

The Importance of International Relations in Economic Development

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Overriding Priority: The Welfare of the Filipino

The overriding priority of the Department of Foreign Affairs is the welfare of the Filipino people.

The recent past has shown that the key to addressing this priority lies on a strong economic foundation. If you have strong economic fundamentals, a pro-active and innovative business sector, and a government that is strong in its enabling role, then a country is better positioned to meet the various challenges that it faces, including strategic and the more traditional national security concerns.

Philippine foreign policy today therefore not only focuses on individual Filipinos overseas, but also in pursuing and creating opportunities to strengthen the Philippine economy in order for our country to be a global player and to foster conditions where Filipinos can find happiness in their own country.

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The Role of Government in the Economy

President Aquino's initiative on Public Private Partnership reflects our view of the role of government as an enabler of wealth and prosperity through the private sector. Oftentimes, such partnerships are either defined or understood in very narrow terms. In fact, some have even commented that such partnerships can be quite constricting in that they focus on the role of the private sector in bridging government funding gaps.

But given recent experience, including the global financial crisis, it has become clear that government must be active and proactive not only to mitigate market pressures, but also to ensure that governance infrastructure is conducive to fostering stability and predictability in markets as well as sustainable and sustained economic growth and development.

In the broadest sense therefore, government must enable business. At the national level, this means cutting red tape, promoting good governance, and helping business to innovate and expand not only by harnessing domestic resources but also attracting investment and encouraging broader trade.

Of course these measures at the national level will be less than effective if the international economic architecture itself does not adequately address the needs and challenges of today while remaining flexible enough to meet the needs of tomorrow.

While countries like the Philippines are currently struggling to cope and emerge from the adverse effects of the current economic global downturn, we are nevertheless looking to the future with great enthusiasm, primarily for two reasons:

First, we not only have the opportunity and impetus to get our own house in order and make the Philippine economy the strong and robust engine for development that our people deserve, but also, second, we have an unprecedented opportunity to play an important role in reforming the international economic architecture so that it places in its heart the development aspirations of all peoples, especially from developing countries.

Inclusiveness: All Must Own and Share

One central principle driving our economic diplomacy is inclusiveness, and by inclusiveness, we refer to many levels.

At the national level, we believe that any and all fruits of economic success must redound to the benefit of as many Filipinos as possible; hence our success in economic development must embrace all Filipinos in all socio-economic levels in order for them not only to benefit materially, but also to imbue upon them a greater sense of ownership in our collective national success.

At the global level, the international community is now seeking to address the most serious economic disaster of our lifetime, and it is clear that the prevailing international economic architecture is no longer viable. There are lingering questions of legitimacy, not only of those who make the decisions, but also for whom.

The Philippines, just like many developing countries, is becoming increasingly integrated with the rest of the world, but it has no actual participation in the G-7, G-20, the Paris Club, OECD, and other influential global governance bodies, and has little or no say at all in the policy direction of the IMF and the World Bank. Yet upon the direction and decision of these unelected, exclusive bodies rest the economic fate of countries that rely upon them for assistance and guidance.

Notwithstanding the various debates of how to go about reforming the international architecture, one thing is clear, it must be done, and sooner rather than later.

In this regard, inclusiveness must be a major factor. The world has moved too far in the direction of democracy to allow something as important as reforming the international economic system to be left to the hands of a few. The Philippines therefore continues to see a very strong and central role for the UN in this regard.

We, however, do not see other efforts, which perhaps may be limited in scope, as necessarily being inconsistent with this approach as long as they complement and reinforce the need for inclusiveness and democracy in ensuring that the future economic architecture is one that will address the needs of all humankind.

The Philippines is, therefore, very active in the various regional and international forums in which it is a member to address these fundamental questions. We see forums such as ASEAN, APEC, and global discussions in the WTO and in the UN as interconnected and an important vehicle for harnessing the global collective wisdom and experience to ensure success in this important work.

Groups limited in their scope and membership are not the way to go in deciding the fundamental questions, but they are useful mechanisms for the exchange of ideas and the exploration of viable options. The Philippines will therefore continue to contribute and be active in these forums without losing sight of the fundamental objective this is not an abstract intellectual exercise; it is more importantly a matter of people's lives and, indeed, if the experience of the past few decades is any guide, no less than the shaping of the direction of humankind for the foreseeable future.

Sustainability: The Long Term Perspective

The future is not only about inclusiveness, it is also about sustainability. The experience of the last few decades has shown that while unsustainable practices may yield short term benefits, the associated long term costs can outweigh these benefits, not only in terms of their environmental costs, but also in terms of their social costs.

While we in the Philippines believe in so-called green growth, one thing should be clear, that the overall economic impact must also take into account the social effects and the social benefits.

It is therefore important that the regimes and structures in place to promote these new models of development also squarely address the more controversial issues which have sometimes polarized developed and developing countries. Concrete examples are biodiversity, biopiracy and the preservation and protection of traditional knowledge and folklore.

For example, many remedies and practices which hold great potential are derived directly from the knowledge and practices of indigenous communities. In addition, and thanks to advances in bioresearch, many cures are derived from plants and species found in developing countries. We must ensure that those benefits and the benefits derived from the development of

these products will be advantageous not only to the private sector entities that commercialize them but that, just as importantly, the indigenous communities themselves fairly benefit. This is not only commercially responsible but also socially responsible, because for the system to be viable, it must be legitimate and embraced by all. Indeed, a legitimacy recognized and respected by all is a key element to a sustainable economic system.

The Future International Economic Architecture

The Philippines continues to believe strongly that the international economic system, especially the international economic trading system, must be fair, open, equitable, and rules-based. Over the years, and given the more recent disillusionment in the progress of the Doha round, the clarity and meaning of these principles has sometimes been obscured. For a country like the Philippines, we remain clear on what this means.

First, we must play on a fair and even playing field. This does not mean wanton liberalization, but rather a meaningfully even playing field. This means that developing countries must have a fair and even shot at participating in global trade. This does not mean only access to markets. This also means helping developing countries build up their productive capacities in order to meet demand. This means helping them formulate and implement innovation policy to help them stay competitive. This means helping them develop all aspects of their infrastructure to lower production cost, and of course, above all else, this means that their overall economic base will be enhanced in order for them not only to benefit from global trade itself, but to take an active part in the formulation of the rules that govern global trade. It therefore means addressing holistically all aspects of developing country's ability to participate and be included in the global trading system.

The global trading system must also be fair. This means that the rules are not balanced in favor of one group of countries more than another. It also means that in the settlement of trade disputes, the rule of law shall prevail over the raw application of economic resources. For example, just because one side of a trade dispute has the economic resources to buy overwhelming legal representation should not result in less legal representation for a legal opponent with less resources, much less should that opponent be left legally defenseless.

The success of the Doha round in our view lies not in technical solutions to the various difficult issues that remain. Rather the problems are more political and moral.

Of course it is unrealistic to expect that the key players will sacrifice on their hard core interests. It is also unrealistic to expect reasonable, nationalistic and patriotic negotiators to agree to a package that in their estimation undermines their national interests. So perhaps the key in unlocking the problems lies in redefining what those interests are, and recognizing that the values of inclusiveness, fairness and equity are in the long term in the collective global interests of all countries, and fully compatible with the individual interests of all parties, including the key players.

Many of the concessions which have to be made, therefore, could be viewed not as an erosion of individual countries' national interests, but as an advancement of their long term strategic interests, more broadly defined.

Dollars and Cents: the Elusive Returns of Economic Diplomacy

One question which Foreign Ministers seem to have trouble answering is how much in dollars and cents are we benefiting from our economic diplomacy. Are we getting our money's worth? Are our diplomats earning their keep?

In terms of attracting trade and investment, we have to admit that the direct contribution of our Foreign Service is difficult to assess. Trade is generated and investment is attracted not because the Foreign Service makes a good pitch but because the investor, the trading partner, finds that it is economically attractive to do so. Many of these factors are way beyond the scope of what the Foreign Service can, and indeed, should, do.

We, therefore, have to be nuanced in terms of what we want, and expect, our Foreign Service to do. We have to be ambitious in terms of the expected results. We have to expect that since they represent the best of what the country has to offer, they will in turn deliver the most in terms of attracting trade and investment. This means that they have to make a good pitch, they have to sell the strengths of the Philippines and they have to highlight the attractiveness and achievements of the Philippines as a business destination.

And equally important, they have to help those of us in the Philippines who have the responsibility and the mandate to effect the changes needed to address those factors which serve as a disincentive in terms of attracting business to the Philippines. In this regard, they have to identify and communicate to us not only the concerns of businessmen but also to suggest possible solutions, including those best practices and lessons learned in their host countries. In turn, it is our responsibility here in the Philippines to address these concerns in order to continuously expand the Philippines as an attractive businesses destination.

This is a great responsibility not only for our colleagues abroad, but also for us here in the Home Office, because at the end of the day, it is the reality on the ground and not the pitch abroad which will result in a deal, and it is back home where traditionally the weak link in the chain has been. And in today's increasingly competitive global market, we can no longer afford not to fully take on the challenge.

The sales pitch is just part of the picture. For trade and investment to work and to benefit us, the global system itself – the rules of the game – have to foster a global environment which will enable trade and investment to be strong engines for development. This is one side of our diplomacy which very few people see, and is perhaps greatly underappreciated.

Our diplomats at the UN, at the WTO, and in other international bodies are working hard to ensure that the system works to our benefit, and that its future progression will benefit us even more. This is an evolutionary process, and it can be painfully slow, notwithstanding the present need for quick and decisive action. Nevertheless, that is the reality and it is one we have very little control over. So the benefits that they bring cannot be immediately measured but they must be recognized for what they are, namely, a dedicated and concerted effort to make sure that the rules of the game are not only rules that we can play by, but rules that give us a fair and equitable chance to succeed. And that cannot be measured in terms of dollars and cents alone.

The Career Corps: Our Frontline in Economic Diplomacy

In the face of these realities, one of the key priorities of the Department of Foreign Affairs is to strengthen its Economic Diplomacy infrastructure. Its vision is that the Department will increasingly improve in its role as the focal point of Philippine Foreign Policy, including Economic Diplomacy. It means that we must take a more holistic and integral approach to economic diplomacy, recognizing that trade and investment promotion cannot be conducted in a vacuum. It must be inextricably linked to our continuing efforts to help shape the international economic architecture in a way that ensures that it will fully benefit all countries and all peoples, especially developing countries like ours.

This means no less than a paradigm shift in the way our ambassadors view economic diplomacy. Henceforth, our ambassadors will pursue individual Economic Diplomacy Work Plans that have specific results areas, key criteria and performance indicators, definite timeframes, and determinable standards on the achievement of targets. In other words, the performance of our ambassadors on the economic diplomacy front will be quantifiable, and will be checked at specific intervals.

Our trade promotion efforts will be closely linked to our negotiating postures in the WTO, in the UN, and other multilateral forums wherein we are actively engaged. It means that as we attract foreign investment, we should also work in a focused and coordinated manner to shape the international and financial regimes. This calls for a level of coordination in economic policy unprecedented in the history of the Department, but with the support of the administration, the other agencies, and the Filipino public, the Department is fully confident that we are up to the challenge.