

Amando M Tetangco, Jr: Celebrating freedom and responsibility

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 117th Anniversary of Philippine Independence, Guam, 26 June 2015.

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I am deeply honored to be with you here in Guam to celebrate the 117th Anniversary of the Independence of the Philippines. This is a time of reflection. A time when we look back to honor the people who dedicated their lives to secure our freedom as a nation. A time to remember the significant events that define us as a people and as a nation.

Indeed, we must celebrate, commemorate, and value our heroes and their legacy of freedom. We are happy to note that this is well recognized by the Government of Guam with the proclamation signed by Gov. Calvo declaring June 2015 as Philippine Independence month.

This brings me to the subject I wish to share with you tonight.

In the Philippines, we are working on developing an economy where growth is sustained, balanced and one that promotes inclusive growth. Growth that improves the quality of life. Growth that empowers. Growth that breeds financial independence among our people - similar to what you have here in Guam.

Indeed, with the freedom to set our own course, the Philippines is on track to achieve sustained long-term growth. Among others, we have registered 16 years of uninterrupted economic growth. And time and again, the Philippines has demonstrated a level of resilience that can withstand the effects of global financial distress or the devastating impact of natural calamities.

In 2013, for instance, central Philippines was struck in succession by a 7.2 magnitude earthquake and by Typhoon Haiyan, considered the most powerful storm to make landfall in recorded history. Thousands died, millions were adversely affected, properties and infrastructure were destroyed and heritage sites ruined. Nevertheless, with overwhelming outpouring of international support, including from Guam, and with growth momentum on our side, our economy still expanded by 7.2%, the second highest in Asia, next to China.

The Bangko Sentral ng Pilipinas – which is the Philippine central bank - plays a crucial role in laying the appropriate foundation to help keep our economy growing. In line with our mandate, the Bangko Sentral works on providing an operating environment where stability is the hallmark of price movements and the financial system. The objective is to create conditions that are conducive to a balanced and sustainable growth of the economy.

Promoting macroeconomic stability is crucial because it serves as a solid springboard for households and businesses to flourish. As US President Franklin D. Roosevelt famously declared in his State of the Union address in 1944, and I quote: “True individual freedom cannot exist without economic security and independence.”

Indeed, ensuring economic stability and security is in the best interest of a nation. I am pleased to report therefore that we continue to register solid gains in providing a stable environment for our economy to grow and for our people to benefit from opportunities that development brings.

Among others, Philippine inflation in May was 1.6%, our lowest in 20 years. At this rate, we are able to preserve and protect the purchasing power of our people. By comparison, our inflation reached its highest at 50% in 1984 or three decades ago, when problems related to politics and economics converged. We had a debt crisis: with our gross international reserves insufficient to meet our overseas obligations, we declared a moratorium on foreign debt payments, which in turn triggered a credit freeze. As a consequence, government had

to ration scarce foreign exchange by prioritizing importation of critical commodities such as oil, medicines, and dairy products. The credit squeeze also pushed domestic interest rates higher, with housing loans going for over 30%. It was during this period when many Filipinos went overseas to find better opportunities.

Today, things are so much better in the Philippines. We now have ample international reserves that have enabled us to fully prepay our loans to the International Monetary Fund, after 45 years of indebtedness. And we have liberalized foreign exchange transactions. Among others, with minimal documentation, individuals can purchase as much as one hundred twenty thousand dollars (\$120,000.00) per transaction from banks.

Interest rates have also been lower, with some housing loans going for 5% per year. The banking system is sound, stable and liquid, with bank capitalization more than compliant with global standards.

In fact, last year, in a field of 69 jurisdictions, the Philippine banking system earned the distinction of receiving the only positive outlook rating from Moody's. Moving forward, we are confident that our banks can hold their own when ASEAN Banking Integration takes place by 2020, as part of the wider implementation of the ASEAN Economic Community (AEC) by the end of 2015.

In preparation for this, a new law was passed last year - Republic Act No. 10641 – allowing 100% foreign ownership of banks in the Philippines. We believe this will encourage healthy competition that will benefit Filipino consumers in terms of having broader and better choices of bank products and services. It will also bring in more foreign investments into the Philippine economy.

We hope that these favorable business conditions in the Philippines will prove attractive for increased investments from Guamanians to partner with us in exploiting such opportunities.

Parallel to this, we are taking a proactive approach to ensure that Filipinos across the country are able to identify, gain and prosper from the fruits of economic progress.

Our way forward is through financial inclusion. We want our people to save, invest and learn proper personal finance management to be financially secure and independent. We want our people to be part of the financial mainstream where they can access bank loans that will help them grow their own business. We want our people to have options other than informal lenders with prohibitive rates and onerous conditions. And we want our people to be able to protect themselves against scams and to know their rights as financial consumers.

We are therefore working with other agencies and institutions to develop and implement a national strategy for Financial Inclusion to achieve sustained and broad-based inclusive growth.

The upward trajectory of economic freedom in the Philippines is reflected in the 2015 Index of Economic Freedom published by the Wall Street Journal and The Heritage Foundation where we ranked as 76th freest among 186 countries.

We had one of the 10 best score improvements in this 2015 Index, with notable improvements in financial freedom, freedom from corruption, and labor freedom. While the report pointed out areas of remaining concern, it acknowledged that wide-ranging reforms have put greater emphasis on improving regulatory efficiency, enhancing regional competitiveness, and liberalizing the banking sector. In terms of overall economic freedom, the score of the Philippines is above average, relative to the world and the regional benchmarks.

Ladies and gentlemen, the declaration of Philippine independence 117 years ago was a decisive step toward building a free and prosperous nation.

Today, more than paying respect to our forefathers and heroes, let us reflect, as beneficiaries of this freedom on our responsibilities in moving our country and our people forward wherever we may be.

The current generation has the obligation to carry on with the task of nation-building to ensure that future generations continue to have the rights and privileges that we enjoy today as free and independent citizens as Filipinos or as Guamanians.

At the core of this shared mission is the spirit of community that we also celebrate tonight-the Filipino values of bayanihan and malasakit - both of which are underpinned by concern and caring for others, out of compassion, or a sense of duty.

We observe this, for instance, in the consistent flow of remittances from Guam to the Philippines. According to data collated by the Bangko Sentral ng Pilipinas, cash remittances through banks by overseas Filipinos in Guam reached a total of \$85 million in 2013 and \$87 million in 2014.

The strong ties that bind us are also evident in the number of tourists from Guam who visit the Philippines. In 2014 for instance, we recorded 38,000 tourists from Guam - equivalent to roughly 23% of your population.

And preference for products from the Philippines is on the rise. This includes dried mangos, shrimps and other food items and automotive vehicles. Philippine exports to Guam reached \$13 million in 2013 and increased to \$19 million in 2014.

This is not surprising. Guam and the Philippines have many things in common – being a former colony of Spain and the United States and under Japan during World War II.

Indeed, Guam is part of our history. Filipino revolutionary heroes were exiled here. This included Melchora Aquino who was 84 when the Philippine revolution against Spanish rule broke out. Popularly named as “Tandang Sora” she provided shelter and resources to freedom fighters and became known as the Mother of the Philippine Revolution.

The other Filipino hero exiled here was Apolinario Mabini who was recognized as the Brains of the Philippine Revolution. He was the first Prime Minister of the Revolutionary Government and the first Foreign Affairs Secretary of the Republic of the Philippines. He was 38 when he died, shortly after returning from exile.

Indeed, no one is too young nor too old, to fight for freedom.

As fate would have it, we recently celebrated milestones of these two heroes: Melchora Aquino’s 200th birth anniversary in 2012, and Apolinario Mabini’s 150th birth anniversary in 2014. The Bangko Sentral ng Pilipinas minted special coins and medals to commemorate the role of these two heroes in our fight to gain independence for our country and our people.

Ladies and gentlemen, we are donating a number of these commemorative coins and medals to the Filipino Community of Guam and to the Philippine consulate here as a reminder of how Guam figured in the lives of these two heroes.

And now, Filipinos come to Guam, not as exiles but as citizens of the world, who exercise their freedom to choose where they can be productive members of the economy and live better lives with their families. I understand that the number of tourists from the Philippines is also on the rise, as we have been learning good things about Guam and Guamanians.

In other words, the Filipinos here have been actively promoting Guam in our country. I therefore congratulate the Filipino Community of Guam (FCG) in fostering and nurturing Philippine-Guam relations.

And most especially, I commend FCG for being responsible members of the community here for over 60 years now. I understand FCG channels its efforts and resources to respond to emerging needs in health care, education, as well as in disaster relief and mitigation. This is

as it should be – paying back to the island of Guam, which, for many of you, has become your new home.

I believe the members of FCG have made the right choice. Guam is economically active and has a bright future ahead of it. Among others, Guam is an exciting and popular destination for tourists who number over a million. In short, tourists easily outnumber the local population (est. at over 165,000).

And projections of more active US military presence is bound to create more jobs and better opportunities here. I take this opportunity therefore to congratulate the leaders of Guam who are here tonight, for providing a clear roadmap to sustaining growth and a better life for Guamanians and its other residents.

Ladies and gentlemen, the task of nation-building begins when we gain our freedom, our independence. This privilege comes with an obligation to nurture our freedom by working together to create better lives for our people. As French writer and philosopher Albert Camus once said: “Freedom is nothing else but a chance to be better.”

Once again, I congratulate the members and officers, the Board of Directors, and the Board of Trustees of the Filipino Community of Guam under the leadership of President Baldovino for this successful celebration.

Maraming Salamat!

To my Kabalens, dactal a salamat!

Thank you for your invitation and your kind attention. Mabuhay! Hafa Adai.