

RP's economic freedom rating slips due to regulations, bribery

By ISAGANI DE CASTRO, JR., abs-cbnNEWS.com/Newsbreak | 09/21/2008
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The Philippines has lost the momentum it gained during the Ramos administration in advancing economic freedom, according to the Economic Freedom of the World's (EFW) 2008 Annual Report launched Thursday.

The Philippines got its highest economic freedom rating of 7.22 after the Ramos government implemented key reform measures such as trade liberalization and the opening up of the telecommunications and aviation sectors to greater competition.

But since then, its economic freedom rating has, in general, been dropping, from 6.96 in 2000, 6.64 in 2001, 6.64 in 2002, 6.60 in 2003, 6.37 in 2004. It recovered slightly in 2005 to 6.57 but declined again in 2006 to 6.54.

The EFW index "measures the degree to which the policies and institutions of countries are supportive of economic freedom." Ten is the highest score.

"In the case of the Philippines, the country has achieved its highest mark in 1995, but this has gone down by almost a percentage point a decade later," said Dr. Fernando Aldaba, president of the Philippine Economic Society.

In an interview with abs-cbnNEWS.com/Newsbreak, Aldaba said there has been a "general weakening of institutions" in the Philippines, especially after the "Hello Garci" election scandal in 2005 and cases of corruption.

"It has scored low in legal structure, secure property rights and in business and labor market regulations. These are all in the realm of governance which the country continues to reform unsuccessfully over the last few years," Aldaba said in the Philippine edition of the 2008 report.

One of the Philippines' biggest setbacks is on business regulations. The rating on ease of starting a business fell from 8.24 in 2005 to 7.84 in 2006.

The rating on "extra payments/bribes" declined from 4.24 in 2005 to 3.97 in 2006.

Out of 141 countries, the Philippines' world ranking on business regulation fell from 102nd to 105th.

The EFW annual report is published by the Economic Freedom Network, a "global network of institutes in 76 nations and territories that promotes economic freedom." It is co-published in more than 70 countries. In the Philippines, the co-publisher of the report is the Center for Research and Communication, the research arm of the University of Asia and the Pacific.

'Mar' calls for change

Speaking at the launch of the EFW 2008 Philippine Edition, Sen. Mar Roxas said, "Corruption is the most deplorable incursion on the economic freedom of Filipinos."

"It is corruption and our weak legal structures that have dragged us down. A corrupt government cannot bring forth meaningful change for Filipinos," Roxas said.

The Liberal Party president also said it was "time for Filipinos to bring change to the government."

"The challenge before us is to turn government from an obstacle to an enabler of our people. The EFW cannot resolve the challenge for us; it can merely inform us and warn us that the need for balance and better governance exists," Roxas said.

Judicial reforms

Meanwhile, in an interview with abs-cbnNEWS.com/Newsbreak, Siegfried Herzog, resident representative of the Friedrich Naumann Foundation for Liberty, which co-sponsored the publication of the Philippine edition of the EFW 2008 report, said the Philippines also has to do more work in advancing reforms in the judiciary.

He said the judiciary has to be more independent of the executive branch, and the various trial courts have to be more impartial. Contracts also have to be better enforced legally.

"What you can see is that the implementation of justice is weak. Traditional machinery is perceived as weak," Herzog said. "This is a persistent problem. Obviously, in the eighties, it was even worse. Under the Marcos dictatorship, you can see an improvement, from Marcos to post-Marcos but the progress has been stalled so to speak."

From 2005 to 2006, the Philippines' rating on legal enforcement of contracts fell from 4.67 to 3.42.

No steady improvement

Unlike countries like China and India, Herzog said the Philippines EFW rating has not improved steadily.

"What is striking is the Philippines improved from the seventies to the nineties, especially in the 90s, but since the 90s, it has declined slightly. So, while the Philippines is on a similar level than the 90s, a lot of the neighboring countries have improved their economic freedom ranking," he said.

In the case of India and China, Herzog said there has been "since the nineties, a steady improvement in economic freedom."

"In absolute level, you still see residues of the old socialist past, so they have an economic freedom ranking which is pretty mediocre. But if you look at the timeline of change, it is relentlessly positive. So people believe that this will continue and they invest in the future," he said.

"In the Philippines, you get the feeling that since the nineties, basically since 1997, since the end of the Ramos presidency, things are on a stagnation. And that, I think, is the big difference," Herzog said.

The EFW 2008 Annual Report can be accessed at: <http://www.freetheworld.com>.