

Moving Forward: Identifying and Riding on Post-Crisis Opportunities

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**Mr. Sergio Ortiz-Luis Jr.; Members of the Board of Trustees;
PHILEXPORT Members; good afternoon.**

While the global economic crisis has led to massive worldwide losses for banks, mortgage firms, and insurance companies, not much attention has been given to one sector that has also been tremendously affected by the problem – the exports industry.

Indeed, the past few months have been very challenging for the exports sector, which has been severely affected by a significant drop in the global demand for consumer goods. We have heard that most exporters have had to contend with lower, or in some cases- no orders at all, which have led to some companies having to scale down their operations, or temporarily suspend operations until the time when the market picks up again.

Without a doubt, market opportunities have been very scarce at a time when the worldwide economic environment is dominated by uncertainty and caution. Thankfully, economic indicators from countries that have been hardly hit by the crisis have slowly improved, and a lot of economists have said that the global economy may be on its way to recovery – although it will be a slow and long one.

With the expected recovery of global markets not coming anytime soon, it is important that the exports industry is able to identify other opportunities that they can take advantage of in terms of market access.

In the course of the past few years, economic globalization, as manifested in the integration of trading systems, has proved to be both a welcome opportunity and a problem for our domestic industries. Economic integration has led to liberalized tariffs and less restrictive trading dynamics, which consequently among others has allowed greater market access and has contributed to the lowering of the prices of imported goods.

The proliferation of free trade agreements – whether on a bilateral (JPEPA), regional (ASEAN), or multilateral level (WTO) have led to positive and negative developments for our economy.

On one hand, integration has allowed consumers to have access to a wider range of cheaper goods and allowed domestic manufacturers to import their raw materials at a lower cost, which in turn have helped them bring down production costs. While it cannot be denied that integration has facilitated the entry of cheaper imports and has benefited a lot of sectors, integration has also pushed a lot of manufacturers to scale down or close their operations due to the entry of cheaper competition.

Indeed, globalization has served as a double-edged-sword, since it has brought both opportunities and problems for our sectors. Although it cannot be denied that the proliferation of cheap

products have done harm to the local industries, it is still in the best interest of the country to join the various free trade agreements, since the benefits far outweighs its negative impact.

Closing our doors to trade would only bring more harm to the economy- costs of production will become more expensive and more importantly, exporters will not be given access to other markets – which is tantamount to death for business and for the labor sector. At the end of the day, globalization should not be blamed for the closing of local industries, as it only validates the tested trade theory that states that countries should specialize on products where they are most efficient and have the advantage at.

The closing of a number of domestic industries proves that we are not competitive in these products as such we should direct our resources to those where we are at an advantaged over – such as those products that highlight product design, craftsmanship, and make use of indigenous materials. We have heard of local furniture makers making waves overseas due to their cutting edge designs, so as our jewelry and bag products.

It is futile to compete with other countries, such as China, Cambodia, and other less developed countries on products, which they can produce at a lower cost, such as shoes, clothing, toys.

My friends, we cannot oppose globalization- It is a reality that we have to contend with. As such, we must direct our efforts towards finding the means on how we can take advantage of the different agreements of which the Philippines is a party to. A lot of countries

are now more accessible to us due to the concessions that we got from our agreements with Japan, China, South Korea, Australia and New Zealand.

We in the Universal Access to Competitiveness and Trade (U-ACT), the PCCI's and Philippine business community's think-tank on issues relating to investment and trade policy, negotiations, and agreements have been actively monitoring and studying how our local industries can be able to benefit from the agreements of which we are a part of.

Given the economic crisis, it is high time that we look at other markets outside our traditional market of the US. Under the JPEPA and the ASEAN- Japan FTA, we should take advantage of the fact that Japan has significantly opened its doors in the agriculture sector with tariffs on most fresh fruits, vegetables, fishery products now eliminated. Japan has also committed to eliminate tariffs on the majority of its industrial goods.

While we have traditionally seen exports as mainly focused on goods, the FTAs we have with Japan have allowed us also to focus on services as a core export product. Specifically, through the JPEPA, Japan has significantly eased its labor laws and has for the first time allowed foreign workers, in this case, Filipino nurses and caregivers to work in its healthcare sector.

The same also holds true for the ASEAN-China FTA. Under the Early Harvest Program, tariffs on meat, vegetables, fruits, fish, and dairy products, among others have already been eliminated. While

majority of industrial goods, except for a limited number of tariff lines will also face elimination.

Just a few months ago, the ASEAN, Australia and New Zealand signed a free trade agreement that would pave the way for Australia and New Zealand to eliminate tariffs on all tariff lines by 2020. By next year, Australia will eliminate tariffs on 96.4% of its tariff lines, while New Zealand will eliminate 84.7% of its lines.

Australia and New Zealand remain relatively untapped markets for the Philippines. The AANZFTA already provides the groundwork for us to enter those two markets, given the preferential treatment that we have been accorded with. It is now up to us to study and identify the products that we should push for in these markets.

Presently, the ASEAN is negotiating another free trade agreement, this time around with the EU. While negotiations have moved at a very slow pace and currently at a standstill, we in the U-ACT, have been actively consulting the various stakeholders nationwide to elicit their thoughts and positions with regard to this FTA. The inputs gathered will be forwarded to the government and will help them craft a negotiating position that will be beneficial to our local economy.

It is important that the private sector continues to make its voice heard in trade policy formulation, since it is only through this will we be able to ensure that our industries reap the benefits out of the agreements we enter into. We have to guarantee that the

agreements that the government negotiates for will provide avenues for the further expansion and improvement of business.

Please be assured that we, in the U-ACT, will continually look after the interests of the private sector in the different trade agreements being negotiated. The welfare of the domestic economy is our utmost concern when it comes to these matters. Yet, we cannot do it alone. We need more and more stakeholders to be involved; we need more voices to be heard to guarantee that each and every sector's interest is accounted for.

With the help provided by the PHILEXPORT in the different consultations that we have conducted, we have been pushing the government to open more markets that would allow you to showcase your products. In spite of the ongoing economic crisis, I am confident through the different agreements that we have negotiated and continue to negotiate, that there are still many opportunities that remain untapped.

Thank you very much.