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The Entrepreneur

Target – Specific Strategy on Tourism, Investments

The weakening of the US economy and the persistent financial crisis in Europe are driving global investments toward Asia, including emerging economies like the Philippines.

These developments, while adverse to our exports and remittances, should contribute to our efforts to attract more foreign direct investments (FDI) and tourists. However, we still have to compete with our Asian neighbors, which are also aggressively pursuing investments and attracting tourists.

So far, we have not been as successful as our neighbors in generating FDI. Data from the Asean Secretariat show that from 2007 to 2009, FDI flow totaled $62.95 billion in Singapore, $25.86 billion in Thailand, $23.92 billion in Vietnam, $21.12 billion in Indonesia, $17.64 billion in Malaysia, and only $6.41 billion in the Philippines.

In 2011 the Philippines registered a total net FDI inflow of $1.26 billion, continuing the decline from $1.96 billion in 2009 and $1.298 billion in 2010.

In contrast, Indonesia posted a 20.2-percent increase in FDI inflow to reach $19.3 billion in 2011. Vietnam reported a 5.8-percent growth in FDI, which totaled $10.8 billion last year. And Thailand received an average annual FDI of $13 billion a year.

In tourism, 2011 was declared a banner year when visitor arrivals to the Philippines reached 3.917 million, up 11.28 percent from 3.52 million in 2010 and exceeding the 3.7-million target of the Department of Tourism (DOT).

But take a look at our neighbors' tourism figures. Despite the floods in the latter part of the year, Thailand attracted 19 million visitors—a record—in 2011, up 19.84 percent year-on-year. Tourist arrivals to Vietnam reached 6.01 million in 2011, up 19.1 percent year-on-year. Malaysia recorded 24.71 million tourist arrivals last year, a slight improvement from 24.58 million in 2010.

And in Indonesia, tourist arrivals grew 9.29 percent to 7.65 million in 2011, compared with 7 million in 2010. The Indonesian government is targeting 8 million tourists this year and 9.5 million by 2014.

The Philippines aims to attract 4.2 million tourists this year, or just 7.22 percent higher from 2011. In investments, the target in terms of registrations with the investment promotion agencies such as the Board of Investments and the Philippine Economic Zone Authority is P5.15 trillion up to 2016, the end of Mr. Aquino's six-year term, broken down into P795.2 billion for this year (up from P757.3 billion in 2011), P835 billion for 2013, P876.8 billion for 2014, P920.6 billion for 2015 and P966.6 billion in 2016.

I believe the target in tourist arrivals is reasonable, and it may even be too modest. Based on the investment registration for 2011, the target for this year is also reasonable, given that growth in the Philippines's gross domestic product (GDP) is expected to be higher than the disappointing 3.7 percent that our economy posted last year.

But let's not forget that while visitors and investors are coming to Asia, we are just one of many choices in this part of the world, and we can expect our neighbors to be our competitors, which will adopt strategies to get more visitors and investments.

Investors will look at growth areas where they can bring their capital and share with such growth, which should translate into profits for them. So the normal standards or parameters in their decision-making include inflation and interest rates, as well as a prospective host country's GDP growth.

We will always be compared with the other countries. Still, we may have an advantage over some of our neighbors in terms of inflation, which is stable, and interest rates, which remain competitive.

I'm afraid I cannot say the same thing about our GDP growth. We beat Thailand, whose GDP grew by just 2.4 percent in 2011 (mainly because of the floods), but it is quickly recovering. The International Monetary Fund expects the Thai economy to post a 4.5-percent growth in 2012 and 2013.

Growth forecasts for the Philippines peg 2012 growth at 4.2 percent to 4.8 percent, lower than the government's target of 5 percent to 6 percent. Indonesia's economy grew by 6.5 percent in 2011, the fastest in 15 years, and is expected to grow by 6.7 percent this year. In other words, we're not so competitive when it comes to GDP performance.

However, I remain optimistic that we can achieve our targets, but we have to be creative in adopting strategies toward our goals.

We don't have the resources to finance a worldwide campaign to attract tourists or investors, so we should adopt a target-specific strategy.

In tourism, for instance, we should focus on countries where most of our visitors come from, like Korea and China. Giving priority to these countries in our tourism campaign should produce better results than in countries whose citizens are not so familiar with the Philippines.

The same strategy should work in attracting investments. The Bangko Sentral ng Pilipinas has identified Japan, the United States, Singapore, Korea and Hong Kong as the sources of the bulk of our FDI, so these countries should be on top of the list for our investment and trade missions.

Even our diplomatic activities like establishing bilateral relations should give priority to countries that can invest in or send tourists to the Philippines.

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