

**IPS LECTURES SERIES**

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**Workable Policies  
For A New Philippines**

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Her Excellency Gloria Macapagal-Arroyo  
President of the Republic of the Philippines

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## **Curriculum Vitae**

### **Her Excellency Gloria Macapagal-Arroyo President of the Republic of the Philippines**

Her Excellency, President Gloria Macapagal-Arroyo, is the daughter of the ninth President of the Republic of the Philippines, the late President Diosdado Macapagal and the former Dr Evangelina Macaraeg, also deceased, both well known for their integrity and simple but dignified lifestyle.

President Macapagal-Arroyo upheld the high academic standards of her parents. She was high school valedictorian in Assumption Convent, Magna cum Laude in Assumption College, and a Dean's List Student in Georgetown University in Washington, DC. She obtained a Master's degree in Economics from Ateneo de Manila University and a Doctorate in Economics from the University of the Philippines (UP).

President Macapagal-Arroyo began her professional career as a teacher at Assumption College. She later became Assistant Professor at the Ateneo de Manila University and Senior Lecturer at the UP School of Economics.

President Macapagal-Arroyo entered government service as an Assistant Secretary of the Department of Trade and Industry during the Aquino Administration. She also became Executive Director of the Garments and Textile Export Board, steering the garments industry to become the top net dollar earner for the country, and rose to the rank of Undersecretary of Trade and Industry.

President Macapagal-Arroyo was elected Senator of the Republic in her first entry into politics in 1992, and in 1995 was re-elected with the biggest number of votes in Philippine electoral history. She surpassed another record when she won as Vice President in 1998 by the largest votes attained for any position in Philippine history.

When she was Vice President, President Macapagal-Arroyo was appointed concurrent Secretary of Social Welfare and Development, a post she held until her resignation from the Cabinet on 12 October 2000.

President Macapagal-Arroyo was sworn into office as the 14<sup>th</sup> President of the Republic by Supreme Court Chief Justice Hilario Davide on 20 January 2001, after a peaceful revolt of the Filipino people successfully compelling the resignation of her predecessor.

I thank The Institute of Policy Studies for inviting me to exchange views with some of the leading intellectual lights of Singapore, which is to say, therefore, some of the intellectual leaders of Southeast Asia. And one of the most important of them is, of course, Tommy Koh, the Institute's Director.

We know Tommy as a passionate advocate of understanding between regions and cultures, a diplomat's diplomat, and Singapore's man for all seasons. Tommy is still a young man; and Singapore is still a young nation. But already, I am sure that history will remember Tommy, or at least should remember Tommy, and this I'd like the Philippine delegation to know – that Tommy is the man who with great skill and wisdom, with realism and humor, led the Third United Nations Conference on the Law of the Sea to a successful conclusion.

The magnitude of this achievement can be measured against the difficulty and complexity of the task and against the great significance of its success for the future of mankind including the Philippines. The 1982 United Nations Convention on the Law of the Sea, or UNCLOS, the product of the conference over which Tommy presided, sets the norms and rules that govern the rights and obligations of states with respect to the world's oceans. By making those norms and rules clear, UNCLOS has reduced the occasion for inter-state clashes and thus brought the world a substantial step away from violent conflict. As an archipelago, the Philippines has a special interest in the efficacy of international rules governing the sea. Thus, we are seeking to adjust our national maritime regime in line with these rules, as well as with our own maritime interests. We expect others to respect them as well.

The necessity of strengthening the rule of international law is being made more and more urgent by the fact that, whether we like it or not, the world is getting closer together. We are all aware of the powerful economic and technological forces that are bringing this about. The world of the 21<sup>st</sup> century is truly a new economy, where relentless forces such as capital market flows and advances in

information technology create both peril and opportunity. The closer the nations and peoples of the world become, the more urgent the need for international rules to govern the relations and their conduct toward one another.

At the same time, in a world swept by global forces beyond the control of any nation – in an integrating world – countries cannot survive without a minimum of decency or hope and therefore they must attempt to go about their affairs not solely on their own but in keeping with the interests of one another. The recent history of mankind has many states that have met with disaster by seeking to isolate themselves from their neighbors and the rest of the planet.

In today's world, nations have to reach out to others, to join forces with others, especially with their neighbors. Our own region knows this well. Southeast Asia is, in many ways, coming together, primarily through the Association of Southeast Asian Nations, or ASEAN. The ASEAN economy is resolutely integrating, a trend buttressed by the logic of globalization. It is a move impelled by the momentum of global economic forces and by common resolve of the countries of Southeast Asia. ASEAN's governments know the imperative of regional cohesion and integration for the sake of economic survival and also for the sake of keeping conflict away. We know this. ASEAN's history validates it. Investors demand it. Nowadays only large, integrated markets – not small, fragmented ones – attract investments and stimulate economic activity.

And so, let me talk about the direction of Philippine policy. It is the context of a globalizing world and an integrating region that I'm sure gives you interest in the direction of policy under the new administration in the Philippines which, like Singapore, as mentioned earlier, is a founding member of ASEAN. We – Singapore, the Philippines, and all others in ASEAN – are in this world, in this future, together. I will say this at the outset: Philippine policy is not driven by mindless ideology or rigid orthodoxy.

Globalisation is now the orthodoxy. And with it comes the breaking

down of barriers and the increasing irrelevance of geographic location for business. Companies are centralizing manufacturing in large production facilities and shipping elsewhere. People are shopping on the internet with their goods coming from who knows where. CNN enters any home, anywhere.

But globalization must be balanced: balanced by safety nets, stronger regulatory capability, and more transparency. We must not just follow globalization without qualification or reservation. And that is why we say we are not purist in ideology and this caveat is in some way a lesson from the 1997 Asian crisis and the Seattle WTO conference which failed because people power moved against unbalanced globalization.

Being the orthodoxy of the new millennium, globalization need not be promoted as right or wrong or debated on as a matter of necessity vis-à-vis competing ideologies like protectionism. Now that it is widely accepted as inevitable, we can afford to look at it with a more critical or balanced eye.

Philippine policy does not derive its coherence from doctrine but from a concentrated focus on its subject – our people – and from the single-minded pursuit of its objective – the fight against poverty. Philippine policy is practical but coherent. Being so requires a certain balance. It is the only way in which policy can work.

Let me give a few examples, and, in so doing, illuminate the shape of Philippine policy.

We in the Philippines support a global regime of liberalized trade not because we believe in free trade as dogma but because we recognize that globalization is now here to stay. But it will be good for us only if liberalized trade is also fair; that is, a regime that genuinely takes into account the interests of all – the poor as well as the rich, poor as well as rich nations, the poor within each nation as well as the rich within each nation. The search for fairness is partly what makes negotiations in the World Trade Organization

so arduous. It is partly what makes the launch of a new round of multilateral trade negotiations so uncertain.

In the Philippines, we, together with our ASEAN partners, are resolutely against any attempts to chip away at our comparative advantage by the imposition of arbitrary labor and environment standards, protectionist anti-dumping measures, and trade-distorting agricultural export subsidies that poorer countries cannot match. And so we are in favor of liberalized but orderly trade. Provided it is fair and orderly, we are resigned to liberalized trade as inevitable.

We support the Southeast Asian economy in one integrating market. It is a market that is half the size of China's in population and about equal to China in gross domestic product. The Philippines sees in the market great potential for our exports and for attracting investments looking to that market.

Opening the Philippines to the global and regional economy exposes our country's firms and industries to the bracing winds of competition. We consider this a challenge. We respond to the challenge by providing firms and industries the policy environment and supporting them to become more competitive in our domestic market and in the region and in the world. To meet the challenge, we need an economic philosophy of transparency and free enterprise, for these are the catalysts that nurture the entrepreneurial spirit to be globally competitive.

We look at economic globalization and the integration of the ASEAN market, and eventually of the East Asian market, not only as an opening for the products of other countries to penetrate our domestic market but also an opportunity for our products to compete in theirs. But we need an environment of levelling the playing field. If integrating with the regional and global economy is to be good for us, then we must seek to level the playing field not just for foreign participants in our economy but also – and especially – for our own industries.

We do this again not by protective barriers but by positive conditions for enabling industries in our midst to be competitive and to compete. We have competition, therefore we need competitiveness. How do we seek to build this competitiveness? How do we make our industries competitive? How do we draw investments into our country? These are the things that guide our policy directions.

We have to make sure that our industries have the tools they need to operate and produce and market more efficiently and more cheaply. They need power, transportation, tele-communications, information technology. These tools happen to be also what people need in these times to lead less brutish, more comfortable, more enriching, more productive, and more rewarding lives. We have to increase the productivity of investments in agriculture, and to promote productivity-enhancing labor-management relations.

Some years ago, the Philippines overcame its notorious brown-out power problems by quickly privatizing the power industry and opening it to competition. We aim to keep that process going and seek to ensure that our country has adequate and stable energy supplies. The reform of our power sector that our Congress recently passed is a major step forward in this direction. And we shall begin to implement it soon. The natural gas that will soon be piped from the fields off Palawan should also help.

We intend to bring down the cost of domestic and international transportation and raise its efficiency through liberalization and competition through the strict enforcement of standards of safety and quality. And I'm very glad that today we are signing an agreement whereby the Philippine government and the Singapore government are expanding the seats in our airlines from about 6,500 to 8,700 to increase trade and tourism between our two nations. This is one way by which we are showing you that we will help push regional transportation arrangements in ASEAN for the end of exchanging business, exchanging people, visiting one another.

Similarly, we will keep opening the tele-communications sector to competition so as to raise the quality of service, increase the speed of connection and lower its cost. I need not tell a wired society like Singapore how inexpensive and efficient tele-communications are vital to the growth of a knowledge society. In order to have a chance in the increasingly fierce competition for markets and investments, we intend to focus, with single-minded purpose, on the development and use of information technology for business, industry, science, government and society.

Our aptitude and skills give us a competitive edge in ICT. Filipino workers are ranked number one in this field, number one among knowledge workers. And analysts point to two developing countries as the likely world centers for software development and data management in this decade: the two are India and the Philippines. We will live up to that forecast. Our people are good at ICT. We are determined to help them become better. This will also require reforms in our educational system including the substantial upgrading of basic education, into which we intend to pour a greater proportion of our resources. To prepare our youth to be the next generation of knowledge workers, we will upgrade math and science teaching in basic education.

To increase the productivity of investments in agriculture, I have asked the Philippines Congress to enact a law making farm land more acceptable as loan collateral. To enhance labor-management relations, we will go the extra mile to work for industrial peace, and to work with labor and business to retrain workers for the fast-changing technologies of the new economy. We have to look for niches in the value chain.

We realize that we can no longer compete with other countries, including some of our neighbors, especially China in the labor-intensive production of low-value goods. We are, therefore, identifying niches higher on the value chain where the talents of our people can give us a better chance at competing. We will promote fast-growing industries where high-value jobs are most

plentiful. We are encouraging our entrepreneurs to develop those niches and will give them all the necessary support. Clearly, for the Philippines, ICT is one such niche. Not only can ICT help our economy to be competitive in the world; it is in itself an industry in which we can compete with the rest of the world. We intend to concentrate and consolidate the government's role in the multi-dimensional task of developing ICT by creating a Department of Tele-Communications and Information Technology. ICT is an ideal industry for the Philippines and Singapore to co-operate profitably, bilaterally, and through e-ASEAN, which we enthusiastically support. We will embark on a forced march to develop ICT and other new industrial niches for ourselves, even if it will take a little time.

Meanwhile, we will seek to provide safety nets for the sectors affected by globalization and the most vulnerable sectors of society – children, the very poor, the jobless, the homeless, the landless, those with disabilities – who stand to suffer most from the adjustment and dislocations that increased competition and the development of new industries will entail. This program includes land for farmers to own and work, lower prices for medicines, better educational tools and higher pay for teachers, access to financing for home ownership, and practical measures to help medium, small, and micro enterprises.

But most important for the Philippines, it is out with corruption and crime. Government and corporate corruption raises the cost of doing business and distorts decision-making. Moreover, it saps the moral fiber of citizens. We intend to demolish corruption in our country, no matter who gets hurt, in the interest not only of economic efficiency but of fairness and justice. We will make the Bureau of Internal Revenue and the Bureau of Customs our showcases in this fight against graft and corruption. For example, we have overhauled the Bureau of Internal Revenue, with dramatic results. We have launched a drive to stop the harassment of legitimate businessmen doing legitimate business, particularly at the Bureau of Customs.

Around the whole bureaucracy, our e-procurement program will

cut down corruption in government purchases and save billions. I have instructed all government agencies, within twelve months, to cut in half the number of signatures required for their service. And I gave the reinforced Presidential Anti-graft Commission added teeth to investigate and prosecute *moto proprio* corruption in high places. To promote transparency among elective officials, we will help honest people get elected by financing the full computerization of elections. We have released two billion pesos of the needed 3.4 billion pesos needed for computerization. And I have asked Congress to add another 500 million pesos in the next year's budget. I have asked our local governments likewise to streamline their operations and slash red tape because we have to have continuity between national and local governments in their efforts to be investor-friendly.

Personal security is the most vital condition for doing business and carrying on one's life. We are, therefore, doing everything that is necessary to stamp out serious crimes in our country – kidnapping, drug-trafficking, and the general lawlessness that has been allowed to afflict our country in the past few years. As part of this effort, we are reorganizing the police force and have created the national anti-crime commission to tighten co-ordination between law enforcement agencies to fight syndicates and bandits and root out violent crime by lawful but potent means.

A similar culture of plain talk and common sense marks our relations with other countries. For example, we have a territorial dispute with our neighbor, China. Otherwise, we have no serious problems with that country. We endeavor to manage our dispute, through dialogue and consultation, within the context of our excellent relations. We have a military alliance with the United States. We favor strengthening that alliance, but we make it clear that the alliance is not directed against anybody. We have no enemies and do not seek any. We have a close relationship with Japan, from which both sides benefit immensely. We seek even closer relations with that northern neighbor. And ASEAN remains at the top of our priorities in our foreign relations. ASEAN's solidarity, integration and efficacy are important to us as a nation.

In ASEAN, we have a much larger market for our products and thus become more attractive for investments. In ASEAN, we can manage our relations with our neighbors in an atmosphere of goodwill and with a common stake in regional stability. Through ASEAN, we can take the regional action that is essential for dealing with regional problems affecting us as a nation, like atmospheric and marine pollution. Through ASEAN, our voice is magnified in the councils of the world.

In sum, in our relations with our neighbors, in our relations with the rest of the world, in the relations of our government with our citizens, our national policy has a single focus – the Filipino – and a single objective – freeing the Filipino from the bondage of poverty within the decade. Guided by the core values of good governance, new politics, and leadership by example, national policy has to be concerned with what works, in order to achieve the objective of winning the battle against poverty within the decade. That is what man's history and our national experience teaches us. To the extent that we reach our goal, we are strengthening our nation. And to that extent, we know that, in our corner of the world, we are contributing to the stability and progress of our region and to the survival of our planet.

