

# **First Privilege Speech at the Philippine Congress - Economy: “Why does the government continue to deny the worst?”**

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I rise on a matter of personal and collective privilege. I would like to devote a few minutes to register my concern about the grave conditions of this economic crisis, and the disturbing lack of serious concern the administration is paying to it.

I would like to thank the speaker of the house for administering the oath to be part of this august body. I'm very pleased to be joining the minority whose positions I subscribe to. I would also like to register my respect for the majority that I am sure I will engage in debate the next 12 months.

According to the Department of Labor, October 2008 to March 2009 saw a total of 62,380 workers losing their jobs. 18.5% of that are permanently unemployed, 19.2% are retrenched Overseas Filipino Workers, 62.2% are temporarily unemployed. Electronics, the country's main export, is worst hit, cutting almost half of its workforce. Automotive, garments, mining, property, services, and wood-working each dismissed 10% of their employees. Our manufacturing sector is in danger of being wiped out according to the International Labor Organization and the United Nations.

The International Monetary Fund released its World Economic Outlook and projected a 1.3% global economic contraction. It also revised its growth projections for the Philippines- from 2.25% we are now expected to have zero growth.

As a reflection of contracting economies, exports fell 39.1% from February 2008 to 2009, slightly below the January year-on-year decline of 40.6%. It is expected to drop 13-15% in 2009, while imports are expected to drop by 12-14%.

Meanwhile, government officials continue to praise the Philippines' capacity to weather the unravelling of the economy. Labor Undersecretary Rosalinda Baldoz announced that before the first semester ends, we could say that the worst is over. Workers' displacements are expected to continue, but at a slower pace. Government officials also give rosy projections on inflows of remittances, saying that this will decline only slightly, or even rise. They also say that Filipino workers losing their jobs at home will be employed abroad. Let me just say that the notion that retrenched workers in the Philippines will be absorbed by employers overseas at a time of rapid global economic contraction is simply absurd.

It needs to be underlined that actual results of this crisis have been far worse than projections in the last 2 months. We, thus, cannot take the IMF projections lightly, in fact, we should be preparing for

worse. We cannot say that the outside world will minimally affect us since exports compose more than 30% of GDP. With the loss of jobs overseas and with remittances making up 11% of our GDP, the decline in remittances will drastically limit consumption and expenditures, and heavily affect our foreign reserves. To say we will escape the worst effects of the crisis is like defying the law of gravity. We would be lucky to get away with zero growth, chances are negative growth

The minimum attention that government has given to address the crisis is to realign budget to certain "job creating" projects and departments, without a radical increase to social support services that will be necessary to protect the people from the effects we are beginning to feel.

The most puzzling question that begs to be answered is: Why does the government continue to deny the worst? The Philippines is one of the few countries that is not currently on emergency economic footing.

With resources being poured into the Charter Change agenda, it's reasonable to think that the Charter Change agenda is taking precedence over dealing with the economic collapse. If this is true, then this is a case of dereliction of public responsibility and economic stewardship and management on part of executive.

The response to the crisis is House resolution no. 737, proposing amendments to the constitution to allow the exploitation by foreign corporations and associations of lands in the public domain.

With all due respect, Mr. Speaker, this is ill-informed and dangerous for 3 reasons.

The first reason is this global economic crisis has caused foreign investment to go back to the north, and this capital flight is intended to shore up mother corporations and banks and buy up Wall Street's distressed assets. Removing national patrimony provisions from the constitution will not attract investment from its mad scramble to save its mother companies from bankruptcy and failure;

Secondly, the problem in the Philippines has never been lack of capital for investment locally. The very low rate of investment by domestic investors is not due to lack of capital, but to insufficient conditions for investment in the Philippines. Asymmetric, unequal income distribution, corruption, and the lack of development has strangled the domestic market and made it unattractive to investors. The way to reinvigorate the domestic market is not by liberalizing foreign investment laws but by redistributing income.

Thirdly, it's not true that entry of foreign capital is driven by liberalizing laws; most successful economies are those that have tight investment rules. In 1992-1996, foreign direct investment magnets were China, Singapore, Malaysia, and Indonesia. A review of their system shows they maintain stringent rules and regulations on foreign investment. Foreign companies are not allowed to own land in China. 100% foreign ownership is prohibited or restricted in many areas, particularly if this is not in line with the State Plan. China routinely bans foreign investment in areas where there is no specific need for the country, where domestic industries need protection, and where it perceives overcapacity may ensue. In Singapore, foreign ownership is limited to 40% for domestic banks, while no new licenses for foreign retail banking were issued in the last 2 decades. Even participation in the stock market was restricted to firms with 51% and above local ownership. The Hong Kong government is also a large and influential actor in the economy, keeping public services in the hands of the public sector. Korea, even after liberalizing its foreign investment regime, continues to maintain significant restrictions on foreign participation in the financial sector. In all these cases, FDI did not find these countries unattractive to doing business.

It should be noted that at present, the Philippines currently has one of the most liberalized foreign

investment regimes, certainly more liberal than those of most of our neighbors. With no data or case study supporting the case for attracting FDI to deal with the economic crisis, this proposal to liberalize makes no economic sense in any conceivable way.

So what is the purpose of this bill that was filed to allow congress by regular legislation to eliminate or water down the national patrimony provisions of the constitution?

Is its purpose to promote unrealistic solutions to the economic crisis or is it a test case to enable other constitutional changes to be made by ordinary legislation instead of a constitutional convention?

We in Akbayan think that this is simply a stalking horse, a mechanism in which the supporters of the president would want to institute a new procedure that will be more beneficial and so much easier for them to change the constitution instead of having a full- fledged convention.

It is extremely upsetting that as we confront an economic crisis, our administration is playing politics as usual of trying to find a way to perpetuate the president in power. We in Akbayan would urge that we go on full economic emergency footing in the coming years, prepare for an economic downturn that will turn into a depression instead of playing politics as usual, drop all efforts at this point, direct or indirect, to change the constitution.

We in Akbayan are prepared to work with all parties to frame an emergency economic program that would protect all of our citizens but particularly the most marginalized and open the way to a developed, progressive, and sustainable economy.