

Stronger manufacturing industry will reverse aging economy, says DOST advisory body

Written by Angelica A. de Leon, S & T Media Service, DOST-STII
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The economy may be backsliding, but this situation can be reversed to make the country coast along a route that leads to national progress.

This was how Academician Dr. Michael Tan, University of the Philippines professor and member of the National Academy of Science and Technology (NAST), an advisory body of the Department of Science and Technology (DOST), summed up the NAST-organized Round Table Discussion (RTD) on the country's economic situationer. During the discussion, the term "development progeria" was used to describe the Philippine economy in comparison with progeria, a medical condition seen in young children that causes them to age faster than normal.

The economy at present is said to be "a young economy mimicking a mature one," like a child afflicted with progeria, and this may worsen the country's poverty situation, according to National Scientist Raul V. Fabella.

A child suffering from progeria develops an enlarged head, small and wrinkled face, baldness, and dry skin, among others. However, despite this seemingly rapid aging process, the patient displays limited growth, remaining small in stature with limited movement. The patient remains in this condition until death which mostly occurs in his teenage years.

"Aging" economy can be reversed

The Philippine economy displays similar symptoms, according to Fabella. He noted that its limited growth is due to several factors, namely the depreciation of the Indian rupee which threatens the local BPO industry, the stock market and real estate bubbles, the country's exclusion from the list of preferred sites for direct foreign investments in tradables, and the overvaluation of the peso, among others.

Fabella, citing studies by Rodrik in 2008 and by Berg and Miao in 2010, said that a 10 percent overvaluation of the currency leads to a growth reduction of 0.2 percent.

These factors hinder industries, thus limiting the movement of business activities and making the economy dry and wrinkled instead of being fresh and rosy.

In his synthesis of the discussion however, Dr. Tan said that unlike progeria which is incurable, development progeria is receptive to treatment, and thus can be cured.

One kind of treatment or solution suggested during the RTD was to strengthen the manufacturing industry.

Strengthening manufacturing industry

Dr. Ramon L. Clarete, dean of the University of the Philippines Diliman School of Economics, suggested that efforts should focus on export-oriented manufacturing industry.

Sixty percent of the total number of exporting firms in the country comprises small and

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medium-scale enterprises (SMEs) that generate 53 percent of total employment volume and make up 99.6 percent of all registered businesses in the country.

Additionally, Calixto V. Chikiamco, president of the Foundation for Economic Freedom, suggested a manufacturing industry rooted on agricultural growth and productivity, or agro-industrial growth. "Agricultural growth and development supports the manufacturing sector by providing a higher domestic market, affordable labor, and supply of raw materials," said Chikiamco.

As one of its priority programs, DOST leads and supports industry development initiatives, including those that strengthen local manufacturing. Through its Small Enterprises Technology Upgrading Program (SETUP), the agency provides a package of technology assistance to bolster the productivity and competitiveness of SMEs including those engaged in exports. Among the industries DOST's SETUP currently supports include food processing, metals, ICT and semicon, furniture, agriculture, aquaculture, among others.

However, to promote net exports, Dr. Clarete cited the significance of peso undervaluation, echoing Fabella's earlier statement about overvaluation as one of the factors negatively affecting the economy. "When you have a low exchange rate, and you're in the export business, your revenues in pesos will be lower. And then your cost are in pesos so your profits are going to be squeezed. So the lower the exchange rate or the stronger the peso, the lower would be your profits," Dr. Clarete explained.