

To Ms. Marife Zamora, Treasurer of the American Chamber of Commerce of the Philippines; To Mr. Jeffrey Woodruff, Executive Director; to the Board of Directors and member companies of the Chamber; to Consul General Mike Schimmel of the US Embassy; to my other friends from the US Embassy, distinguished guests, ladies and gentlemen: good afternoon.

It is an honor to be here, to appear before you once again, I used to be a member of AmCham, I don't know if you all know. Recalling that the last time I was invited to speak before the Chamber was nearly ten years ago when I was still posted as ambassador in Washington, D.C. Between now and the time I was last here, I was fired by President Gloria Macapagal Arroyo, and ten years later, I was re-hired by President Benigno Aquino III. And so here I am, happily revisiting you with high hopes for a better ending.

I was asked by Marife how I enjoyed being in the government. I asked her if I could please answer it in my own way. I said, that: 1) You should not think of joining the government unless you really love your country. 2) Be prepared to be poor. For if you are not poor, you must be doing something funny. 3) I said, you must definitely have a sense of humor and be sure to bring that with you.

### THREE PILLARS OF PHILIPPINE FOREIGN POLICY

Let me begin, if I may, by putting forth some very basic statements, such as briefly defining our foreign policy today.

That our foreign policy has three pillars, which are: first, promoting national security; second, enhancing economic diplomacy; and third, protecting the rights and welfare of Filipinos overseas.

### DEFINING ECONOMIC DIPLOMACY

This afternoon, I hope to endeavor to speak with you about the pillar which is most relevant to

AmCham, that being the pillar of enhancing economic diplomacy. Economic diplomacy means engaging other countries, organizations and non-State actors, and civil societies. It means enlisting their support and cooperation, on the basis of mutual gains and benefit, to achieve our nation's agenda for inclusive growth and development

As a national endeavor, economic diplomacy involves training and mobilizing people to serve as a country's advertising, marketing and sales corps for its goods and services. It also means seizing opportunities in the global economy; minimizing, if not eliminating threats to a nation's economic well-being and security; eradicating its weaknesses, and maximizing a country's strengths or comparative advantages.

It entails promoting the Philippines as a viable trading partner, as a profitable investment haven, and as a tourism destination. Economic diplomacy also involves securing Official Development Assistance (ODA); enhancing remittances, obtaining technology transfers which are affordable and appropriate for our needs; and protecting as well as advancing the country's economic interests in the WTO, the UN, APEC, the ASEAN, and other fora.

## MAIN THRUSTS OF PHILIPPINE ECONOMIC DIPLOMACY

In his inaugural speech, President Benigno S. Aquino III clearly laid down the chief priorities of his administration. He declared that "our foremost duty is to lift the nation from poverty through honest and effective governance." He also stressed that "our goal is to create jobs at home so that there will be no need to look for employment abroad."

The main thrusts, therefore, of Philippine economic diplomacy are to create jobs at home and to alleviate poverty, under the government of President Aquino, who, as president, is also the chief architect of Philippine foreign policy.

## KEY ELEMENTS OF THE ECONOMIC DIPLOMACY PLAN

There are four key elements in the Philippines' economic diplomacy plan.

The first is Position or Presence. We must identify and exploit our national advantages in the global economic marketplace vis-a-vis our competitors. This also requires sustained efforts to make the Philippines an international brand.

The second is Promotion of products and services. This campaign entails a coordinated approach between the public and the private sectors. Our foreign service posts, together with the private sector, must study the market, identify products and services which the Philippines could provide; and assist in the launching of road shows and business and sales missions,

The third is Partnership. This means partnering with all stakeholders and with the Global Filipino Diaspora, which is a massive network, but which remains untapped as an information and skills resource. Working with them facilitates our economic diplomacy work.

Fourth and last is Capacity-building. This involves developing and strengthening the capability of our relevant institutions and people to undertake economic diplomacy functions. It includes developing competencies and skills- training so that our economic diplomacy campaign could be sustained in the long haul, for it to make a real difference.

## INFRASTRUCTURE FOR THE CONDUCT OF ECONOMIC DIPLOMACY

The major infrastructure from which Philippine economic diplomacy has been launched is the Department of Foreign Affairs, its global footprint is its 67 embassies, 24 consulates, and four permanent missions.

The men and women who run our foreign service posts are the "forward deployed forces" for our economic diplomacy offensive. In countries or in areas within a country where we do not have resident missions or consulates, our honorary consular representatives fill this gap.

Regardless of which department they come from, such as, for instance, agriculture, trade, labor, military and others, all government personnel of an embassy or consulate must work as a

unified and integrated team under the leadership of the Ambassador or Consul General under the "one country team" approach.

To upgrade the skills of our foreign service officers and personnel, the DFA has recently partnered with the Asian Institute of Management in the conduct of a capacity-building session on Strategic Management and Leadership with a specific component on Economic Diplomacy. This March, for example, our ambassadors and consuls general in the United States, the Asia-Pacific, the Middle East and Africa will come home as the first batch of participants in this program. Our Heads of Posts from Europe and the rest of the Americas will comprise the next batch. A separate course work was participated in by 29 new Chief of Missions before being deployed. We also incorporated economic diplomacy in the Career Ministers' exams; all of these programs with AIM constitute a first for the DFA.

## USE OF "SOFT POWER" AND "HARD POWER" FOR ECONOMIC DIPLOMACY

In terms of strategy for economic diplomacy, the DFA employs the so-called "soft power" of our cultural performers, artists and representatives from our creative industries to enhance our national image in a way that supports the "hard power" of export, investment and tourism promotion. By showcasing the best of what our culture and heritage offer through art exhibits, fashion shows, dance festivals, and other related activities, the target markets become more receptive to our sales and marketing campaigns.

So that we could effectively fuse cultural as well as economic diplomacy in promoting our country brand, we activated a Cultural Diplomacy unit at the DFA last October, which works in tandem with our Economic Diplomacy unit.

## HEADWAYS IN ECONOMIC DIPLOMACY

Steadily, our Country Team's efforts at economic diplomacy, across continents, have made several headways. Please consider the following:

In 2011, we successfully ratified 17 agreements and treaties related to economic security with

such countries as the Netherlands, Qatar, Bahrain, Turkey, Syria, Republic of Korea, China and other ASEAN neighbors.

We obtained significant funding from the Asia Pacific Economic Cooperation (APEC) for the implementation of 14 projects from 2011 to 2012 on diverse concerns such as labor market-talent mismatch, investor-state dispute settlement, tourism and air transport connectivity, and expansion capabilities of micro, small and medium enterprises (MSMEs), among others.

Within APEC, the Philippines is also now part of the pilot project to enhance the Ease of Doing Business (EODB) in APEC member-economies. This year, we expect to host a team of experts from the United States, New Zealand and Australia to help identify choke points in the business environment.

The DFA is also currently working closely with the National Competitiveness Council (NCC) on the Ease of Doing Business project, as well as on ways to provide coherence to government regulations related to doing business.

To modernize our infrastructure without further straining our resources, we are enjoining our foreign counterparts and friends to participate in our Public-Private Partnership (PPP) program, assuring them of fair and predictable rules and a decent return on their investments. For instance, the DFA assisted other government agencies in PPP road shows in Beijing, Shanghai, and Xiamen in China and in the United States in 2011.

We marked a major milestone in economic diplomacy during President Aquino's visit to China when we successfully concluded an agreement with our Chinese counterparts to target US \$ 60 billion bilateral trade and 3 million bilateral tourist arrivals by 2016.

With Japan, our trade relations increased through our having forged a bilateral economic partnership agreement. Japan is now our leading trade partner with a total trade of manufactured goods amounting to nearly US \$15 billion in 2010. The pocket open skies policy of the Aquino administration also encouraged All Nippon Airways (ANA) to start daily flights to Manila from Narita. Cebu Pacific is expected to fly from Manila to Tokyo in 2012 with other low cost carriers bound to follow suit. This development would bolster Japan's position as the third

largest source of tourist arrivals for the Philippines, perhaps even to the point of dislodging Korea and the United States from the top two positions.

In the Middle East, Kuwait is keen on expanding investment relations with the Philippines. The KGL Group of Kuwait has committed US\$ 2 billion for the Global Gateway Logistics City, a 177-hectare aviation-oriented logistics and business center of excellence at the Clark Freeport Zone. This same group has already initiated discussions on establishing a US\$ 500 million Infrastructure Fund. Relevant agencies of the government are studying how best to move forward on this proposal.

Qatar, meanwhile, is looking to establish a US\$ 1 billion joint investment fund. It is in the process of wrapping up discussions with the DTI on the best way of setting up and activating the fund.

In ASEAN, we highlighted the need for greater cooperation in the area of food security. In fact, last year, we signed, along with our fellow ASEAN members and with China, Japan, and the Republic of Korea, the Agreement on the Establishment of the ASEAN Plus Three Emergency Rice Reserve (APTERR). This is a mechanism that ensures food sufficiency in case of emergencies, such as natural and man-made calamities.

As the lead Country Coordinator with Indonesia, we also successfully drafted the Terms of Reference of the Feasibility Study related to ASEAN Connectivity. In time, we will be able to bridge the physical divide between ourselves and the rest of ASEAN. This would consequently reduce the costs of transporting goods and the movement of peoples within ASEAN.

As the Philippines' second largest trading partner next to Japan, the US is a major focal point of our economic diplomacy engagements. In 2010, our total trade with the US amounted to US\$13.5 billion. From January-October 2011, the total bilateral trade was US\$11.60 billion, with a trade surplus of about \$520 million in our favor.

While these are huge numbers by Philippine standards, we noticed that two-way trade slowed down by an average of 8% over the last five years as a result of the overall economic situation. We hope that through vigorous efforts on the part of our foreign service posts and our partners in the American business community, we could arrest this downward trend by capitalizing on the

Philippines's competitive advantage in voice and non-voice BPO, ICT-based services, IT and multimedia products, medical tourism, and a host of other products and services.

The US-Generalized System of Preferences (GSP) program has become a key facet of our bilateral relations and has assisted Philippine companies in competing with other developing-country suppliers to the United States. About 75-80 percent of the Philippines' total exports enter the US duty-free under the GSP. In 2010, we exported \$912 million worth of GSP-eligible products, which is about 11% of our total exports to the US.

The Philippines is currently also stepping up its efforts so that the US Congress will enact into law the Save Our Industries Act or SAVE Act. The passage of this bill will revive our garments industry and open new markets in Asia for US textile exports. If the SAVE Act becomes law, it would be a high-water mark for our economic diplomacy since it would be our first major trade agreement with the US in over 40 years.

For the period January-September 2011, the US was the Philippines' second major investor after Japan, with committed investments recorded at \$394 million or about 19.5% of the total FDI applications. This is a 185-percent increase over the same period in 2010.

The Philippines-US Trade and investment Framework Agreement or the TIFA that was signed in 1989 serves to strengthen our economic cooperation and enhances opportunities for trade and investment. The signing of the Protocol to TIFA last November on trade and customs facilitation is another step forward in our cooperation.

Progress in the TIFA agenda demonstrates our ability to undertake higher Free Trade Agreement commitments. The TIFA is likewise a pathway for the Philippines' eventual membership to the Trans-Pacific Partnership (TPP) which is gaining momentum as the most ideal vehicle for economic integration in the Asia-Pacific region.

Our economic diplomacy efforts in the US are directed both at the federal and State levels. The Philippines will be featured as the honored country in the "Memphis in May" International Festival. The event is intended to highlight Philippine cultural performers and Philippine resource persons who will speak before select business organizations in the Greater Memphis region. The DTI is also organizing a trade and investment mission for the "Memphis in May"

event.

These are only some of the activities that the Philippine government have achieved, have undertaken and are pursuing in the arena of economic diplomacy and our efforts will be unrelenting.

Later this week, at the United Nations in Geneva, Secretary of Finance Cesar Purisima and NEDA Director General Cayetano Paderanga, Jr., will present the Philippines' Public-Private Partnership (PPP) program. Our Finance Secretary will also undertake a No-Deal Roadshow in Europe to raise interest in the Philippines.

## OUTLOOK FOR PHILIPPINE ECONOMIC DIPLOMACY

The Philippine Foreign Service, together with other departments of our government shall sustain these initiatives and embark on new ones. It is fully our intention to reach beyond our grasp.

Our domestic situation has never been more favorable as it is now. Today, the Philippines is characterized by good governance, solid macroeconomic fundamentals, a strong fiscal position and clarity about its competitive strength. All these augur well for our economic diplomacy.

By deploying a robust economic diplomacy strategy through our various foreign service posts, we have every confidence that our diplomatic engagements, executed in coordination with the Departments of Trade and Industry, Tourism and Agriculture, among others, would ultimately result in quantifiable economic benefits for our country in terms of higher trade volumes, more foreign investors, increased Official Development Assistance, and a swelling number of international visitors.

Since economic diplomacy outputs require significant gestation periods, we are therefore requiring input reporting procedures from our posts, fully convinced that if the correct inputs are there, the results will necessarily follow. To that end, we have set specific standards for inputs. And, as a first in the DFA, we will be recalling non-performers to give others an opportunity to rise up to the challenge. At the same time, we are focusing on meritocracy as the primary

standard for career advancement. Seniority, which has been predominantly the standard, is now taken into account only if all things are deemed equal.

Moreover to improve sagging morale we have adhered to our advocacy of deferring to the professionalism of our career corps by minimizing the appointment of political ambassadors. Since becoming head of the DFA, of the total of 29 recommended to the president to ambassadorial positions, all were approved by the president and all 29 were career. Thus far, since we assumed office, there had been no political appointees.

With greater resolve, we shall continue treading the road of economic diplomacy to realize inclusive economic growth and progress in our country. Your active support and partnership will bring us closer, at an accelerated pace, towards this destination. Thank you. END