

Positioning Philippine Exports in the Global Map

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Our special guests and friends from the DTI, Sr. U/Sec. Thomas G. Aquino; A/Sec Vicente Kabigting; fellow Trustees in the PHILEXPORT Board; government partners, exporters, friends, ladies and gentlemen:

It is now crystal clear that the export industry in the Philippines has been the hardest hit segment of the domestic economy by the lingering global economic crisis.

We are no doubt an industry caught in a difficult situation never before experienced by any of us in the past. For the past nine successive months beginning last October, most industries have suffered double-digit declines including the most resilient in past crises, food and furniture.

Overall, exports contracted by a only 2.86 percent last year. But that turned out to be only the beginning. The full impact of the global trade slowdown came to us in the first half of this year.

Some of our major exports, electronics and semiconductor in particular, are already beginning to recover lost grounds, with new orders trickling back. This, coupled with the perking up of consumer spending in the United States, could mean that the worst is over. We hope that the reading of most experts, that clearer indicators of recovery will be seen in the last quarter of this year, will turn out correct.

Be that as it may, the latest forecast made by the Export Development Council is that, counting out services exports, our sector will most likely retreat by 16 percent for the whole of this year. That would be something like \$41 billion dollar revenues which is \$8 billion less than last year's \$49 billion.

That kind of decline was last seen during the global trade slowdown in 2001 when exports suddenly retreated by 16 percent. The good thing about that crisis was that recovery came very fast. By 2002, exports were again on the growth path at plus 9.51 percent. Such rapid recovery

might not happen this time around. The best economists led by noble laureate Paul Krugman, see a slow, painful recovery for the highly industrialized economies that are now under recession.

A few of our economic managers have been trying to downplay the significance of exports in the total economic picture in our country. They say that the crisis would not affect us as badly as our neighbors that are very dependent on exports like Singapore, Thailand, Malaysia, Japan and South Korea.

Deliberate or not, they have not taken into account that exports made up close to half of the Gross Domestic Product or GDP during the boom years. Exports share in the GDP in 2006 was 47 percent. This retreated to 43 percent in 2007 and declined to 38 percent last year.

If services exports are counted in like the Business Process Outsourcing industry and the services rendered by OFWs who are also affected by the crisis, the combined share of the dollar-earning segments of the productive economy easily exceeds 60 percent, with OFW money estimated by foreign chambers to contribute 12 percent of the yearly GDP.

If circumstances beyond our control and beyond the control of government crush dollar earnings from exports and OFWs, we are pretty sure, the whole economy will suffer an economic catastrophe of national proportions. We may not even have the dollars to buy rice to feed 90 million Filipinos and the petroleum products that move people and goods across the islands.

We could not, and we must not, make this worst scenario happen. Prospects of a gradual global recovery have prompted your leadership to look beyond the present crisis, search for new opportunities, plan and implement programs that are more lasting.

This forward-looking strategy in dealing with the present crisis inspired us to adopt the theme, Moving Forward: Identifying and Riding on Post-Crisis Opportunities in today's General Membership Meeting.

Two of our main partners in government, Senior Undersecretary Thomas Aquino and Assistant Secretary Vicente Kabigting will later share with us government's role in helping strengthen and prepare our sector to the period of recovery and boom.

My role today is to report to you what your umbrella organization has been working on for a more sustainable export growth.

When we come down to it, PHILEXPORT's role, from frontline services to advocacy, can really be summed up in one phrase: prying open new markets and expanding existing ones.

We realized early on that pure marketing efforts are not sufficient. Creating a more fertile domestic ground for business to thrive and grow is equally important.

Among our menu of frontline services, we can look back today with confidence that we have been most successful in our advocacy work. Our pioneering work was the passage into law of the Export Development Act of 1994 in preparation to our accession to the World Trade Organization the following year.

Under that act, the ad-hoc Export Development Council has been institutionalized, an institution that also pioneered private-public partnership in the pursuit of common goals. More recently, PHILEXPORT played a frontline role in the formation of another institution, the National Competitiveness Council.

Although the Competitiveness Council does not yet have the solid moorings of the EDC, the two institutions are increasingly playing critical roles in building a competitive nation amid a rapidly globalizing world where the fittest prevail.

At this point in time, the EDC and the NCC have assumed much of the reform advocacies PHILEXPORT had borne on its shoulders in the past decade. Among them is the need to upgrade and match educational training with the needs of the productive economy, making local governments more business-friendly and bringing down business costs.

Maybe the most immediate, high-impact achievement that PHILEXPORT and EDC have achieved was the grant of the P1 billion Export Support Fund or ESF that has supplanted the initial P280 million Export Promotions Fund that we were able to put together in late 2007 and spent in projects last year.

It is now called ESF because the scope of projects is no longer limited to export promotions. It now includes development projects like the fish quality laboratory facilities of the tuna industry in Gen. Santos City and

other site-specific or industry-wide common facilities like the furniture design center of Cebu.

In the middle of the present crisis, the new funding, with a first tranche of P200 million, has been released to DTI and must be spent soonest. All committees tasked to keep the projects moving have been constituted. PHILEXPORT trustees are committee members and are now evaluating project proposals from industry associations and PHILEXPORT chapters.

The approving committee that includes your President hopes to be able to approve the first projects under the new ESF before the end of this week. (*Palakpak naman diyay*).

As we've explained to media last week, 70 percent of the P1 billion will be plowed into projects of exporting groups composed mainly of SMEs. The remaining 30 percent will be used by the big groups, particularly the electronics, BPO and IT industries for a high-profile international investment promotions campaign for new locators in those segments of the export sector.

We expect that direct government grants for the ESF will continue to come while President Gloria Macapagal-Arroyo is in Malacanang, although we have advocated for a more sustainable government support.

In the meantime, we do have funding support for long-nurtured, strategic projects that need to be put immediately on the ground. Most of our export leaders can devote more time to the projects in one capacity or the other now that their businesses are not running at full capacity.

Peering into the future, we are already finding ways of making the present export slump as a blessing to our collective future.

Our export facilitation service has also been moving at full speed. Electronic linkages between our One-Stop-Export-Documentation Center in Manila to the Bureau of Customs is presently under test operations. Similar interconnection will soon follow in other one-stop centers in Subic, Clark, Cebu and the rest of the major exporting regions with similar facilities, may get linked to the BOC later this year.

We expect a major jump in trade facilitation reform also this year with the promised Senate approval of the accession documents to the Revised Kyoto Convention, the global blueprint for simplified and harmonized

customs administration practices. Senator Miriam Defensor-Santiago has said that there will no longer be any new public hearings. Business organizations must now reconcile their differences on the matter and she will work for the treaty's approval before the Senate goes on final recess before the elections.

Legislative reforms to facilitate trade complement our low-profile activities that include buyer-seller matching, getting travel tax exemptions for exporters who join trade fairs and missions and securing visa-free APEC business cards which our staff regularly extend to members.

Since our unification under just one umbrella organization, we have strived to help build the capabilities of our affiliates, regional chapters with some funding support. In the case of our tie-up with the CBI, the capability building is more direct to pre-screened exporters that are helped in breaking into the European market. This, we have been doing for about seventeen years.

We can do much more in systematizing capability building initiatives of chapters and industry association with proper allocation of the P1 billion export support fund that we must commit to projects this year.

Over and above these, we have intensified our information gathering and dissemination of urgent information that they need to know through e-mail and the mainstream media. You receive these as Market and Policy Advisories, in addition to the weekly PHILEXPORT News and Features, a media packet sent to 33 major newspapers, radio and TV stations nationwide. To-date, our pick up rate averages 40 to 50 percent every week.

PHILEXPORT is still looking for ways to further deepen our capabilities to get market and competitor information that we find very important. The urgency of building a system of information gathering and dissemination has been made more urgent with recent developments.

We are aware that the highly developed countries like EU and the United States may be tempted to put up more non-tariff barriers to trade like the mandatory pre-testing of food products bound to their markets, fish catch traceability that the EU will require beginning January next year, and the wood supply traceability for our furniture exports to the US also beginning next year.

Current developments like these need to be shared with affected members to give them the lead time to adjust and comply. This is another area where we need the help of our partners in government, particularly the commercial attaches assigned to our competitor nations and major markets. This is especially important in countries where we have new trade arrangements like India, New Zealand and Australia.

Our respective information gathering and dissemination arms must now link up more closely and work as a team. Commercial attaches have easier access to the most recent trade info that our exporters and policy-makers may require, while our team has direct access the exporters. We can do a lot more in the service of our constituents if the two set up regular, two-way communications. Please take note, Sr. U/Secretary Aquino.

In closing, let me just point out that after getting through all the ringers that Filipino exporters have gone through, I can confidently say that it is not the end of our voyage. You are all here because we are still looking for solutions and have not given up. Hope is alive that we can survive through the recovery stage. The seas are stormy now, the sailing tough. But sooner or later, we will reach calm waters and call port to safely unload our cargoes. It has happened before; my gut feel tells me it will happen again in this crisis.

With this note, I wish everyone a fruitful afternoon ahead. Thank you.