PGMA's Speech during the Closing Ceremony of the 34th Philippine Business Conference and Exposition and Opening of the 22nd Conference of the Confederation of Asia Pacific Chambers of Commerce and Industry

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Thank you.

Thank you Mike for your introduction. And I’d like to thank you and your fellow hosts -- Don Emilio Yap and Jimmy -- Laya for being such gracious hosts to this event.

Secretary Favila and the other officials of the Philippine government who are here today; Freddie Yao, chairman of the conference; President Lacson; the other officials of PCCI; Francis Chua, who was last year’s chairman who led the awardees, and the other very well-deserving awardees, star-studded awardees that we have today; officers and members of the Chamber; movers and shakers of Philippine Business and Industry; ladies and gentlemen.

Every week brings a new chapter in the financial drama that is gripping the world. Three weeks ago, the U.S. government approved an unprecedented bailout that many thought would calm the waters. Last week, those waters were roiling across the globe as Asian and European markets and governments scrambled to respond in kind. Then markets around the world swung back again in a positive direction again.

Who knows where they will be for the rest of this week and next week. One thing is sure: we must not lose sight of the impact on the ordinary Filipino who bears the brunt of these market fluctuations. The global economic crisis as you businessmen and women all know is responsible for driving up the prices of food, fuel and rice in the Philippines and around the world. During these times, it is the role of government to help insulate the citizens from price shocks and economic pressures.

Therefore, today, let me present a proposed contingency plan to cushion the impact on the average Filipino of a possible recession of the U.S. economy. We hope that recession will not happen. But if the worst comes to pass, what happens?

First, the Philippine economy has certain shock absorbers. We have a solid banking system. A global slowdown will result in lower oil prices. The projected expatriate inflows was 10 percent growth; actual growth so far is 18 percent. Even if the U.S. economy sank, expatriates there are in sectors less sensitive to recession, i.e. teachers, nurses, IT-related workers, caregivers.

The Arab engine is up due to the past five years of costly oil. This has led to construction booms in the Middle East and a surge in remittances. In addition, the fact that the Philippines has a Mindanao close to the hearts of the Middle East, opens up opportunities not only for Mindanao but for the entire country.

The slowdown in merchandise exports is countered by strong growth in service exports, especially the BPO sector, and it’s so fitting and timely that we’ve given an award to Andrew Tan, the first landlord of all these BPOs.

The corporate income tax falls from 35 percent to 30 percent in 2009, providing relief to your firms.

The programmed NG deficit for the year is 75 billion pesos, one-half of one percent of GDP, right Peter? So far, as of the end of September 2008, it is P53.4 billion which we can extrapolate to P71.2 by the end of the year, and privatizing Petron will provide additional headroom of P25.7 billion.

Our Dubai oil assumption was a 115-125 dollars per barrel. The average so far is only 107 dollars. Inflation is at the lower end of the forecast band.

Nonetheless, in order to pump-prime growth, we present some of our key strategies.

The government shall continue its support for agriculture via the FIELDS program. Our farmers will be getting the investments they need. Last year, NFA procured from our farmers less than 100,000 metric tons. Starting this season, NFA will procure one million metric tons from our farmers (applause). So, that is compared to less than 100,000 last year.

We will give renewed emphasis to housing.

We will market Philippine BPO as the cost-cutting solution for U.S. firms.

In the meanwhile, you also have a role to do -- we encourage our exporting firms to diversify, innovate and technologically upgrade.

We will provide more lending support for the SMEs.

We will expand our trade, investment and tourism with our giant neighbor, China.

We will attract more investments from the Arab nations awash with oil revenues.

And to pump-prime more next year, to do all these things, we will improve our revenue capacity.

On infrastructure, we will improve the absorptive capacity of government agencies. So, we direct the infra agencies to prepare their engineering plans now for the projects in the proposed 2009 budget which we hope will be passed in time. We will promote greater participation by GFIs, GOCCs, LGUs and the private sector -- you the private sector -- in our infrastructure projects.

That is why to upgrade the country's infrastructure, we have now the Comprehensive Integrated Investment Program (CIIP) which is an expanded infrastructure portion of the Medium-Term Public Investment Program. As differentiated from the MTPIP, the CIIP contains projects funded by both public and private sector sources, such as ODA loans, GAA, NG-LGU cost-sharing, Private-Public Partnership and Joint Venture, corporate funds, and proceeds accruing from those mandated by law while excluding purely LGU funds.

Under the 2008-2010 CIIP, the transport sector has the highest investment share at 38 percent or 755 billion pesos out of the two trillion pesos total investment requirement that we would want to put up in case of a recession
in the U.S. economy.

And Roads and Bridge projects are being pursued in support of the Government's thrust of linking the entire country through an effective transport network that would open up new economic opportunities, reduce logistics costs, and increase access to social services. Roads are being linked, as you know, with the Roll-on Roll-off or RORO projects.

But given the huge investment associated with transport projects, 755 billion pesos, the government will increasingly tap the private sector in the development of priority projects under the BOT law. Projects like the Tarlac-Pangasinan-La Union Toll Expressway, C-6, Manila-Cavite Coastal Road, the North Metro Manila Skyway, Southern Luzon Expressway (SLEX), Southern

Luzon Arterial Road (STAR) -- these are underlined in the slide – among others are proposed for private sector financing.

But if the U.S. recession happens, we would need more private financing and BOT so that we can realign some of our infrastructure money to strengthen programs that promote human capital formation. The Pantawid Pamilya Program of conditional cash transfers, measures to optimize market opportunities from JPEPA, scholarships, palay procurement and Philhealth. That is why I welcome the proposal that was given to me on the platform today by Donald, while Ed was making his speech, that perhaps we shall have a 100 billion-peso fund, private-public, 50 billion from the GFIs and 50 billion from the private banks and financial institutions.

We have Peter Favila here, head of NDC. Rey David of DBP has already said yes to Donald. Donald is a member of the Board of SSS and we hope the private banking sector will join in this. And that way, we can put our money in human capital formation which will provide direct income and services to the poor during the coming period.

We will strengthen financial sector supervision. We have asked Congressman Joseph Violago to file a bill to increase deposit insurance from 250,000 pesos to one million pesos (applause).

We now look at how we can safeguard our workers amidst the global storm. As a starting point, the DOLE Philippine Overseas Labor Office reports that so far:
There has been no displacement of expatriates related to the financial crisis; The employment of the two million expats in the Middle East remains secure; The employment of 500,000 expats in Europe is also secure and stable so far.

And aside from the booming Middle East market, overseas employment opportunities are emerging in other expatriate markets: Canada, 30,000 in the next 2 years; Australia, another 30,000; New Zealand, 10,000 in the next 2 years; and Guam, 20,000 starting 2010 when the base in Okinawa begins to move to Guam.

Nonetheless, what is our contingency agenda for expatriates?
• 24/7 heightened monitoring of overseas labor-market displacements;
• Monitoring of job orders for any decrease in overseas labor demand;
• We will register our workers so we can get track of them;
• And we will redeploy them to emerging labor markets;
• We continue to identify and develop new market niches;
• And we assist in repatriation.

For returning expatriates, should there be, we will have:
• Constant monitoring of job orders of foreign principals;
• We will have an expanded livelihood and business formation program,
with a 250 million livelihood fund through NLSF and the Reintegration Center which has business counselling;
• And we will strengthen the reintegration services;
• We are also, as I said, registering workers who will be displaced.

So, we will need, if there should be a recession in the U.S., a massive skills upgrading and retooling service. And we will continue to facilitate the mobilization of expatriates. But all of these need strengthened partnership with you -- the private sector.

Your theme says, “One Global Filipino” -- which has been your theme. In addition you say, sustaining growth -- and that’s a challenge. But I’m glad you’re going beyond the challenge, sustaining growth and surging ahead, for indeed, for the fiscally strong, the global credit crunch can be an opportunity rather than a crisis. On the part of countries, to the likes of the oil-producing countries, for instance, and other fiscally strong economies, this is the time to fill the financial vacuum.

Similarly, in the private sector -- your world -- this is the time for the business groups to take advantage of the strength and financial liquidity of our banking system to expand your role in your respective markets. Equally important to financial strength is the ability to decide and move quickly -- the road between a decision to invest and the actual writing of the check is fraught with uncertainty.

On the part of countries -- the Middle East powers -- are the bastions of wealth with both financial capacity and decisiveness. They have oil and they have governments with unified commands.

On the part of business, therefore, I call on you to also decide, be decisive and avail -- or not just avail -- seize the opportunities provided by the closeness of the Middle East to Mindanao and to our Filipino workers.

I hope you will send a delegation to our Middle East trip, which we will be doing before Christmas. Because if we're going to be one Filipino – we should work together.

Let us work together to bring economic opportunities and human dignity to our people during this special holiday season and -- this special Holiday Season of hope, love and faith -- because Christmas is just around the corner. We're already seeing the Christmas lanterns being sold in the streets. So, this early, may I not just congratulate you on this conference, but also wish you a Merry Christmas and a New Year wherein we will continue our growth and surge ahead.

Congratulations and thank you.