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Statement by the Hon. **CARLOS G. DOMINGUEZ**,  
Governor of the Bank for **THE PHILIPPINES**

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Governor of the Bank for the Philippines

A dangerous convergence of factors threatens global growth. We urge the International Monetary Fund (IMF) and the World Bank Group (WBG) to put this convergence on the table for discussion.

We are concerned over the ultimate consequences of the trade tensions that appears to be escalating between the world's two largest economies. The IMF and WBG recently reduced its projections for global economic growth in the aftermath of the recent global trade developments. Any slowdown in global economic performance will have unwelcome effects on the poor countries and emerging economies. It will hurt the poor most of all.

These could open the door to a global recession when it magnifies the effects of other adverse developments. An open global trading regime is the only guarantee for sustained and inclusive growth. We are deeply concerned over the effects of the trade war on our own prospects for growth and equitable development.

We are likewise concerned over the rising interest rate from the ongoing monetary policy normalization in advanced economies. The rate increases have the effect of draining investments from the emerging economies and forcing the depreciation of most of the world's currencies. The present trend could further curtail our growth prospects and choke the flow of investments emerging economies direly need to sustain their expansion.

Over the past few months, we observed with great concern the sharp increases in international crude oil prices. The increases were driven both by the decision of the oil exporting countries to curtail supply as well as the imposition of trade blockades against some oil suppliers.

Sharply higher prices for oil cause inflation rates to rise and reduce the capacity of emerging economies to expand further. Historically, cycles of rising oil prices have been reversed only by the onset of global recession. At their present price levels, oil prices raise the prospects for global economic slowdown. Combined with the other factors mentioned above, a prolonged slowdown in global growth will be unavoidable.

We call on the IMF and the WBG to highlight the perils posed by this convergence. If present trends continue, all the work we have put in preparing our economies for competitive trade, improving our domestic efficiency, and maintaining the highest standards for fiscal discipline will fail to ensure inclusive growth.

Notwithstanding the near-term challenges, the Philippines has taken concrete steps towards preparing our economy for the long-term challenges posed by rapid advances in digital technologies.

The Philippines passed laws that will provide an adequate regulatory framework for the new information technology environment. These include legislation on data privacy, stronger enforcement of intellectual property rights and greater ease in doing business for enterprises across the board.

The Philippines is currently undertaking an ambitious infrastructure modernization program that will create jobs in the long term, improve competitiveness in the medium term and ensure inclusive growth in the long term. Years of fiscal consolidation provided us the space to initiate this modernization program. Improved revenue from the comprehensive tax reform program and administrative reforms will ensure the sustainability of this infrastructure build-up without diminishing fiscal discipline.

We understand that improvement in our human capital is the key to sustaining growth in a more competitive world. We have adopted a 13-year primary and secondary school program that matches global standards. The formal school program is supplemented with an extensive skills training program. We have strengthened our social security systems and extended conditional cash transfer programs to protect the vulnerable. We are now considering designs for a universal health care program.

We also passed a law establishing a National Identification System to provide us a reliable database about our population and facilitate access to government services.

As the Philippines shifts to investment-led growth, we expect to bring down the poverty rate dramatically over the next few years. We are confident that the wave of technological changes we now see, disruptive as it may sometimes be, will be beneficial to our economic emergence over the longer term.

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