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## GDP AND GNP: GAWA DITO SA PILIPINAS AND GAWA NG PILIPINO?

by Dr. Romulo A. Virola <sup>1</sup>

Many of us entertain ourselves and others by inventing and giving ingenious interpretations of acronyms. The older Filipino machos were **TAKUSA**, for "**takot sa asawa**". Now, the yuppies graduate **SUMMA** for "**sumalangit nawa ang grades**"; and **MAGNA**, for "**mag na-nine years sa college**". The sweet young lovers, they have something else: **JAPAN**, for "just always pray at night"; **ITALY**, for "I trust and love you"; and **HOLLAND**, for "hope our love lasts and never dies"! You didn't know these marvels, did you? But if you graduated from the University of Santo Tomas, I bet you knew what UST sordidly stood for!

Okay, **GDP** is supposed to stand seriously for Gross Domestic Product and **GNP**, for Gross National Product. But many of us do not seem to understand what they really mean, and Filipino ingenuity came up with **Gawa Dito sa Pilipinas** and **Gawa Ng Pilipino**! Very cute, I must say! Are they correct, though?

The National Statistical Coordination Board (NSCB) compiles the national accounts of the Philippines. Yes, NSCB, not NEDA! And in line with best practices in statistical information dissemination, we in the NSCB post on our website our Advance Release Calendar (ARC) for our important products. According to our ARC, we will release on Nov 29, our estimates of the Philippine GDP and GNP for the third quarter of 2004.

The GDP and GNP are two very important aggregates measured in the Philippine System of National Accounts (PSNA). In the estimation of the GDP and GNP, the NSCB adopts international guidelines, the most important of which is the System of National Accounts 1993, (1993 SNA) produced after about 10 years of collaboration among the Commission of the European Communities, the IMF, the Organization for Economic Cooperation and Development, the UN and the World Bank.

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In the compilation of the PSNA, two important concepts that we need to understand to be able to tell whether GDP indeed stands for **Gawa Dito sa Pilipinas**, are economic territory and residency.

The economic territory of a country is differentiated from its geographic territory. According to the 1993 SNA, the economic territory of a country consists of the geographic territory administered by a government within which persons, goods and services circulate freely. It includes (a) the airspace, territorial waters, and continental shelf lying in international waters over which the country enjoys exclusive rights or over which it has, or claims to have, jurisdiction in respect of the right to fish or to exploit fuels or minerals below the sea bed, (b) territorial enclaves in the rest of the world (clearly demarcated areas of land which are located in other countries and which are used by the government which owns or rents them for diplomatic, military, scientific or other purposes, with the formal political agreement of the government of the country in which they are physically located) and (c) any free zones, or bonded warehouses or factories operated by offshore enterprises under the customs control of the country. Thus, our economic territory excludes certain areas in our geographic territory like foreign embassies and the ADB and UN offices here but includes certain areas outside of our geographic territory, like our embassies abroad.

The residency status of producers of goods and services determines the limits of domestic production and affects the measurement of GDP. In the context of the SNA, residency is not based on nationality. An institutional unit producing goods and services in the economic territory of a country is said to be a resident producer if it has a center of economic interest in that economic territory. Usually, this is

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interpreted to mean that the institutional unit engages or intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time, generally one year or more.

Our GDP accounts for economic activities that happen in the Philippine economic territory regardless of whether these economic activities are undertaken by Filipinos, former Filipinos or foreigners.

On the other hand, our GNP is all of our GDP plus compensation and property income of Philippine residents earned abroad or outside of the Philippine economic territory, less compensation and property income earned in our country by nonresidents of the Philippines.

What do these mean?

First, most economic activities which are **Gawa Dito sa Pilipinas** form part of our GDP. Examples are the candy production of our favorite **tira-tira** and **choc-nut**, the baking of hot **pan de sal**, the growing of the very healthy **saluyot**, gold-panning in **Mt. Diwalwal** in Compostela Valley and the retailing in our neighborhood **sari-sari** stores.

Second, economic activities like services provided in the processing of decade-old visa applications in the embassy of the US of A do not happen in the economic territory of the Philippines and are therefore not counted in our GDP, even if they can be thought of as **Gawa Dito sa Pilipinas**. However, Filipinos employed in foreign embassies in the country or in the ADB or in the United Nations, contribute to our GNP since they are Philippine residents receiving compensation for providing services outside of the Philippine economic territory. On the other hand, expenditures of our embassies abroad form part of our GDP, even if not **Gawa Dito sa Pilipinas!**

Third, economic activities of foreigners who have established residence in the Philippines even if they have not acquired Filipino citizenship, or the production of microchips by Texas Instruments in Baguio occur within our economic territory and therefore are part of our GDP and GNP, even if we think of them as not **Gawa Ng Pilipino** (not **Gawa Ng kompanyang Pilipino**). Thus, some of your favorite PBA basketball players who are considered residents of the country, contribute to our GDP, even if, truly, they are not Filipinos!

And fourth, the value added of our OFWs in their work abroad is not part of our GDP, and of course, is not **Gawa Dito sa Pilipinas**. However, it is **Gawa Ng Pilipino**, and indeed, is part of our GNP. But the performances abroad of our talented pianist **Cecil Licad**, who I suppose is no longer a resident of the Philippines, is not part of our GNP, even if they are, by our common understanding, **Gawa Ng Pilipino!** In the same light, all those of our countrymen who have migrated to the US of A do not directly contribute to our GDP nor to our GNP. But they help our economy indirectly, when they send their green bucks here. So, our **kababayans** who are working hard, earning honest money and living abroad would help us if they continued to send and invest their dollars, euros, dinars, yens, etc. in our country. On the other hand,

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the services provided in construction projects in the Philippines like the Metro Tren, by foreign consultants who do not establish residence here are not part of our GDP or GNP; they are not **Gawa Ng Pilipino**, although they are **Gawa Dito sa Pilipinas!** They are part of the GNP of the foreign consultants' country.

There. Hopefully, we know now who do and who do not contribute to our GDP/GNP. Not everything that is **Gawa Dito sa Pilipinas** is part of the Philippine GDP, and not everything that is **Gawa Ng Pilipino** is part of our GNP. Conversely, there are goods and services that are not **Gawa Dito sa Pilipinas** but are part of our GDP and there are goods and services that are not **Gawa Ng Pilipino** but form part of our GDP and GNP. Basically, GDP is production by resident producers in our economic territory, which is different from our geographic territory, while GNP is income by residents of our country, regardless of where the income is earned. So, next time you need to explain the Philippine GDP or GNP to your friends, you do not need to play cute. Being correct and cute, wouldn't that be better?

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