



**HIGHLIGHTS OF THE
4th QUARTER GENERAL MEMBERSHIP MEETING**
October 30, 2008 * Visayas Ballroom * Sofitel Philippine Plaza

Theme: Improving cost and efficiency in shipping and related support

1.Registration

Registration of members, guests and employees commenced at 1:30 p.m.

2.Invocation

Atty. Aniano G. Bagabaldo, Executive Vice-President and Chief Operating Officer served as Master of Ceremonies.

Mr. Ernesto Santiago, President of the Semiconductors and Electronics Industries Association of the Philippines, Inc., led the prayer, thanking God for the day's gathering and asking for His assurance in the midst of challenges that have surmounted due to the global economic crisis. He also gave thanks for the gift of life, family, friends, and material resources and asked for guidance so that each one may be able to use these blessings for God's plans. Mr. Santiago also asked for forgiveness of all our wrong deeds as we depend on God's mercy to restore and strengthen us. He likewise prayed for intercession in inspiring people to be focused on their individual mission and talents as we search for solutions that will keep our industry and businesses afloat in times of crisis.

3.Welcome Remarks

Mr. Luis S. Sicat, Trustee for the Fashion Accessories and Fine Jewelry Sector, welcomed fellow trustees, member exporters, and guests to the 4th PHILEXPORT General Membership Meeting this year.

Mr. Sicat introduced the two main topics of the afternoon, trade facilitation and the Customs and Tariff Modernization Act (CTMA). He spoke about the development that comes with trade facilitation including simplified procedures exporters, efficient infrastructure support, smoother movement of goods, lesser cost, and a more responsive supply chain.

Keeping with the topic, he also discussed some classic issues that Filipino exporters face in movement of goods, such as expensive inter-island shipping and provincial "cash points" for transporting goods. He likewise mentioned potential issues emerging, like the US policies on 100% scanning of exports.

However, behind all the horror stories and issues involved in the transporting goods of exporters, Mr. Sicat explained that exporters may discover a glimpse of hope from the two keynote speakers, as they discuss the latest developments in shipping, infrastructure, policy support systems, and work behind the Customs and Tariff Modernization Act, a priority legislative agenda of PHILEXPORT and EDC. In addition, he mentioned that there will be two private sector stakeholders who will be reacting to the presentations of the speakers as a way to determine if the private sector is in consensus with the trigger points of the two speakers.

Lastly, he introduced some of the key points of the President's GMM Report. He explained that the President's report will include discussions on major export programs, policies, services, and partnership activities of PHILEXPORT. The President, he added, will also be talking about the global economic crisis and the strategic actions to confront

4. President's Report

Dr. Sergio R. Ortiz-Luis Jr., President and Trustee for the Resource-based Sector, initially welcomed fellow members of the Board of Trustees, resource speakers, partners, and friends.

He reported about the most current issue of the business and financial world today– the global economic crisis. He explains that in the midst of the crisis the exporting sector is faced with challenges that only come once in a lifetime. He said that the sector is now subject to the test of its collective strength and mutual weaknesses as it faces a global economic crisis that started from the west.

As the USA and Europe confront the economic crisis by injecting trillions of dollars into their financial systems, Dr. Ortiz explained how the Philippines and the rest of Asia is not as severely affected as the west. For example, he cited that the exposure of Philippine local banks to the troubled investment banks in the US was fortunately only 0.05%. This has tremendously minimal impact in comparison to the US or Europe.

He added that regionally, the East Asia reaction to the crisis is defensive. This is seen in the Philippines, as the government is planning on setting up a 100 billion pesos crisis fund will through partnerships with private banks. While the major Asian players, China and Japan, announced that they will be handling the global economic downturn with an 80 billion dollar crisis fund. With this fact, Dr. Ortiz implied that the East Asian reaction to the crisis ultimately shows the world that the region is prepared and protective of their economies. It is a signal to the west that East Asia is independent of the excesses of the western financial institutions and its recession bound economic downturn.

Furthermore, he added that it will take time to set up the crisis funds of the Philippines and its Asian counterpart. Therefore, it is imperative that tighter controls of financial policies are set in place, consensus is built, and partnerships are forged. In addition, he noted that exporters may only expect

the crisis funds to help them in the “restructuring of maturing or past due loans” they have taken.

Instead of great expectations from the crisis funds, he warned that exporters should be wearier of the direct and indirect effects of the crisis to enterprises and industries. He pointed out that in the media, the more apparent impact of the crisis is felt in the stock exchanges of Asia, as share prices fall. He explained that the 2 causes of the backlash on Asian stock exchanges are actually rooted in the fleeing of western portfolio investment funds and capital flight out of Asia. At the same time, declining consumer spending in the US is adding to the slower export growth in Asia.

Dr. Ortiz also gave updates on the export growth slowdown in the midst of the global economic crisis. As an example, he mentioned that the two biggest exports, garments and electronics, have posted negative growth since August 2008. He cautioned that if the slowing export growth continues and recession in major markets persists, then there may be serious implications on job losses, company closures, and foregone opportunities in the country.

However, Dr. Ortiz reported that the impact to exporters from the crisis has been minimized because of two precautionary actions PHILEXPORT has initiated. First, PHILEXPORT have sought to put up an Exports Promotion Fund (EPF) and solicited contributions from the government. Together with other government agencies, PHILEXPORT has been able to raise 280 million pesos for the EPF. He added that in the new export development plan, PHILEXPORT has so far requested for P2 billion for the EPF, but President Arroyo has approved P1 billion in principle.

Secondly, preparation and continued updating of the new 2008-2010 Philippine Export Development Plan (PEDP) has proven to be fruitful as it will now be backed up with P1 billion in official government assistance. In response to the Philippine government's initiatives for exporters, international agencies, from Europe to Australia, are now gearing up to partner with PHILEXPORT in helping with the country's export development.

The President also discussed the important features of the 2008-2010 Philippine Export Development Plan. He noted that one feature of the plan is the pinpointing of weak points in the value chain of each of the export revenue streams. This, he said, seeks to strengthen weak points and then bridge gaps in the individual sector's value chain. Another feature of the new plan is its determination to explore and open new markets, like we have done with the Japanese market via the approval of JPEPA. Similarly, Dr. Ortiz cited the signing of the ASEAN-India Free Trade Agreement as an example of a new market potential that the Philippines can tap for trade. In addition, he talked about other newer markets such as mainland China, the Middle East, New Zealand, and Australia. And as Europe and US is facing their individual recession, Dr. Ortiz reminded us of the importance of finding out our export opportunities with our nearby neighbors here in Asia Pacific.

Dr. Ortiz concluded his report with the age-old meaning of crisis to the Chinese. To the Chinese, he explained that crisis is both threat and opportunity. He

recommended that we follow the latter definition, as this would give exporters focus and strategic action as they face the global economic crisis of our lifetime.

5. Keynote speech on “Facilitating efficient transport of goods”

Mr. Henry Basilio, Vice-Chairman of EDC NC on Transportation and Logistics delivered his keynote address on a presentation entitled “Policy Support for Transport -Logistics Infrastructure Development”.

Mr. Basilio presented the policy recommendations of the NCC Infrastructure Working Group to President Gloria Macapagal Arroyo. He outlined that the policy recommendations include the reduction of transport cost, impact of RO-RO in movement of goods, Subic-Clark-Batangas Development Corridor, policy concerns, and support infrastructure. In addition, he also cited a report by WB-IFC indicating that exporting cost has increased. He pointed that recommendations are moving towards a stronger direction in transport cost reduction, as previous government reduction initiatives have been minimal.

In detail, Mr. Basilio presented data regarding the expansion of the RO-RO network in the Philippines. He noted that as the Central Nautical Highway has recently been inaugurated in April 2008, the Philippine Ports Authority is currently fast-tracking the completion of the Eastern Nautical Highway to support PGMA's vision of the Strong Republic Nautical Highway. He also cited a number of RO-RO impact in economic growth, including increased inter-island trade, enhanced tourism, shipments of Agri-Fishery products & manufactured goods, area development, and reduction in transport cost. As examples, he provided some statistics regarding RORO links from the Zamboanga-Basilan route, Roxas-Caticlan route, Bacolod-Dumangas route, and the Calapan-Batangas route.

Mr. Basilio likewise further discussed PGMA's vision of a mega logistics and transshipment hub in the Batangas-Subic-Clark Logistics Corridor. He noted that this corridor will improve national competitiveness, reduce transport cost, and decongest Manila. However, in order for these developments to go through, challenges would have to be overcome in completing supporting infrastructures and addressing major transport policy issues. Needed infrastructures include the creation of new sea port terminals and the expansion of the Diosdado Macapagal International Airport (DMIA).

He also briefly addressed some recommendations on the conduct of a study regarding the viability of a coastwise “floating crane barge” (FCB) operation between Batangas and its counterpart port towns (in Cavite, Manila, Bataan, and Subic), as a way to consolidate export cargoes to Batangas. He noted that this is important as it will increase traffic in the Philippine seas and decongest the road networks. In addition, he further discussed about other supporting infrastructure needs such as the completion of major railroad projects and MRT/LRT extensions.

Lastly, Mr. Basilio discussed five points from the PCCI PBC Resolution. For one, he stressed that the PCCI Infrastructure Committee encouraged more private sector participation in toll road development by supporting the issuance of an EO directing the Toll Regulatory Board to automatically grant the franchise for NEDA ICC-approved toll road projects, as a provision in the BOT Law. Regarding shipping, Mr. Basilio pointed out, that there is a need to support the issuance of an EO amending the EO 170 to expand the RORO service to include the Chassis-RORO. He noted that this will allow for the reduction of the domestic transshipment of domestic and foreign-bound cargoes. He also mentioned the need for increasing air access via bilateral negotiations, enhancement of the mass transit system, and more private sector participation in supporting implementation of priority infrastructures through solicited bids under the BOT Law.

6. Customs and Tariff Modernization Act: Addressing bottlenecks in export/import documentation and policies

Atty. Reynaldo Umali, Deputy Commissioner for Bureau of Customs, delivered his speech regarding the Customs and Tariff Modernization Act of 2008.

In his introduction, Atty. Umali presented some of the modernization efforts of the Bureau of Customs (BOC), namely the RATS program, BOC Processes and Systems enhancements, Legal and Regulatory Reforms, and the BOC Integrity Development Plan. Furthermore, he tied these efforts with the crafting of the Customs and Tariff Modernization Act.

In addition, Atty. Umali outlined a number of activities that led to the CTMA. As the 1978 Tariff and Customs Code of the Philippines (TCCP) has become obsolete, Atty. Umali noted that a number of amendments in its Books I and II was instrumental in the emergence of CTMA. Furthermore, he noted, that the CTMA was created with the help of inputs from the Revised Kyoto Convention Annex, Technical Working Groups and workshop discussion meetings with BOC officials, BOC wish list, Anti-Smuggling Bills, the legislative agenda of the PACT project, amendatory bill on the Custom's Brokers' Act and International agreements on customs practices.

In light of the CTMA, he moved on to discussing export- and import-related provisions in the CTMA that would affect exporters. He specifically discussed Sec. 24, Sec. 131, Sec. 407, Sec. 500, Sec. 501, Sec. 600, Sec. 603, Sec. 802, Sec. 813, Sec. 901, and Sec. 1711 of the CTMA. These provisions touched on matters regarding integration of ICT in Customs applications, Export Declarations, Customs Transshipment, and types of customs warehouses. He also detailed a section-by-section explanation of each of the CTMA provisions amending TCCP. In addition, he presented a matrix showing some of the TCCP provisions that correspond with that of the CTMA.

Atty. Umali stressed that the CTMA is the answer to a Philippine modernized customs but it would require the support of the industry. To facilitate passage of the Act, partnerships would have to be made with the business community. In conclusion, he admonished all to support and advocate the passage of the

CTMA to ultimately address exporter issues and provide for an omnibus code for today's customs policies.

7.Reactions from Private Sector

Mr. Ricardo Alvarez, VP for Operations of Asian Terminals Inc., reacted to the presentations of the speakers by explaining the facilities, programs and services of Asian Terminals Inc. in the Philippines. In addition, he shared some of the exporter initiatives that ATI is driving via their specialization in efficient handling of goods, transport cost savings, and investments in infrastructure development.

Mr. Alvarez likewise expressed ATI's confidence in the Philippine business community and government, and reported that ATI has now confirmed its \$300 million investment in the Philippines for the next 30 years, in which \$50 million will be invested from now until the next year to gear up on infrastructure, technology and equipments. In addition, he mentioned that ATI has now put in place exporter initiatives including BOC-related initiatives and Gate Automation technology (to be completed in 3 phases).

He also touched on the 2012 Safe Port Act, as the US governments mandates for the 100% screening and scanning of containers coming from the outside of the US. The Safe Port Act is meant to improve the maritime and cargo security through enhanced layered defenses, he noted

Lastly, he talked about the benefits of partnering with ATI as their biggest shareholder, DPW, is accredited with numerous customs authorities and standards including the ISPS Code, Operation Safe commerce, Container Security Initiative, Customs Trade Partnership Against Terrorism, Secure Freight Initiatives, World Customs Organization, EU Supply Chain Security Standards, and ISO 28000 Standards for Security Management Systems. He implied that with DPW backing them, ATI will be able to help implement the highest level of security standards, processes, and technology in the Philippines and around the world.

Meanwhile, Mr. Roberto C. Amores, President of PHILFOODEX and Trustee for Food Sector, and member of EDC, also shared a reaction to the presentations. As an introduction, he noted that the Philippines is currently number 71 of the world's most competitive economies based on 12 pillars of competitiveness. Three of which, namely Institutions, Infrastructure, and Goods Market Efficiency, were touched on by the speakers, he noted.

He pointed out that exporters are mainly concerned with trade costs involved in transporting an export good to a final destination, which includes policy barriers, information costs, foreign exchange related costs, legal and regulatory costs, and local distribution costs. He stressed that lower trade costs largely depends on the quality of infrastructure and related services that the government provides. Thus, he implied that the government should prioritize in providing and funding multi-modal infrastructure.

Mr. Amores is confident that we could still depend on the work that public-private sector partnerships like EDC and NCC do in resolving issues pertaining to trade costs and is also thankful for the advocacy work of PHILEXPORT in supporting programs and projects that will champion Philippine exports. At the same time, he is hopeful that organizations like PHILEXPORT and EDC will continue to fight any derailment of efforts in developing the Philippines into a highly competitive exporting nation.

He then thanked the speakers for their excellent presentations, even as he expressed strong hope for the much needed reforms.

8. Awarding of Tokens of Appreciation

Pres. Ortiz-Luis Jr. and Mr. Sicat awarded the tokens of appreciation to the speakers and reactors.

9. Induction of New Members

Pres. Ortiz-Luis Jr. introduced the new members of PHILEXPORT and led the induction rites.

10. Closing Remarks

Mr. Francis I. Ferrer, Trustee for the Electronics Sector, expressed his gratitude for all the participants and the speakers, as he is reminded of the unbreakable Filipino fighting spirit in times of crisis. He affirmed that Filipinos often face challenges both natural and unnatural, but are usually able to be manage those obstacles. This is evident, he noted, in our handling of the logistics and procedural issues, as we are able to set up concrete programs, viable projects and offer commitments for export development strategies. He stressed his hope for the passing of the CTMA in congress so that this can substitute Anti-Smuggling bills that have been pending in the Senate and Congress.

He further reiterated the relevance of infrastructure investments in the country, as these will spur much needed trade and development. In addition, Mr. Ferrer reminded exporters to work hard, to plan and act together to avoid building bridges that lead to nowhere, for example. The next challenge, he continued, is on the need to sustain our gains,, improve on them and use them to our advantage.

He ended by inviting the participants to the PHILEXPORT Christmas party on December 2, 2008. He again thanked the speakers, donors, and partners for participating in the GMM.

The meeting adjourned at 5:45 p.m.

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