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The Entrepreneur

Competitiveness and Investment Flows

THE Philippines, which ended the second quarter of 2012 with the second-highest growth in terms of gross domestic product (GDP), continues to make its mark in the economic arena, both regional and global.

Based on the World Economic Forum's 2012-2013 Global Competitiveness Report, the Philippines ranked 65th among 144 economies, a big jump of 10 slots from No. 75 in the WEF rankings in 2011-2012.

The performance is made more significant when compared with other major economies in Southeast Asia, which showed no change, little change or even a decline from their previous rankings.

Singapore retained its No. 2 ranking in global competitiveness, just like oil-rich Brunei, which remained in 28th place. Thailand improved its ranking by just a notch, from No. 39 to No. 38. Malaysia, however, declined from No. 21 to No. 25. So did Indonesia, now down to No. 50 from No. 46, despite its credit- rating upgrade to investment grade.

The National Competitiveness Council, a partnership between the government and the private sector, notes that this is the second year in a row that the Philippines climbed up the rankings by 10 rungs. From No. 85 two years ago, the country has joined the top 50 percent of the world rankings, the first time since it was first included in the WEF rankings in 1994. It's definitely a very impressive achievement, considering that the Philippines once belonged to the bottom 25 percent in terms of global competitiveness.

The Philippines posted its largest gain in the area of institutions, which measures governance, security, private- sector ethics and accountability. The Philippines climbed to No. 94, up 23 slots from No. 117 in 2011-12.

Its largest gains were made in the areas of property rights (up 31), less diversion of public funds (up 27), higher trust for politicians (up 33), less irregular payments or bribes (up 11), more fair awarding of contracts (up 19), less favoritism in government decisions (up 31), less wastefulness of government spending (up 23), more transparency in policy formulation (up 23), ethical behavior of firms (up 31), strong audit and reporting standards (up 21) and stronger minority shareholder interests (up 27).

The macroeconomic environment also made great gains, jumping 18 spots to No. 36 worldwide. High scores were given to the management of the budget, national savings rate and general government debt. In the area of infrastructure, the country rebounded from No. 105 in 2011-12 to No. 98 in 2012-13. However, port and airport infrastructure continued to be ranked poorly at No. 120 and No. 112, respectively.

Higher education and training began to show some positive gains, up seven notches to No. 64. The quality of primary education jumped 24 positions to No. 86; secondary and tertiary education quality improved by 16 spots to No. 45; and science and math education jumped 17 positions to No. 98.

I believe the rise in competitiveness and the general improvement of the Philippines's image in the international community should translate to higher economic growth, which we are now seeing, as well as in investments.

The Philippines's 6.1-percent growth in terms of GDP may be partly because of increased investor confidence and also largely because of the continuing robust inflow of remittances from overseas Filipino workers, who will continue to send money home, and the big demand from a domestic market that is the 12th largest in the world.

When it comes to gauging the impact of improving competitiveness, I tend to look at foreign direct investments. Unfortunately, the FDI picture is not as impressive as the competitiveness ranking. Based on the Asean Investment Report 2011 prepared by the Asean Secretariat, Singapore received $35.5 billion in FDI in 2010, Indonesia $13.3 billion, Malaysia $9.16 billion and Vietnam $15.3 billion. The Philippines got a pittance—$1.7 billion.

The UN Conference on Trade and Development's World Investment Report 2012 showed that FDI flows to the Philippines declined further to $1.26 billion in 2011. In the first half of 2012, FDI inflows to the Philippines reached $917 million, up 10.6 percent from a year ago. On the other hand, published reports said Indonesia has received more than $5 billion in the first quarter alone.

Notwithstanding the first-semester gain, the Bangko Sentral has lowered its FDI target to $1.2 billion for 2012 compared with $2 billion last year, citing continuing concerns over the health of the global economy.

To be continued

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