

Check against delivery

Speech delivered by

**H.E. Gloria Macapagal-Arroyo**

**President, Republic of the Philippines**

at the

**Asia Society AustralAsia Centre &**

**Australia Philippines Business Council**

**Dinner**

held in Melbourne on 31 May 2007

We thank Asia Society and the Australia-Philippine Business Council for organizing this dinner.

We have travelled to Australia to visit a partner of the Philippines in expanded trade, increased security cooperation and close cultural relations.

Our economic relations are at least 200 years old. Australia's famous milk was already being sold in the streets of Manila at the turn of the 19th century. Filipino divers, called 'Manila men', were already working in the pearl industry of northern Australia.

In May 1892, 115 years ago this month, the first Filipino-Australian noted in history, Heriberto Zarcal, born in Manila, arrived in Australia, settled in Thursday Island, and became a respected businessman in the pearling industry.

Flashing forward, there is a good economic story to tell about the Philippines today, about the growing strength of the Philippine economy, providing more and better investment opportunities for Australian companies.

The Philippines is in a fight to turn around the economy to lift up its poor. It is winning. Slowly but surely, we are investing in our people and creating new hope and opportunity to the people.

Our administration has succeeded in breaking the back of our lethargic economic legacy by a combination of tough fiscal measures and equally politically difficult decisions to raise more revenue. In one legislative stroke, we were able to stop our backsliding and move forward to drastically reduce our budget deficit and more importantly make long overdue investments in human and physical infrastructure.

New revenues, better collection and a crackdown on tax cheats, prosecution of corrupt officials along with fiscal discipline has put the Philippines on a path to permanent economic growth and stability. New taxes aren't easy, pretty or politically popular, but they have broken the cynical cycle of our political and economic life.

Our nation's economy It has reached a new level of maturity with some of the strongest fundamentals in a generation - low inflation, low budget deficit, low interest rates, six million new jobs, declining poverty rate, strong peso, strong growth. But we are not resting, rather forging ahead to sustain the momentum.

The Philippines is on a roll. We have just received a report that our economy expanded at the rate of 6.9% in the first quarter of 2007. This is the fastest pace in almost two decades, with 9.1 % growth in services, 5.3% in industry, and 4.2% in agriculture.

The world is taking notice. Investments in economic zones and priority sectors have tripled. The strong increase in investments has recently been anchored by the announcement of Texas Instruments to invest \$1 billion to build a chip plant in the Philippines. We won that against every single other major location in Asia based on our overall economic position. This is happening across the board in a number of industries. The Philippines has become a competitive location' for all companies looking to establish or expand their operations in the Asia-Pacific region.

With a Philippine Supreme Court ruling we have opened up the Philippine mining sector so long as all investors realize they must also be good stewards of the environment, protect local communities and be model employers. We are

enthusiastic about Australian investments and commitment to maintaining the purity of our local community at the same time.

It is no contradiction for us to agree to develop our mining industry while maintaining the integrity of our land and our communities. Economic development in the Philippines must go hand in hand with environmental stewardship. We welcome the hand of experience with environmental laws, policies and regulations that can be shared with us by our friends here in Australia.

We take great pride in the discipline of our administration to focus on the economy and our overall economic health. We are proud of the fact the external debt is being prepaid ahead of deadline, optimistic that we will balance the budget two years ahead of schedule, and that we are making sure to use the gains to invest in vital social and economic needs. We are working to ensure this will be sustained.

We are committed to consolidating the gains in new revenue by making long overdue investments in human and physical infrastructure. The short answer to continuing economic growth is summed in three words: invest, invest, invest. We are following up the pain of tax raising measures with the gain that comes from significant investment in people and projects. This way we will truly ensure that progress cannot be reversed.

This Includes billions of pesos in education, healthcare and training along with billions in new bridges, roads and ports to upgrade the competitiveness of the Philippines. Investors are looking at our rate of investment in vital infrastructure. We will boost our economy further with \$40 billion investment in world-class infrastructure, in the years ahead. We expect that this will in turn attract more investment and create jobs, ultimately improving the lives of our people.

We will not sacrifice long term gains for short term political expediency. Earlier this month, Filipinos demonstrated our political stability through elections. Its message was that the Philippine economy is stable and strong. The path we have set for economic reforms will not be upset by partisan elections. Politics won't undo our economic progress.

We will continue on the path we have set for putting the people ahead of politics by focusing relentlessly on the economy. Our administration will focus on pro-growth, pro-trade and pro-investment strategies that help lift up our people from poverty and help the Philippines in contention as a real' investment destination.

We will keep reform going in the three-year remainder of our term. We are determined to move all parties in a unified way to stay on the path of economic reform and fiscal discipline.

We are the best value in Asia and the best place to invest in Asia. We offer a strategic location in a fast-growing region.

Our workforce is well educated, productive and English speaking. We are cutting red tape to simplify the requirements for investing in the Philippines.

You will continue to see the Philippines assume a place at the table alongside the other tigers of Asia. We are a good business environment getting even better.

I am optimistic about the unity of our region and our prospects for peace, stability and economic growth.

We are building Asia's next success story. We invite you, our friends in Australia, to be a profitable part of it.