

KEYNOTE SPEECH

FORUM DAY 2

TUESDAY, JANUARY 10, 2012

By

Hon. Gregory L. Domingo
 Secretary
 Department of Trade and Industry
 The Philippines

H.E. Ambassador Extraordinary and Plenipotentiary Yasuaki Tanizaki,
 Embassy of Japan,
 My colleague from Malaysia – we see each other in the ASEAN meetings
 - Datuk Dr. Rebecca Fatima Sta. Maria,
 Mr. Takashi Kawamura, Chairman of the Board, Hitachi, Ltd.,
 Mr. Toshiaki Kuzuoka, Senior Vice President and Executive Officer,
 Hitachi, Ltd.,
 The 28 young leaders,
 Other Hitachi Executives,
 The Vietnamese Government,
 All other attendees,
 Ladies and gentlemen,

Good morning!



Let me first thank Hitachi for inviting me to join you today. It is indeed an honour to be addressing you, the participants of the Hitachi Young Leaders Initiative which have been there since 1996. You have given some of the best and brightest students in Asia a platform to exchange ideas on present regional and global issues while promoting cross-cultural understanding between and among our countries.

There is certain energy, spirit, idealism and hope, that can be only found among the youth. That is why throughout hundreds of years, young people have been seen as catalysts of change. It is no different today. You are still catalysts of change and you are still our hope for the future. That is why I present to you today what I hope is a challenge that you will embrace in your future.

Let me start by talking about two mega trends that have shaped the world as we know it today. The first is the rapid developments in information technology. Imagine a world without PCs, without mobile phones, without emails, without spread sheets or word processing software, where the only computer available was a mainframe costing several million dollars which was less capable than today's laptop, where writing a memo or a note meant physically handwriting it or punching it out on a typewriter, where sending a note meant going to the post office to mail it, where a minor change in assumption in your financial projections required a few days work using your calculator, where once you are out of the house you are incommunicado which is not a bad idea sometimes.

This was my world around 30 years ago. To young people, 30 years may be a long time, but for us - old people - 30 years are a very short time. That was about a decade before you were born. Or imagine a world without internet, without Yahoo, without Google, without Amazon, where researching for a term paper meant physically going to the library for reference materials. This was just 2 decades ago, about the time you were born.

How about a world without Facebook, Youtube, Twitter? This world existed less than 8 years ago yet they have already changed the world in profound ways including playing a crucial part in the turmoil in the Middle East referred to as the Arab Spring. Many of the things that are part of our daily life were just stuff of science fiction not so long ago.

Development is happening at an amazing speed. While the industrial revolution took close to two hundred years to materialize, the information revolution in many ways already has had a more profound impact on humanity in only 3 decades of development. There has never been in the entire history of mankind anything that has developed as fast and has changed the world as dramatically as information and communication technologies. And it is not over. We are still in the midst of the information revolution.

The information revolution has made our world smaller. It has changed our world. We now do many things faster, we now do research better, we now know more about what is going on in another part of the world. We now know more about each other. The access to information has made us more aware of inequities and it has made us want to do something more about it.

This brings me to the second mega trend. The second mega trend is that of global economic integration. The World Trade Organization (WTO) was not the first to espouse this. As early as about 350 years ago, the British poet John Dryden said in his poem *Annus Mirabilis* that trade, like blood, should circulate and flow freely. While the idea is not unique to our era, we are fortunate to live at a time when the necessary infrastructure and mindset are already in place to make free trade possible across borders and cultures.

Over the last 50 years, the line dividing local and world markets has been gradually fading. It used to be that domestic manufacturers would rely on trade barriers to discourage imports from coming in. This is becoming less and less so as import tariffs have been coming down. More often, domestic manufacturers find themselves competing with imported products. This has resulted in the realignment of goods produced in each country. Only the most efficient producers survive in this era of global economic integration. It is important to note that as our local markets open up to foreign products, markets all over the world are also opening their doors to our local businesses. The information revolution has been a significant contributor to this other mega trend. The widespread availability of information about competing products as well as the mainstream systems being used to support global trade has sped up the developments in the global economic integration.

I already mentioned that the WTO was created only 16 years ago in 1995. It deals with the rules of trade between nations, and is responsible for negotiating and implementing international trade agreements. While the milestones have been many, full integration has yet to be achieved due to the complexity of the barriers of trade. This paved the way for parallel initiatives in regional integration. So you are seeing a lot of these regional free trade agreements proliferating while the WTO is being worked out.

We now have the EU (European Union), which is composed of 27 member states towards seamless trading. Similarly we have APEC, the Asia Pacific Economic Cooperation which in its 19th leaders meeting in November last year committed to take concrete steps towards seamless regional economy. Of course there is the Association of Southeast Asian Nations, ASEAN, to which all the participants of the Hitachi Young Leaders Initiative belong. This was created 44 years ago and is looking at transforming its 10 member economies into a single economic entity to be called the ASEAN Economic Community or the AEC. I am sure Datuk Rebecca will touch also on this topic later.

Specific to the Philippines, we are now enjoying the low tariff regime of other ASEAN member states. This ensures continued and enhanced markets for Philippines' products while serving as price competitive sources for inputs that the Philippines needs. Philippines' exports to other ASEAN markets enjoy substantial margins of preference of as much as 50% relative to non-ASEAN exports. Philippines' manufacturing sector, on the other hand, benefits from duty-free importation of chemicals, plastics, paper, rubber, textiles, glass, aluminum, steel from other ASEAN neighbors.

I cannot over-emphasize the point that integration is a powerful force for good: it creates jobs, spurs growth and development. But there is a need to argue from the head and from the heart. The challenges here for us, for all our future leaders here is to ensure that global integration will be fair, workable, rational and inclusive. "Inclusive" is the word that is often used now, it just means that if there is economic development, everyone must benefit from that economic development, because what has happened in the past is that economic development has brought about greater disparities in income between the rich and the poor. So inclusive growth means you design the economic growth such that it will reduce the disparity between the rich and the poor, that the poor

benefit from the economic development. So a big purpose of global economic integration has to be inclusive growth. And we are fortunate that the world is getting smaller, and by making the world smaller, it makes us more aware of the needs and the inequities of the system.

One way to really focus on inclusive economic growth is through the promotion of small and medium enterprises. That is why in the ASEAN area, and in APEC, the Philippines has been pushing very much on the SME agenda. Because it is only by making policies that are focused on the development of SMEs (Small and Medium Enterprises) can we see inclusive growth. SMEs have been the backbone of many Asian countries because they account for over 96% of all enterprises. They are the largest source of domestic employment. There are many hindrances right now for SME development such as the lack of information among SMEs, as well as the lack of infrastructure to support SME trading among member countries in ASEAN. In the Philippines, we made specific programs to promote SME development including an information campaign that has been very widely spread nationwide, we call it Doing Business in a Free Trade Area, and we teach SMEs on how to benefit from free trade and that has been very well received. In addition, we have simplified the processes and paper work in availing tariff preferences as well as customs procedures and other technical and regulatory requirements. In fact, making the process simpler is much more important than having low tariffs from the SME perspective. I am encouraged by the fact that APEC is already addressing SME concerns and is targeting SMEs to enable them to participate in the global supply and production chains. Hopefully, there will be a time when SMEs become a major consideration in the crafting of new regulations and agreements not just in APEC but in all global integration initiatives.

To conclude, the world is definitely getting smaller because of these two mega trends: the information revolution and the global integration of economies. The challenge for young people like you is trying to keep your dreams of a better world alive. The information revolution has made you aware of the inequities that is happening with the rest of the world and has made you aware also of all the things that can be done to address these things. The global economic integration has made the power of economics available basically to all the countries. And with these two mega trends, opportunities are limitless for the next generation of young people. The biggest battle of all is the battle to eradicate poverty globally. Please remember that and please keep that purpose in mind as you move on to bigger challenges in the future.

Thank you very much.

The discussion with Hon. Gregory L. Domingo from the Philippines mostly focused on the recent effort of the Philippines's government to boost the investment flow to the country and maintain the inclusive economic growth.

There is a fact that the investment rate of the Philippines is still below 20% which is the lowest of the region. As indicated by the moderator, poor execution of the governance, lack of transparency, inconsistent business rules and high expenses for electricity should be considered as big challenges for the foreign investors if they want to start up a business in the Philippines. However, Hon. Gregory L. Domingo shared that the Philippines Government is now carrying out a comprehensive reform by establishing more flexible business laws and regulation systems in which the bureaucracy will be automated and digitalized. Hon. Gregory L. Domingo showed his expectation that those changes will not only simplify the business registration procedure but also help to reduce expenses the investors had to spend for electricity and other resource as operating their business in the Philippines. He also added that the registration of investment to the Philippines went up by 30% - 40%.

Regarding the question from the moderator on whether the public sector or private sectors should put more initiatives and actions to achieve AEC (ASEAN Economic Community) in 2015, Hon. Gregory L. Domingo observed that the challenges would be more on public side rather than private sector because private sector has already prepared themselves to face up with the challenges of new era.

Students also addressed their concerns about the challenges ASEAN countries have to cope with in order to realize the goal of Economically Integrated Community in the region. Answering the question about the commitments of member countries to reach the "open policy" across ASEAN, Hon. Gregory L. Domingo suggested ASEAN single window as an example of how ASEAN already set up standards to classify the tariff schedule. ASEAN single window system allow free movement of goods through the reduction of tariff and non-tariff barriers that will help to eliminate duplication of efforts, delayed approval of documents and high costs incurred by government and private sector organizations.

Meanwhile, some students wondered about the sustainability of the economic integration. They pointed out a lesson learnt from European Union where rich countries have stepped up and taken leadership on other poorer countries. As the consequence, those poorer countries currently get themselves in bad crisis. Regarding this concern, Hon. Gregory L. Domingo affirmed that ASEAN is more equal organization where voice will be equally shared among member countries. However, if we have some super power countries such as China, America, Russia become a part of our organization, the dynamic of the region will be changed.

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