

Headline	PNoy must lead the way out of the Philippines' economic mess		
Date	27 Jul 2011	Language	English
MediaTitle	BizNewsAsia	Page No	10to12
Section	News	Article Size	1316 cm ²
Journalist	N/A	Color	Full Color
Frequency	Monthly	ADValue	131,163
Circ / Read	250,000 /	PRValue	393,489



PNoy must lead the way out of the Philippines' economic mess

By NICK LEGASPI

President Benigno S. Aquino III has a golden opportunity to lead the Philippine economy out of the mess it is in at present and fulfill his promise to solve the long-standing poverty problem.

This was stressed by no less than Sen. Manny B. Villar, who lost to Aquino during the 2010 presidential election. "We are in a mess and somebody would have to get us out of this. Somehow, the only person who could and should do this is the President," Villar said during a roundtable on structural reforms hosted by the University of Asia and the Pacific on July 1.

"I lost the election but I can follow—just tell us where, what is the way, where are we going," said Villar, who was the target of bitter mudslinging during the campaign that quickly eroded his chances after breaking even with Aquino in pre-election surveys.

With his high popularity and trust ratings and majority control of both houses of Congress, Aquino "simply has to sit down with the Senate President and the Speaker" and push for legislative measures to drive economic growth.

"It can be done," asserts Villar, the only person elected to the top positions in the House of Representatives and the Senate. "He can't dictate on Congress but Congress will follow his lead."

He cites the enactment of the law postponing the elections in the Autonomous Region in Muslim Mindanao (ARMM) as an example. That law was passed in a matter of weeks.

Focus on the economy

Villar, however, stresses the need for Aquino to act quickly. "After winning the elections the president has one year trying to understand what his work is and then start working," the senator explains. "One year before the next presidential elections, people will be busy with the campaign. In short, you have four years."

He also points out that members of the House of Representatives are elected every three years, which leaves congressmen two years to work because the third year will be used to prepare for the next elections.

Villar says the President cannot just focus on one issue, like corruption or the Public-Private Partnership (PPP) program because "there are multiple issues." The emphasis should be on the economy, according to Villar, the country's biggest homebuilder with over 250,000 units built by his Vista Land & Lifescapes.

"There has to be focus on wealth cre-

ation; otherwise we don't solve the unemployment problem because of the poverty problem—it's gonna get worse," he relates.

He adds: "You cannot solve corruption without economic development. You cannot address corruption completely without giving salary increases."

"As president, Aquino can start by setting an example, but there should be economic development to make it sustainable."

People have grown cynical, according to Villar, because they have not seen concrete results after hearing of campaign promises. "In this country, it's really hard not to be cynical—to each his own, everybody has his own view," he relates. "I see reports—everybody wants to do studies—but people want to see how many schools are built, how much investments come in. The cabinet must produce results, not reports."

"We may not agree with the president, but if he says this is the way, then we will follow," Villar says. "But there has to be a very clear strategy how we will get out of this mess. And then, get accomplishments—the country has to be managed in a resource-oriented style but the cabinet members must produce results, numbers not just reports."

"Hopefully we can inspire the people with actual results. If they don't see actual results, everybody will just continue thinking that this is just the same and everybody will go back to being skeptical."

Investors in a bind

"We're pushing economic diplomacy but we're fast losing our credibility," notes former Ambassador Della Albert. "When investors come they find themselves in a bind; they're trapped."

Economist Bernardo Villegas, senior vice president of the University of Asia & the Pacific, began the UAP roundtable by presenting a graph showing the continuous drop in the Philippines' global competitiveness. "We're the worst," he says, citing international surveys, like the annual Doing Business report of the World Bank, which ranked the Philippines No. 148 out of 183 economies.

The Philippines was fifth behind Singapore, Hong Kong, Japan and Malaysia in terms of real per capita GDP (gross domestic product) in 1950. In 1977, the Philippines dropped to seventh, behind Singapore, Hong Kong, Taiwan, Malaysia and Korea. In 1996, dropped further

to ninth place, as Singapore solidified its position with per capita GDP rising to \$20,983 in 1996 from \$2,038 in 1950.

In 2010, the Philippines received \$1.8 billion in foreign direct investments.

Far behind Vietnam's \$7 billion, Indonesia's \$13.38 billion, India's \$37.18 billion and China's \$105 billion.

Why the Philippines lags

Villegas explains why: the Philippines imposes more restrictions on foreign equity than 86 other countries. In addition, foreign

investors complain that it takes too long and it's too difficult to come to the Philippines.

The consensus among the roundtable participants is the need to liberalize the foreign ownership restrictions provided in the Constitution. "Investors are unhappy because they work and live in a country that is not growing as much as they think it should," laments Henry Schumacher, executive vice president of the European Chamber of Commerce of the Philippines.

"In a country with high unemployment and underemployment, the paramount national interest should be creating jobs," he points out. "So attracting foreign capital, professions and technology should be high priority."

However, Schumacher points out that the only change in the Foreign Investment Negative List (FINL) since the limited opening to foreign investors of the retail trade was the opening in 2010 of gambling casinos to majority foreign ownership.

The FINL is a shortlist of investment areas or activities where foreign equity is regulated.

The ECCP and other foreign chambers in the Philippines submitted to President Aquino in late 2010 their joint report titled "Arangkada," which lists recommendations on how to make the country attractive to investors.

The original sin: 1935 Constitution

Rep. Elpidio Barzaga Jr. of Dasmariñas, Cavite says the biggest complaint of foreign investors is the ban on owning land. He says some investors circumvent the restriction by using dummies but big foreign corporations do not want that route.

"Changing the economic provisions has been my position since 1986 and I remain open to charter change through a constituent assembly," Barzaga asserts.

He says the restrictions started with the 1935 Constitution, which was adopted when the Philippines was preparing

Headline	PNov must lead the way out of t he Philippines' economic mess		
Date	27 Jul 2011	Language	English
MediaTitle	BizNewsAsia	Page No	10to12
Section	News	Article Size	1316 cm²
Journalist	N/A	Color	Full Color
Frequency	Monthly	ADValue	131,163
Circ / Read	250,000 /	PRValue	393,489

for independence. The US government, however, passed the Tydings-McDuffie Law to exempt Americans from the foreign equity restrictions in the 1935 Constitution.

"For 78 years, the 1935 Constitution did not achieve its goal," Barzaga notes. "We have to remove the restrictions to grow."

He stresses that "we need a commitment from the President. Otherwise we will not move."

Gerry Sicat, economics minister during the Marcos regime, agrees with Barzaga. "Our development problem originated from the original sin, when we crafted the Constitution in 1935," he relates. "Like all original sins, it is very difficult to change."

He also agrees with Sen. Manny Villar that President Aquino must have the political will to undertake economic reforms.

Sicat says: "If he (Aquino) leads we will follow. The question is: does he want it?"

"When people talk about nationalism to exclude foreign investments, it is wrong," he avers. "That's the reason we were left behind."

He adds: "When you bring in foreign capital, it can complement the growth of domestic industries. Foreign capital, in time, will drive the growth of domestic capital."

Mindset problem

Demosthenes Donato, a commercial law practitioner, whose clients include foreign companies that want to put up businesses in the Philippines, says that his group was originally advocating charter change to allow more foreign investments.

"Three presidents tried (GMA tried four times) to amend the Constitution but all failed," he recalls. "The past 15 years were

a record of failure."

Donato says group looked for another approach, and found that at least four agencies were imposing restrictions on foreign capital that were not covered by 70% local equity limit under the Foreign Investment Negative List (FINL). He identifies the Maritime Industry Authority (Marina), Technical Education and Skills Development Authority (Tesda), Department of Environment and Natural Resources (DENR) and the Philippine Contractors Accreditation Board (PCAB).

"It seems the problem is in the mindset of regulators," Donato says.

For instance, the PCAB continues to impose equity restrictions on foreign

"We may not agree with the president, but if he says this is the way, then we will follow," Villar says. "But there has to be a very clear strategy how we will get out of this mess. And then, get accomplishments—the country has to be managed in a resource-oriented style but the cabinet members must produce results, numbers not just reports."

contractors although the Securities and Exchange Commission in 2000 issued an opinion saying the construction industry is not subject to foreign equity limits.

Donato also cites Executive Order No. 858, which was issued in February 2010 (the Eighth Regular Foreign Investment Negative List) imposes equity restrictions on 35 sectors.

"We can remove these restrictions with

another law," the lawyer suggests. "For regulatory reform, the President, via an EO can order the four agencies to stop imposing ownership restrictions."

DTI lacks research

Trade and Industry Undersecretary Cristino Panlilio says his target in foreign

direct investments for this year is \$3.5 billion, or about twice the \$1.8 billion posted in 2010.

"If amending laws and Constitution is urgent, I'm all for it," he says. "Restrictions will make it hard to achieve my target."

"I ask Attorney Donato to give me his findings and we will ask the President to issue an EO," Panlilio adds. We can also go to CJ (Chief Justice Renato) Corona, who has a positive mindset to move reforms in the Judiciary."

The official laments that he "lacks an efficient think tank" to do research on how to boost investments. "This is why I read (Gerry) Sicat's (newspaper) column," Panlilio admits.

According to Panlilio, four things are needed for the Philippines to grow, namely:

1. Maintain peace and order
2. Reduce corruption
3. Make it easy to do business in the Philippines

4. Reduce the cost of doing business
Domestic investments now account for 70% of total investments in the country, with foreign investments taking up 30%.

"There is an invisible hand moving to push growth," he relates. "FDI will enhance the invisible hand."

The UAP's Bernardo Villegas says his group has been asked by Sen. Miriam Defensor Santiago to draft a bill to liberalize foreign investments.

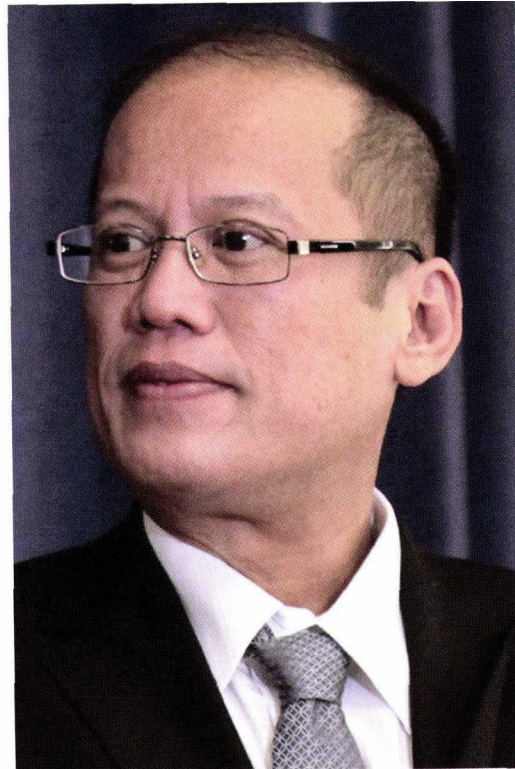
He calls on President Aquino to be very visible in saying the provisions of the Constitution that restrict investments must be removed. "He (Aquino) said that during the campaign," Villegas notes.

Headline **PNov must lead the way out of t he Philippines' economic mess**
 Date **27 Jul 2011**
 MediaTitle **BizNewsAsia**
 Section **News**
 Journalist **N/A**
 Frequency **Monthly**
 Circ / Read **250,000 /**

Language **English**
 Page No **10to12**
 Article Size **1316 cm²**
 Color **Full Color**
 ADValue **131,163**
 PRValue **393,489**



SENATOR Manny B. Villar

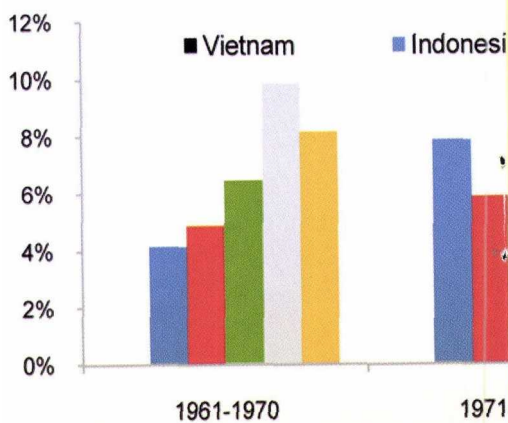


PRESIDENT Benigno S. Aquino III

“We are in a mess and somebody would have to get us out of this. Somehow, the only person who could and should do this is the President. I lost the election but I can follow—just tell us where, what is the way, where are we going.”

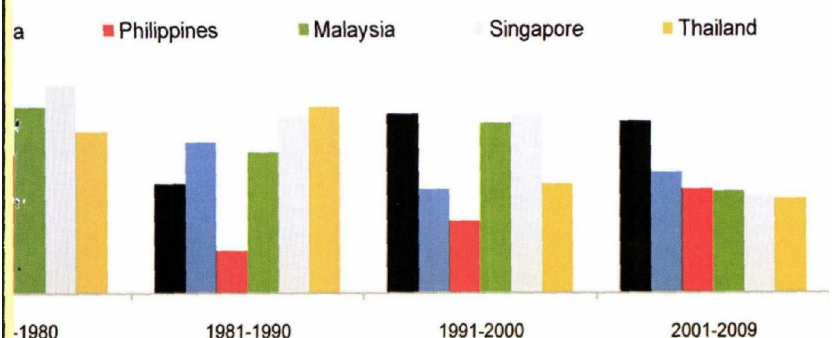
— Senator Manny Villar

Average real GDP growth rates, %



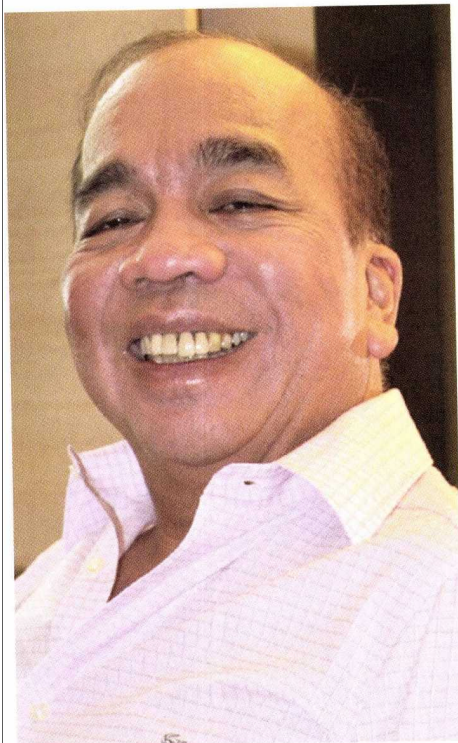
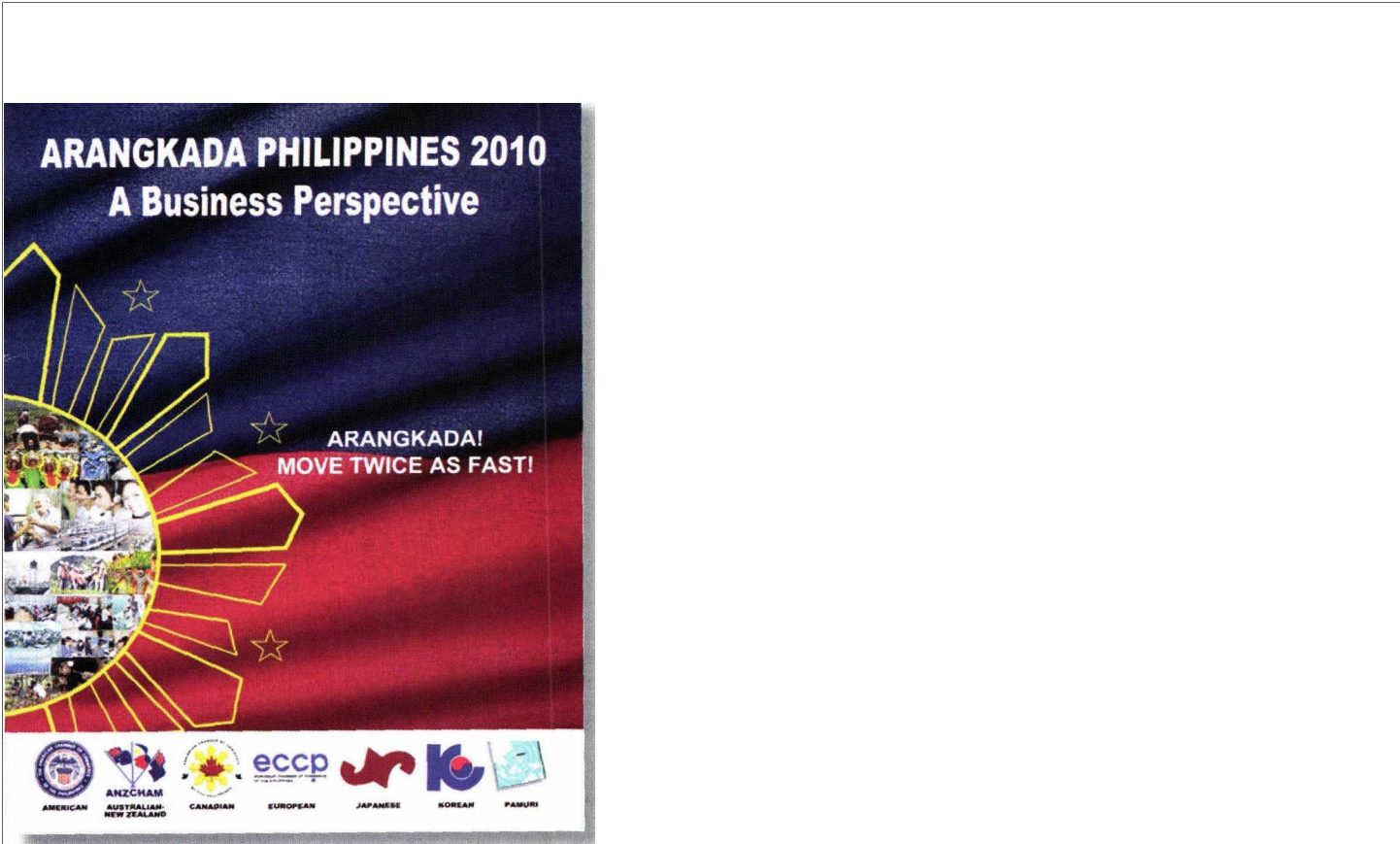
Sources: World Bank, IMF and ASEAN Sec

ASEAN-6, 1961-2009



retariat statistics offices; Note: No data for Vietnam before 1985

Headline	PNov must lead the way out of t he Philippines' economic mess	Language	English
Date	27 Jul 2011	Page No	10to12
MediaTitle	BizNewsAsia	Article Size	1316 cm²
Section	News	Color	Full Color
Journalist	N/A	ADValue	131,163
Frequency	Monthly	PRValue	393,489
Circ / Read	250,000 /		



DASMARIÑAS Cavite Rep. Elpidio Barzaga Jr.



DTI Undersecretary Cristino Panlilio



ECONOMIST Bernardo Villegas