

## **Global Financial Crisis and Economic Slowdown: Impact on the Philippines and policy Options: Concluding Remarks**

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It is indeed a great honor for me to have been selected by the organizers to give the closing remarks in this timely and much-needed Policy Forum on the Global Financial Crisis and Economic Slowdown. I commend the Department of Trade and Industry and the Department of the Interior and Local Government for convening the forum.

In behalf of the organizers of this forum, starting with the lead conveners – the DTI and DILG, the National Competitiveness Council (NCC), the Philippine Development Forum, the United States Agency for International Development (USAID) through its Local Implementation of the National Competitiveness for Economic Growth (LINC-EG) Project, and the International Finance Corporation of the World Bank Group, I express our sincerest thanks to all of you and most especially to the resource persons Dr. Eric Le Borgne, Mr. Joey Bermudez, and Dr. Antonio and colleagues from the public and private sector who are here to participate actively in this Forum.

Before attempting to give the substantive parting messages of this Forum, allow me first to brief you on the LINC-EG project of USAID, which has assisted the two working groups of the Philippine Development Forum (PDF), namely; the Growth and Investment Climate Working Group headed by the Department of Trade and Industry (DTI) Undersecretary Zenaida Maglaya; and the Working Group on Decentralization and Local Government headed by the DILG Undersecretary Austere Panadero commission the study done by the CRC and organize this Policy Forum.

USAID/Philippines awarded the DAI/Nathan Group (DNG) – a joint venture – the LINC-EG task order on October 1, 2008. The objective of this four-year project is to promote local and national economic competitiveness to improve prospects for more investment leading to sustained economic growth and poverty reduction. LINC-EG is primarily designed to assist businesses, local government units as well as regional and district offices of national government agencies particularly in Mindanao, in their respective efforts to increase investments, expand business activities, create more jobs and alleviate poverty.

*The Philippines resilience to global financial crisis*

It is clear from the presentation of Dr. Antonio and Mr. Bermudez that the Philippines is relatively more resilient to the impact of the global economic meltdown. While this may be the case, industry players and, more importantly, the government should not put their worries at rest, for they are still facing a more perennial problem than the one brought about by some conspicuous speculations.

Dr. Antonio found that among the vulnerable income drivers (i.e., exports, OFW remittances and BPO earnings), only exports (which include mining and agriculture) have exhibited dramatic drops. Surprisingly, export drop is not due to the slowdown in major markets; rather the slowdown in the country's exports started way before the onset of the global crisis suggesting that competitiveness is the major problem and not the lack of demand.

Dr. Antonio's analysis is just a part of a comprehensive study which also includes analysis of the impact of global financial crisis on priority sectors, namely: agriculture/agribusiness, mining, business process outsourcing, electronics, tourism and transport-logistics. Given such, I will seize the opportunity of conveying to the public notable recommendations arising from the analysis conducted on the said priority sectors.

#### *Key recommendations for the priority sectors*

Starting of the rapidly growing business processing outsourcing (BPO), it was proposed that an intervention to address the issue of sustainability of the supply of BPO professionals. This can be done through intensifying the attractiveness of BPO employment, possibly by holding training matching and job assistance through a partnership between the government, BPA/P and other industry associations. The industry should also maintain a BPO-friendly environment at the level of localities through BPO-LGU-NG dialogues/partnerships at the local level as well as partnerships between LGU, NG and academe. Analysis of the sector's viability also points to having more aggressive promotion of the Philippines as a BPO location, jointly by the BPA/P, CICT, and DTI. The inclusion of BPOs in BOI/PEZA incentives was also suggested.

Low productivity and limited diversification are the general thread in agriculture, thereby contributing significantly to the declining competitiveness of agricultural exports. Notable medium-term recommendations were suggested to address this competitiveness issue.

First, the Agriculture and Fisheries Modernization Act (AFMA) should be implemented by program elements and regional perspective. Second, the government should revisit the budget line by commodity to have some flexibility and to eliminate the bias against R&D and marketing. Third, sound resource allocation criteria should be put in place. Currently, about 70-80% of DA resources are allocated for rice; fewer resources are for production support and for poverty stricken sector like coconut and fisheries.

The Philippine tourism industry has greater potentials of surviving the crisis because of the dependency of most providers on the local market. However, the Philippines is regarded to be and will continue to be a small player even after the crisis in the absence of timely and relevant response actions to mitigate the negative impact and strategic response to address the areas that have persistently contributed to the low competitiveness of the sector. Surviving the crisis can be done through stimulating the international demand for Philippine tourism as well as enhancing domestic travel programs, and through significant reduction in the cost of doing business. On a wider competitiveness-centered scale, the following should be undertaken: (i) implement product development and service improvement programs; (ii) intensify investment mobilization; (iii) enhance international and local connectivity and reduce travel costs; (iv) improve the investment and business climate to support investment mobilization and job generation; and (v) develop globally competitive tourism workforce.

The global crisis has magnified the structural constraints in the Philippine mining sector, including the poor and limited monitoring of mining activities, among others. In order to make the Philippines an attractive area for mining exploration and commercialization, the following action programs are recommended: (1) enrollment in the Extractive Industry Transparency International (EITI) to promote transparency and best practices and standards in the industry; (ii) establishment of a formal linkage between national bodies, companies and affected local communities; (iii) enhancement of economic and non-economic impact of mine operation; (iv) timely recording and remittance of LGU share; and tapping of local financial markets to fund the mining projects.

Strategic not only in mitigating the negative impacts of the crisis to the national economy but also to improving competitiveness of the country in international and local trade is the formation of logistics hub such as the planned Subic-Clark-Batangas Corridor (SCB) development and the enhancement of regional connectivity particularly in Asian markets.

Specific recommendations to realize these objectives include the pursuance of NCC plan on the corridor, issuance of policy on chassis-RORO service (EO-170), crafting and passage into law of the Philippine merchant shipping bill, and the promotion of PPP infrastructure projects through BOT and joint venture.

### *Moving forward*

We are cognizant that an initiative such as this forum does not end with documentations and proceedings as the major output. Excellence ideas and well-thought action plans have been shared, thoroughly discussed and concurred. These ideas and recommendations will be compiled and arranged into a joint action plan to improve private sector competitiveness at the sub-national level. The action plan will be presented at the convention of the 2009 Philippine Development Forum scheduled for mid-2009.

Ultimately, the LINC-EG foresees that these action plans will be implemented. Several, if not all, of these will be translated into projects. We envision that this will materialize the soonest, and we will be more than willing to support them.

We may have been more resilient in the current global crisis to date. The question is for how long we will be resilient? Have we seen really passed the global financial crisis? Or was it just the tip of the iceberg as Dr. Le Borgne may have postulated? I am posting these questions not to temper our optimistic view of the future condition of the economy, rather for us to take this opportunity to act now and move forward to implementing the above key recommendations for the priority sectors.

I urge every one of us, and most importantly the organizers of this forum, to act now, work harder, and persist on pushing the underlying agenda of improving our national competitiveness.

Let us not waste the opportunity given to us by the global financial crisis and economic slowdown.

Thank you.