

Philippine Export Development Plan (PEDP) 2008-2010

Facing the Challenges at the Turn of the Decade

**Philippine Trade Training Center
26 March 2008**

Presentation Outline

III. Objectives

V. Defining Elements

VII. Process

IX. Framework

XI. Current Activities and Next Steps

I. Objectives

- 1. Discuss and establish the global outlook which the exporting industry would have to consider in its strategy formulation;**
- 2. Formulate revitalized market, product, and financial policies responsive to the global outlook;**
- 3. Reassess the potential of each of the sectors of the revenue streams and finds means by which gaps can be addressed properly;**
- 4. Project the Philippines' export growth with due consideration of the contributions of the exporting regions;**
- 5. Link national competitiveness efforts with the formulation of PEDP;
and**
- 6. Strive for the Presidential approval of the plan and its official implementation.**

II. Defining Elements

- 1. Develops more competitor-conscious strategies, with emphasis on the country's competitive advantages;**
- 2. Provides links in addressing sectoral gaps through various analytical tools such as value-chain analysis; focuses on the sectors as key drivers of growth**
- 3. Follows the “Public-Private Partnership” approach which includes dialogue and participation among various stakeholders represented by private sector export leaders, key government agencies, and regional movers among others.**

III. Process

1. Gearing Up
2. Formulation
3. Approval
4. Mobilization

PEDP Process	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
Gearing Up						
Formulation						
Approval and Mobilization						

IV. Framework

Part 1: National Policy Direction and Planning Process

Part 2: PEDP 2005 – 2007 Scorecards

Part 3: Global Outlook and Key Challenges

Part 4: The Plan: Targets and Strategies

Part 5: The Execution Plan

Part 6: The Communication Plan

IV. Framework

Part 1: National Policy Direction and Planning Process

- 1. The Medium Term Philippine Development Plan (MTPDP) 2004-2010**
 - Acts as the overall “bible” defining Philippine development goals
 - Lays out the export targets for the said period
 - Lists priority sectors

- 2. Philippine Export Development Plan (PEDP) 2005-2007**
 - Links the new PEDP to previously identified strategies

- 3. Methodological Approaches:**
 - Workshop on Global Trends and Strategy Formulation
 - Export Development Council Visioning Session
 - Value Chain Analyses
 - Sectoral & Regional Consultations

IV. Framework

Part 2: PEDP 2005 – 2007 Scorecards

1. Reviews accomplishments vs. export targets
2. Compares RP export performance with key competitor countries
3. Provides a situation on the current state of Philippine exports

IV. Framework

Part 2: PEDP 2005 – 2007 Scorecards: Exceeded target of \$50B in 2006

PEDP Targets:

	Goods & Services (US\$ B)	Goods	Services
		Target Growth (%)	
2005	47.45	10	13
2006	52.30	10	15
2007	58.20	11	16

Source: MTPDP 2004 – 2010, p. 5, Table C

Year-end Estimates

	Goods & Services (US\$ B)	Goods	Services
		Target Growth (%)	
2005	45.80	4.0	11.9
2006	54.00	14.9	44.6
2007*	57.50	6.1	10.8

Source: NSO as processed through BETP-managed TRADELINE Actual (Goods)
BSP, Balance of Payments, Annualized Jan-Sep 2007 (Services)

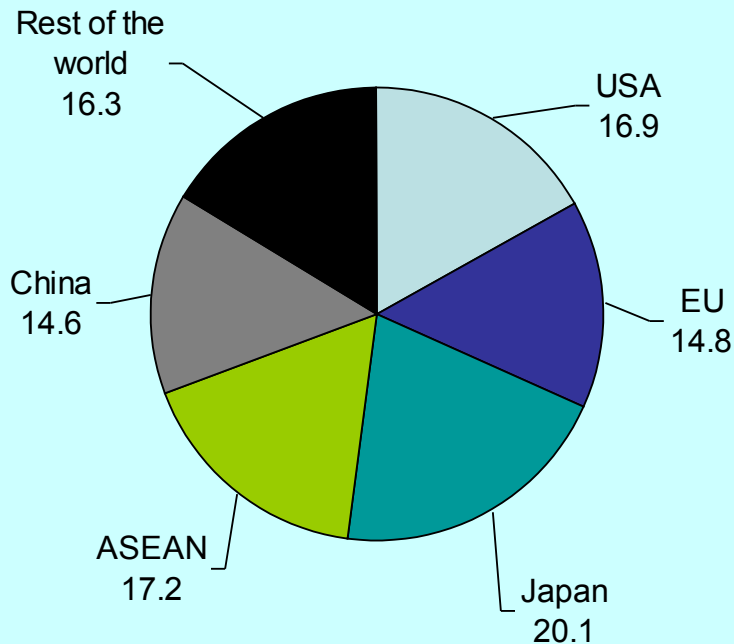
IV. Framework

Part 2: PEDP 2005 – 2007 Scorecards: Continued Market Diversification

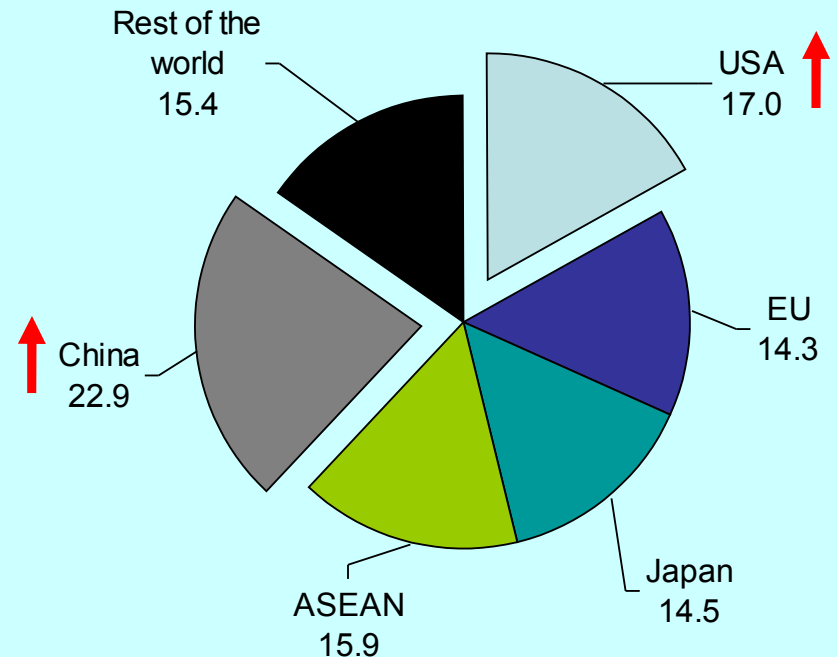
Market Share of RP Merchandise Exports

(2004 and 2007), %

2004
US\$ 39.7B



2007
US\$ 50.3B



IV. Framework

Part 3: Global Outlook and Key Challenges

- 1. Presents global economic growth and forecast, and integral developments in major markets**
- 2. Lists key challenges for the export community**

IV. Framework

Part 3: Global Outlook

“Global growth is expected to moderate further, as the effective cost of capital remains elevated for financial institutions, firms and households.”

Global Outlook

USA

The US economy grew at an estimated rate of 1.9% in 2007, and is expected to slow down by 0.9% in 2008.

Recovery is anticipated for 2009, with growth registering 2.3%.

- Difficulties in the mortgage market are expected to extend to the decline in residential investments, while house price declines are likely to encourage households to cut spending and increase savings.
- Exports are expected to robustly grow as the dollar further declines and partner countries grow.
- Recovery in 2009 is grounded in a stabilization of financial markets and a revival of business and households spending.

Global Outlook

Japan

Japan's economic growth is expected to slow to 1.8% in 2008 before picking up

- **Developments in the US are expected to influence conditions in Japan's reliance on external demand as a source of growth and because of the sensitivity of business investments to the costs of long term capital.**

Source: Global Economic Prospects 2007

Global Outlook

China

China's economic growth, although a little slower, will still be in the double-digit level, from 11.5% in 2007 to 10.0% in 2008.

- The considerable easing of growth of the Chinese economy may not materialize unless a tighter monetary policy is implemented successfully and allow a faster appreciation of their exchange rate.
- Exports and investments are foreseen to continue to expand in 2008 in China.

Source: International Monetary Fund 2007

Global Outlook

EU

As exports soften and business investments declines, GDP growth is projected to slip to 2.1% in 2008 before reviving to 2.4% in 2009.

- Household spending in the Euro Area has not fully recovered from the increase in the German value added tax of January 2007, although unemployment in Euro eased to 7.3% in September 2007, the lowest level since figures began to be compiled in 1993.
- Business investment continues to move in close step with export performance, which deteriorated toward the end of the year, in part because of the appreciation of the euro and slowing US demand.

Global Outlook

EU

EU growth is seen to moderate to 2.1% in 2008 and 2.4% in 2009

- The Western European economy is estimated to have grown by about 3.1% in 2007 and is expected to decelerate to 2.3% in 2008.

- Exports in Western Europe will be affected by weakening demand and the strength of the Euro, particularly France, Portugal and Spain, which have insufficient cushion in competitiveness. The tightening of world-wide credit conditions may lead to cooling of housing markets and dampen residential investment and housing consumption.

Growth may be affected by tighter availability of credit as some European banks have significant exposure to the housing market.

Global Outlook

ASEAN

The economic expansion of the ASEAN-4 is expected to be maintained at 5.6% in 2008 from the same level in 2007.

- Indonesia's economy may decelerate from 6.2% in 2007 to 6.1% in 2008.
- The Philippines may post a slower growth of 5.8% in 2008 compared to 6.3% in 2007. Likewise, Malaysia is expected to show slower growth in 2008 of 5.6% from 5.8% in 2007.
- Thailand is foreseen to rebound from 4.0% in 2007 to 4.5% in 2008.
- The Philippines posted growth due increase in foreign exchange remittances that spurred domestic consumption. In Indonesia lower interest rates boosted domestic demand.

IV. Framework

Part 3: Key Challenges

1. Market-driven issues such as the ASEAN integration (e.g. ASEAN charter), EU expansion, emergence of new target markets
2. Strengthening of the Peso
3. High cost of commodities
4. Energy security
5. Cost of doing business
6. Brain drain

IV. Framework

Part 4: The Plan

1. Continue strategy for market expansion and optimization, and product diversification (*Revenue Streams*)
2. Maximize benefits from trade agreements
3. Pursue openness to competition
4. Explore “export branding” initiative

IV. Framework

Part 4: The Plan

1. Export Targets for 2008 – 2010

	Goods & Services (US\$ B)	Good & Services (Target Growth in %)
2008	65.38	12
2009	74.28	12
2010	84.3	13

Source MTPDP 2004 - 2010, p. 5, Table C

2. Market and Sectoral Strategies

3. Pursue openness to competition

4. Maximize benefits from trade agreements

5. Explore “export branding” initiative

6. Policy and Legislative Agenda for Export Enabling Environment

IV. Framework

Part 5: The Execution Plan

1. Defines roles of lead players in the implementation of the PEDP
 - Export Development Council (EDC)
 - Department of Trade and Industry
 - Private Sector and Industry Associations
 - Other Agencies

Part 6: The Communication Plan

1. Presents the Knowledge Management Process Flow
2. Defines information flow across the supply chain

V. Current Activities and Next Steps

1. Current Activities

a. Industry Consultations

- includes Value Chain Mapping (e.g. Health & Wellness, Food, Natural and Organic Products, Homestyle and Furnishings)

2. Next Steps:

a. Regional Consultations

- Cebu City, San Fernando City (Pampanga), NCR, and Davao City

b. Formulation of Ad Hoc PEDP Team

c. Formulation/Drafting of the Plan (Writeshop)

d. EDC Validation and Review

e. Presentation to the President

f. Mobilization

Thank You

Proposed Revenue Streams for PEDP 2008-2010

I. GOODS

- A. **Electronics** (incl. semiconductors, electronic data processing, office equipment, medical and industrial, control and instrumentation, communication and radar, telecommunications, automotive electronics, and consumer electronics)
- B. **Textile and Apparel** (incl. Footwear, Travelgoods, Costume & Fine Jewelry)
- C. **Automotive Products** (motor vehicles and parts, and components)
- D. **Food**
 - Fresh (agri, marine and aquatic, and include coconut-based products)
 - Processed (agri, marine and aquatic)
- E. **Homestyle Products** (Furniture, Furnishings, Holiday décor and giftware)
- F. **Natural and Organic Products**
- G. **Mineral Products**
 - Construction Materials (incl. marble, gravel, pebbles, metals, glass)

Proposed Revenue Streams for PEDP 2008-2010

II. SERVICES

A. IT-Enabled Services

Business Process Management and Knowledge Management Processes

- Customer Care (contact centers)
- Back Office (includes accounting, order processing, sourcing, etc.)
- Data Transcription (includes medical, legal, encoding of other types of data)
- Animation (includes graphics design)
- Software Development (includes IT consulting, programming, maintenance/ technical support, etc.)
- Engineering Design (includes CAD, R & D, system testing, porting/variants, localization, maintenance and support etc.)
- Digital Content (includes updating of web sites, electronic publication, gaming, etc.)
- Systems Integration (includes networking, server, storage, security, wide area network infrastructure and software installation and maintenance services)

B. Construction Services (Engineering, Consulting, Architectural, Interior Decoration)

C. Emerging services

- a. Health and wellness
- b. Medical tourism (Intrusive treatments conducted by medical doctors)
- c. Logistics (Courier Service, Travel & Tours, shipping, port handling, etc.)
- d. Entertainment (Film and TV Productions and exports, per EO 674)
- e. Specialized Education Services
 - Formal – science based
 - Informal (e.g. for licensed therapist, caregivers)