

PHILIPPINES — A RISING ECONOMY HOSTS THE APEC

INTERVIEW BY HIS EXCELLENCY CARLOS D. SORRETA, AMBASSADOR OF THE REPUBLIC OF THE PHILIPPINES TO THE RUSSIAN FEDERATION

— **The Philippines has seen steady economic growth in recent years, what do you think are the country's main achievements?**

— Yes, the country is experiencing sustained economic growth and we expect this to continue. For the last five years from 2010 to 2014, the Philippines' GDP has grown at an average of 6.3 percent each year while the world average was just about 3 percent.

The Philippine economy never stopped growing since the 1997 Asian financial crisis. However, the recent years have been remarkable because the growth we experienced is the direct result of sound macroeconomic fundamentals which makes it sustainable and consistent. For instance, during the recent devaluation of the Chinese yuan the Philippines was one of the least affected countries. This is a testament to the excellent work of our financial authorities.

We have received successive upgrades from all the major credit rating agencies including S&P, Moody's and Fitch. At the moment, we are the world's 39th largest economy in real terms and 29th largest when adjusted for purchasing power. Because of the sustainability of our development and the favorable demographic circumstances we enjoy, many analysts predict that the Philippines will be one of the 20 largest economies by 2050.

— **What are the success factors?**

— There are many ingredients that contribute to our continued economic success. Aside from the competence of our economic and financial regulators, perhaps the most important factor is the success of the Aquino's administration in projecting a transparent and rules-based regime for business. This made foreign and local partners feel confident about doing business in the country. The President was able to demonstrate that the country is a safe destination for investments by leading a clean government and by stamping out corruption and other inefficiencies at various levels.

Another contributing factor, which has been going on for many years now, is the development of our services sector. Not too long ago, people perceived the Philippines as an “agricultural country”. Today, agriculture accounts for just over 10 percent of our economic output while services represent almost 60 percent. This makes us unique compared to most emerging markets that are transitioning from agricultural production to an export-based economy. The strong focus on services (as opposed to exports) makes our economy resilient to external pressures such as currency shocks and changes in global demand. It also matches our strength in terms of human capital. We are now the recognized world-leader in business process outsourcing (BPO) even



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Image: Ignat Solovey/RSPP Press Office

though we do not necessarily have the cheapest labor and overhead costs. This happened because of the immense talent of the Filipino workforce and the favorable policy environment created by the government.

The last factor I would like to share, although there are many others, is actually a corollary of our strong services sector: the fact that our strong growth is driven by domestic consumption. The focus on services has created millions of employment opportunities that increased the purchasing power of our population. This facilitates a positive cycle where strong consumption leads to larger revenues for companies who, in turn, are able to expand and hire more people.

— What are the challenges the country faces?

— Sustaining growth of this magnitude and pace certainly comes with various challenges. However, it is best to see these as opportunities which I believe the government and our people are ready for. In fact, much of it involves continuing policies and initiatives that are already in place.

Philippine corporations are doing very well right now and many are expanding globally. This needs to be complemented by growth from our micro, small and medium-sized enterprises. While an overwhelming majority of companies in the country are MSMEs, their share of revenues needs to increase so that they could contribute more to the economy. MSMEs have the greatest potential of affecting change in their communities.

There is also a need to constantly adapt to the changing nature of the world services market. While we take pride in having a leadership position in the BPO industry, we cannot be complacent and we should continue to adjust and supply high-quality human resources. We have begun education reforms that will help ensure that our workforce remains competitive in the world economy. We have also observed an upgrade in the quality of BPO work that we are doing in the Philippines from contact centers and simple back-end operations to software development, animation and business analytics.

It is also important that the benefits of economic expansion trickle down to ordinary people. Everyone must have access to the economy and have the opportunity to contribute. This is why the Philippine hosting of APEC 2015 revolves around the central theme of “inclusive growth”. At the domestic level, inclusive growth defines the growth strategy of the Philippines in terms of creating jobs, reducing poverty and integrating the entire population into the economic and social mainstream. At the regional level, it defines the trajectory of APEC economies in terms of broadening access to opportunities which will lead to further economic growth and better well-being. At the macro level, this means bridging the gap between developing and developed APEC economies for each one to enjoy the benefits of a truly free trade and investments regimes.

— What role do you think the regional integrations processes, such as APEC, play in the country’s development?

— Regional integration, especially those that are economic in nature, can be considered as one of the global “megatrends”. Everybody is doing it and for good reason. Economic integration has been proven to spur economic growth as it allows different countries to engage each other commercially within a system governed by mutually agreed-upon rules. It works by facilitating economic exchange while fostering trust and continuous dialogue.

The Philippines is a founding member of APEC as well as ASEAN and has benefited immensely from its active position in both groupings. While the main goal of regional economic integration is to facilitate free trade, services and investments, it also facilitates a better understanding of each other by the members. The conduct of business between parties from different countries has some of the greatest relationship multipliers – it has a people-to-people component, an economic dimension, and it strengthens the overall bilateral relationship as it reinforces political exchange.

— What are the priorities of the country in the APEC?

— For this hosting, the Philippines has come up with the following priorities which we have, in a sense, already touched upon in the previous questions. They reflect the Philippine economic experience and project these to the regional situation.

Investing in Human Capital involves developing a skilled and adaptable APEC community by developing skills needed by businesses in the 21st century, promoting science and technology education, and promoting knowledge-based economies.

Fostering MSMEs Participation in Regional and Global Markets entails advocating modernization and standards conformance among MSMEs, promoting inclusive growth through sustainable and resilient MSMEs, and removing barriers to MSMEs including market-entry.

Building Sustainable and Resilient Communities means that emphasis will be given to energy and food security in the face of the changing global environment.

Enhancing the Regional Economic Integration Agenda refers to advancing the Bogor Goals, promoting connectivity through trade in services, and creating stronger financial markets.

We are confident in taking a leadership position in these issues within the region because these reflect our own experiences and aspirations.

— What are the APEC Leaders' expectations of the ABAC and the broader APEC business community?

— The APEC Business Advisory Council plays an important role by ensuring the private sector's participation in APEC. It is a major source of experiential information and it allows the public sector of the various member economies to understand the needs of businesses and better cater to them.

This is one of the reasons why APEC is unique as an economic integration project — it has a very strong private sector component in ABAC that makes the discussions better-informed. It also accelerates the integration process by establishing lasting linkages between the business sectors of the member economies. All this translates to actual exchanges and makes APEC a true economic community.

I'm sure that the member economies look forward to ABAC's continued activity within APEC. ABAC has been and will continue to be an integral part of APEC.