

THE PHILIPPINES

Canada's relations with the Philippines have matured significantly since President Corazon C. Aquino assumed office in 1986. Canada has strongly supported the Government of President Aquino in its program of democratization, economic reforms and progressive social policies. Bilateral trade has increased steadily over the last four years and a new Canadian development assistance program for the Philippines was launched in late 1986. In addition, the Philippines has become the third largest source of new Canadians who will likely play an important role in efforts to strengthen bilateral relations between the two countries. Also, international economic and trade fora such as Asia-Pacific Economic Cooperation (APEC), the Multilateral Trade Negotiations, as well as the Association of South East Asian Nations (ASEAN) itself, also provide areas for effective cooperation.

Recent Economic Development in the Philippines

The implementation of a wide range of structural reforms has enabled the Philippine economy to stage a strong recovery from the economic and financial crisis it experienced in the period 1984 to 1986. GDP growth started to recover in 1986 posting an increase of 1.8% and reached 5.9% in 1987 and 6.7% in 1988. This recovery was sustained in 1989, albeit at a slower pace (5.7%). Output growth was broadly based. Agriculture, forestry and fishing are the largest contributors to GDP in the Philippines and account for approximately 50% of total employment in the country. The industrial sector continued to expand rapidly, averaging 8% growth since 1987. The manufacturing sector accounts for about one quarter of the GDP.

The recent economic recovery has reflected growth in both domestic demand and investment. In turn, however, the adoption of expansionary fiscal and monetary policies designed to accommodate investment requirements, plus several rounds of wage increases, have contributed to the inflationary spiral. The annual rate of inflation, which had been held to below 9% until mid-1989, currently stands at approximately 13%.

Recent economic growth also stems from the major economic policy reforms implemented by the Aquino government since its coming to power in 1986. They include the dismantling of "crony" monopolies in the agricultural sector, privatization, more liberal trade policies, financial sector reform and encouragement to exporters. These reforms were set in motion as the Philippines have negotiated debt rescheduling agreements with both official and private creditors. The Philippines debt stood at \$32.7 billion in 1989.

Merchandise trade has almost doubled since 1985. However, imports have outstripped growth in exports. Export growth is partly attributed to the recovery experienced in the non-traditional manufacturing sector (e.g. electronics products ranked as the number one export in 1988) as well as to the increase in the volume of mineral and fish exports. Textile and clothing products represent the second most important export of the country. Over 50% of the Philippines' imports consist of raw materials (e.g. oil) and intermediate goods.