

“Your Business, Our People”

An Interview with **The Honorable Gregory L. Domingo,**
Secretary of Trade and Industry, Republic of the Philippines

EDITORS' NOTE *The Honorable Gregory Domingo was appointed by His Excellency President Benigno C. Aquino III as Department of Trade and Industry (DTI) Secretary in July of 2010. Secretary Domingo served as the DTI Industry and Investments Group (IIG) Undersecretary and Board of Investments (BOI) Managing Head from May 2001 to April 2004. He finished his Bachelor of Science in Management Engineering at the Ateneo de Manila University, graduated with distinction at the Asian*



Hon. Gregory L. Domingo

Institute of Management (AIM) with his Master in Business Administration, and completed his diploma for Master of Science in Operations Research at the Wharton School at the University of Pennsylvania. Secretary Domingo has served as Director to private companies including the SM Investments Corporation, BDO Private Bank, Belle Corporation, Pico de Loro Beach & Country Club, Pampanga Sugar Development Company (PASUDECO), Carmelray/JTCI Corp. (CJC), and MERALCO. He has also worked for Chase Manhattan Bank (Manila), Chemical Bank (New York), and other financial institutions in Philadelphia, Pittsburgh, and New York including First Boston, Drexel Burnham Lambert, and Mellon Bank.

What is driving the growth in the Philippines today?

The most important factor is President Aquino and his good governance agenda. On his very first day in office, he did certain things that sent a message to the country that he meant business.

He has followed it up with many decisive actions to significantly change governance in the Philippines, especially in the Executive Branch. He has also driven a lot of changes in governance that have impacted the Judiciary as well as the Legislative Branches.

For example, the Department of Budget and Management has now imposed restrictions on how Congressmen and Senators can spend the money that is allocated to them. The Department of Public Works and Highways has changed the bidding process and the way they monitor the standards of what is constructed. Now we are building roads of much higher quality at lower cost, allowing us to build more roads with the same budget.

It took about 6 to 10 months for the business community, both domestic and international,

to believe President Aquino. But when they realized that he is the real deal, the domestic business confidence rose and international investor confidence followed.

So it is primarily Aquino's consistency and leadership that has contributed to the country's success?

The key word is leadership, because he made a lot of decisions that a lot of politicians would not make. One example is his decision on the reproductive health bill, which was opposed strongly by the church – the Philippines

is 90 percent Catholic. Few would have dared to oppose the church but he did.

He also decided to go after the Chief Justice of the Supreme Court and no one has ever dared to do that before; he did it against the advice of almost everybody, which marks a true leader.

As growth continues, where is the most significant need for investment in infrastructure?

Within government, we have infrastructure that is on budget; we have infrastructure that is Public-Private Partnership (PPP); and we have the privately built infrastructure, like power plants.

The privately built infrastructure is ongoing. A lot of people are investing in power plants, water systems, telecoms, etc. – this is taken care of 100 percent by the private sector.

On the government side, we have increased the budget for infrastructure significantly; we had a 66,000 classroom shortage in 2010; the plan is to eliminate that by mid-year 2014.

There has been a big investment in health facilities by the government. There is also a big increase in the budget for roads, so all of the planned roads will be completed by 2016.

On the PPP side, we were somewhat slow in getting a lot of these projects off the ground, but several of them have been launched and a number of them will be launched by the end of the year including airports and toll roads.

We had one toll road that we just bid out, which has been a testament to how you handle the process well when you have good governance along with it. This toll road is an elevated road that goes to the airports, and when we bid this out, the expectation was that government would spend anywhere from \$150 million to \$300 million to build the road. But now, we're not only going to get that road for free but we have been paid \$250 million for the right to build it.

In terms of opportunities for foreign investment, are there specific industries that offer the greatest opportunity?

We have some big winners: one is the IT-BPM industry, the business process management industry. In 2001, the Philippines had 5,000 people working in this sector. By the end of next year, there will be over 1 million people directly hired by this sector. It continues to grow at a 15 to 20 percent clip. We are the number-one call center operator in the world now, ahead of India, and we're second to India in terms of back office processing and we're growing steadily.

We have many multinational firms now that have in excess of 30,000 employees each – that is the scale of operations being conducted out of the Philippines by multinationals and we're continuing to see expansion.

This has resulted in additional benefits in terms of these people buying houses and cars, which has led to a strong growth rate for car sales as well as with apartments and condominiums. Office buildings are also expanding because each agent that is hired requires about five square meters of office space. In the business districts within the Philippines, there is now a lot of construction of high-rises occupied either as apartments or offices by those working in the industry.

In our first quarter GDP, manufacturing grew by 9.7 percent, so that is quite an accomplishment because manufacturing has been lagging in the Philippines for a while – services was always growing. The strength in manufacturing has been broad-based with growth in food manufacturing, electronics, medical devices, furniture, and prefab housing.

Why is the workforce in the Philippines so attractive?

Our strongest suit is our people – when the Department of Trade and Industry promotes investment, our tagline is, “Your business, our people,” because that captures in essence what the Philippines is known for.

We export 10 percent of our population as overseas foreign workers. Our main advantage is that the Philippines has a relatively highly educated population compared to our peer countries with GDP per capita below \$5,000. Virtually everybody speaks English, which is a very big advantage. We're not the cheapest but a lot of firms decide on the Philippines because we provide a great value for their money. ●