

## **PEDP: A break to the vicious cycle of export challenges**

PRESIDENT'S REPORT

By: Mr. Sergio R. Ortiz-Luis, Jr.

President, PHILEXPORT

Sofitel Hotel, Manila

23 July 2008

Fellow trustees, our special guests, partners in government and private sector, ladies and gentlemen, good afternoon.

Recent events have taught us some hard lessons. The story of the export sector is a never-ending struggle. After we overcome one challenge, another comes our way. These experiences have, time and again, tested our strengths and exposed our vulnerabilities.

In the last President's report, we correctly surmised that our woes last year brought about by a very strong peso, was blowing over. Today, the exchange rate has gone back to over P44 to a US dollar which is now closer to our comfort zone than it was when the exchange rate sent all of us to panic at P41 to the dollar until early this year.

The breathing spell was short-lived. Historic high prices of fuel oil in the global market and consequently that of food, especially rice, have driven inflation rate to double-digit levels last month. As a result, the costs of raw materials, that of transport and other essential things in doing business, are hitting the roof. As one prominent economist puts it, the new enemy is inflation.

History has taught us that when prices of oil go up to unreasonably high levels, the global economy dependent on it slows down. During the oil

crisis of 1978, when OPEC deliberately cut down supply, the world economy went into recession. The consequences were devastating in countries highly dependent on oil to run their industries and their electric power sector like the Philippines.

We may not be as vulnerable to an oil crisis this time around. In frenzied acts of self-defense following the oil crunch of 1978, the government went into developing alternative energy sources. Today, we can sleep better on the knowledge that our electric power industry, except for a few islands in the Visayas and Mindanao, are no longer fully dependent on imported oil.

The cost of power is still high mostly due to the weakness of the US dollar and the US economy. Many of the problems are also traceable to local factors that hopefully can be solved soon.

As if our problems were not enough, the United States, our single biggest market, has adopted the policy of scanning in their seaports of origin all cargoes bound to US ports by 2012. California, on the other hand, has passed a law limiting to 0.10 percent the formaldehyde content of wood-based products, especially furniture bound to that state starting this coming January. Then we will have the mandatory registration of chemical imports by 2010, or they cannot enter the EU.

These are just but a few of the setbacks that the industry has been facing in cycles. The long and short of these new developments is that, exporting will be made doubly difficult in the very near future.

These indications and signals from our importers also show that by the nature of our industry, we need to brace not only with domestic issues and problems, but have to meet head-on global events and trends that affect exports.

It is in response to these realities that we hold our General Membership Meeting today with focus on the newly minted Philippine Export Development Plan or PEDP.

Our guest speakers have provided the salient features of the Plan. PHILEXPORT's involvement in drafting this rolling three-year export development plan started soon after PHILEXPORT became the unified umbrella organization of exporters in 1991.

These plans have been distinct in that they were prepared not only by officials of the Department of Trade and Industry involved in exports but were formulated with exporters. In comparison, we have the Philippine Medium Term Development Plan prepared since the 1990s mostly by people in government.

The latest plan, completed last month, was even enriched when we enlisted the help of the academe, particularly the team of Dr. Macaranas of the AIM Policy Center. On behalf of our members, I wish to once again thank Dr. Macaranas for lending the expertise of his office in the making of our present export plan.

We are very optimistic about this new plan. It may not have evolved into one that is comprehensive enough to cover all aspects of exporting. But from where we stand, we find it the most focused and the most practical

plan that we have drafted since we started going into the planning almost twenty years back.

I am pleased that there is something in the plan to guide players in each of our major industries, from food to electronics to services. Industry leaders will find it a practical guide in the formulation of more specific plans and programs between now and 2010.

One other practical part of the plan is the tapping of over eight million Filipinos spread across the globe in support of exports. Our food exports to the West Coast in the US started with ethnic food for Filipino Americans. In the new plan, we are deliberately seeking organized Filipinos abroad for marketing and distribution of Philippine products and services, as source of inward investments, source of business intelligence, conduit of best business practices and as a pool reference of world-class talents.

Most of our neighbors that have reached newly industrializing economy status have lured back their best overseas professionals and scientists to run their world-class corporations back home. We dream to do the same.

Finally, we have targeted total export of \$80 billion by 2010, the final year of the planning period. It is a bold target of growth rate beginning from 6% to 12% by 2010. Because we know that the global economy is slowing down, much of that growth will be hauled in by the services sector led by the rapidly expanding Business Process Outsourcing.

This is the second planning period that the promotion and development of our exportable services formed part of the export development plan. Looking beyond this planning period, we see in exports as one of the pillars of Philippine progress. Until today, our country is an import dependent economy. This came as a shock in previous months when top officials in government announced they are to import 2.2 million tons of rice this year valued roughly at 2.2 billion dollars.

We cannot go on like this forever. If the Philippines remains a net importer of goods, it will never graduate to the ranks of the tiger economies of Asia.

Our ultimate goal as exporters is this. We have to build Philippine exporters to a point that we have trade surpluses, not trade deficits every year. We need partners right and left to achieve that. We need to learn how to work quietly together to reach that goal. And we know that if less creative, previously poorer neighbors have done it, we can do it as well.

*Salamat at mabuhay tayo lahat.*