

Column for Business Mirror
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The Entrepreneur

Translating Opportunity into Reality

WE have a huge opportunity to attract investments given the cash hoard of transnational corporations. They are looking for new places where they can pour capital and generate profits while developed markets are languishing in recession (like Europe) or struggling to recover (like the United States).

We are also poised for continuing growth based on our economy's performance in the first semester, the increasing public spending on capital projects, the robust spending that is being fueled by remittances from overseas Filipinos and the strength and resilience of the domestic financial system.

The road to high growth and prosperity, as I have said before, is not smooth as silk. Even the recent upgrading by Moody's Investor Service of the Philippines's sovereign credit rating to a notch below investment grade, which brings us closer to the rating that should open the gates for more investments, is not a guarantee that investors will come with chests full of money to put up factories or open businesses here.

Moody's provided guidance on how the Philippines can move up to investment grade, which I discussed last week, but it also cited developments that could result in a downgrade: "The emergence of macroeconomic instability that leads to a substantial deterioration in fiscal and government debt metrics, an increase in debt servicing costs, and/or an erosion of the country's external payments position."

Last week the World Bank (WB) released its "Doing Business 2013" report, which ranked the Philippines at No. 138 out of 188 countries, down two rungs from No. 136 in the previous year's report, due to the absence of significant reforms to speed up dealings with government agencies involved in the processing and issuance of business permits and other requirements imposed on investors.

The WB annual report evaluated the ease of doing business in different countries based on various factors, such as the time and expense needed to start up a business, including how many procedures a prospective enterprise has to undergo and how many documentary requirements it has to accomplish.

The report gave the Philippines slightly poorer rankings in almost all categories related to the ease of doing business during the period June 2011 to June 2012 compared with the previous year. While the Philippines continued to improve its macroeconomic environment and achieve pace-setting growth in terms of gross domestic product, the report said, "it lags in the implementation of regulatory reforms that would make it easier for local entrepreneurs to conduct their businesses."

Lamentably, the Philippines again emerged the laggard in Southeast Asia. Singapore retained its No. 1 global ranking. Malaysia ranked No. 12, Vietnam ranked No. 99, Brunei Darussalam ranked No. 79, Indonesia at No. 128 and Cambodia was No. 133.

Outside of the global rankings, we have to address other problems that may deter investors. For example, the recent peace agreement signed by the government with the Moro Islamic Liberation Front has earned the support of other countries, and aroused interest from investors.

However, parts of Mindanao are suffering from a power shortage, which may persist for at least one year, according to the Department of Energy. And it estimated that Mindanao needed an additional 100 to 150 megawatts of generating capacity to satisfy demand.

I need not stress that measures should be implemented as soon as possible to cope with this and other problems that may affect our chances of attracting investments. Our economic planners may have to go back to their assumptions and do some updates. For instance, earlier assumptions might have included a continuing double-digit growth in China, which is a major market for Philippine exports. China, however, has slowed down to a 7 percent to 7.5-percent growth rate.

Other assumptions should be reviewed in light of current developments so we will have a more effective program for attracting investments and translating a huge opportunity into productive reality.

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