updated me on this matter, saying that the BSP is already on the drawing board with the PSE, laying down the details of implementing the DRs.

Aside from what PHILEXPORT and government have been doing in this strong peso advocacy, we have witnessed during our Christmas program last year that some of our exporters have adopted their own strategies of survival. One exporter to Europe is able to convince her buyers to trade with her company in Euros. Since many of you are exporters to Europe and to Japan, maybe you could also sell in euros and in yens.

Elsewhere from the Middle East to China, governments have also been shifting from keeping dollar reserves in their bolts. They are turning to Euros and other hard currencies as the US dollar continues to lose its value against most other currencies.

More than any time in our history as an organization, we must get our acts together. PHILEXPORT, working with the Export Development Council, has decided to speed up the finalization of the 2008-2010 Export Development Plan. We have to come out with a working draft

by the end of March out of the outputs of regional chapters and industry associations plus those prepared by our allies in government. This must be complete with deliverable action programs.

The new export plan must reflect what we, as a sector, want to do if we are to stay as a pivotal segment of the national economy and a driver of economic development.

We held a visioning meeting at the BSP last Friday to start the ball rolling. In support to the new plan, we still have over P200 million out of the P280 million in grant we were able to raise for the Export Promotions Fund last year.

Field chapters and industry associations are entitled to a share from that export promotion fund. We have 51 industry association affiliates and 19 regional and provincial chapters. And yet, only 12 projects have so far been approved.

Individual exporters must work with their chapters and industry associations in developing projects that can be funded by the EPF. Our target is to consume the balance of the EPF within the year, so that there is basis for possibly another grant from these and additional agencies.

At PHILEXPORT, you must be aware that we have been implementing a similar export fund we call Regional and Sectoral Support Funds. Allocations have been increased by half a million

each for 2008, bringing the RSF to 2.5M and the SSF to 3.5M. This is funded in-house from a combination of self-generated resources. We hope to continuously run these programs as direct funding assistance to members, together with other PHILEXPORT services and programs, backed up by assets that continue to grow through the years. At this point, we are pleased to report about our healthy financial condition that now stands at P405 million in unadited assets, or about 10% stronger than our P366 million record in 2006.

We, your officers, have firm belief in your ability to take on, and hurdle the challenges we presently face. No other group of businessmen has had the experience of tangling with the best in the global marketplace.

We survived the global recession of 2001, political upheavals and devastating natural disasters since the Marcos years. We are confident we can again overcome the hovering storms before us.

Thank you and good day.