

Inclusive Growth for 2012 and Beyond

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Thank you, Pie, for that introduction. Congressman Tomas Apacible, Cong. Tom is a big supporter of DTI in the House of Representative, thank you very much. Of course we have the big names in the industry here today. I see a lot of familiar faces, Ito Carlos, Jess Arranza, foreign chambers, and everybody else.

I am normally a very skeptic person, so for me to say last week in Arangkada that I am very bullish says something about what I think.

You've heard the forecasts from the experts – our economy can grow 5 to 6% and I have been quoted as forecasting at least a 7.6% growth - that was no misquote. Dr. Bernie Villegas, who was in this room two weeks ago forecasting at least 6%, graciously gave up his title of "Prophet of Boom" and handed it to me. But, let me tell you why we, at DTI, are super bullish on our economy this year.

Asia is now the growth driver of the world economy. Although the economies of the US and EU – our major trading partners - show no signs of recovery, Japan's economy is successfully rising from its crisis last year. The rest of Asia will not be severely affected and will sustain modest growth.

We are at the heart of Asia. Our **strategic location** was and remains an asset. This has always been an asset historically, though we were not able to take advantage of this for the past several decades. But, recent changes in the conditions around us and within our country make our geographical location a significant factor.

The Philippines has **significantly improved its competitive position** as an investment destination in the region, with Indonesia as our collaborator. Our cost-of-doing business is cheaper now, especially compared to China's coastal areas, and our inflation rate is much lower than that of some of our neighbouring countries.

We have credible reports and leads from the BOI, PEZA, and our commercial posts abroad of many companies relocating to the Philippines. PEZA, for instance, reports of big ticket projects looking for land in the range of 5 hectares to 200 hectares. A number of these projects are already in the negotiation stage and some of them were announced already. And there will be a few more which will be announced this 1st quarter. These are strong signals and clear opportunities that we must seize.

Our **competitiveness ranking has improved considerably**, from 85 to 75 in World Economic Forum rankings, and in the Doing Business Survey where the methodology was changed, we moved a little bit from 134 to 136 out of 185 countries. Our goal there is to be at the top 50 by 2016, and that effort is

orchestrated by the National Competitiveness Council which I am the chairman and Bill Luz as my co-chair.

Just last week, on Friday, I didn't announce this at the Arangkada when I spoke at Arangkada on Thursday, to give you a pleasant surprise on the next day. Philippine Business Registry was finally launched last Friday. For those of you who are not aware what PBR is, it's a follow through to our early efforts to automate business processes. Remember during the first 100 days of this administration, we automated the business name registration, which we cut down from several days to fifteen minutes and that continues to work very well. Last Friday we launched PBR, which now allows you, if you want to open up a business, to get your business registration, your business tax identification number and your business numbers from Philhealth, Pag-ibig and SSS, all in one go, within 30 minutes. This usually takes maybe a week or maybe more, up to two weeks because you should go to each agency before. Imagine if you are in the province, where there is no SSS or Pag-ibig or Philhealth office, you have to go very far to get these numbers. Now you go to a DTI office. It's not yet nationwide, only in selected office, but by March 1st it will be nationwide. You go to a DTI office and you can get all the other four numbers. We are also going to roll this out in selected cities and municipalities. Quezon City will be the first one. Quezon City by the way has the most number of establishments in the entire Philippines. Many efforts are on-going.

Last year, the BOI and PEZA registered P627 Billion worth of investment commitments – an increase of 30% from 2010. Those registrations translate to around \$3.5 billion of FDIs. Of course they happened over several years ... that do not include Subic, Clark and all the non-registered FDIs.

On the trade side, the plunge in our exports was a major reason for the less than expected growth last year; the other was the slowdown in government spending on infrastructure.

The electronics sector was the hardest hit last year, and since half of our exports are from electronics, its fall did hit the economy quite hard. That's why our growth from 2010 to 2011 dropped from 7.6% to around 3.6% last year. But the positive side of last year's export performance was that **many of our non-electronics exports grew robustly**, particularly the agri and resource based products which grew at double digit rates. They will continue growing at that pace this year. The growth of our non-electronic exports show that gradually we are lessening dependency on electronics-based products – a strategy in the PEDP that is proving successful.

Also significant is how we have **diversified our markets**. Decades ago, more than 60% of our exports went to the US, Europe and other advanced economies. Today, **more than 60% of our exports go to ASEAN and East Asia**, so there's a big shift, hence our resiliency in the midst of low demand in our traditional markets. We see clearly here the **benefits of the preferential or free trade agreements** we are a part of in ASEAN, and through ASEAN, with China and Korea, and our bilateral economic agreements with Japan under PJEPA.

For this year, we have it from members of **SEIPI and they expect a strong rebound in 2012**, so from 20% decline from 2010 to 2011, they expect a similar increase, if not more, from 2011 to 2012. So that will be really big boost for the economy. **The IT-BPO industry will continue to grow at its remarkable speed and rate.**

Putting all these forecasts and projections together – we are well positioned in our **export strategy and we will regain lost ground in 2011.**

Government spending will pick up, we will see a very strong boost as well from government spending as compared in 2011. Because 2011, a lot of learning curve, new people, new procedures, more good governance processes. The budget has been release early by DBM and I know that projects by the DOTC and PPP and DPWH are going full swing now. In fact, some of the unspent money from last year will be spent this year as well. There will be a very big boost in spending by government.

The changes we see internally and externally put the Philippines in a very good position for a vibrant economy this year. It is worthy to note that many studies show that countries achieving a per capita GDP of more than \$US 2,500 experience a spur of economic growth led by consumer spending. The Philippines is now on US\$ 2,200 GDP per capita. So we're very near that level.

But the most important change in our situation now is Leadership and Governance. The President is steadfast and committed in eradicating corruption in our society, and our people and foreign trading partners recognize and acknowledge that his words are backed up by actions.

His goal to clean up the bureaucracy has resulted in a lower than expected budget deficit for 2011 from P300 Billion in 2010 to under P200 Billion in 2011. A big part of that savings came from the reduction of corruption, not from under spending. We have a very aggressive, dedicated DOJ Secretary and now we have a new Ombudsman, who is also very tough. High officials are facing criminal charges, and all around the bureaucracy people and systems are being put in place to ensure transparency and good governance practices. Globally there is no more doubt about the sincerity and resolve of this administration to fight corruption.

Those are the reasons why we should be bullish on growth this year. However, this is not all just about economic growth. We have to, we must, ensure **inclusive growth**, where none will be left behind. To have a stable society, the poorest of the poor must benefit as well from economic growth.

Our country needs to sustain the kind of growth that provides good jobs and income for a growing work force now and in the years to come. We need to seize the opportunities of today, anticipate the challenges of tomorrow, and chart our directions for the future. That is the reason we called for this meeting with you – leaders of business and industry.

We have heard your call for industry plans or strategies and for a comprehensive strategy for developing our industries. This recommendation came out last year in the consultations for the Philippine Development Plan 2012-2016.

We have read carefully your petitions, memoranda and studies. Unanimously – organizations like the Federation of Philippine Industries, Philippine Chamber of Commerce and Industry, and the Joint Foreign Chambers – have recommended this strategic step. And some of them have identified priority sectors that will drive growth, which are consistent with the PDP, PEDP, and IPP.

The DTI with the BOI is heeding this call of business.

Late last year, we restructured the organization to address the need for more coherence in trade and industry policymaking and for more focused trade and investment promotions. We created two groups, but rather re-aligned the groups, we formed the Trade and Investment Promotions (TIPG) or Promo Group for short, and the Industry Development and Trade Policy Group (IDTPG) or Policy Group for short. Promo group is headed by Usec. Panlilio, he will be in charge of all promotions-trade and investments. Policy group is headed by Usec Cristobal who will do trade negotiations and industry policy.

Under the policy group, we are receiving the industry development units under DTI and BOI. We will steer and facilitate the crafting and implementation of industry roadmaps that will lead us to our goals in the next several years.

Our role here is to be a catalyst and facilitator. You, the private sector, will lead and drive the crafting and execution of the industry roadmaps. Government can not pretend to know your industry or business better than you. Hence, you must take the lead in crafting these roadmaps.

But we will champion industries, for the simple reason that inclusive growth necessarily entails building up industries, including manufacturing, as well as agriculture and services. Government shall be an enabler while the private sector takes the lead. We will lobby on your behalf. We will be your champions.

Together, we will have to define our goals, identify the reforms we need, prioritize our actions, and execute them. Our shared goal and aspiration is to lift our country out of poverty. We have to be clear about this as we craft the roadmaps and bring them together into a comprehensive strategy.

There will be discussions, debates, and I anticipate heated arguments in the process. That is expected in policymaking; but as long as we remind ourselves of our shared goal for our country, we will resolve these differences, come out stronger as a people, and move our country forward.

What we are offering or proposing is a **Strategic Partnership for Inclusive Growth**. Only through a genuine partnership of shared aspirations, responsibilities and duties can we sustain inclusive growth in our society.

We need each other to succeed. We are confident that all of you will accept this challenge.

Thank you very much. (end)