[illegible]

[illegible] and [illegible] [illegible] [illegible]

[illegible]

[illegible] (Government of Pakistan) [illegible] the [illegible] the [illegible] [illegible] [illegible]

[illegible]

[illegible]

[illegible] Philippines, [illegible] Malaysia and of the [illegible] Hong Kong. The [illegible] that small economy, which rely on the cheap labor, [illegible] investments, extraction [illegible] and even [illegible] the growth miracles of the post-World War II period in Asia. We have [illegible] the fact that there is doubt in Washington, [illegible] whether [illegible] is relevant to economic policy in the Philippines. In fact, we would hypothesize that there is some [illegible] from the Hongkong experience that can be valuable to us. In a sense, Hongkong's [illegible] growth in the postwar period and to the fact that, to put it figuratively, we stepped during the [illegible] we were then, as now, a really strong potential competitor to Hong Kong.

Hongkong's development has been so fast in the past three [illegible], the cheap labor has become fairly expensive, in comparison to Philippine labor [illegible] today. The movement of some Hongkong capital and industries to South Korea, Taiwan, and even Singapore, for labor-intensive industries that were once Hongkong's great specialty, is but an indication of this changing [illegible] structure. The Philippines, provided it does not again [illegible] the [illegible] of realizing minimum wages far out of equilibrium market wages, can also attract these industries.

With [illegible] the [illegible] can be a great [illegible] of [illegible] of [illegible] trade. The [illegible] [illegible] [illegible] the country should be able to maintain a more [illegible] [illegible] that [illegible] [illegible] [illegible] [illegible] [illegible] leads to tariff and similar policy is necessary so that we may give effective competition [illegible] in some cases, [illegible] to [illegible] in [illegible]. This requires the removal of tariffs and other internal duties on items of great importance to the consumer -- textiles, [illegible], electrical [illegible], etc. We have argued elsewhere that the removal of duties on these goods will not only have a great impact on employment creation, but will also [illegible] that it does not conflict with our [illegible] for efficiency and progress even in those industries which, at first hand, appear to be adversely hit by the removal of the tariff -- textiles and electronics industries. (See [17].)

(3) Complementary Changes in Policy.

We have now made the point that our new policy augurs well for sound economic development within the country. We now lay stress on the [illegible], the proviso that this powerful policy is not swamped by policies that attempt to restore the same patterns of [illegible] incentives as existed before.

[illegible] exchange-rate system which is not overvalued can [illegible] in the same vein as the present exchange-rate policy [illegible]. The flexible exchange rate has the advantage of

[illegible]

[illegible] there are [illegible]

The remedy of complementary policies that need a good [illegible] effective [illegible] cannot be embodied. If there are [illegible] changes for the better, only policies which are [illegible] for promoting those changes should be encouraged. The traditional [illegible] are towards [illegible], depending on how they are made [illegible], this [illegible] may be able to demonstrate that it can lead to [illegible] progress for the country. The more fundamental changes that are [illegible] to be made are, in brief:

(a) [illegible] reform, which is conducive to greater [illegible] and [illegible] integrated industries;

(b) interest-rate reform, which is to remove the interest-rate ceilings as [illegible] in the anti-usury law;[26]

(c) a hard look at [illegible] laws protecting employed labor by [illegible] policies toward greater employment;

(d) a foreign investment policy which is liberal, not restrictive.

Any efforts which ignore any one of these issues, or [illegible] them in ways not [illegible] "rational" -- even if only [illegible] -- will contribute towards negating the [illegible] caused by the new policy.

[illegible] the majority introduced in the Senate to compel

[illegible] [illegible] [illegible] [

[illegible]

[illegible]

[illegible]

investment climate.

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