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Coalition-Building in the Philippines: Who Does What When

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COALITION BUILDING IN THE PHILIPPINES: WHO DOES WHAT WHEN

Introduction

The ITC Executive Forum (EF) started in 1999 under the initiative of the International Trade Centre, as a venue where best practices can be distilled and eventually applied as South-South technical cooperation. One of the most telling results of these Fora were the conclusions drawn from that first EF: *"the effectiveness of national export strategy is determined by the effectiveness of the public-private sector partnership at each stage of the strategy development and management cycle"* (underscoring supplied).

Further developments in international markets, namely the rise of the digital economy, has forced all international players and would be international players, to make strategic decisions on the extent of their participation in the arena. This led EF 2000 to push for the creation and development of an environment that will contribute to fast growth in e-trade capability and e-competency in all levels of the national export effort.

The speed and complexity of the rising digital economy demands that response from national economies involve all concerned sectors, each contributing their specific expertise and having their own responsibilities in, not just strategy development and management, but also in implementation. This requisite of rapid response gives rise a national team that is essentially a "***network of partnerships** – encompassing national planners from trade and other government ministries, trade support institutions (TSIs), both public and private, e-service providers and business leaders.*"

Succeeding EF then focused on effectively working the national networks (2001); managing national competitive advantage (2002); strategizing in a changing business environment (2003) and contributing to national competitiveness through public-private partnerships (2004).

This year, in the place where the EF was launched, we further focus on what was a subtopic in last year's EF: Export of services.

The Philippine Experience with Services Exports – Hype or High Potential?

For the Philippines, the answer to the question is "High Potential".

It was in the 1999-2001 cycle of the Philippine Export Development Plan that an initial statement on the rising importance of export of services was made. Even then, the public sector focused mostly in the negotiations aspect of the GATS, and the Board of Investments focused on one sector – ICT-enabled services like call centres, medical transcription and business process outsourcing.

The investment promotion drive is paying off, with the number of successful foreign- and locally-funded companies rising. For example, as of the first quarter of 2005, the number of call centre seats has now reached 37,000; employment is at 72,000; estimated 2004 revenues were at US $800 million; and projected growth for the whole of 2005 is between 50 to 70 percent. There are now 300 software development firms; and export revenues reached US $186M. The Philippines plays host to named global industry players in outsourcing, among them Caltex, Citibank, Nokia, and Proctor and Gamble as well as other companies in computer graphics animation, engineering, and design and data transcription.

Revenues for IT-enabled services exports was estimated to have jumped from $1.08 billion to $6.6 billion in 2004 based on recorded investments of around $144 million and employment close to 100,000.

This could not have been possible without the liberalization of the telecommunications industry, by virtue first of Presidential Decree 109 and then by the enactment into law of the Public Telecommunications Policy Act of the Philippines (RA 7925) in 1993.

Telecommunications is defined as “any process which enables a telecommunications entity to relay and receive voice, data, electronic messages, written or printed matter, fixed or moving pictures, words, music or visible or audible signals or any control signals or any design and for any purpose by wire, radio or other electromagnetic, spectral, optical or technological means.” The Act also defines the following categories of telecommunications services: local exchange service, inter-exchange carrier service, international carrier service, value-added service, mobile radio service, and radio paging service to be under the control of the National Telecommunications Commission.

The availability of such facilities, and the fierce competition among operators, has given businesses the opportunity to make use of this world-class digital highway at world competitive prices. All these added to the natural advantages given by the Philippine geographical location relative to the time zone of its natural target market (the mainland United States of America); an established American-style of education; and the natural facility of Filipinos to relate positively to customers from widely varying backgrounds can explain why the growth of the service industries can be considered phenomenal.

Continued success, however, hinges on how well the national response to challenges can be orchestrated. That there are challenges is shown by the rise in the number of industry associations, each catering to the needs and concerns of their specific sub-sector. For e-services, the leading sub-sectors are Contact Centre, Business Processing, Animation, Medical Transcription, Engineering Design, and Software Design. Each has its own association, with cross membership other related areas e.g., members of the Philippine Animation Council are sometimes members of the Philippine Software Engineering Association.

While the accredited umbrella organization for exporters is the Philippine Exporters Confederation or PHILEXPORT (under the Export Development Act), smaller industry specific organizations also exist. These smaller organizations (in terms of number of members) focus on extending services to the members, such as representation in various fora; liaison with government agencies; providing venue to share experiences; maintaining web presence for the industry to help promote the Philippines as a competitive location; etc. From another point of view, PHILEXPORT[1] represents the macro concerns of all exporters and the sectoral associations concentrate on their own industry or micro concerns.

This arrangement in the private sector has increased the capability of the business leaders to contribute to the preparation of the national export development plan. One of the biggest strengths of the PHILEXPORT, representing the private sector in the nationally mandated Export Development Council, can be leveraged to push government to heed the concerns of all exporters, whether they are small, medium or large scale companies, locally grown or offshoots of foreign direct investments.

However, this model is usually seen as being focused mainly on the exporters of goods, with less attention being given to exporters of services. This may have risen from the seeming lack of information and even awareness among the general public and even some existing exporters, about the GATS and what export of services really constitute. A case in point is that while in 2004 the Philippine economy recorded as much as US$11 billion in remittances from overseas

[1] Individual industry associations and some of their members are themselves members of PHILEXPORT or the Philippine Chamber of Commerce and Industry or PCCI (or their local chapters). There are also some service exporters which are PHILEXPORT members — the associate industry members (mainly among those servicing exporters as banking, trading, packaging, shipping, brokerage, exhibitions management, publishing) and the professional services category (e.g., software, legal and accountancy services, education; as exemplified by the present Philippine private sector representative Dr. Emma Teodoro). There are even more service sector firm members in the PCCI, which have their own committees for transport, power, etc.

Filipino workers, this amount is not considered as export earnings[2] for the economy. International tourism, one of the priority industries from both the national and provincial points of view, is also considered as a domestic service.

This situation then leaves many small and medium businessmen clueless that they are in actual fact exporters, with a market and competition that is far broader than their immediate or near neighbour.

The elements for the promotion of export of services are already found in various packets scattered around the economy, both in the private and public regime. By 2004, the situation was ripe to push for initiatives, which can pull the various streams of effort together and keep a focus on services. The ITC workshop on services in Manila came at the right time and spurred the preparation of the project proposal for the formation of the Coalition of Service Industries which will initiate this move. Here, the government can play the role of catalyst, but will leave the medium and long term future of the Coalition as the decision of the private sector.

With the launch of the ITC-executed and European Commission funded project Promotion of Trade in Services through the Creation of a Services Coalition in the Philippines, more attention has been generated on the need to address specific concerns of the services exporters. While the project is in some ways only a small beginning, its expected output of a Road Map for Philippine Competitiveness in Export of Services will represent the first formal agreement between the public and the private sector on what strategic interventions will be pursued to promote small and medium service provider-exporters. Available resources will be leveraged, with each industry developing linkages with other sectors so that domestic experience can be translated into international expertise, e.g., supplying multinational companies will expose small service providers to international systems and procedures; experience of OFWs can be harnessed in allied services in the Philippines; retirees will have a chance to teach in technical schools or in colleges and universities.

Thus, the Philippines will aggressively pursue export markets for Philippine services, not because the government wants to, but because it is the agreed course of action by stakeholders in the industry – stakeholders who form a network of partnerships from among the business leaders and exporters, the academe and think tanks, the professional organizations, and the government (both the negotiators and the export development institutions).

This is because the Philippine Service Coalition will make sure that there will be a broad participation in the consultation and planning process for the Road Map. While the project can only prioritize the making of studies for a few sectors, care was taken to especially choose those sectors where size is not a telling factor, in fact where the small, agile exporter can compete. Those sectors which also prepared their own industry development plans were also left out of the priority studies, but will be invited to submit inputs to the Road Map.

In fact, many of the actions that we have observed in the bigger industry sectors will be considered for adaptation for the other sectors. Their best practices must seep across the economy to the other sectors, so that successes and lessons learned will serve as models for the smaller industry players.

One addition, however, will be made to the base model that the Coalition will follow. Observation has shown that most of the industry plans focus on immediate doables and deliverables, which is well and good. But the enhancement of skills for the service industry is a lifelong affair, thus, the academe and other training institutes will be brought in as early as possible in the process of export planning.

The Coalition then will not only be for those who are exporters and their allied associations, it will serve all those who are involved in what may be called as the value chain for service providers.

[2] Focus on the export of services, in all its modes, will also help rationalize the OFW phenomenon and explain why when all other economic indicators are down, consumer spending is still stable and rising.

Identification of the stakeholders is then a crucial step in the process of coalition building. Thus far, we have identified Sectoral Champions for the sectors under study. An initial listing of stakeholders has been made, the meetings among the Champions and the stakeholders per sector are being scheduled.

One of the things learned from the established service sectors is that industry development can be speeded up if a Champion with vision and the ability to organize people to implement plans and programs rises from within the sector. Thus we see the rapid rise of the Business Process Outsourcing sector from the group driven by the combined effort of the leaders and professionals of the sector itself before government support, through the Secretary of Trade and Industry, came in. Thus, industry development can be initiated by the private sector and action steps can be implemented by the same sector, but government ***must*** make sure to provide the right policy environment, adequate infrastructure and a level playing field to all concerned. Given that the playing field is not only internal to the Philippines, Philippine trade negotiators must be involved in the planning process from the beginning. This will ensure that future negotiations in GATS will have a solid background on the realities faced by Philippine exporters and their markets. Trade policy must also then take off from the same point of view.

Another learning that will be applied comes from the plans generated for the Philippine software industry, complete with the brand of **Fly High: Philippine Software 2010**. The plan simply answers who does what to achieve expanded and accelerated growth of the Philippine software industry by the end of the year 2010. The plan takes into consideration that efforts must be coordinated and timed well, as a failure in one aspect will adversely affect the chances of success in the other components of the plan.

From other established coalitions in other countries, we have seen that a web presence is an effective tool not just in keeping the coalition members informed, but also in putting across the unified stance of the national industry *vis-à-vis* international negotiations. Taking advantage of the technology, then, means not only adapting what they show, but also using the web as a forum for e-discussions with the coalition members. Plans for the Coalition website also include its use as the gateway to contacts from the international market to the local industry service providers.

Further, one of the limiting factors to expansion of the private sector in their successful business operations is the difficulty in hiring qualified manpower. This has been expressed not only by the manufacturers of goods but also by the service providers. Thus, human competitiveness through education and training must be one of the cross cutting issues that the Coalition will need to address. Primarily, the issue will start from the need to safeguard the long held notion that the Philippines is the only English-speaking country in Asia, a legacy of the educational system inherited from the American colonial era.

Further Moves

Among the benefits of de-monopolization of the Philippine telecommunications industry has been the rise of cellular telephone services and the increase in the number of international gateway facilities. These two have enabled Filipinos, both as individuals and as businesses, to enjoy vastly improved local and international communications at affordable rates.
Our propensity to adapt to these technologies has given us the title of the *text capital of Asia.* An offshoot of this is a leadership position in programming short messaging or SMS of the GSM cellular networks. Thus, the use of SMS allows us to, among others, report crimes, join contests, look for jobs, and report to the BIR. The latest innovation is the use of SMS to send cash to other cell phones, enabling international remittances, payment of bills, etc. – or as the advertisement says, *"Wallet na ang cell phone mo"*.

All these show that Filipinos can adapt and innovate as fast as their interest and inclinations lead them. This is what the Coalition must harness in the present generation, and foster in the coming generations. The trick is finding where such interest lies.