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# EMERGENCY

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**President Gloria Arroyo declares a state of emergency, citing the alliance between military rebels and the communists to oust her from power. The declaration has forced her enemies to join forces and the media to gang up on her. The question now is: How long will she last? The economy has become the slowest growing in Asia, poverty is rising, and the military is restive**



# The Philippines will be a rich country in 30 years

By LOUIS F. PERRON

Originally from Switzerland, I have consulted, lectured and travelled in the Philippines for almost two years. My conclusion of this experience is that it is time for a positive message for the country. Despite the pessimism and negative talk, I believe that the Philippines can be—and will be—a rich country in 30 years.

I say this because I compare the Philippines with the history my own continent, Europe, whose experiences might be inspirational for the Philippines in many ways. For example, Thomas Friedmann recently described in the *New York Times* the incredible success story of Ireland. He writes that “the country that for hundreds of years was best known for emigration, tragic poets, famine and civil wars today has a per capita gross domestic product (GDP) higher than that of Germany, France and Britain.”

Of course, it took strong leadership to make this happen. College education was made basically free, the economy was opened for competition and the budget got under control. Importantly, there was a consensus formed around this by the political and economic elite. The results are amazing, with Ireland now being the richest country of the European Union.

Carlo Cordaro, a Cebu-based producer of luxury furniture, recently pointed out another interesting fact at a presentation at De La Salle's Graduate School of Business. Italy, where Cordaro is from originally, was a poor country for centuries. Italians left the country to find work in the United States and in northern neighbouring countries such as Germany and Switzerland.

“Then, something happened, which is also likely to happen here in the Philippines: the overseas workers came back home, spent money and put up their own businesses at home,” explains Cordaro.

During the 1970s and 1980s, this contributed to an impressive economic boom in Italy. This happened while the country was politically quite unstable. Indeed, between World War II and the end of the 1990 is, Italy experienced 47 different governments and 17 prime ministers. Sometimes, people would joke that the Italian economy is growing without (or despite) the government.

It is also quite easy to forget during this political crisis and turmoil that the Philippines does have a middle class and a very dynamic private sector. As recently as 2004,



President Arroyo during a visit to one of the fast-growing call centers in the country.

the Philippines had the highest GDP growth rate in 15 years (namely 6.1%).

In order to imagine a positive vision for the country, it is important to understand the opportunities for the Philippines in the future. As American, Japanese and European companies are forced to cut costs, the business process outsourcing (BPO) market is promising.

Indeed, *BusinessWorld* reported in April last year that the number of call center seats is expected to grow by 100% in one year alone to around 80,000. This being said, there are much more opportunities related to BPO than call centers. Sectors such as customer management, mortgage processing, life policy administration, human resource services as well as support functions for IT have often been identified for outsourcing. According to the *Manila Bulletin* of March 30 2005, the European BPO market alone is estimated at \$64 billion per year.

While to date, India has captured 45% of the outsourcing deals in Europe, there is no reason why the Philippines could not increase its share. For this, aggressive promotion of the Philippines and investment into English education are crucial. “English is the ticket to the future,” summarized Henry Schumacher, executive vice president of the European Chamber of Commerce of the Philippines, in a recent presentation at De La Salle University's Graduate School of Business.

Another huge opportunity for the Philippines is medical tourism, which combines

health care and tourism. It refers to the idea that patients from developed countries travel abroad to get (cheaper) treatment and vacation at the same time.

Instead of exporting doctors and nurses, the Philippines should import patients. Plenty of suppliers would benefit and it will help develop the country.

With health care costs rising to exorbitant levels in industrialized countries, more and more patients travel abroad to seek treatment. Possible patients could come from Europe, the USA, Japan or China.

Europeans spend a stunning 12 billion euros per year on medical tourism. About 7% of China's 1.3 billion population travels to other Asian cities for medical tourism, said Jose Antonio, special ambassador to China, in the *Manila Times* of April 14 2005.

It is therefore no surprise that in 2004, Thailand received some 915,000 medical tourists from China. According to the *Manila Bulletin*, some 1.5 million foreigners visited India for treatment last year, and the country is expected to earn at least \$1 billion from medical tourism by 2012.

Why not the Philippines? The country has a large pool of highly trained doctors and nurses, low treatment prices and, more in general, an extremely hospitable and welcoming population.

In addition to medical treatment and the spa and wellness business, a special kind of medical tourism also includes long-stay-



Medical tourism is a potential dollar earner because of the country's pool of skilled cosmetic surgeons.

ing retirees. In view of the over-aging population in industrialized countries, this looks like a specially promising opportunity. The European Union projects that between now and 2020, the number of people aged 65 to 79 in Europe will rise to about 60 million.

During the same time frame, the number of people aged 80 and older is expected to grow from 15 million to 25 million. In Europe, a shrinking workforce has to support more and more pensioners while the cost for health care is skyrocketing.

This is where the Philippines enters the picture. Here, only about 4% of the population are 65 years or older and a stunning 36% are 14 years old or younger. By simply contrasting these numbers, it becomes obvious that there are huge opportunities for win-win situations for both sides. Europe has what the Philippines needs, and vice versa.

In addition to outsourcing and medical tourism, there are plenty of other opportunities. Peter Wallace estimated in 2001 in a paper entitled "Does the Philippines have a chance?" that the country could earn \$5 billion as a minimum annually from mineral production.

Going in the same direction, the *Manila Times* reported on April 14 last year that 11 big-ticket Chinese companies are expected

to visit the Philippines to look for possible business ventures. Why do these companies want to come to the Philippines? Because they see opportunities.

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While the private sector is definitely the engine of Philippine development, the public sector is better than what observers generally think. The truth is that there *are* politicians with good intentions—even in this country. In fact, there are good politicians on both sides, the administration and the opposition.

As part of my consulting work, I carried out focus group discussions for a governor and two senators. As I expected, respondents thought very negatively about politics and politicians in general. Interestingly, however, every single participant could point out a congressman or a senator that he or she

thinks differs positively from the others.

Once Filipinos are asked about specific politicians instead of the abstract concept of politics, they think much more positively about it. And actually, quite substantial progress has been made during the months before the start of the current crisis. In early June 2005, the *Philippine Daily Inquirer* mentioned that a report by the Swiss bank UBS saw a sustainable turnaround in the country's fiscal position. The tax reforms, including the value added tax (VAT) law was touted as the most significant piece of tax legislation since 1997.

So, it looks like I am not the only person to believe in the future of this country. Yes, there are important problems right now and there might be even more dramatic ones in two or three years. What I am talking about is a long-term vision for the country. In this sense, the Philippines will be the country of 7000 islands and endless opportunities for every Filipino. ■

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