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2023 ASIA SUMMIT: A CONVERSATION WITH PRESIDENT FERDINAND R. MARCOS JR.
[Four Seasons Hotel, Singapore | 13 September 2023]

STEVEN CIOBO (MANAGING DIRECTOR, HEAD OF GLOBAL AFFAIRS, STONEPEAK; FORMER AUSTRALIAN MINISTER FOR TRADE, TOURISM, AND INVESTMENT; MILKEN INSTITUTE ASIA FELLOW): Well, good afternoon. Mr. President, thank you very much for your remarks. Can I say as moderator that I'm greatly relieved you decided to wait for your suit because otherwise the pressure would have been on me to --- I'm not sure, remove my trousers or something. So, what would I have to do to make you feel comfortable. But we appreciate you making the time to be with us tonight.

PRESIDENT MARCOS: Thank you. I'm glad I got that right.

MR. CIOBO: Mr. President, you spoke in your address about a number of issues that I'll know will have particular resonance with the audience. You spoke about Build Better tomorrow, a key plank of your agenda. You spoke about the Philippines signing up to the Regional Comprehensive Economic Partnership through RCEP. Would you share with us please your thoughts around the state of the Philippine economy now post-COVID and how you see things developing in the near term?

PRESIDENT MARCOS: Well, as it stands now, I suppose we could draw the line and say post-COVID was around middle or beginning of '22, middle of '22. And since then, we have really come back fairly well in the sense that we have been able to return people to work and we just posted a 96 percent employment rate.

We still have an underemployment rate that needs attention but I think that that is a reasonable number to aspire for considering what it was during the pandemic.

Furthermore, we have recognized, when I came into office, we recognized immediately that this is not a recovery from back to what we were doing. When people say, "have you recovered?" I say, "recover from what?"

I have no interest to be back in December of 2019. I want to do what's going to happen next, with the recognition that the economy has changed, the way we do business COVID changed, the recognition that essentially COVID changed everything.

And so, we have tried to position ourselves, we have tried to adjust. And one of the issues that have come up certainly were supply chains and agricultural production. This was one of the hardest lessons that we had to learn during the pandemic, when suddenly we lost totally the connection between the source of food to the markets.

There was no transportation going on, everyone was locked down. We unfortunately had to suffer the longest lockdown, aside from China. And so that went on for a good long while.

But this is a lesson that we immediately learn. I said, we cannot now continue to depend on importation which is what has happened for the Philippines. In the past years, it became the easy way out. Just import more, import more rice, import more corn, import more everything.

And the pandemic showed us that this was not a wise choice to have made and so we have continued to develop our agricultural sector and the aspiration once again is that we are able to provide sufficient supply of food at prices that people can afford.

And that's still --- we are not there yet but we have made many important steps to start that. We are trying to put the value chain, especially of agriculture, we are trying to put that value chain together, all the way from R&D, all the way to retail, to the market.

And that's not --- there are bits and pieces of it that already exist but they do not work as one system and that's what we are trying to achieve and we are slowly, slowly making inroads into that problem.

And the other side of it was that we looked at the GDP of the Philippines and it was the contribution of services as against manufacturing was a little lopsided, i.e. 60 percent, 40 percent.

And so, we thought we need to get investment into the system so that we can beef up and build up our manufacturing capabilities and that is something that will require capital investment.

And so, this brings us to why we have now come here and have been going around the world to --- not only to tout the changes that we have had in the Philippines but also to ask what is it that you think you need so that the Philippines becomes an investment-friendly place.

And the first things that came my --- of course power, our power generation was not sufficient or was not properly distributed, the prices were high and then number two problem was the ease of doing business, i.e. the bureaucracy had gone a little bit out of control. And that is something that we immediately have begun to address.

On the power side, we have also at the same time, in trying to increase our supply of electricity have to move the mix of fossil fuels to renewables and so that's why we continue to court investment in that regard.

On the ease of doing business, we have changed many of the rules, we have changed many of the systems, there has been actually amended legislation so that the tax incentives, the tax holidays, the tariffs, et cetera, the tariff structures have all been changed so that it is easier for our foreign investors to come in and to do business.

And underlying all of that is the digital transformation of the bureaucracy, so that ease of doing business is again an advantage once we get it done thoroughly through the entire bureaucratic system.

MR. CIOBO: So, when you spoke about the Build Better More infrastructure program that you have and the establishment of the Maharlika Fund which I know the Milken Institute together with a number of the global organizations played a role in helping to establish, could you tell us

more about how you see the fund operating and whether or not it's able to in many respects I guess crowd in private capital and some of these investible opportunities into the Philippines?

PRESIDENT MARCOS: Well, the investment fund was quite simply another way because we also started to worry about borrowings.

Although our borrowings in terms of --- as a ratio of GDP are not as high as maybe our neighboring countries. We are standing at about 62 point something, 62.3 up to 63 percent of GDP, but for us that is high.

And so, although there have been many financing institutions like the ADB, the World Bank, JICA especially, Singapore Temasek has come in. There has been — these are essentially --- some are grants but mostly they are loans and that affects that figure for borrowings.

So, we said, we need to invest more and where can we get funding to invest more without increasing our borrowings? And so, we looked internally and saw what are the reserves that we have that are not being --- at least in our view, were not being used. I think we all are familiar with the concept, that money cannot sit in the bank and do nothing, it must work.

And so that's our way of putting it to work. And that partnering with private sector partners or even G2G partners and without a worrisome increase of our borrowings and with hopefully a sufficient fund.

But it will be run as a fund. It is not run by the government. It is run by professional fund managers and that is one of the main assurances that I had to give.

But that was always the concept behind it. The main assurance that we had to give was that it's not going to --- because when the politicians get involved, then the decisions are no longer purely financial in nature and that causes failure, I think. And it doesn't make it an efficient management of the fund.

So, those are the ways that we see. This will go into infrastructure, into power development. Again, those main elements are healthcare --- all of the areas that we have identified as priorities.

So, to make a list, it's really --- for us it's agriculture, it's energy, it's ease of doing business, it is also the tax structure that we have to transform.

I used the word transform. I don't use the word recovery because we have to transform the economy into something else not what it was before.

MR. CIOBO: Well, Mr. President, I'm very grateful. Unfortunately, we are cut for time today but very appreciative of your remarks, your comments.

And I certainly know for fund managers, for LPs, and GPs in the audience to know that you're developing an attractive framework to drive more foreign direct investment to the Philippines. It's gonna mean a lot of potential in the future so, thank you very much and please thank the President for joining us. *[applause]*

PRESIDENT MARCOS: Thank you all very much.

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