

Keynote Speech of
His Excellency **JOSE L. CUISIA, JR.**
Philippine Ambassador to the United States of America

THE PHILIPPINES: DARK HORSE OF ASIA
Hosted by The Chicago Council on Global Affairs
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The Philippines Welcomes Partnership with The Chicago Council on Global Affairs

I am honored to work with the Chicago Council on Global Affairs in presenting the Philippine Story to Chicago, as this may be the first time in a long while that the Philippines is provided a platform at this prestigious Council.

I am especially privileged to be working today with Council President Marshall Bouton, who presided over the substantial growth and transformation of this esteemed body. The Council has expanded its reach and scope in tackling many global concerns. The 12 years under the Bouton era saw an unsettled world begging for clearer thinking and decisive action, and a Council that enabled many decision makers to approach the challenges in such a manner.

Conjure Up the Investment Seminar

The choice of the topic for today is most appropriate and timely. In addition to addressing the Council, I am in Chicago today to accompany an investment road show that saw some of the leading Philippine executives make the case for why the Philippines ought to be the destination of choice for global investors in the coming years. We began the road show in Los Angeles, and from here we will be proceeding to Boston, to talk about macroeconomic developments in the Philippines, with focus on finance and investments, infrastructure, construction and real estate, BPO, KPO and IT, Mining, and Human Resources.

I am pleased to note that some of those who attended the earlier investment seminar have lingered on to join us for this event.

Truly, the Philippine economy has taken center stage internationally. As noted in the announcement for this event, even renowned economist Nouriel Roubini – also known

as “Dr. Doom”—has identified the Philippines as among the “long-term growth stories”, ahead of China and India.

The Philippine Story

The emerging story from the Philippines finds root in an event that took place in 1986 when President Cory Aquino dismantled the infrastructure of dictatorship and painstakingly rebuilt the foundations of a democratic and participative government through the 1987 Constitution.

Since then, we have gone through boom bust cycles – strong periods of economic growth and optimism, followed by political and economic crises.

The story took an interesting but not too unfamiliar route in 2009 when the death of President Cory Aquino brought people back to the streets wanting to restate the legacy of the much loved President. A movie-like memorial service unfolded in the streets and the television sets. In an almost parallel trend, her reluctant son, Benigno “Noynoy” Aquino, was drafted to be the standard bearer for the Liberal Party and this is where it parts ways from a soap opera route and takes on a transformational change direction.

President Aquino assumed the office of the Presidency and built his economic program around a very simple premise : that good governance is good economics. Thus, he pursued a program of government built on the pillars of integrity, transparency, and accountability. Through the relentless pursuit of these principles, the government has leveled the playing field to ensure that, in the words of President Aquino, “neither power nor money can give anyone an undue advantage”. The culture of corruption is being rooted out, proper taxes being collected, and laws implemented consistently and objectively.

Tax revenue has always been a measure of a government’s efficiency, as well as how it is able to implement regulations equitably. Under our revenue agencies’ improved revenue collection programs, tax collections grew 14.5% in 2012, reaching P1.05 Trillion or 99.23% of target for the year. Collections by our customs office grew by 15.3% in December, driving full year growth to 9.3%. This is due to increased compliance and stringent tax administration efforts, despite having no new tax measures introduced.

By cracking down on tax evasion and raising taxes on liquor and tobacco, the government has also narrowed the budget deficit, from 3.5 percent of GDP in 2010 to 2.3 percent in 2012. In fiscal terms, the Philippines is doing exceptionally well. Gross international reserves eclipsed external debt at the beginning of 2011 – a first in our

history since independence – while foreign reserves rose by 20.5 per cent last year, to \$75 billion. Our debt-to-GDP ratio is among the lowest in Asia at around 50 per cent.

We also continue to invest heavily in our strongest assets, the Filipino people. The Pantawid Pamilyang Pilipino Program, or our Conditional Cash Transfer Program invests in the health and education of children, by providing immediate financial support to poor families who send their children to school and take them for regular check ups in our health centers. Benefitting 3.8 million of our poorest families, the government's budget for this program has increased fourfold, from 10 billion pesos in 2010, to this year's 44.3 billion pesos. We have also expanded the PhilHealth program to provide healthcare coverage for the poorest of our people for even diseases like breast cancer and childhood leukemia. Last year, we also launched the K to 12 program that will help bring Philippine education up to international standards.

The Report Card:

Good becomes Better, with the best yet to come

Nearly half-way through his non-renewable term, the President holds a report card better than what many expected.

Last year was a banner year, with the economy growing a full 6.6%, making us among the fastest growing economies in all of Asia. The growing confidence in the economy is also boosting the nation's currency, and the peso has appreciated 5 percent against the dollar during the past 12 months, the most in emerging markets.

Last year was also a historic year for our stock market. In 2012, the Philippine stock market registered one of the highest gains worldwide in 2012, ending with a full-year return of 32.95%. This earned the Philippines the 9th spot, out of a hundred countries, in terms of stock market performance.

The New York Times has labeled the Philippines as the economic bright spot in Asia; the IMF has singled out the Philippines for being the only country whose growth forecast it has upgraded. The World Bank upgraded its outlook on the Philippines' 2013 economic growth from 5 percent to 6.2 percent, and the Asian Development Bank likewise raised its earlier 2013 forecast of 4.8 percent (April 2012) to 5.5 percent 6 months later (October). A Standard Chartered survey earlier this year put the Philippines ahead of the pack among ASEAN nations in terms of economic growth and investor confidence.

These assessments are consistent with the series of sovereign credit rating upgrades received by the Philippines. We made news again when we secured our first investment grade rating.

There is no doubt that President Aquino's good governance program has translated into very good economic performance. Our strong economic performance is among the reasons cited for the President having earned a spot in Time Magazine's 100 most influential people in the world. The question ahead of us is, can this growth be sustained?

My answer is a resounding YES, not because it is my job to convince you of this, but because I have witnessed at first hand the investments being made by my government to institutionalize the mechanisms that has produced this momentum of growth. We have made the difficult decisions that will pay off in terms of long term inclusive growth and stability. These reforms include reforming the judiciary, streamlining the process of setting up business in the Philippines, and enhancing revenue streams through the passage of the Sin Tax Reform Act. The conclusion of the framework agreement on the Bangsamoro will foster peace and stability in the Philippines, and open up untapped opportunities in our resource rich southern Philippines.

President Aquino also signed into law Republic Act No. 10378, which removes the three percent common carriers tax for all international air and shipping carriers on receipts and income derived from transporting passengers. The law will also exempt these carriers from paying the Philippine billings tax derived from the carriage of passengers, cargo, or mail—as long as the same exemption is granted to the Philippines by the carrier's home country. While this will initially result in revenue loss, the long-term benefit to the larger economy far outweighs these costs, as it will encourage more foreign carriers to expand their operations in the Philippines, thus generating employment and bringing in more tourists.

We have also been working on constructing, rehabilitating, and enhancing the quality of our infrastructure. To do this, the infrastructure budget was increased by 18 percent, from 205.33 billion pesos in 2012, to 242.3 billion in 2013. This will fund the development of our road network, ports, and airports, among others.

We have also pursued a prudent and disciplined monetary and fiscal policymaking, which has created strong, sustainable well-grounded policy frameworks.

At the end of the day, we are committed to ensuring that this economic growth is not just sustained, but is inclusive, and will clearly result in uplifting the lives of our people.

The Waters Around have Temperature: A Reading

Indeed, the Philippines is emerging as a dark horse in terms of our economic performance. But the same can also be said in terms of our role in preserving regional peace and stability.

Internally, as I mentioned earlier, we have just completed a landmark agreement that will put an end to a four decade old insurgency that has claimed some 200,000 lives. Securing peace in that area not only opens up economic opportunities, but also removes fertile ground for terrorist activities. The counter terrorism activities we have undertaken with international partners like the US have led to major victories in this endeavor, and have allowed us to shift the focus of our defense from internal security, to the defense of our territory.

As Ambassador to the US, I am also very much involved in an endeavour that directly affects US business : that of ensuring the peace and stability of our region. Over the past two years, the whole world has seen the increase in belligerent activity in the waters in our part of the world, particularly in the areas in and around the West Philippine Sea. It has therefore become more imperative for us to build a minimum credible defense posture, to serve as deterrent to any aggressive action that may be taken against the Philippines. For example, it is essential that we work with other countries to guarantee freedom of navigation in the South China Sea, where an estimated US\$1.3 trillion in US trade flows through annually.¹

Thus, when another country declares that it owns about 75% of what the Philippines owns as exclusive economic zone, we are duty bound to stand up and protect it. When another country stations its boats on a shoal that is a mere 120 miles from our mainland and more than 400 miles from theirs, the Philippines cannot just keep quiet.

But we continue to choose the path of peace. Many of you must have heard that in January 22, we initiated arbitral procedures against China, citing our common obligations under the UN Convention on the Law of the Sea or the UNCLOS. At the same time, we join the rest of our ASEAN partners in advocating for a legally binding Code of Conduct for the South China Sea. We have made it clear that we are equally committed to both processes, as we view them as complimentary and mutually reinforcing undertakings. Efforts to move the Code of Conduct are expected to be at the

¹ Strengthening U.S.–Philippine Cooperation Key to Stability in the South China Sea, , Robert Warshaw The Foundry, Heritage Foundation, March30, 2012 at 2:00 pm

front and center of the current ASEAN Summit taking place in Brunei,² as this is of vital interest to the region and the world.

The US has recognized Asia's emergent place in the region and in the world, and for the past two years, has been heavily investing in what has been described as a rebalancing to the region. More than a policy decision, this is actually a strategic imperative, as the Asia Pacific region has become the nexus of the world's most dynamic of opportunities, and the most intransigent of challenges.

US leadership role in the region is not as a counterpoint to any other nation. In an increasingly interdependent world, there is no place for the cold war model. In its place, rapprochement has become the imperative for relations among nations.

The Philippines welcomes this rebalancing, and as a treaty ally, recognizes and accepts our important role in this rebalance. We are working closely with the United States, our country's only treaty ally, on mechanisms that will ensure that our security arrangements remain relevant and mutually beneficial. In the face of the current fiscal difficulties and the realities of the sequester, the US is rationalizing its forward posture. On our part, we are looking at opportunities for assistance in training, capacity building and humanitarian assistance and disaster relief. We have also agreed to work more closely together to enhance the economic dimension of the US rebalancing.

In the context of clearly convergent interests, economically and strategically, US Philippine bilateral relations are at a definitive high point.

Continuing the Partnership

We would want to leverage the strength of these bilateral relations, and see it echoed in our relations with different states, and institutions like the Chicago Council on Global Affairs. I am therefore heartened by your apparent interest in the Philippines, and reiterate that we are prepared to work with you to transform this interest into cooperative activities.

Considering the economic potentials that I have outlined earlier, a good place to start will be to consider investing in the Philippines. I hope the facts I have outlined earlier will help convince you of the value of participating in the economic miracle currently taking place in our country.

² 22nd ASEAN Summit, 24-25 April 2013, Bandar Seri Begawan, Brunei

I would also like to invite you to visit the Philippines. President Aquino has often pointed out that in two years, we have jumped twelve spots—from 94th to 82nd—in the World Economic Forum Travel and Tourism Index. In 2012, we welcomed almost 4.3 million international visitors to our country, the first time we breached the 4 million mark.

Before I end, I want to note that another manifestation of the enduring partnership between the Philippines and the US is the fact that both Chicago and Manila were designed by the same architect, Daniel Burnham. This is the same Daniel Burnham who famously said *Make no little plans; they have no magic to stir men's blood...Make big plans, aim high in hope and work.*

I hope I was able to convey to you this afternoon that the Philippines is no longer a dark horse: it is making a competitive run. Investors trying to avoid some of the risks in Asia are beginning to find out that the biggest risk is not being in the Philippines.

I challenge you to make big plans, aim high in hope, work with us in the Philippines.

Good afternoon to all of you, and Mabuhay!