The Challenges of Structural Underperformance

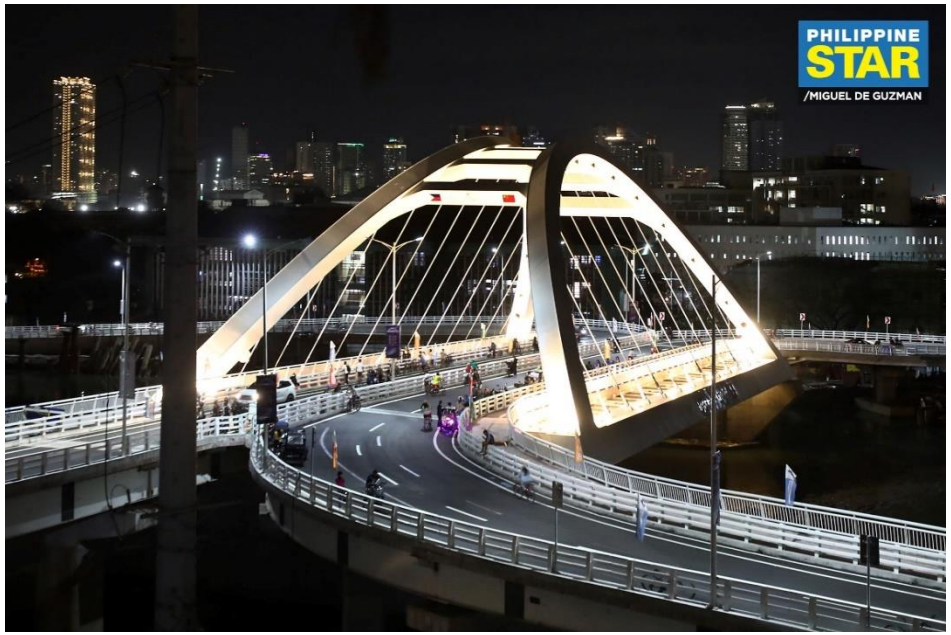
Address to The Manila Times Midyear Economic Forum

June 27, 2023

By Stephen CuUnjieng

Why Structural Underperformance?

1. Expensive and Inadequate Infrastructure



Binondo-Intramuros Bridge



Olutanga-Alicia Road in Zamboanga-Sibugay

Photo credits: Miguel de Guzman, The Philippine Star and MinDA (PNA)

Why Structural Underperformance?

2. Lack of Manufacturing





Photo credits: Toyota Motors Philippines, Reuters

Why Structural Underperformance?

3. Malthusian Population Levels and Density

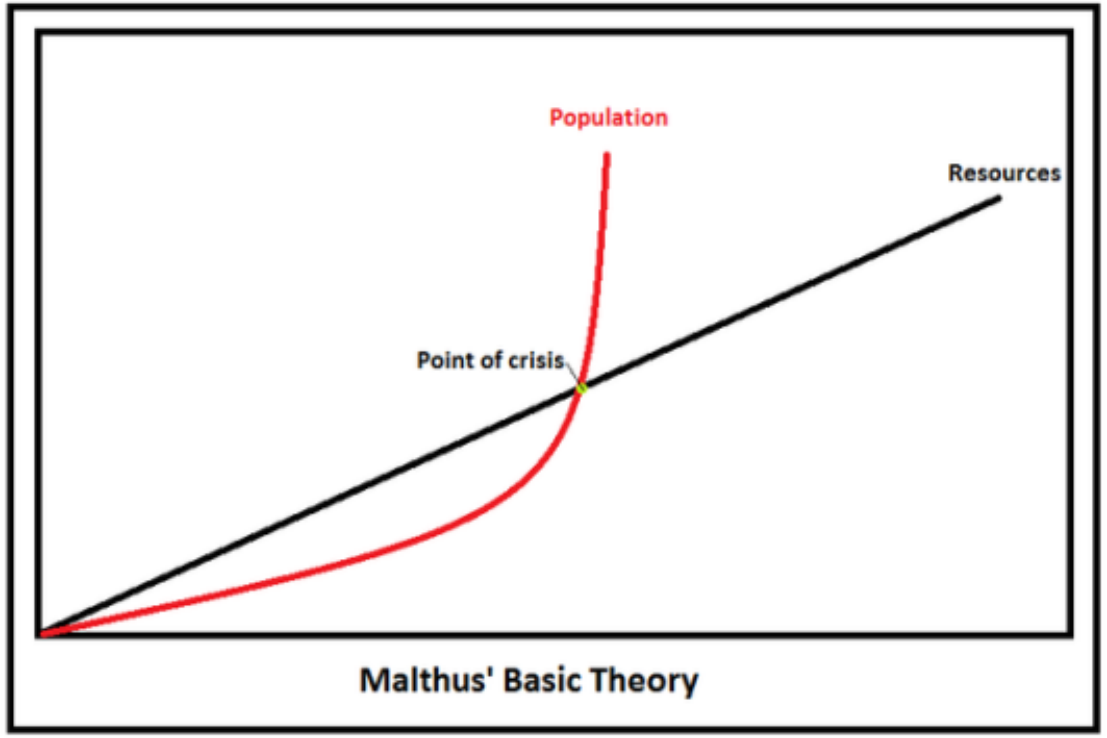


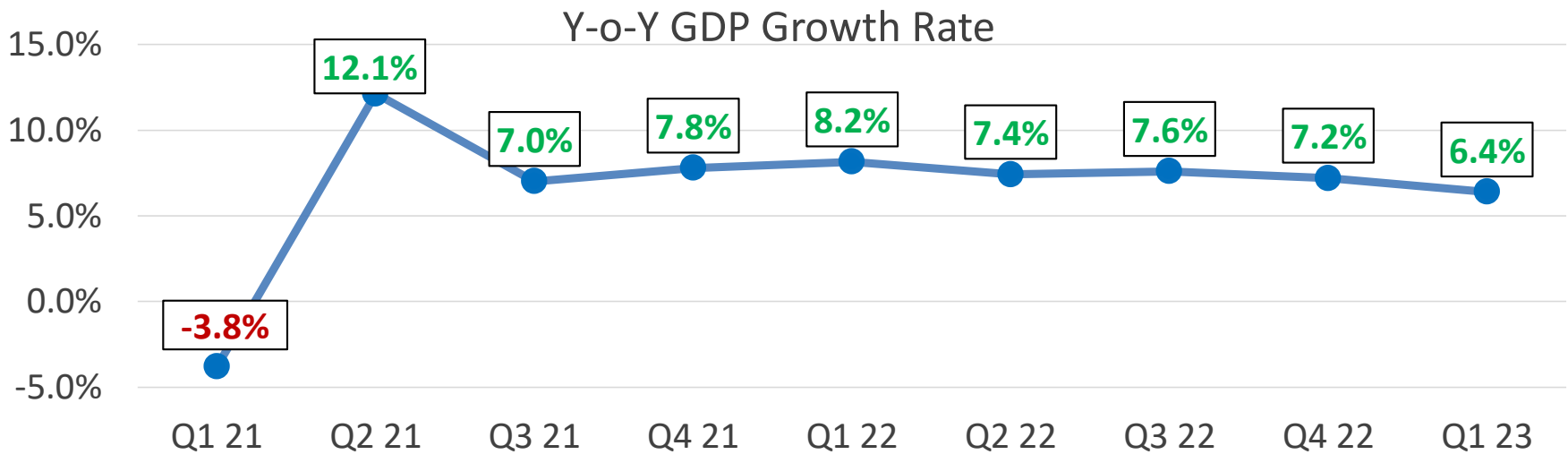




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Short-Term Issues

Decent GDP growth, coming off worst economic contraction in the region from COVID-19.
While GDP decelerating, Q1 2023 GDP beat expectations of a 6.2%.



WE ARE ONLY GOING BACK TO WHERE WE WERE IN 2019 WHILE OTHERS ARE MOVING AHEAD.

Short-Term Issues

Lack of manufacturing and long-term planning due to “leave it to the private sector” attitude has led to high exposure to imported inflation.





Examples: hybrid and electric cars, mass transport, renewable energy, manufacturing capacity for vaccines

Short-Term Issues

Immediate Opportunities: agriculture, mining, renewable energy, tourism









Long Term Issues

Address our pathetic lack of manufacturing. How bad are we?

Country	Population	Peak Power Demand
Philippines	117 million	16k mw
Vietnam	99 million	60k mw
Thailand	72 million	32k mw
Malaysia	34 million	19k mw

Sources: doe.gov.ph, eppo.go.th, st.gov.my, en.evn.com.vn, populationpyramid.net

Population Growth, Density and Food Sufficiency

POPULATION GROWTH

Country	Population in 1950	Population in 2023	Increase
Japan	84 million	123 million	46%
China	554 million	1.4 billion	262%
Thailand	20 million	72 million	352%
India	357 million	1.43 billion	400%
Bangladesh	38 million	173 million	435%
Pakistan	37.5 million	240 million	638%
Philippines	18 million	117 million	635%

Source: populationpyramid.com

Population Growth, Density and Food Sufficiency

INCREASE IN GDP PER CAPITA

Country	GDP /capita 1960	GDP/capita 2022	Increase
USA	$3,077	$76,348	26.6x
China	$90	$12,814	152.4x
Thailand	$101	$7,651	81.0x
India	$82	$2,379	31.7x
Philippines	$286	$3,623	12.7x

Sources: knoema.com, imf.org

Population Growth, Density and Food Sufficiency

POPULATION DENSITY

Country	Rank	Population per sq.km
Bangladesh	8	1,172
India	18	435
Philippines	23	391
Japan	28	326
Vietnam	33	299
Germany	46	233
China	59	149
Indonesia	61	145
Thailand	64	140
France	75	118
Malaysia	85	104
USA	143	35

Source: populationpyramid.com

Long Term Issues

Dated and Flawed Washington Consensus



"Leave it to the Private Sector" mentality



WE FAILED TO MOVE BEYOND THESE AND DEVELOPMENT WORK WHERE PROFIT IS NOT INHERENT.

Photo credits: AsiaPacificJournalJapanFocus.org and deposit photos

Long Term Issues

Best examples of development work without profit motive

US Interstate Highway System



Changi Airport



Photo credits: Safety+Health magazine, Changi airport website

Long Term Issues

Fallacy of the Demographic Dividend

- Population density
- Reality of OFWs

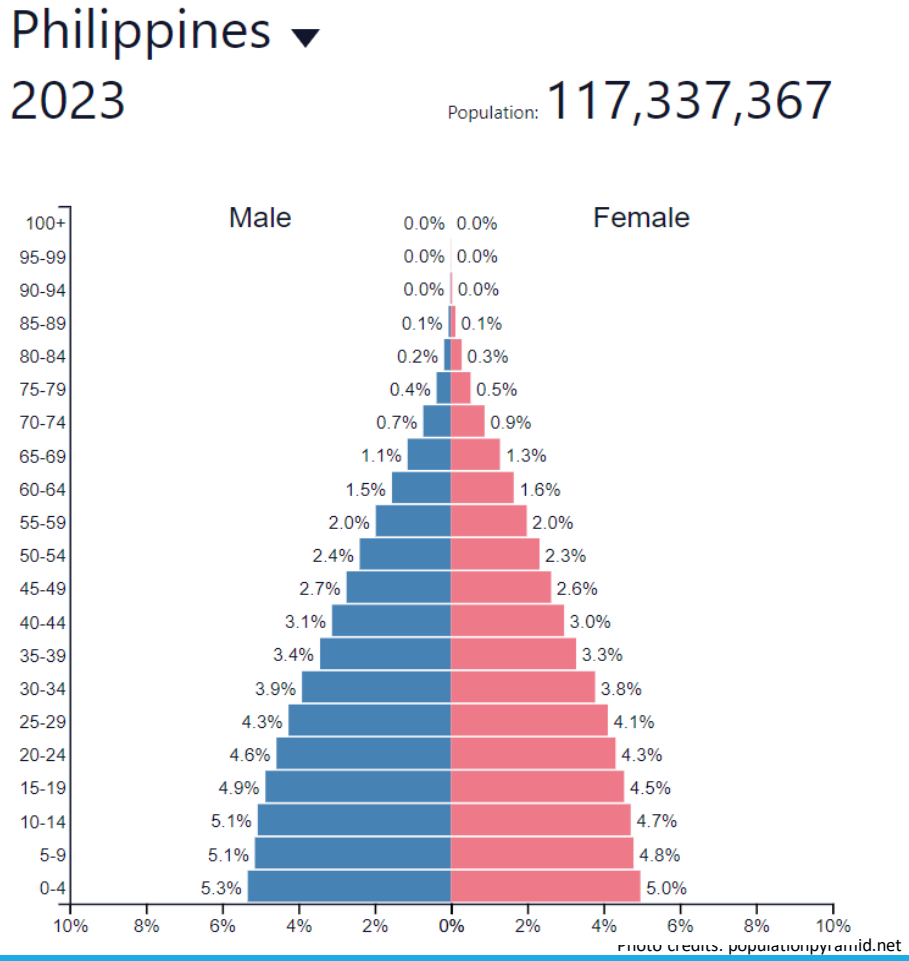


Photo credits: populationpyramid.net

What Must We Do?

In a high population country, industrialization has been the only mode to prosperity and full employment.





Photo credits: AFP and usatoday.com

What Must We Do?

1.5 million BPO workers



15 million OFWs



YOU CANNOT GO FROM AGRICULTURAL TO SERVICE ECONOMY WITH OUR POPULATION.

Photo credits: Yumi Kotani, Nikkei Asia and The Philippine Star

What Must We Do?

- Start with **manufacturing** where we have a need and advantage in supply chain and input issues: agriculture, mining and add tourism, infrastructure and renewable energy.

- Quality of education and productivity of workers.



Photo credit: Philippine News Agency



ALL THIS NEEDS A DYNAMIC PRIVATE SECTOR AND EFFECTIVE GOVERNMENT. BOTH ARE HARD BUT WE HAVE NO CHOICE. The solutions are clear, but they are hard, long term and require skills and partnership that our government and private sector have not previously accomplished. Yet our neighbors have.

Photo credit: Department of Interior and Local Government