Dear

Asian Development Bank (ADB), Agence Française de Développement (AFD), and Japan International Cooperation Agency (JICA)

Joint Forum

“Taking the Right Road to Inclusive Growth”

InterContinental Manila – 28 February 2012

Asian Development Bank (ADB), Agence Française de Développement (AFD), and Japan International Cooperation Agency (JICA), are pleased to invite you to participate in a joint forum entitled “Taking the Right Road to Inclusive Growth.”

ADB, AFD, and JICA will jointly organize a high-level seminar in May 2012 in conjunction with ADB’s 45th Annual Meeting in Manila, which focuses on structural transformation of an economy and its implications for inclusive growth in developing Asia. Top researchers and policy makers will discuss potentials and limitations of the new development path created by the global service revolution in the past two decades.

As a run-up event for the annual meeting seminar, we organize this Forum to share our research findings on structural transformation in the Philippines, its implications on development outcomes, and requisite policy reforms for achieving an inclusive growth. The forum will be held at the Bahia Room, 14/F InterContinental Manila on 28 February 2012. The program is in Attachment 1.

We do hope you can join the Forum and participate in our discussion. For inquiry and confirmation, Ms. Rita Festin (tel.: 683-1006; email: rfestin@adb.org) or Ms. Leah Pati-an (tel.: 683-1022; email: lpatian@adb.org) or Ms. Sandra Guirhem (tel. 632-4444 ext. 70103; email: sguirhem.contractor@adb.org), would be happy to assist you.

We look forward to seeing you at the Forum.

Yours sincerely,

Neeraj Jain
Country Director, Philippines
Asian Development Bank

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Country Director, Philippines
Agence Française de Développement

Takahiro Sasaki
Chief Representative, Philippines
Japan International Cooperation Agency
ADB-AFD-JICA Joint Forum

“Taking the Right Road to Inclusive Growth”

Industrial Upgrading and Diversification in the Philippines

Bahia Room, 14/F InterContinental Manila, 28 February 2012

ADB, AFD, and JICA will jointly organize a high-level seminar on 2 May 2012 in conjunction with ADB’s 45th Annual Meeting in Manila, Philippines (http://www.adb.org/annualmeeting/2012/). The seminar entitled “Taking the Right Growth Road—Manufacturing and Modern Services”, will focus on structural transformation and its implications for inclusive growth in developing Asia.

Structural transformation is the core issue of development. Countries that attained high growth and rapid poverty reduction are those that were able to diversify their production structure and shift labor and other resources from the less productive to the more productive sectors. Industry plays a critical role in the transformation process and contributes to productivity growth by creating decent employment opportunities. Inclusiveness of economic growth depends on the direction and the speed of structural transformation in each country. High performing Asian economies have followed this development path through industrialization.

Globalization has, however, fundamentally changed the economic landscape during the last two decades. Globalization created new business opportunities for developing countries. Many services which were non-tradable in the past have now become tradable. Information technologies, biotech, call centers, and outsourced business processes have become drivers of economic growth for some developing countries. India, for example, has successfully seized the new opportunities in the growing global demand of IT and IT-enabled services. The Philippines is also a major beneficiary of global service revolution and attracted the business process outsourcing (BPO) industry. Given the recent expansion of global service trade, some economists and policymakers have argued that developing countries can bypass the process of industrialization and move directly to a service-led economy. The idea is generally called as a “leapfrogging” development strategy.

In the joint seminar during the Annual Meeting, we invite top researchers and policy makers to discuss the implications of the global service revolutions for developing Asia. Focal points in the seminar include: (i) which sector can be the key driver of a sustained and inclusive growth? (ii) can the modern services be magic trick for inclusive growth? and (iii) how should we be concerned about productivity, employment, and skill development?.

ADB-AFD-JICA Joint Forum

The Philippines was an early leader with a relatively advanced manufacturing sector and well-developed human capital in the 1950s and 1960s. Despite the favorable initial conditions, the country’s growth performance and development outcomes over the last decades has been less impressive compared with the high-performing countries in the region. Over the decades, the services sector have driven the growth and transformed the Philippines into a service-based economy. The process toward the service-based economy has been accelerated since the BPO industry entered into the economy. The economy has shown a solid growth performance over the 2000s. The country, however, has not succeeded yet in
translating it into inclusive growth that benefits the entire population. The economy has still suffered from high unemployment, slow poverty reduction, and low investment below the regional standard.

The recent global slowdown revealed another structural weakness of the Philippine economy. Even in the face of the global slowdown, most countries in the region managed to retain positive export growth. The Philippines, however, has experienced a double-digit decline in exports since the middle of 2011. The reason behind it is that the Philippines’ export products are too highly concentrated in electronics, particularly semiconductors. With a sharp slowdown of global semiconductor sales, the country’s overall exports have significantly shrunk. The limited diversification of export structure makes the economy more vulnerable to global economic slowdown.

What are major causes of the chronic problems of the Philippine economy? Why could the relatively solid growth over the 2000s not create a more inclusive growth? How can the government facilitate the speed and the direction of structural transformation that can translate economic growth into inclusive one?

Under the overall theme of the joint seminar during the Annual Meeting, ADB, AFD, and JICA will organize this joint forum that focuses on the Philippines’ long-term development pattern, particularly its structural changes in production and employment, and its implication for development outcomes in the Philippines. The forum will review the Philippines’ past growth and development performance in the regional context through the lens of structural transformation to identify key development challenges and their root causes. The forum will also discuss recent improvement of overall business and investment environment in the Philippines and emerging challenges in neighboring countries.

We will emphasize that improving business confidence under the current administration, and changing regional and global economic environment, such as tightening labor market in neighboring countries, restructuring production network after natural disasters, and realignment of regional currencies in particular appreciation of Japanese yen, would create huge opportunities for the Philippines to attract investors. A key challenge is how to capture the opportunities open to the country. In the forum, we will discuss how the government can facilitate structural transformation by mobilizing more investment to drive inclusive growth in the Philippines.

Presentations in the forum are based on ADB’s structural transformation study, AFD’s latest macroeconomic assessment, and JICA’s investment climate and electronics supply chain studies, which analyze implications of the recent Japan’s earthquake and arising issues in the neighboring countries on the Philippine economy.
# ADB-AFD-JICA Joint Forum

## “Taking the Right Road to Inclusive Growth”

*Industrial Upgrading and Diversification in the Philippines*

**Bahia Room, 14/F InterContinental Manila, 28 February 2012**

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<td>8:30 – 9:00</td>
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| 9:00 – 9:15| Welcome Remarks                  | Neeraj Jain  
Country Director, Philippines, ADB |
| 9:15 – 9:30| Keynote Speech                   | Cayetano W. Paderanga, Jr.  
Socioeconomic Planning Secretary  
and NEDA Director General         |
| 9:30 – 10:00| Transforming the Philippine Economy – Industrial Upgrading and Diversification | Norio Usui  
Senior Country Economist, ADB    |
| 10:00 – 10:45| Discussion                      | Adrian S. Cristobal, Jr.  
Undersecretary  
Department of Trade and Industry |
| 10:45 – 11:00| Coffee Break                    |                                                                             |
| 11:00 – 11:30| Prioritizing Sectors and Targeting Public Sector Support – Attracting Investment and More Competitive Electronics Industry | Toru Yoshida  
Representative, JICA Philippines |
| 11:30 – 12:15| Discussion                      | Guillermo M. Luz  
Private Sector Chairman  
National Competitive Commission |
| 12:10 – 12:30| Wrap up and Closing Remarks      | Takahiro Sasaki  
Chief Representative  
JICA Philippines               |
| 12:25 – 14:00| Lunch                           |                                                                             |