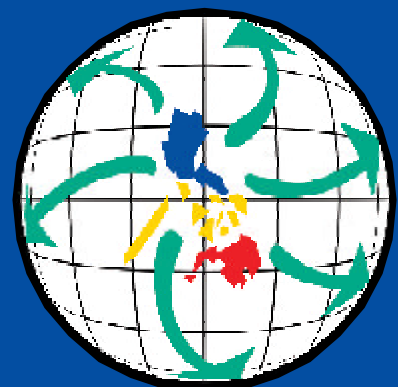


PHILIPPINE EXPORT DEVELOPMENT PLAN 2005 - 2007

Prepared by the
Export Development Council
and the Department of Trade and Industry

Approved by
Her Excellency President Gloria Macapagal-Arroyo
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Malacañang, Manila



EXECUTIVE SUMMARY

The Philippine Export Development Plan (PEDP) is a rolling three-year plan that forms part of the Medium-Term Philippine Development Plan (MTPDP). It defines the country's export strategies and programs that shall be implemented by government and the private sector.

PEDP's legal basis is Republic Act (R.A.) 7844., otherwise known as the Export Development Act of 1994. This law states that:

*"...the government shall champion exports as a focal strategy for a sustainable agri-industrial development...The private sector shall take the lead in the collective effort to promote exports... The government and the private sector shall jointly transform the Philippines into an exporting nation... the State shall instill in the Filipino people that exporting is not just a sectoral concern, but the key to national survival and the means through which economic goals of increased employment and enhanced income can most expeditiously be achieved. "*¹

As the blueprint for the country's export sector, the PEDP or "The Plan" serves as the main guide from which the government shall form their concerted action plans on exports development and for private businesses to craft their industry- and firm-level exporting strategies. Taken all together, these are designed to achieve sustainable growth of the export sector and provide opportunities for job creation.

THE CURRENT SITUATION. The years 2002 to 2004 had been a diversification and expansion period for RP exports. With a 26% total growth from 2002 to 2004, the country's exports market mix had become more balanced; distributed among five key markets with an average of 17% share each and the rest of the world accounting for the balance. These five markets - ASEAN, China, Japan, USA and the European Union - accounted for 86.4% of total RP exports in 2004.

During the same three-year period, electronics still led overall growth. The sector accounted for 67.2% of total exports in 2004. Priority export industries or Revenue Streams provided the complementary boost that enabled the export sector to weather the slowdown in 2003. The strategies introduced in PEDP 2002 - 2004, anchored on the Revenue Streams, provided the environment for expansion and diversification to happen.

RP's closest competitors, in the meantime, also showed resiliency during the same period when global developments such as the SARS epidemic, increased security concerns, and the Iraq war made international trade more challenging. The Philippines' three-year average export growth was 6.2% while Thailand's and Malaysia's were 11.3% and 9.3% respectively. Vietnam surged with a 15.8% average growth and their exports are now estimated to be US\$23 B.²

GLOBAL OUTLOOK. World output, expressed in GDP growth, is expected to ease in the next three years from a 4% growth in 2004 to an average of 3.2%.³

World trade, measured by volume of imports, is estimated to grow by 6.4% in 2005; the Asian region led by China and ASEAN will outpace this rate. Both markets are projected to grow by 7.9% in 2005. Imports of Japan and the USA are expected to increase by 5.4% while imports of the European Union will grow at 5.8% in 2005.⁴

For the next three years, the international trade environment will be more challenging brought about by moderate global economic growth. Such a scenario shall naturally intensify competition and encourage niche marketing.

RP EXPORTS TARGET. In spite of the projected moderate growth in world trade, RP's exports sector is expected to continue a strong performance led by the sectors within the Revenue Streams. A more balanced market mix and an expanding base of products and services to offer are solid factors that will enable further expansion of RP exports. The first objective is to reach US\$50 B exports of products and services in 2006.

The PEDP 2005 - 2007 outlines the strategies that will enable RP exports to reach its initial target in 2006 and provide the sector a platform to accelerate further beyond 2007.

MARKET AND PRODUCT STRATEGIES. The Plan focuses on five key markets that absorb a majority of RP exports. It also expands the definition of markets to include segments that encompass cultural commonalities across geographic boundaries. Based on this definition, the Plan stresses interventions to address these culture-based market opportunities.

Key elements from PEDP 2002 - 2004 such as industry clustering and concentration on Revenue Streams shall be expanded. These shall be revitalized with new government initiatives such as One Town One Product-Philippines (OTOP-Philippines), a program aimed at product or services development at the city or municipality level, thereby providing more options for RP exports.

On the supply side, the Plan identifies the major interventions necessary to increase RP exports' competitiveness. Aside from the invigorated industry clustering, new angles such as bundling of products and services as design-driven offerings for better merchandizing and the role of the creative industries as drivers of competitiveness will be explored. The Plan further extends the coverage of RP exports to include manufactured goods, services as well as those produced by knowledge sectors.

POLICIES, FINANCING, AND IMPLEMENTATION. Policy initiatives started in PEDP 2002 - 2004 will be continued to sustain the drive towards creating a better business environment that is more conducive for RP exports growth. Furthermore, this business environment must enable the effective execution of the strategies embodied in the Plan.

The Plan also includes guidelines on how the country's financial sector can become a more active partner in RP exports development.

The Plan's successful execution will depend on the partnership between the public sector led by the Department of Trade and Industry (DTI) and the private sector through the Philippine Exporters Confederation, Inc. (PHILEXPORT). This partnership embodied in the Export Development Council (EDC) will mobilize the resources necessary to implement the Plan.

BEAT THE ODDS, GO EXPORTS! The Plan's success will be measured by three indicators:

1. Export performance with US\$50 B in 2006 as the first milestone;
2. Jobs generation in line with the President's 10-point legacy agenda; and
3. Share of priority exports as a measure of diversification.

The Plan aims mainly to enable the export sector's stakeholders to generate specific action plans for their organizations to fully participate in the expansion of the country's exporting capabilities.