

Commentary

Brave new world

Part 2: The future of globalization

In the first essay of this series, written in early November 2008, we looked at the severity of the approaching global slowdown and its implications for the Philippines. We suggested that while the Philippines had done well over the past decade in terms of developing its reputation as a preferred sending country for migrant workers, little effort had been made to develop the true potential of the local labour force through education and skills upgrading and through the encouragement of local and foreign investment that would lead to skilled job creation in the local economy. This leaves the Philippines vulnerable. At the end of the day, the country needs a vibrant domestic economy that builds on its comparative advantages in such areas as tourism, minerals and agriculture as well as in manufacturing and services.

We concluded that the workforce data suggested that the number of people of working age hidden from the official statistics appears to be growing in the Philippines and that if the present global uncertainty continues for any length of time, the impact on external labour demand will start to make itself felt. Eventually, overseas employment may no longer be the safety valve that it has become causing a “tipping point” beyond which the present social contract begins to break down.

This essay looks at another aspect of the ‘brave new world’—that of globalization and how the present financial crisis may affect the future development of the globalized world.

We believe that globalization is not in retreat but is rather extending into new dimensions and taking new paths. The present crisis may delay tough decisions such as moves towards a “green” economy yet, if well managed, there is an opportunity now for a broad restructuring that would provide for a sustainable future. A return to the status quo ante would be the worst possible option.

We argue that hard times provide the opportunity for the Philippines to develop strategies that will actualize its oft-repeated ‘potential’ and allow it to become a world leader in areas where it has a natural comparative advantage. To do so however will need vision and fundamental restructuring of its investment and labour regimes.

Our third essay will then look at how the strategic balance may change once the world is in recovery mode.



Globalization is a much confused term. Some commentators claim globalization is as old as civilization itself while others trace it back to 1492 and the discovery of the Americas. Most people however use the term in a more restricted sense. Broadly defined in a modern setting, globalization may be considered a natural extension of the new world order that developed after the Second World War (See Box 1). That new model saw the creation of the United Nations as a means of fostering communication and trust between nations, the development of new global financial institutions such as the World Bank and the IMF following on from Bretton Woods and the new trading rules established under the General Agreement on Tariffs and Trade (GATT, established in 1947) and which later became the World Trade Organisation (WTO).

Because of these developments, the past sixty years has been a period of unprecedented global growth.

This change in international protocols was accompanied in that early phase by the dismantling of colonialism and the emergence of newly industrializing countries many of which were in Asia, of which some are now approaching—or have attained—OECD status as fully developed economies. Others are knocking at the door.

Globalization and the flat world

The second paradigm shift came about in the 1980s with the advent of economic globalization as we now understand it. It was hastened by the advent of the “information superhighway” that evolved fortuitously at the same time. The Internet, as it is now known, changed permanently the way business, commerce and even workers (especially the new breed of “knowledge worker”) interact with one another across distances that are literally measured in global terms. It is what author Thomas Friedman describes as the new “flat world.”¹

The World is becoming “flat.” Flatness creates opportunity for individuals. Over the past two decades, first the personal computer, then the internet (and more recently the cellular phone) have driven fundamental change in the way societies are structured and the way individuals and businesses interact and network with one another.

Communication has become instant; individuals have become empowered, physical location is becoming of less importance as a place of work and as a means of networking with others.

We now speak of the “global village” and the Philippines is already taking advantage of the benefits it brings. The Business Process Outsourcing (BPO) industry has grown from zero five years ago to become a major driver of growth and a major employer of our talent well into the future.

At the present time, more than 400,000 young people are employed in Call and BPO centres in the Philippines and the industry expects this to climb to one million by 2010. Alongside outsourcing of corporate functions has come devolution of the corporation. For many businesses, it is no longer necessary to work in the Central Business District of a capital city and indeed such a location can sometimes be disadvantageous. We also speak increasingly about “knowledge management” and the “knowledge economy” where human skills and the manner they are deployed are often more

¹ Thomas Friedman, *The world is Flat*, Farrar, Straus & Giroux (April 2005) See Box 2

Box 1: Globalization undefined

There is no universally agreed definition of the concept of globalization and many seek to define it in its purely economic aspect: an adjective to describe cross-border relations between countries and/or the growth in international exchange and interdependence. Some definitions emphasize the 'liberalization' aspect whereby globalization is synonymous with the removal of government-imposed restrictions on movements between countries in order to create an 'open', 'borderless' world economy.'

Some, mostly opponents of globalization, consider it as a dynamic, 'whereby a western social structure (capitalism, rationalism, industrialism, bureaucratism, etc.) is spread the world over, normally destroying pre-existent cultures and local self-determination in the process.

At its broadest (and the concept to which we subscribe), globalization is about the interconnectivity of societies around the world made possible by modern modes of transport and communication. Globalization under this model is eclectic, blending the best from all societies that it touches without regard to physical or political territory.

important than available physical resources. Supply chains and now, management chains have become global. This is the reality of the globalized world and there is no turning back.

Benefits: But (so far) not for all

Undoubtedly, the breaking down of trade barriers including reduction or elimination of tariffs, the reduction and, in some instances, elimination of controls on capital movements (particularly on current account transactions), the creation of free trade zones, reduction and harmonization of subsidies and the harmonization of intellectual property rights have produced major benefits for the global economy and have provided the catalyst for the creation of these worldwide supply and management chains. Globalization remains a work in progress but there have been significant achievements already.

According to the Index of Economic Freedom published by Freedom House, economic freedom goes hand in hand with good economic performance; when countries embrace globalization, their economic freedoms are strengthened and prosperity is enhanced.² And, as *The Economist* has put it, "open economies generally do better than closed ones."³

The rapid rise of China as a global economic power is perhaps the most spectacular example of this. As of 2008, 62 companies from emerging markets had made it to the *Fortune 500* list.⁴ Most of these were from the so-called "BRIC" economies of Brazil, Russia, India and China.

The International Labour Organisation (ILO) in a recent report on labour trends within ASEAN⁵ noted:

There is a clear, positive relationship between economies' competitiveness –as measured by the World Economic Forum ranking and the net FDI per worker received. ASEAN as a whole

² See for example: *2008 Index of Economic Freedom*, Freedom House

³ *The Economist*; September 20 2008, A special report on globalisation, page 6

⁴ *Ibid*, p 3

⁵ Labour and Social Trends in ASEAN 2008, ILO Regional Office for Asia and the Pacific, Bangkok (November 2008)

Box 2: The Friedman view of globalization

Thomas Friedman in his recent book “The World is Flat” looks at how the world is changing in the 21st century as a consequence of globalization.

Friedman is among those who argue that globalization started back in 1492 with the voyage of Christopher Columbus to the ‘new world’ and his demonstration that the world was indeed a globe; the renaissance and the industrial revolution were the key products of this first stage and the driver was the nation state. Indeed globalization and the search for the riches of gold and spices were a factor in the coalescence of dukedoms and duchies into the earliest form of the post medieval state.

The second stage lasted from 1800 to 2000 and here the key driver was the corporation of which the British East India Company is perhaps the best-known example. It was an age that saw the rise of capitalism and the financial markets that have supported global mercantile trade. The consequences of this age have melded today’s global environment.

The third stage has just dawned and it is driven by the power of the individual. The age of the individual is still in its infancy and the manner in which it will shape our future world has still to be determined.

attracted more than twice the amount of FDI per worker as China in 2007 and six times more FDI per worker than India.

While the benefits of economic globalization at the macro level are unquestionable, at the micro level the debate continues to rage. Increasingly there is talk now of “fair globalization” or as ILO Director General Juan Somavia said recently: *“There cannot be a successful globalization without a successful ‘localization’.”*⁶ We come back to this theme later in this essay.

The world has transformed itself over the past sixty years but, for many, the core issues remain stubbornly the same. Only the geographic focus has changed. Poverty—and with it, hunger, malnutrition and exploitation—remains deep and widespread throughout the developing world and even in some so-called ‘transition’ economies.

According to the Asian Development Bank (ADB), about 900 million people in Asia live on a mere dollar-a-day income. The ADB also estimates that some two-thirds of the world’s poor live in Asia.

This is the stark reality of the world in the new millennium that stands as counterpoint to the benefits that the new world-order has brought.

The century that has passed created untold wealth—measured in terms both of direct purchasing power as well as non-monetary benefits such as leisure and longevity—for the workers of the industrialized world, but by and large these benefits have yet to be perceived by many of those in the developing world and especially workers in developing Asia, including the Philippines.

In the new global economy, governments have had to come to terms with the relocation of entire industries to centres of comparative advantage—in Asia this has often meant China or (increasingly) India; the rise of a global workforce where skilled workers look to the global marketplace to best

⁶ See ILO report “A Fair Globalization: Creating Opportunities for All”, <http://www.ilo.org/public/english/wcsdg/docs/report.pdf>

deploy their talent; and the “informalization” of the working population whose regular structured employment for wages and salaries are often replaced with “own account” employment. For the skilled, this often means contract work for a remotely located employer using the Internet; for the unskilled and semi-skilled this usually means day-hire or self-employment coupled to subsistence incomes. In India, for example, despite its high growth path of recent years, it is estimated that more than 93 per cent of the workforce is unorganized and works in the informal sector where social protection is minimal to non-existent.

Labour migration has spawned its own set of new issues. The UN has estimated that there are now more than 191 million migrant workers scattered throughout the world, of which 115 million are working in developed and 75 million in developing countries. It is interesting to note that almost half of the migrants in the world today are women. Gender discrimination is another aspect of the goal of decent work needing to be addressed.

The Philippines has of course benefited from labour migration and is now the world’s fourth largest recipient of remittance income and, hopefully, more resilient because of the higher proportion of knowledge-based workers and professionals compared both to earlier periods and to other labour exporting countries. Our own concern that the overseas labour market may not be as robust as many believe has already been expressed.

Loose ends—Life after Doha?

The final phase of the new trade compact between countries negotiated under the auspices of the WTO was meant to bring the concerns of developing nations to the fore through the further dismantling of agricultural tariffs by the developed world and the opening of markets to the products of agricultural exporters many of whom are among the newly emerging group of countries, including the Philippines. This was meant to be a key to bringing greater benefits from globalization to developing countries through, inter alia, providing better access for their products—and in particular, agricultural products—to the markets of the developed world. Such an agreement would go a considerable way to addressing the problems of informal sector workers in Asia, many of whom work in the agricultural sector.

Brave new world

An essay series in five parts



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As the Philippines faces a new period of uncertainty, how robust is the domestic economy and what can be done to build resilience.

Part 2 | The future of globalization

Is globalization in retreat as a result of the crisis or will it be redefined by the process? How will the Philippines respond?

Part 3 | A new strategic paradigm

Strategic thinking in the post-globalization era; redrawing the map of Asia for the 21st century

Part 4 | Batten down the hatches

Expectations for 2009 and how the corporate world can deal with an uncertain environment.

Part 5 | Truth and consequences

How will the Philippines deal with the brave new world that is upon us? What opportunities are there to be pro-active in redefining the political and economic fundamentals of the country?

Box 3: The Uruguay round

The Uruguay round which started in 1986 and which was supposed to have been completed by 1990 has been described as the “the largest negotiation of any kind in history.” In fact negotiations lasted seven and a half years—almost twice the original estimate—and brought about the biggest group of reforms to the global trading system since the creation of the GATT. It also led the way for the transformation of GATT into the World Trade Organization.

Of importance to developing countries was the early agreement to cut import duties on a range of tropical products, new rules for the resolution of disputes and a reporting system to give greater transparency to trade regimes.

When agreement was finally reached, the global trading system had been extended to embrace trade in services as well as copyright and intellectual property (the TRIPS agreement) plus reform of trade in sensitive areas relating to textiles, agriculture and issues of market access.

These negotiations followed on from the “Uruguay round” which started in 1986 and which were concluded in 1994. The Uruguay round transformed the GATT into the World Trade Organization (See box 3).

Started in 2001, the Doha round, so named because its work programme is listed in the Doha Declaration that followed the Fourth Ministerial Conference in Doha Qatar held in November 2001.⁷ This round (dubbed ‘the development round’ by many) was meant to address issues of particular concern to developing countries as well as issues concerning the implementation of agreements negotiated in previous rounds.

Simply put, Doha is about further progress in trade liberalization and tariff harmonization, particularly in agriculture, services and non-farm products, supposedly viewed from the perspective of the developing countries—including the least developed nations.

Despite early implementation of a number of measures, certain subjects have once again brought to the surface deep divisions between countries and country groups particularly regarding agriculture and farm subsidies, especially tariffs (the issue of central concern to developing countries) as well as similar concerns relating to non-agricultural market access for manufactured exports. One obstacle has been the demands for major concessions from the least developed group of countries, a group that has made major demands but has very little to offer in return.

Despite the deadlock in plenary that occurred in mid 2006, intensive discussions and negotiations have continued in the Trade Negotiations Committee and in the various WTO working groups and committees to the extent that in recent days (November 2008), WTO Director General, Pascal Lamy was able to report progress in the farm and non-farm trade talks.⁸ He announced that revised drafts that could form the basis of final agreement had now been reached.

⁷ The Doha Declaration can be found at the WTO website: http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

⁸ See for example: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm, 6 December 2008

It appears that work at the official level has now been completed and in early 2009 trade ministers will be called upon once more to review the recommendations and either accept or reject the deals that have been struck. A new period of national posturing can be expected. This brinkmanship is par for the course in the tough world of trade negotiations. Now, in a deteriorating economic climate, such posturing may be shriller. Does Doha stand any chance at all?

The world is now changed from where it was when Doha began. Have the trade negotiators, with their inbuilt policy inertia been heading off in one direction while the world has veered onto an entirely new path? Is Doha still relevant and would the failure of the round matter that much?

Already, new issues are rearing their heads. Trade finance is one of them. Director-General Lamay reported last month (November 2008) “that the market for trade finance has severely deteriorated” because of the global financial crisis. He urged quick government action to close the liquidity gap in trade finance, adding that concluding the Doha Round “is even more desirable now.”⁹

He went on to add that the “the correction of asset values is so strong that it has systemic implications on the soundness and safety of the entire international financial system. Governments, central banks and regulatory authorities are acting on several fronts, injecting liquidity, re-capitalizing and restructuring financial institutions, and stopping risky behaviour that could further precipitate markets into depression.”

Strong stuff indeed but will it make a difference in the short run? We will not need to wait long to find out. The point is that with the present turmoil, a new issue has been thrown into the agenda— that of reform of the trade financing system. This creates uncertainty and uncertainty creates delay.

Trade finance is not the only new issue that likely will be put on the agenda. The economic impact of carbon emissions on global trade is likely to loom large in future trade talks.

Living in a low carbon world

When the Doha round commenced shortly after the turn of the Millennium, the issue of global warming caused by anthropogenic emissions was hardly an issue outside of the scientific community, and certainly not in business circles. Now; as the end of the decade approaches, it is becoming the central issue for many. “Going green” is not just the cry of radical fringe groups, it is coming centre stage.

The world’s climate is changing. We are already experiencing this in Manila where there has been an observable shift in weather patterns. This will affect crop cycles and crop growing areas, water tables and entire ecosystems as the effects intensify.

How the global financial crisis will planning for climate change is uncertain at present. A period of reduced economic activity will slow the further growth of carbon emissions and this may have the effect of reducing the incentive in the minds of those who wish to delay any decision to introduce policies and measures that would curb greenhouse gases. The impact of \$50 oil, rather than \$150 oil, may reduce the viability of hybrid vehicles in the shorter term. (At the same time only a limited

⁹ http://www.wto.org/english/news_e/news08_e/gc_dg_stat_12nov08_e.htm

amount of oil is traded on the spot market and many futures contracts are locked in at \$90 bbl or more.) In the short-term too, a lower oil price, while bringing relief to consumers will reduce the viability of optimal oil extraction methods. Some oil fields may shut down for a period. Investments into alternative energy paths may be delayed.

If policymakers are sensible they will realize that there is a longer-term incentive to keep energy prices relatively high in order to preserve the gains already made from energy conservation programmes and encourage further measures that would eventually cap greenhouse emissions. Incoming US President Barack Obama has signalled that his own economic stimulus package will have “green” elements to it. The press has reported that the Obama package could provide for up to half a trillion dollars over two years on tax-rebate checks and an array of “green” projects that could account for 10% of the total.¹⁰

Initiatives such as the building of renewable energy plants, greater use of off-peak electricity and tax credits for development of wind and solar power have been mentioned. Much more than \$500 billion will be needed, but it is a start.

Will the Obama programme include carbon taxes or carbon tariffs (on the carbon footprint¹¹ of traded items) and other such measures or will these issues be left for discussion in multilateral forums such as the WTO? With the Kyoto Protocol set to expire in 2012, if the WTO is to consider its own role in pushing carbon abatement measures, time is of the essence.

In short, the incoming US president is expected to be far more engaged on green matters than was his predecessor and US constructive involvement in the debate on climate change is to be welcomed. But in the world of *realpolitik*, a recessional economy demands that first priority be given to more traditional stimulants including those that prioritize job creation and trade development.

About the best that can be said now, is that, with the United States taking a more pro-active role in the debate, there is a better chance than before to cap greenhouse gas emissions eventually but that among the various emission path scenarios developed, the higher cap of 550 ppm CO₂ seems more attainable than the preferred 450 ppm. (Present concentrations are around 380 ppm but are rising rapidly —see Figure 1.¹²)

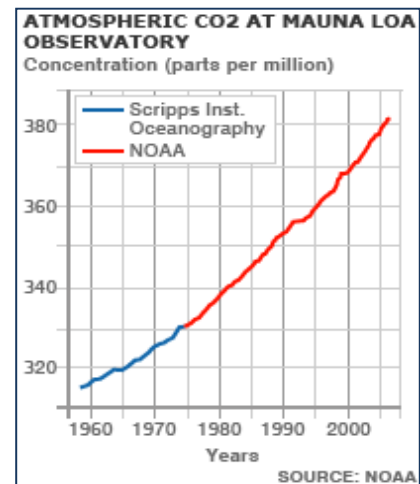


Figure 1
Rise of atmospheric CO₂; reproduced
from BBC.com

¹⁰ See Stimulus Push gets Greener Tint, *Wall Street Journal*, December 6, 2008

¹¹ The term ‘carbon footprint’ has yet to make it into the standard dictionaries such as Oxford or Merriam Webster but the generally accepted notion is that of a “measure of the impact that human activities have on the environment in terms of the amount of greenhouse gases produced, measured in units of carbon dioxide.” Greenhouse gases can of course be CO₂-based (mostly from the burning of fossil fuels) or Non-CO₂. These other greenhouse gases listed in the Kyoto Protocol consist of CH₄, N₂O, HFC, PFC and SF₆ emissions.

¹² Reproduced from ‘Going Green’ of 22 April 2008

The social dimensions of globalization

Increasingly, the world has come to realize that globalization has a social as well as an economic dimension. While it is true, as advocates state, that globalization has contributed to poverty alleviation throughout the world, the results have been patchy at best and in many developing countries, globalization has also resulted in a “race to the bottom” in terms of work standards and business practice. This should have been foreseen and avoided. In some instances it appears that the developed world did not live up to the obligations it took on in return for trade concessions from developing countries.

The 2004 “Report of the World Commission on the Social Dimension of Globalization,” published by the International Labour Organization (ILO), described the situation in the following terms:

“We believe that the dominant perspective on globalization must shift more from a narrow preoccupation with markets to a broader preoccupation with people. Globalization must be brought from the high pedestal of corporate boardrooms and cabinet meetings to meet the needs of people in the communities in which they live. The social dimension of globalization is about jobs, health and education—but it goes far beyond these. It is the dimension of globalization which people experience in their daily life and work: the totality of their aspirations for democratic participation and material prosperity. A better globalization is the key to a better and secure life for people everywhere in the 21st Century.”¹³

This is fair comment, but will it be heeded? Companies are now seeking to achieve a competitive edge in the global market place under difficult circumstances. Unionism is on the decline and the boardroom is in the ascendency. This has resulted in a shift by governments from labour policies that are worker-centric to those that are market-centric. Such worker protection that is in place is, in some instances, being clawed back while in others, such as the Philippines, it is often ignored. Even jobs in the formal sector are becoming informalized with the removal of social protection through the outsourcing of non-core tasks. Indeed, for many workers throughout Asia, globalization has brought with it an ill-wind, as workers are asked to do more for less.

Sub-themes that have emerged are the persistence of child labour throughout much of Asia, human trafficking and the role of women workers who appear to be over-represented in the informal sector, partly due to discrimination (particularly in jobs that require physical strength) but perhaps, partly due also to the choices of women themselves who prefer work that enables them to balance income-earning activities with family responsibilities.

Unionism is on the decline and, increasingly, is seen as irrelevant to workers in the knowledge economy. This is true in the Philippines, throughout Asia and the rest of the world. Trade unions need to reinvent themselves if they want to claim to be the true voice of the working population. But while labour must do its part, so must the corporate world in terms of social responsibility that goes beyond mere rhetoric and truly embraces wider stakeholder interests as part of its social license to operate. Governments too must reduce bureaucratic red tape that hinders unnecessarily

¹³ ILO Report, *op cit*, preface

business operations and concentrate on building competitive economies that lift all sections of society.

There is a high degree of self-interest here since lifting people out of poverty also builds a domestic consumer base. Globalization is not just about selling or sourcing from other markets; it is also about economies of scale that will underpin domestic production. Unleashing the power of the consumer creates a virtuous cycle that, properly managed, benefits all sections of society.

All of this held true even while the world was on a growth path; now that we appear to be heading towards a protracted recession, the danger signals have been run higher up the mast. The short-term and self-interested approach will be to sacrifice labour standards further in an effort to reduce costs and retain market share. Globalization is not in retreat but it is extending into other areas of national interest. The better longer-term strategy would be to take a holistic approach to corporate and national competitiveness in preparation for the new world order that is approaching.

Where stands the Philippines?

Since the first commentary in this series appeared, we have all learned that the US economy is already in recession. 2009 is shaping up to be a particularly difficult year, with recovery not expected until 2010 at the earliest. Here in the Philippines the government appears to be banking still on overseas remittances to keep the economy afloat without any need for more drastic reappraisal of domestic policies¹⁴. There is no sign yet of a long-term strategy emerging.

Were all other variables to remain the same, the country might just get away with this approach. (We do not think so, but some respected commentators do.) But the other variables are not remaining the same. Mining companies are divesting from the Philippines, export growth is slowing, as is remittance growth. The rate of new hires (both domestic and overseas) is also slowing and because many of the recent overseas hires have been to the Gulf area, with the price of oil now one third of its peak price, it cannot be considered a certainty that this will continue.

According to the latest *Migration and Development Brief* from the World Bank, remittance flows to the developing world are expected to show a significant decline in 2009. The Bank notes that the extent of the slowdown is hard to predict but with ever worsening economic news coming from the US it is wise to conclude that the remittance downturn will also worsen. The Bank notes that “remittance flows from the GCC countries are likely to fall more than those from the US and Europe.”¹⁵ There is little comfort in this statement for the Philippines.

Any holistic approach needs to take account of the fact that when the world does return to a growth path, the fundamentals will have changed. Globalization will not only be about the tradeoff between trade and investment on the one hand and its social aspects on the other (manifested in the need to reverse the ‘race to the bottom’ in the employment stakes); it will be about building a sustainable world order over the longer term through a greener economy, and factoring this into the pricing structure of commodities.

¹⁴ See for example, ‘Manila Banks on Its Expats’, *Wall Street Journal*, December 7, 2008

¹⁵ Migration and Development Brief, November 11, 2008

The Philippines along with many other countries is already being affected by climate change. Attention so far has been focused on rising sea levels (affecting low lying coastal areas) and more extreme temperature variations, but there is much more at stake. In agriculture, crop production cycles are changing both in terms of optimal sowing and harvesting seasons, and in terms of biome distribution suitable for crop development. Rainfall patterns are changing and with it so is water stress on river basins. In turn this affects the level of population that can be supported in any given area. Human health may also be affected through thermal stress and other factors. The characteristics of vector-borne diseases may also change.

And as was pointed out earlier this year in a seminar hosted in Manila by the Asian Institute of Management, social tensions within communities leading to greater potential for conflict situations to develop will become another likely factor.

The Philippines sits on shifting ground and needs to prepare for it. The country will be better able to adapt to the changing world if it finally concedes that some fundamental restructuring needs to take place within society.

The present recessionary environment provides the opportunity for this although the probability that the country will avoid a domestic recession due to the underlying strength of the informal economy (discussed in our previous essay—*A perfect storm* Part 1 of this series) gives politicians an easy out—particularly with an election looming. This would be a great pity.

The country needs to be weaned off its penchant for remittance led growth to something more broadly based and sustainable. It comes as no surprise to consider that in order to take the domestic economy to a new and sustainable growth path it will require a much greater investment into human resources (through education and skills training) and physical resources (through improved capital accumulation). The drivers of this new paradigm will be both investment and labour reforms to create a skilled and competitive labour market as well as greater domestic employment opportunities.

Of course, all of this needs to be underpinned by improved accountability—at the government and at the corporate levels and within the judicial system.

In both Korea and in Taiwan, and more recently in China, many young professionals have left their homeland after graduation to seek opportunity overseas. But, as these economies have matured, there has now been a reverse brain drain whereby these people return to their homelands with their experience to contribute their new-found skills to the further economic development of their own country. In a mobile and globalized labour market this is how it should be. This is the model to which the Philippines should aspire.

Looking beyond the question of national competitiveness, there is an opportunity for the Philippines to contribute to the global effort on atmospheric carbon reductions through participation in abatement measures. Of itself the contribution of the Philippines to global anthropogenic emissions is negligible but the country has the potential (so we understand) to make a significant contribution to carbon abatement through such measures as CO₂ injections into deep saline aquifers.

Carbon abatement also needs to be taken into account in terms of the overall future energy mix of the Philippines with coal-fired electrical generating plants being phased out in favour of gas-fired



plant, biomass, nuclear and photo-voltaic generation which are seen by the experts as still being most cost-effective options for this country.

There is an oft-repeated concern that within the Philippines, Filipinos do not think strategically; actions are governed by short-term considerations and often, this means the next election. This failure to strategize goes hand-in-hand with the failure to produce a vision for the Philippines that would unite all sections of society in common cause. Many believe that a failure of leadership—or at the very least a failure to articulate a vision—has left this country adrift.

It need not be so. In the brave new globalized world, the Philippines has many cards to play. It has the potential to become a world leader in tourism, in minerals development, in agriculture and in high-end management services. It also has a young demographic that, properly harnessed, could underpin a true market economy. However, the country needs desperately to shake off the much repeated joke that “it always has been and always will be a country of massive ‘potential’ ” and start to convert that potential into actuality.

Any Filipino politician running for election in 2010 that can convey that message of change as effectively as Barack Obama did in the recent US election and, of course, be trusted to follow through with it afterwards, will have a winning formula.

Hard times are not a reason for despair but a challenge to reshape a future different from the past. “Yes, we can” should be the slogan here too.

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Document Name: 081210 Commentary globalization

Document Printed: Friday, December 12, 2008