First American Chamber
of Commerce Abroad

Technical Report

INVESTMENT CLIMATE IMPROVEMENT PROJECT (ICIP) Phase II Final Report for March-June 2007

Selected Press Clippings

by John D. Forbes and Richard Umali

Prepared for

The American Chamber of Commerce of the Philippines

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Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-03-00020-00, Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

The American Chamber of Commerce in the Philippines (AmCham) submitted a second unsolicited proposal to EMERGE on February 14, 2007, for a follow-on grant to continue identifying and communicating to the Philippine Government activities that will generate additional investments and jobs in the country. It was approved by USAID on February 28, 2007. This was the Investment Climate Improvement Project (ICIP), Phase II, and the key actors were Mr. Robert M. Sears, AmCham Executive Director, Mr. John D. Forbes, AmCham Legislative Committee Chairman, Mr. Robert W. Blume, AmCham Desk Officer at the Philippine Board of Investments (BOI), and Mr. Richard Umali as Project Assistant. This is the final report of that activity.

Because of their cumulative size, most of the appendices to this report are published in separate volumes:
Appendices 8-23: Letters & Statements on Economic Legislation and Policy;
Appendices 24-42: Other Documents; and
Selected Press Clippings

The views expressed and opinions contained in this publication are those of the authors and are not necessarily those of USAID, the GRP, EMERGE or the latter's parent organizations.

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THE PHILIPPINE STAR

TRUTH SHALL PREVAIL

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Serge to take over GO campaign

By JESS DIAZ

The Genuine Opposition (GO) is bringing in Sen. Sergio "Serge" Osmeña III to manage its senatorial campaign when San Juan Mayor Joseph Victor "JV" Ejercito bows out to pursue his mayoralty bid.

"*Manong* Serge is taking over probably middle of this month when JV is expected t file his certificate of can didacy," House Minori ty Leader Francis Escu dero, a GO senatoria candidate, said yester day.

"That will enable J to focus on his re-elec tion bid," he said.

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Foreign businessmen hail reforms, anti-terror bill

By PAOLO ROMERO

Foreign business groups in the country hailed President Arroyo yesterday fo implementing vital economic reform and security measures that helped restore investor confidence.

The Joint Foreign Chambers cited the immediate passage of vital economic legislation and the anti-terrorism bill by Congress, which they said had greatly enhanced the economic stability of the country and boosted international confidence.

The Joint Foreign Chambers led by Roger Dallas, preside of the American Chamber

By PAOLO ROMERO

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The Joint Foreign Chambers cited the immediate passage of vital economic legislation and the anti-terrorism bill by Congress, which they said had greatly enhanced the economic stability of the country and boosted international confidence.

The Joint Foreign Chambers led by Roger Dallas, president of the American Chamber of Commerce of the Philippines, Inc., and Richard Barclay of the Australian-New Zealand Commerce of the Philippines, Inc. sent a letter congratulating the President for "restoration of international confidence in the macroeconomic management of the Philippine economy under your administration."

The foreign businessmen who signed the letter included Stewart Hall, president of the Canadian Chamber of Commerce of the Philippines, Inc.; Tertius Vermeulen, president of the European Chamber of Commerce of the Philippines, Inc.; Shinsuke Ike, president of the Japanese Chamber of Commerce & Industry of the Philippines, Inc.; and Hong Woo-Hyun, president of the Korean Chamber of Commerce of the

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Foreign

From Page 1

hilippines Inc.

The foreign business lead-rs cited the passage of Repub-c Act 9334 or the Alcohol To-acco Excise Tax Law; RA 335, Lateral Attrition Law; A 9337, Expanded Value-dded Tax (EVAT) Law; RA 343, Special Purpose Vehicle ct Extension Law; and RA 361, EVAT Amendments, re-noving 70 percent cap on in-ut VAT.

The foreign business hambers also noted the re-ent enactment of the Bio-uels Act, the ratification of he bicameral conference ommittee report on amend-ents to the Bases Conver-ion Development Authority ct and the One-Time Tax mnesty to Locators in Spe-ial Economic Zones, which re all awaiting the Presi-ent's signature.

The businessmen also laud-d the enactment of "signifi-ant" legislation like the Anti-ed Tape Act, Credit Informa-on System Act, Customs Bro-ers Act Amendment, Lend-g Company Regulation Act, ational Tourism Act, Person-l Equity and Retirement Ac-ount (PERA) Act.

"These bills represent part f a 'Second Reform Wave.' We ommend your call of a Spe-al Session of Congress of Feb. 9 to 20 through Proclamation 1235 and urge the final passage of these bills by both the Senate and the House," they said.

The foreign businessmen particularly noted the passage by Congress of the controversial Human Security Act of 2007, more particularly known as the Anti-Terror Bill, which formed part of the "Second Reform Wave" of the Philippine government.

The Human Security Act 2007 was approved last January and is now awaiting the signature of the President.

Mrs. Arroyo hailed the bill as a potent weapon of the country against the global scourge of terrorism.

The bill - which was also ratified by the Senate – was watered down following opposition from concerned groups on fears the legislation would endanger human rights.

Under the new law, security forces have the power to detain suspects without warrant or charge for up to three days.

It also allows authorities to access bank accounts they believe are being used to launder money for terrorist purposes.

In a bid to allay fears of abuses, the measure provides that people wrongly detained will be offered compensation.

The international community has been urging the Philippines to enact its own anti-terror law to fulfill its obligation to fight terrorism in the region.

Foreign investors had been restless over the perceived slow pace of reforms urgently needed to improve the country's difficult business climate and check eroding competitiveness.

They are particularly concerned with red tape and bureaucratic corruption, as well as the slow pace of formulating laws and insufficient implementation, on top of security problems.

Foreign businessmen noted the efforts of Mrs. Arroyo to introduce economic reforms as well as to increase the country's security against the global threat of terrorism.

Despite her unpopular decisions to implement forceful tax measures and reforms, her efforts paid off, analysts said.

'Unsullied'

The efforts paid off and in fact, the country's economy became strong enough to withstand the shock wave brought about by the one-day worldwide stock market rout Wednesday.

Mrs. Arroyo said the Philippine economy had remained impervious to the one-day slump in reaction to the sharpest decline in global stocks in years, apparently sparked by heavy losses in Shanghai.

"World markets may go up and down but the Philippine economy can no longer be pulled back," Mrs. Arroyo said.

She said the country's improved fiscal position and the heavy remittances of eight million Filipinos working abroad had bolstered the economy despite the 7.92 percent slump in Philippine share prices on Wednesday.

She stressed the Philippine economy emerged strong in spite of the fluctuations in the world markets.

"Confidence in the Philippines and the region is unsullied. Sustained growth will carry the day," Mrs. Arroyo said, just after the Philippine stock market showed signs of recovery with a 4.0 percent rebound earlier Thursday.

Francis Estrada, president of the Asian Institute of Management (AIM), a major regional business school, agreed that the effect of the stock market fall would be limited, saying "there are no underlying fundamentals" for a wider downturn.

"Nobody seems to look at this as a form of contagion," he said.

The market rebounded Thursday closing 4.0 percent higher at 3,190.12 as investors took comfort in Wall Street's recovery, dealers said.

Investors have expressed fears that the sudden plunge of world stock markets last Wednesday could result in a slowdown of the economies of the United States and China.

As two of the world's largest economies, a slowdown would inevitably impact the smaller markets because of the amount of trade generated by the two alone.

Mrs. Arroyo reiterated the government has already put in place strong economic fundamentals that would shield the economy from the sudden movements of the global economies.

"The fundamentals of growth are firmly laid on our agenda of fiscal stability, building sturdy pillars for investment, good governance, blossoming enterprise at the grassroots and a vibrant democratic system," the President said.

"Our fundamentals are rooted well and spread over a wide range and cannot be overcome easily in a single sweep," she said.

Mrs. Arroyo acknowledged the resiliency of the entire Asian region has also helped.

She cited China in particular for bouncing back immediately after its bourse suffered its biggest decline in a decade.

"East Asia is a dynamo of growth and will continue to be a leader in trade, security and economic consolidation," Mrs. Arroyo said.

The Philippine Stock Exchange has rebounded since suffering from a historic drop last Wednesday with bargain hunters taking advantage of the decline by purchasing blue chip stocks led by telecommunications giant PLDT.

Analysts were not surprised about the recovery of the bourse as market correction was expected after the sudden drop.

Sen. Manuel Roxas II, former secretary of the Department of Trade and Industry, assured the worldwide stock plunge will not affect the general population.

He explained the local stock market's performance should not be considered as an accurate barometer of economic performance.

More accurate indicators include gross domestic product and unemployment, he pointed out.

Roxas said the "people's sacrifice" in fiscal reforms such as the RVAT – which increased VAT by two percentage points to 12 percent – is more important.

"For the Philippines, our focus should be still on translating fiscal reforms to immediate, tangible benefits for our people," Roxas said. – **With Marvin Sy, AFP**

Amcham 'excited' over GMA vow to reduce power costs

By Riza Recio

The American Chamber of Commerce (AmCham) has cited President Arroyo after assuring that the cost of electric power for manufacturing locators in economic zones will be reduced.

The cost of electricity in the Philippines is among the highest in Asia, next only to Japan.

In an open letter addressed to the President, AmCham expressed its "excitement" on the declaration.

It noted "the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines."

Due to the high cost of electric power, the chamber said, some of the country's long-standing investors have chosen not to expand local operations.

In a recent workshop on direct foreign investments attended by Mrs. Arroyo, the Joint Foreign Chambers (JFC) emphasized the importance of competition in the energy sector to significantly reduce power prices, which in turn will bolster confidence investors of manufacturing plants.

JFC has recommended the expansion of the applicability of the regulatory authority of Philippine Economic Zone Authority to all economic zones to allow lower electricity costs for manufacturing, service and logistic firms.

THE P

BUS

Editor: ANTONIO F. KATIGBAK
Assistant Editor: ROMAN F. FLORESCA

AmCham lauds GMA for bringing down power costs in ecozones

By MA. ELISA P. OSORIO and DONNABELLE L. GATDULA

The American Chamber of Commerce of the Philippines (AmCham) lauded President Arroyo for her decision to reduce the cost of electric power for manufacturing locators in economic zones.

Last month, Mrs. Arroyo announced that the Philippine Economic Zone Authority (PEZA) has been given regulatory power over factories operating in ecozones in order to help reduce the cost of electricity.

In an open letter to the President, AmCham said the high price of power has discouraged potential investors from setting up business in the country. Also, the chamber said even existing businessmen have chosen not to expand because of steep power prices.

"We thank you for responding to this recommendation

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AmCham lauds ... From C-1

favorably through expanding the applicability of the regulatory authority of PEZA to all economic zones so that the benefits of lower power prices can be enjoyed by many more of our member manufacturing, service and logistic firms," AmCham executive director Robert M. Sears said.

Mrs. Arroyo said the Department of Justice (DOJ) has issued a legal opinion citing that PEZA has the authority to regulate operations in the ecozone. This, she said, will reduce the cost of electricity in order to make factories regionally competitve.

The legal opinion stated that the PEZA board may continue to regulate operations of electric power within ecozones.

PEZA director general Lilia B. de Lima, for her part, said the legal opinion removes the Energy Regulatory Commission's authority over firms operating within the zone. This translates to faster approval.

However, De Lima said the independent power producers (IPP) will not be allowed to supply energy outside the ecozone.

In a three-page legal opinion penned by Justice Secretary Raul M. Gonzalez, he said ecozones are exempt from the Electric Power Industry Reform Act of 2001 (EPIRA) which was enacted to ensure a greater supply and rational pricing of electricity.

AmCham lauds GMA for cutting power cost in economic zones

THE American Chamber of Commerce (AmCham) on Friday lauded President Arroyo for making sure that the cost of electric power for manufacturing locators in economic zones are reduced.

In an open letter addressed to President Arroyo, AmCham expressed its excitement over the declaration, saying that "the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines."

Due to the high cost of electric power, AmCham added, some of the country's long-standing investors have chosen not to expand here because of power prices.

In a workshop on foreign direct investments (FDIs) where the President herself was guest of honor, the Joint Foreign Chambers emphasized the importance of competition in the energy sector and significantly reduced power prices in order to maintain the confidence of their headquarters in investments in their Philippine manufacturing plants.

AmCham also thanked President Arroyo for favorably responding to the recommendations that JFC made and expanding the applicability of the regulatory authority of Philippine Economic Zone Authority to all economic zones so that the benefits of lower prices can be enjoyed by many the chamber's member manufacturing, service and logistic firms. *P. Isla*

THE EXPONENT OF PHILIPPINE PROGRESS SINCE 1900
MANILA BULLETIN
THE NATION'S LEADING NEWSPAPER

American investors seek further reduction in RP electricity rates

By *MYRNA M. VELASCO*

While they cheered the initial cut in electricity rates recently implemented by state-owned National Power Corporation (NPC), the American Chamber of Commerce of the Philippines (AmCham) are banking on President Arroyo to firm up implementation of key policies that would further reduce electricity rates in the country.

Ultimately, lower electricity costs would spur inflow of foreign direct investments (FDIs) which are currently plowed into other Asean countries, like Vietnam, Malaysia and Thailand, which not only offer them better investment climate but most especially cheaper electricity rates. The issue on the relentless dilemma of the business sector over expensive power rates was again brought to the attention of the President last year by the Joint Foreign Chambers of Commerce.

At this stage, AmCham has been primarily counting on moves to transfer tariff-fixing and regulatory function over power supply for the locators in ecozones to the Philippine Economic Zone Authority (PEZA) headed by Director General Lilia de Lima. In addition, the American businesses are looking forward to prospects of significant rate reductions to be applied for and implemented by state-run NPC.

In a letter to President Arroyo, AmCham executive director Robert M. Sears reiterated that "the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines, and even some of our long-standing investors have chosen not to expand here because of power prices."

Despite potential legal questions over transfer of jurisdiction on regulatory functions, Sears indicated the American investors are backing up the President's move to "expand the applicability of the regulatory authority of PEZA to all economic zones"; noting that locators in these investment hubs would be able to benefit from cheaper electricity rates.

"The benefits of lower power prices can be enjoyed by many more of our member manufacturing, service and logistics firms," the AmCham executive stressed.

Bestowing regulatory powers to PEZA on the supply of electricity to the ecozones takes its ground from a legal opinion issued by the Department of Justice.

Studies undertaken by the Jakarta-based Asean Centre for Energy showed that electricity supply being wheeled to industrial customers in the Philippines have been the sixth most expensive among member-countries of Asean; thus, it makes extremely hard for the country to corner fresh investments if the situation would not be remedied soon.

Power rate cut a boost to RP investment drive

American ecozone firms seen to expand operations

By Abigail L. Ho

THE GOVERNMENT'S RECENT MOVE TO further reduce power rates in economic zones will prompt American investors already present in the country to expand their operations and encourage others to do business here, according to the American Chamber of Commerce (Amcham).

In a letter to President Macapagal-Arroyo, Amcham executive director Robert Sears said the country's relatively high power rates had been one of the biggest deterrents to the entry of new American investments into the country.

"The high price of power in the Philippines has made it more difficult to attract new investments to the Philippines, and even some of our longstanding investors have chosen not to expand here because of power prices," he said.

He said investors, not only from the United States but also from other countries, had always stressed the importance of competition in the energy sector and power rates in keeping their parent firms' confidence in their Philippine operations.

Which was why, he said, the Amcham was "excited" about the government's recent move to reduce electricity costs for manufacturing locators within economic zones.

The Philippine Economic Zone Authority, through a Department of Justice legal opinion, has been given regulatory power over power firms operating within economic zones.

Peza director general Lilia de Lima earlier said this legal opinion removed power companies operating within economic zones from the jurisdiction of the Energy Regulatory Commission.

This should redound to faster approvals of petitions and help reduce power rates to make manufacturing plants in the zones more globally competitive.

Sears said this should help encourage foreign firms to more seriously consider setting up shop in the Philippines.

The benefits of this DOJ opinion, he said, would be far reaching.

"We thank you for responding to this recommendation (of the business sector) favorably through expanding the applicability of the regulatory authority of Peza to all economic zones so that the benefits of lower power prices can be enjoyed by many more of our member manufacturing, service and logistic firms," he said.

US chamber cites need to cut electricity prices

The American Chamber of Commerce of the Philippines (AmCham) said in a letter, dated March 2, to President Gloria Macapagal Arroyo, that reducing the price of electricity, at least in economic zones, would help attract more investments.

"As you know, the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines, and even some of our long-standing investors have chosen not to expand here because of power prices," AmCham executive director Robert M. Sears said in the letter.

The Executive announced last month that the Philippine Economic Zone Authority (PEZA) has been given the regulatory power over power utilities operating in ecozones. PEZA, a government agency attached to the Department of Trade and Industry, promotes the country's economic zones by granting fiscal and non-fiscal tax perks to locators.

This followed a legal opinion, dated last Feb. 7, issued by the Department of Justice (DoJ) which interpreted a vague provision of Republic Act 9136 — or the Electric Power Industry Reform Act of 2001 (EPIRA) — as meaning that PEZA has the authority to regulate operations of electricity utilities in ecozones. In that opinion, Justice Secretary Raul M. Gonzales said there is no "clear-cut proof" that EPIRA puts electricity producers inside ecozones under the Energy Regulatory Commission (ERC). "It appears that the EPIRA could not have been intended by the legislature to cover ecozones, which... had been purposely intended by legislators themselves to be managed and operated by the PEZA Board with minimal intervention," the opinion read in part.

PEZA Director General Lilia B. de Lima said the legal opinion removes the Energy Regulatory Commission's authority over utilities operating within the zones.

In its letter, the chamber, which includes US-based economic zone locators, said investors need to be competitive through lower electricity rates. "Manufacturing firms need reduced power prices in order to maintain the confidence of their headquarters regarding their investments in their Philippine manufacturing plants," read AmCham's letter.

As of June 2006, there were 438 firms operating in public economic zones and 529 firms in private ecozones, PEZA data show.

US companies welcome ecozone power decision

By Alena Mae S. Flores

THE American Chamber of Commerce has expressed support to the government's decision to expand the regulatory powers of the Philippine Economic Zone Authority over all economic zones to lower power costs.

AmCham executive director Robert Sears, in a letter dated March 2, lauded President Gloria Macapagal Arroyo for ensuring that the cost of electric power for manufacturing locators in economic zones would be reduced.

In an open letter addressed to the President, AmCham said it was pleased with the initiative, saying that "the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines."

"As you know, the high price of power in the Philippines has made it more difficult to attract new investment to the Philippines, and even some of our long-standing investors have chosen not to expand here because of power prices," AmCham said.

In a Workshop on Foreign Direct Investments in October where the President was guest of honor, the Joint Foreign Chambers stressed the importance of competition in the energy sector and lower power prices in order to maintain the confidence of their headquarters.

The Department of Justice recently issued a legal opinion upholding the authority of the Peza to regulate operations of electric companies within ecozones. The decision effectively removes the Energy Regulatory Commission's authority over power companies operating within the zones. The ERC declined to comment on the justice decision.

In a three-page legal opinion, Justice Secretary Raul Gonzalez said ecozones were exempt from the Electric Power Industry Reform Act of 2001.

"The Epira law could not have been intended by the legislature to cover the ecozones which, as earlier stated, have been purposely intended by the legislature themselves to be operated and managed by the Peza board with minimal intervention," Gonzalez said.

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Today's Headlines

BY **JOSEFA L. CAGOCO** *and* **ALEXIS DOUGLAS B. ROMERO**, *Reporters*

Corruption seen highest in RP

Malacañang dismisses survey, says perception not the reality

Perceptions of worsening public sector corruption continue to upset the overall Philippine business environment, with the country now rated the worst in a survey covering 13 Asian economies.

On a scale of one to 10, with 10 being the lowest grade, 100 foreign executives surveyed by Hong Kong-based consultancy firm Political and Economic Risk Consultancy (PERC) rated the Philippines a 9.4.

This score was a sharp drop from last year's 7.80 and 2005's 8.1, which in both years made the Philippines only third worst in terms of corruption, ahead of Vietnam and Indonesia.

PERC founder and managing director Robert Broadfoot told *BusinessWorld* "I can't point to one incident [that may have caused] such a dramatic fall."

But he said the upcoming midterm elections may have made "people ... more conscious of the [corruption] problem this year." Mr. Broadfoot added that perhaps "fatigue" could also be a factor because "things have not changed".

"People are aware that there is going to be a lot of talk about corruption. People will say 'I've heard that before'," he said.

Public sector most corrupt

He noted that businessmen seem to have a more negative view of public sector corruption. To the question of "How serious is the problem of corruption in the public sector," a grade of 9 was given. Framed for the private sector, the response was a much better 4.15.

Mr. Broadfoot said foreign businessmen feel the government is not doing well enough in tax collection, hence its recourse to imposing new taxes or running after multinational companies, not necessarily domestic firms.

But President Gloria Macapagal Arroyo's chief of staff disputed the findings as "relatively unfair" because "it doesn't take into account the new evolving conditions in the country."

Former Albay congressman Joey S. Salceda, now the president's chief of staff, said "With rising tax effort how can you justify that corruption is going up?"

He pointed out that 80% of the corruption in this country is committed on the revenue side. However, the tax effort rose to 14.3% in 2006 from 13% in 2005, while revenues increased by 23%.

"If you have tax revenues going up by 23%, how can corruption be deteriorating? ," he asked.

Reactions mixed

Businessmen and experts did not unilaterally agree with the PERC report, saying that while corruption exists, it is not necessarily worse than before.

"No one disputes that corruption is serious and needs greater control. However, corruption does not usually keep out foreign investors in sectors like call centers or electronics, " American Chamber of Commerce legislative director and Joint Foreign Chambers spokesperson John Forbes said in a text message from Singapore.

Philippine Chamber of Commerce and Industry President Donald G. Dee said government-private sector partnerships are gaining headway.

"Yes there is corruption [but] we are doing our part. I think little by little we are moving in the right direction," he said.

Mr. Dee cited private-public cooperation versus smuggling which resulted in increased collections by the Bureau of Customs, traditionally known as one of the most corrupt agencies.

Makati Business Club (MBC) executive director Alberto Lim agreed that the anti-corruption drive has intensified because of increasing private sector participation. He added that corruption is "nothing new" to Filipinos and it will not necessarily affect business confidence.

"Corruption's been around. In fact instead of just complaining about it, we're doing something about it," he said.

National Competitiveness Council co-chairman Cesar B. Bautista acknowledged that corruption will indeed erode the country's competitiveness, which the council is trying to boost. But he added that the council is doing its best to make government processes transparent.

"We have to keep it simple so we have less room for corruption."

Mr. Forbes likewise noted increased efforts by the Ombudsman and the Customs bureau, though these have resulted in "very few convictions. "

He emphasized that putting bribe-taking officials and bribe-paying businessmen in jail "will improve the country's image, especially if the persons sentenced are 'big fish', not 'minnows'."

But Philippine Anti-Graft Commission (PAGC) chairperson Constancia de Guzman said there is no "big fish" or "small fry" because they give equal importance to all the cases they handle.

In its report, PERC said that the dragged-out corruption trial of deposed President Joseph E. Estrada was one reason for the Philippines' negative assessment.

The MBC's Mr. Lim said this might be so because Mr. Estrada is practically a "poster boy" for corruption. "Getting a conviction in this country has always been very difficult doesn't mean to say actual corruption on the ground is worse," he said.

Measurable accomplishments

Ms. de Guzman stressed "due process" takes time, a lot in most cases, but it doesn't mean the government is not doing anything.

She pointed out the PAGC's "measurable accomplishment" . Last year, they forwarded 92 cases to the Office of the President (OP), of which 31 had punitive recommendations while 61 were non-punitive.

From January to February this year; the PAGC sent the OP 13 cases, one of which involved a cabinet official, on top of eight left over from last year for which the OP has not yet issued a decision.

Amcham's Mr. Forbes, meanwhile, cited rampant smuggling of used cars from Subic which continues to hurt the local car industry. Other areas - red tape, infrastructure, power pricing, competition policy for aviation and ports - also need a lot of work .

"Corruption is only one of the fronts which the Philippines must fight on to improve its international image in order to attract more investments and create enough jobs for its fast-growing population. We are confident that with enough political will these challenges can be met successfully, " Mr. Forbes said.

Mrs. Arroyo herself contested perception-based corruption surveys, saying "They don't work on up-to-date data".

Mr. Lim said "This ranking may not reflect reality," while Mr. Dee decried the practice of "rating us on the basis of perception of people."

Mr. Broadfoot agreed that perceptions do not always reflect reality but neither is it simple to relegate it as unimportant.

"The perception is more important than reality," he argued, as this would likely affect their business decisions.

Former Finance Secretary Jesus P. Estanislao meanwhile, said "the most insidious [consequence] of this problem is the loss of confidence in public authority," he told *BusinessWorld*.

Mr. Estanislao, who founded the civil society group Institute for Solidarity in Asia, said if the problem remains unchecked, the country would be left behind since its resources are not as extensive as some of its neighbors.

"It has been said that Indonesia has the same level of corruption as that of the Philippines. But Indonesia has more resources and we do not have that advantage. We should be more wary of our limited resources," he said.

Evelyn Singson, former president of the Management Association of the Philippines, said the results of the survey might serve as a "disincentive" to investors.

"I think the leadership must be determined to stomp [out corruption]. They can do it by providing example and by ensuring that the justice system would really punish those who are at fault," she said

"We don't need new laws. The government must enforce [the existing ones]," Ms. Singson said.

Story Location: http://www.bworldon line.com/ BW031407/ content.php? id=001

Foreign chambers push for open skies

By Ronnel W. Domingo

FOREIGN BUSINESS GROUPS ARE URGING Malacañang to reinstate liberal aviation measures, which they said were crucial for the Diosdado Macapagal International Airport to become a passenger and logistics hub in the region.

The Joint Foreign Chambers of Commerce of the Philippines (JFC) said in a statement they supported efforts on the continued development of the Clark airport as one of the premier terminals in Asia. *(See related story on page B6.)*

JFC members include the American, Australia-New Zealand, Canadian, European, Japanese and Korean chambers and the Philippine Association of Multinational Companies Regional Headquarters.

Still, JFC pushed for President Gloria Macapagal-Arroyo to issue an executive order that defines rules on traffic rights in Clark as well as in the Subic International Airport.

There is already a such a draft order, which is to be EO 500-B, that will allow the easier entry of airline services, especially low-cost carriers.

The draft order effectively reverses EO 500-A—issued in August 2006—that practically rescinded the "open skies" policy spelled out in EO 500 issued January 2006.

"To ensure long-term policy stability and ensure growth and investment, (we) recommend the adoption of EO 500-B as endorsed by the National Competitiveness Council,"

FOREIGN/ B2

Foreign chambers push for open skies

From page B1

JFC said.

The group said that in 2006 when open skies took effect for the greater part of the year, about 500,000 passengers arrived at the DMIA.

"(This is) an increase of at least 110 percent from the 225,000 passengers that arrived in 2005," JFC said.

Flights of Asiana Airlines, Air Asia, Hong Kong Airways and Tiger Airways transport increasing numbers of tourists and businessmen from Hong Kong, Korea, Malaysia and Singapore, JFC added.

"These flights would be necessary to develop the Philippines or Luzon as a destination for medical tourism patients and retirees," the group said.

"Several new hotels are being built at Clark to meet the growing requirements of visitors," it added. "The increasing number of airline options also provides opportunities for Filipinos working abroad to return home on flights directly to Central Luzon."

JFC said that since 1993, 25 air services agreements with other countries provide for designated carriers to fly to and from Clark, but these airlines have not taken the opportunity.

"In the absence of (such services) to Clark, the legal fundamentals for carriers to use DMIA outside the protocols of bilateral agreements should continue and be regularized," JFC said.

Gov't urged to allow foreign carriers to set up base in Clark

By MA. ELISA P. OSORIO

The Joint Foreign Chambers of the Philippines is asking the government to allow foreign carriers to set up at the Diosdado Macapagal International Airport (DMIA) in Clark, a perk not enjoyed by domestic carriers.

In a statement, the representatives of various international chambers pushed for the approval of Executive Order 500-B.

EO 500-B has been met with criticism because while it seeks to grant seventh freedom rights to foreign airlines, it does not guarantee similar rights to Philippine carriers.

For example, Japan Airlines may base in Clark and fly to destinations in Asia, Middle East, Europe and the United States. However, Philippine Airlines, Cebu Pacific or Asian Spirit cannot simply open an international base from Clark and fly to other countries.

The country will still have to bargain for reciprocal rights, a right that was given by the Philippines to the other nations for free should the EO pass.

Meanwhile, the foreign chambers stressed that EO 500-B must be adopted in order to ensure long-term policy stability and ensure growth and investment. They warned that to do otherwise can jeopardize the success of government policy.

"The Philippine government policy to create a stable, progressive environment for growth and investment at Clark is just beginning to yield positive results in passenger and cargo service at the former United States Air Force base," they said.

"But they also pointed out that actions of the Civil Aeronautics Board (CAB) could jeopardize the success of government policy."

In February, CAB awarded Singaporean-based carrier Tiger Airways, which flies from Singapore to Clark and Macau, a three-month operating permit from April to June 2007. The earlier permit granted Tiger was for six months, the traditional worldwide industry practice of setting schedules.

The chambers said CAB justified its decision for shorter operating permit saying it needed time to assess the complaints of local carriers.

"This is punitive action by any terms, unqualified and unjustified as the complaints of the local carrier were not substantiated or verified for merit," the chambers said.

They added that if Tiger was to cancel their flights in the country because of the shorter permit, other carriers will be very wary to enter such an "uncertain market".

This, the chamber said, will then jeopardize the government's infrastructure projects because the physical expansion and construction of the DMIA is backed by the fees paid by the carriers.

According to them, the government has continuously encouraged airlines to use Clark but only a few have heeded this call. They said the approval of EO 500-B can remedy this.

"In the absence of service to Clark by designated carriers and to accelerate the development of DMIA as a premier air destination, the legal fundamental for the carriers to use DMIA outside the protocols of the bilateral agreement has taken place with the consent of the CAB and should continue and be regularized."

Foreign chambers want open skies policy in Clark

By Jennifer A. Ng
Reporter

FOREIGN businessmen are asking the government to revert to its "open skies" policy in Clark and maintain its reputation as one of the premier airports in the Philippines and a regional air transport and logistics hub in Asia.

Businessmen belonging to the Joint Foreign Chambers (JFC) wrote a letter to President Arroyo to ask for the issuance of a new executive order that will amend an existing directive that entitled only official foreign carriers to liberal policies at the Diosdado Macapagal International Airport (DMIA) in Angeles City.

"To ensure long-term policy stability and ensure growth and investment, the JFC recommend the adoption of EO 500-B endorsed by the National Competitiveness Council," said the foreign businessmen in a statement.

EO 500-B will amend EO 500-A issued in August last year which delineated territorial and jurisdictional coverage and the type of services available to foreign carriers that have signed an Air Services Agreement (ASA) with the Philippines.

EO 500-A amended EO 500, which laid the groundwork for the expansion of air services in the Diosdado Macapagal International Airport by facilitating access of various airlines to the facility and required that only designated airlines can be allowed unlimited capacity in Subic and Clark.

Budget airlines such as Tiger Airways and Air Asia operate in Subic and Clark although they are not designated by their country of origin as official carriers.

"An EO from the President defining the Rule on Traffic Rights to Clark and Subic will lay the legal basis. EO 500-B will meet this purpose," said JFC.

Calls to amend EO 500-A were renewed after the Civil Aeronautics Board in February 2007 awarded Tiger Airways a three-month operating permit from April to June 2007.

Previously, Tiger was awarded operating permits for six-month period following the traditional worldwide industry practice of setting schedules, one for the summer and another for the winter period.

"The CAB justified its decision for such a shorter operating permit with the statement that it needed time to assess the complaints of the local carriers.

This is punitive action by any terms, unqualified and unjustified as the complaints of the local carrier were not substantiated or verified for merit," the JFC noted.

Foreign businessmen have expressed fears that with the unclear traffic rules in Clark, the budget air carriers may be forced to move out of Clark.

BusinessWorld
6/5/1 THE ECONOMY

Foreign chambers back freer air services in Clark, Subic

The Joint Foreign Chambers (JFC) of the Philippines yesterday joined calls to liberalize flights at the Diosdado Macapagal International Airport (DMIA) in Clark Special Economic Zone and at Subic Bay Freeport by lifting current restrictions on flights of foreign airlines.

Specifically, the chambers are backing the adoption of proposed Executive Order (EO) 500-B to repeal EO 500-A, which has restricted air services agreements covering DMIA and Subic Bay International Airport by barring foreign carriers not designated by their respective governments under existing bilateral air services pacts from flying to these Central Luzon hubs.

The original EO 500, which was signed in January 2006, allowed foreign airlines to fly to DMIA without limits to traffic rights, capacity and air freedom rights, except for cabotage — or restrictions on foreign airlines operating local routes.

Seven months afterwards, EO 500-A was issued, requiring these airlines operating in Subic and DMIA such as Tiger Airways and AirAsia to be designated first by their country of origin in a bilateral air services agreement.

EO 500-B will reinstate a regime of no limitation on air freedom rights except cabotage and on designated carriers with or without entitlements to Clark and Subic under bilateral air service agreements; as well as allow non-designated carriers to operate with unlimited rights and to shift from charter to scheduled flights.

"In the absence of service to Clark by designated carriers and to accelerate the development of DMIA as a premier air destination, the legal fundamentals for carriers to use DMIA outside the protocols of the bilateral agreements...should continue and be regularized," the JFC said in a statement.

The JFC said liberalized aviation policies have doubled the number of tourists and traders from Hong Kong, Korea, Malaysia, and Singapore coming into the country through Clark in 2006 compared with 2005.

A paper presented during the 2007 Philippine Development Forum showed about 70% of the value of Philippine exports is moved by air, while 98% of visitors arrived by air. Also, the network of 8 million Filipino travellers, including about 3.5 million Filipino migrant workers, travel by air.

The paper said about 450 international flights were recorded in 2004 in DMIA. The number increased to 2,373 in 2005 and 4,130 in 2006. About 49,546 passengers used DMIA in 2004, growing to 224,497 in 2005 and 470,867 by end of 2006.

John D. Forbes, spokesman for JFC, said in an interview that "we need to have competition in civil aviation policies...The test case will be Clark and [the repeal] of EO 500-A."

JFC also criticized the Civil Aeronautics Board's (CAB) issuance of a three-month operating permit for Singapore-based Tiger Airways, instead of "traditional worldwide industry practice" of six months. Tiger Airways has deferred a $300-million plan to set up a regional hub in Clark. CAB Executive Director Carmelo L. Arcilla said the Tiger Airways case "is a subject of a motion of reconsideration..." The (CAB) board may grant the regular six months, he said. — R. D. Tan

Clark sticks to target on airport expansion

THE CLARK International Airport Corp. (CIAC) will seek from the Commission on Elections (Comelec) an exemption from the ban on construction projects so it could start the P150-million expansion project of the Diosdado Macapagal International Airport (DMIA) by April.

Victor Jose Luciano, CIAC president and chief executive officer the rehabilitation and expansion of the DMIA passenger terminal I are expected to be finished later this year.

Luciano said CIAC is sticking to this target and has written its parent firm, the Bases Conversion Development Authority (BCDA), for it to make a representation with Comelec for the exemption.

"We asked for the general exemption of the infrastructure of the corporations under BCDA. Construction will start in May and we expect to finish it either late October or early November," he said.

The expansion involves civil works amounting to P68 million and upgrade of equipment for DMIA amounting to P82 million for a total of P150 million.

"We will add another 1 million to the capacity of the airport. The present capacity is only 1 million and we have already exceeded half a million in actual passengers. And the first two months of the year were very promising," he said.

Luciano claimed passenger volume in January grew 50 percent compared to January last year.

He added that for 2006, the airport registered more than 470,000 for international passengers and including domestic, it posted half a million, or a 110 percent higher than 2005.

Bidding for the construction of the airport was held in January but CIAC is rebidding the contract after it discovered that the winning bidder lacked necessary documents. Six parties joined the prequalification proceedings last week.

Six international carriers serve the DMIA such as Asiana Airlines of South Korea, Hong Kong Airlines (Hong Kong), Tiger Airways (Singapore), Air Asia (Malaysia), Shanghai Air (China, chartered service), Far Eastern Transport Corp. (Taiwan) – and soon, Viva Macau (Macau), Thai Air Asia (Thailand), and Tair Airlines (Saudi Arabia). Southeast Asian Airlines and Asian Spirit use Clark as its hubs.

CIAC manages the Clark Aviation Complex sitting on 2,500 hectares. It has a 3,200-meter runway and taxiways designed to accommodate big aircraft, aircraft parking apron, a passenger terminal building, and related facilities.

Meanwhile, the Joint Foreign Chambers (JFC) has expressed support for the development of the DMIA as one of the premier airports in the Philippines and a regional air transport and logistics hub.

In a position paper, JFC said the government policy to create a stable, progressive environment for growth and investment at Clark is just beginning to yield positive results in passenger and cargo service at the former United States Air Force base.

The JFC said that in 2006, nearly 500,000 passengers arrived at the DMIA, an increase of more than 110 percent from 225,000 passengers in 2005.

It added that flights from Asiana Airlines, Air Asia, Hong Kong Airways and Tiger Airways transport increasing numbers of tourists and businessmen from Hong Kong, Korea, Malaysia and Singapore to the Philippines.

In cargo, JFC said American carrier UPS has made DMIA its main intra-Asian hub, linking Clark and major Asian cities with the global operation hubs of UPS in Louisville, Kentucky in the US and in Cologne, Germany.

The group added that the opening late this year of the Subic-Clark-Tarlac expressway will provide exporters at the Subic Bay Metropolitan Authority and in Tarlac with improved access to DMIA.

The SCTEX will cut travel time in half for visitors arriving in the Philippines at the DMIA and going on to Subic and will improve transport time for the shipment of goods through the port of Subic.

Foreign chambers eye liberal aviation policies

By Elaine Ruzul S. Ramos

THE Joint Foreign Chambers of Commerce of the Philippines will push for further liberalization of the country's aviation policies to assure the viability of the Diosdado Macapagal International Airport at Clark in Pampanga as a regional air transport and hub in the region.

In a statement, the Joint Foreign Chambers recommended the adoption of Executive Order 500-B, which was earlier endorsed by the National Competitiveness Council.

The group said the legal fundamentals for carriers to use the Diosdado Macapagal airport outside the protocols of the bilateral agreements must remain in place to accelerate the airport's development as a premier air destination.

"An Executive Order from the President defining the Rule on Traffic Rights to Clark and Subic will lay the legal basis. EO 500-B will meet this purpose. To ensure long-term policy stability and ensure growth and investment, the Joint Foreign Chambers recommend the adoption of EO 500-B endorsed by the National Competitiveness Council," the joint chambers said.

EO 500-B repeals EO 500-A, which allows national carriers of other countries to fetch passengers to and from the Clark and Subic international airports.

President Gloria Macapagal Arroyo issued EO 500 in August 2006 to relax restrictions on foreign carriers and encourage them to increase flights to Diosdado Macapagal and the Subic Bay International airports.

Foreign chambers urge liberal aviation policy

THE Joint Chambers of Commerce of the Philippines urged the government Monday to fully implement the liberalization of the aviation policy to attract more foreign carriers and encourage them to increase flights.

The American, Australian-New Zealand, Candian, European, Japanese, Korean Chambers of Commerce of the Philippines Inc. said the long-term stability and growth of aviation in the country would depend on the government's adoption of Executive Order 500-B granting the Civil Aeronautics Board the mandate to allow unlimited freedom rights to foreign air carriers.

The EO 500B, a draft repealing EO 500A, upholds the Civil Aeronautics Board's (CAB) mandate to unilaterally grant unlimited 3rd, 4th, 5th and 7th freedom rights to foreign air carriers. While EO 500's 3rd and 4th freedom rights are automatically granted, the 5th and 7th freedom rights are subject to more qualifications.

However, EO 500B, which has been endorsed by the National Competitiveness Council, does not require reciprocity and, therefore, does not guarantee reciprocal benefits for Philippine carriers.

In August last year, President Arroyo issued E.O. 500-A to relax restrictions on foreign carriers and encourage them to increase flights to Diosdado Macapagal International Airport (DMIA) and the Subic Bay International Airport.

However, local airlines balked, citing unfair competition as EO 500-B will not give them the unrestricted flying rights in different countries.

In a related matter, the DMIA is host to passenger carriers Air Asia, Hong Kong Airways and Tiger Airways, which started flights in 2005, in addition to the pioneering Asiana Airlines, which is consistently growing in frequency.

In 2006 almost 500, 000 passengers arrived at DMIA, increasing more than two-fold from 2005.

In light of the increasing passenger traffic at DMIA, the Clark International Airport Corp. has requested the Commission of Election to exempt the airport from the election-related ban on construction as its expansion has been scheduled to start next month.

"By April, we expect the expansion to start and we are seeking exemption from Comelec on the construction ban," Victor Jose Luciano, CIAC president and chief executive, told reporters.

Luciano explained the bidding for the DMIA expansion is ongoing and the pre-qualification has started last Thursday. "I think there were six bidders [who submitted intentions] for the construction of DMIA," he said.

"We expect to finish the construction either October or November," he added.

The estimated cost of the project is P160 million, Luciano disclosed. Of the total cost, P68 million will be for the rehabilitation and expansion of the DMIA passenger terminal I alone and the rest for the purchase of X-ray machines, baggage conveyor belts and other equipment.

Luciano said the Bases Conversion Development Authority would write to Comelec requesting exemption the infrastructure of CIAC under BCDA.

The CIAC chief said the expansion of the terminal would add one million passengers capacity. The current capacity of the terminal is one million passengers.

"The actual passengers for the first two months of the year are very promising. In January our growth was 50 percent higher over January last year," Luciano said.

Last year, DMIA's international and domestic passengers reached more than 500,000.

Katrina Mennen A. Valdez
and Darwin G. Amojelar

THE EXPONENT OF PHILIPPINE PROGRESS
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Joint Foreign Chambers call for liberal RP aviation policy

By BERNIE CAHILES-MAGKILAT

The Joint Foreign Chambers of Commerce of the Philippines has urged government to adopt a liberal aviation policy to ensure continued growth of the Diosdado Macapagal International Airport (DMIA) into a regional transport and logistics hub in Asia.

Foreign businessmen said that once Executive Order No. 500-B to repeal EO 500-a is signed by President Arroyo, it will lay the legal basis and ensure a long-term policy stability for growth and investments in DMIA, the joint statement said.

"The Philippine government policy to create a stable, progressive environment for growth and investment at Clark is just beginning to yield positive results in passenger and cargo service at the former United States Air Force base," the statement said.

E.O. 500-A removed the fifth freedom rights, which allows airlines to pick up passengers in either Clark or Subic, proceed to a third country before returning to their home country. There are now three new carriers in Clark — Air Asia, Hong Airways, Tiger Airways and Asiana Airlines.

(Cont'd on page B-3)

Joint Foreign...

(Cont'd from page B-1)

In 2006, nearly 500,000 passengers arrived at DMIA, an increase of more than 110 percent from the 225,000 passenger in 2005.

In cargo service, the American carrier UPS has made DMIA its main intraAsian hub, linking Clark and major Asian cities with the global operations hubs of UPS in Louiseville, Kentucky USA and Cologne, Germany.

In pushing for the repeal of EO 500-A, the Joint Foreign Chambers cited the developments in Central Luzon like the opening of the Subic-Clark-Tarlac Expressway late this year.

Singapore-based carrier Tiger Airways, which flies from Singapore to Clark and Macau and which accounts for 51 percent or 238,000 of the 470,000 total passengers at the DMIA in 2006, could abandon Clark in the Philippines. Tiger paid P100 million in landing and other fees to Clark International Airport Corp. in 2006.

THE DAILY tribune
Business
Chito L. Lozada, Editor ❑ e-mail: clozada@tribune.net.ph

JFC urges liberalized skies to spur airports

By Ayen Infante

The Joint Foreign Chambers of Commerce (JFCC) of the Philippines, which groups the major foreign trade chambers in the country, asked the government to pursue a liberal aviation policy to help the Diosdado Macapagal International Airport (DMIA) in Clark become globally competitive.

In a press statement, the JFC said the fastest way to ensure growth and investments is through the adoption of Executive Order (EO) 500-B endorsed by the National Competitiveness Council.

EO 500-B simply reiterates the Civil Aeronautics Board's (CAB) mandate to grant freedom rights to foreign carriers. It is a draft executive order replacing EO 500-A which was the amended EO 500 based on inputs from the CAB.

Under EO 500, only third and fourth freedom rights are automatically granted, while fifth and seventh freedom rights are subject to more qualifications.

Reciprocity, however, is still not a requirement and reciprocal benefits to Philippine carriers were not guaranteed under the EO.

EO 500 mandated the CAB to allow passenger and cargo air services to Clark without any restrictions on frequencies routings except the right to operate within the domestic borders of the country.

The JFC believed that EO 500-B which defines the Rule on Traffic Rights to Clark and Subic will lay the legal basis and meet the purpose to implementing a policy for open aviation.

JFC further argued that in the absence of service to Clark by designated carriers and to accelerate the development of DMIA as a premier air destination, "the legal fundamentals for carriers to use DMIA outside the protocols of the bilateral agreements has taken place with the consent of the CAB and should continue and be regularized."

Despite the government's effort to invite many airlines to use Clark, few have responded and have not taken the opportunity to develop secondary destinations such as Clark and have focused only on operating trunkline routes. "These bilateral agreements have not served secondary destinations in the Philippines as well."

Immediate implementation of EO 500-B will also compliment the opening of the proposed Subic-Clark-Tarlac Expressway (SCTex) which will provide exporters located in Subic Freeport and in Tarlac with improved access to the DMIA.

SCTex will cut travel time in half for visitors arriving in the Philippines at DMIA and going on to Subic and improve transport time for the shipment of goods through the Port of Subic.

Straits Times (5 May 2007) - Manila hopes investors get the message

The Straits Times

5 May 2007

Manila hopes investors get the message

Billion-dollar investment by US firm may send out signal that country has much to offer

By Philippines Correspondent, Alastair McIndoe
MANILA - IT IS not often that the Philippines lands a mighty billion-dollar investment.

That it beat Asia's economic dynamos China and Vietnam, both competitors for US-based Texas Instruments' (TI) US$1 billion (S$1.5 billion) investment in an assembly plant for electronic chips, is all the more striking.

Does this mean that uncertainty over doing business in the Philippines - long a regional laggard in the scramble for foreign investment - is lifting?

The answer seems to be that while some foreign businesses remain wary - the country is making poor progress in tackling corruption - the investment horizon is undeniably brightening as others focus on the advantages.

This seems to be especially true of companies with experience in doing business here.

'American companies in particular know the beauty and warts of this country,' said Mr John Ford, senior investment adviser to the American Chamber of Commerce of the Philippines, which has been here for over a century.

Foreign direct investment has risen sharply in recent years, as it has in most Asean economies. It surged 27 per cent to US$2.4 billion last year, and the US$357 million figure for January this year was 50 per cent higher than for the same month last year.

Some analysts believe the inflows could by the end of this year hit a record US$4 billion - a third of the amount overseas Filipino workers sent home last year.

Unfortunately for the Philippines, the strong numbers get overlooked too easily when compared with the stellar performances of its more dynamic neighbours, especially Vietnam.

Even so, TI sent out a strong message of confidence in the Philippines that will get noticed by the international investment community.

What tipped the scales for TI were the high marks its Dallas-based management gave to its long-established plant in Baguio, which makes digital signal and light processors for cellphones and liquid crystal displays.

'What brought us back were the Baguio site, the quality of the operation and people there,' said TI senior vice-president Kevin Ritchie.

It is said that after the earthquake that hit Baguio in 1990, many workers whose houses had been damaged still reported for work.

An abundant supply of educated English speakers has also long been a draw for investors.

'Texas Instruments' reasons for expanding here certainly fits with the opinion surveys that we do with our clients,' said business consultant Peter Wallace.

The Wallace Business Forum's latest Corporate Performance Survey of executives of mostly multinational companies confirmed earlier polls that the main advantages of investing in the Philippines are people-related.
It is not just their ability to speak English, but the 'availability, quality and reliability' of the workers.

On the flip side, however, are the country's red tape, corruption, high taxes and secondcostliest power rates after Japan.

A recent survey of expatriate executives in Asia by the Hong Kong-based Political and Economic Risk Consultancy found that, among 13 countries in the region, the Philippines was perceived to be the most corrupt.
While that was hardly a bolt from the blue, it nevertheless shook offiicals.

'Corruption is the number one problem to be addressed as it destroys confidence,' said pro-administration congressman Exequiel Javier.

The government will confront this issue after the coming mid-term elections, he said.

Said Mr Ford: 'The Philippines has a perception problem, and the press often make things look worse.'

One way to overcome this was for satisfied investors to spread word of their positive experiences, he said.
amcindoe@yahoo.com

JFC assured on Napocor privatization

By Paul A. Isla
Reporter

THE government remains fully committed to pursuing the privatization of the generation assets of the National Power Corp. (Napocor) amid the failed biddings that occurred last year, the Joint Foreign Chambers of Commerce said Wednesday.

The JFC said Energy Secretary Raphael P.M. Lotilla conveyed this to them at a recent forum organized by the American Chamber of Commerce to help keep its members on track with the goings-on in the Philippine government.

The JFC added that the energy sector is confident it can soon swiftly turn over the responsibility to a private group for better delivery of service with expressions of interest from different groups.

"The turnover of National Power Corp.'s (Napocor) assets to the Power Sector Assets and Liabilities Management Corp. (PSALM) and the National Transmission Corp. (Transco) was highlighted with the signing of the World Bank's universal consent," Lotilla told JFC members.

He added that the government is firm on securing the JBIC's agreement within the year to efficiently facilitate privatization.

Strategies such as optimizing the use of power plants that utilize cheaper fuel such as geothermal, natural gas and hydropower, and implementing other cost-cutting measures such as the effective use of corporate resources, among others, are among the initial steps they are considering now.

"Managing debts and liabilities of Napocor and sustaining its improved fiscal performance remains a priority. With its fiscal position now in the black, NPC is determined to seek ways to sustain and improve it," Lotilla said.

Lotilla assures foreign investors on Napocor privatization

By DONNABELLE L. GATDULA

The government has assured the country's foreign investors of continuing efforts to privatize the assets of the state-owned National Power Corp. (Napocor).

In a briefing hosted by the Joint Foreign Chambers of Commerce (JFCC), Energy Secretary Raphael P.M. Lotilla said despite the series of failed biddings for Napocor's power generation plants in 2006, the government remains fully committed to privatizing the power sector.

Based on the timetable of the government, it expects to sell at least 50 percent of Napocor's assets in Luzon and Visayas by end-2007. It is hoping to complete the privatization process by 2009.

According to Lotilla, the government is optimistic it would sustain the interest of the private sector in the generation assets.

"Greatly encouraged by the expressions of interest from different groups, the energy sector is confident that it can soon swiftly turn over the responsibility to a private group for better delivery of service," he said.

Lotilla also took note of the turnover of Napocor assets to the Power Sector Assets and Liabilities Management Corp. (PSALM) and the National Transmission Corp. (TransCo) with the signing of the World Bank's universal consent.

Lotilla also told the foreign groups that the government is firm on securing the Japan Bank for International Cooperation (JBIC)'s agreement within the year to efficiently facilitate the process of privatization.

The energy chief said they are also working out ways to keep an order on Napocor's financial condition. "Managing the debts and liabilities of Napocor and sustaining its improved fiscal performance remains a priority," he said.

He said Napocor is likely to keep posting earnings. "With its fiscal position now in the black, Napocor is determined to seek ways to sustain and improve it."

Lotilla said Napocor will also continue to implement ways to maintain a healthy fiscal stance.

"Strategies such as optimizing the use of power plants that utilize cheaper fuel such as geothermal, natural gas and hydropower, and implementing other cost-cutting measures such as the effective use of corporate resources, among others, were the initial steps that they are considering now," he said.

Organized by American Chamber of Commerce, the economic briefing helps keep chamber members on track with goings-on in the Philippine government.

These kind of activities also enable the country's energy sector a chance to explain its plans to the group.

IN THIS ISSUE

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BUSINESS

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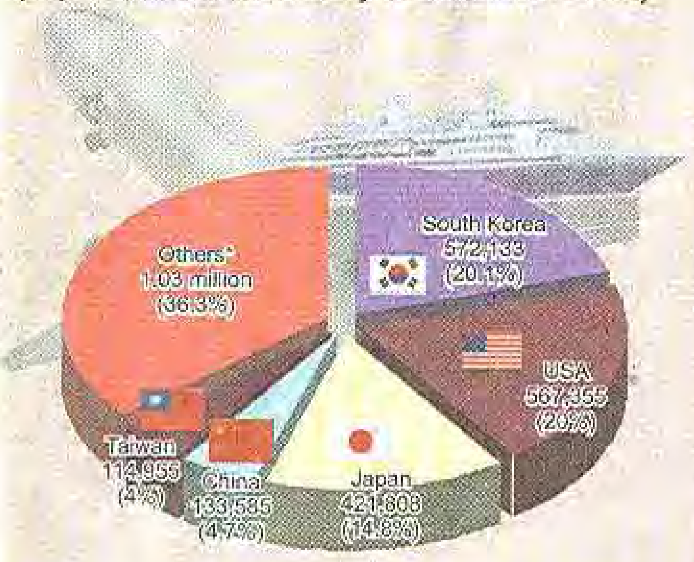
Congress urged to pass 4 key bills

INQUIRER MONITOR

Figures that matter in our nation's life

Visitor arrivals to RP
(Top 5 countries, January to December 2006)



* Includes Australia (101,313); Hong Kong (96,298); Singapore (91,114); Canada (90,507) and United Kingdom (88,490).

Source: Department of Tourism

Kate Pedroso Inquirer Research

Foreign chambers submit wish list of laws said to be crucial to trade

By Ronnel W. Domingo

THE JOINT FOREIGN CHAMBERS of Commerce of the Philippines called on Congress to pass four bills deemed crucial for the country's national competitiveness and economic growth, and creation of more jobs.

In a letter to House Speaker Jose de Venecia and Senate President Manuel Villar, the JFC has asked for the passage of four proposed measures that will:

- Create a centralized credit bureau;
- Remove the requirement for importers to go through brokers for transactions with customs;
- Set up a corporation that will combine the Philippine Convention and Tourism Corp., Philippine Tourism Authority, and related units of the Department of Trade and Industry; and,
- Enable the law on renewable energy.

The 13th Congress will adjourn next week. The next Congress will open in July.

JFC groups the American, Australia-New Zealand, Canadian, European, Japanese and Korean chambers, and the Philippine Association of Multinational Companies Regional Headquarters.

The business groups explained that House Bill No. 5948 and Senate Bill No. 1936 sought to create the first centralized credit bureau in the Philippines that will address the lack of reliable credit information for both individual and corporate borrowers, including credit card users.

The Bangko Sentral ng Pilipinas and the Capital Market Development Council have endorsed the two bills, while the bicameral committee has approved a report, which is pending ratification by both chambers.

Also, JFC is pushing for HB 6063 and SB 2597, which will amend a provision of the Customs Brokers Act of 2004 that only customs brokers may be allowed to transact with customs on behalf of importers, and with regard to import and export declarations entered with customs.

These bills have yet to be submitted to a bicameral committee to resolve the conflicting versions.

CONGRESS/B2

Congress ...

From page B1

"Many larger exporters, especially the electronics sector which produces two-thirds of our Philippine exports, engage in in-house brokerage to save money and time," JFC said. "The amendments are essential to maintain Philippine competitiveness and to comply partially with provisions of the Revised Kyoto Convention."

Also, the umbrella group called for a law that would create a Tourism Philippines, a corporation that consolidates the functions of the PCVC and PTA, including the tourism marketing and promotion sections of the DTI.

JFC said such a law would encourage investments in tourism enterprises, through fiscal incentives and governance, to create world-class establishments in the country.

Finally, JFC asked for the passage of a proposed measure that would enable the law on renewable energy. The law will promote the development, use and commercialization of renewable sources of energy.

HB 5563 has passed final reading, while the version in the Senate remains pending in plenary.

Gov't fully committed to selling power facilities

By *JAMES A. LOYOLA*

The government remains fully committed to privatizing the power sector despite the series of failed biddings for the country's generation assets in 2006.

This assurance was made by Energy Secretary Rafael Lotilla to foreign businessmen in a briefing recently hosted by the Joint Foreign Chambers of Commerce.

Greatly encouraged by the expressions of interest from different groups, Lotilla said the energy sector is confident that it can soon swiftly turn over the responsibility to a private group for better delivery of service.

The turn over of National Power assets to PSALM and TransCo was highlighted with the signing of the World Bank's universal consent and Lotilla said the government is firm on securing the Japan Bank for International Cooperation's agreement within the year to efficiently facilitate the process of privatization.

"Managing debts and liabilities of the National Power Corporation and sustaining its improved fiscal performance remains a priority," Lotilla said adding that "with its fiscal position now in the black, NPC is determined to seek ways to sustain and improve it."

Strategies such as optimizing the use of power plants that utilize cheaper fuel such as geothermal, natural gas and hydropower, and implementing other cost-cutting measures such as the effective use of corporate resources, among others, were the initial steps that they are considering now.

The Power Sector Assets and Liabilities Management Corporation has privatized eight power plants and raised the level of privatization to 11 percent and aims to privatize half of Napocor's generating assets by the end of the year.

Lotilla said that since the first bidding of Napocor's assets started in March 2004, bid outcomes have been well-accepted by the participating bidders.

"We are well aware that the credibility of the bid process itself is a major selling point of privatization. PSALM invested in establishing a trustworthy process which is why investors remain keen on the privatization program," he added.

Congress urged to pass bills promoting global competitiveness

By MA. ELISA P. OSORIO

The Joint Foreign Chambers of Commerce of the Philippines has asked Congress to pass four pending bills that would promote global competitiveness and economic growth before the 13th Congress closes in June.

In an open letter to House Speaker Jose de Venecia and Senate President Manuel Villar, the association of foreign businessmen asked that the bills on the credit information system, amendment of the customs brokers act, national tourism policy and the renewable energy bills be passed.

"As the 13th Congress returns to its final session days in early June, we would like to urge you to pass several bills in advanced stages of the legislative process which investors see as vital for national competitiveness and economic growth and to create employment opportunities for larger numbers of Filipinos," the letter dated May 28 stated.

The law on credit information system will create the first centralized credit bureau in the country to address the lack of reliable credit information for individual and corporate borrowers.

The bill, which was endorsed by the Bangko Sentral ng Pilipinas (BSP) and the Capital Market Development Council, will facilitate easier background checks for banks who would like to issue credit cards and loans to their clients.

A report on the credit information system has been approved by the bicameral committee and is pending ratification by both chambers.

The amendment on the Customs Brokers Act is said to be crucial in maintaining the country's competitiveness and to comply partially with provisions of the Revised Kyoto Convention.

Under R.A. 9280 or the Customs Brokers Act of 2004, only the customs brokers may be allowed to transact with customs in behalf of importers and with regard to import/export declarations entered with customs.

House Bill 6063 and Senate Bill 2597, both approved in third and final reading, propose to amend Section 29 of R.A. 9280 by removing the prohibition on corporate practice of customs brokerage.

The foreign chambers said many larger exporters, especially the electronics sector which produces two-thirds of exports, engage in in-house brokerage to save money and time.

The third bill the foreign businessmen asked the legislative to pass is the National Tourism Policy which will create Tourism Philippines. This is a corporation which will consolidate the functions of the Philippine Convention and Visitors Corp. and the Philippine Tourism Authority.

The bill is expected to spur investments in new hotels, resorts and other tourism enterprises through fiscal incentives and governance to create world-class establishments.

The final one, the renewable energy bill is expected to promote the development, utilization and commercialization of renewable sources of energy. The bill likewise sets up a framework for the grant of fiscal and non-fiscal incentives to all renewable energy activities and creates the National Renewable Energy Board (NREB).

Also, the bill proposes to establish a Renewable Energy Trust Fund (RETF) to finance research, development, demonstration, and promotion of various renewable energy systems.

However, the Senate counterpart of the Renewable Energy Bill remains pending in plenary. "We urge the Senate to give high priority to the passage of the House bill without significant changes as we understand there is broad support for this bill," the letter stated.

BusinessWorld

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Proposals for Congress readied

Business groups consolidating recommendations

BUSINESS GROUPS ARE DRAFTING a consolidated list of legislative recommendations they want the 14th Congress to work on when sessions start next month.

The list – expected to be submitted to Malacañang by the end of June – classifies the proposals into those that would enhance competitiveness, increase government transparency, improve infrastructure, and restructure the financial sector.

"We have already made a draft summary of those bills that each business group wants to be passed into law in the 14th Congress. Hopefully we can finalize it before the end of the June," Makati Business Club (MBC) President Alberto Lim said in a telephone interview.

The draft summary, obtained by *BusinessWorld*, listed recommendations by seven groups: the MBC, Joint Foreign Chambers represented by the American Chamber of Commerce and Industry, Inc. (Amcham), Business Process Association of the Philippines (BPAP), Philippine Chamber of Commerce and Industry (PCCI), Capital Markets Development Council (CMDC), European Public Real Estate Association (EPRA), and the Semiconductors and Electronics Industries of the Philippines, Inc. (SEIPI).

Also listed in the matrix, but still without recommendations, were the Bankers' Association of the Philippines, Chamber of Automotive Manufacturers of the Philippines, Inc., Employers Confederation of the Philippines, Financial Executives Institute of the Philippines, and the Management Association of the Philippines.

Amcham legislative director John Forbes, SEIPI director Arthur J. Young, Jr., PCCI member Francis Chua, and BPAP president Danilo Sebastian L. Reyes confirmed their groups' participation in the initiative.

Measures to rationalize fiscal incentives, reform land administration, and amend the central bank charter topped the list of common recommendations, with at least four groups wanting these bills passed into law.

The fiscal incentives measure, passed by the House of Representatives but not by the Senate in the 13th Congress, seeks to trim the perks to be offered.

The proposed Land Administration Reform Act, meanwhile, seeks to integrate all agencies of government involved in the management and administration of lands into a single national agency. The bill was passed by the House a year ago but stalled at the Senate.

The central bank charter amendments, lastly, failed to prosper in the 13th Congress. The bill

Congress S1/2

Congress

from S1/1

seeks to give the Bangko Sentral ng Pilipinas more power to regulate the industry.

In the area of competitiveness, the business groups listed reforms to the Labor and Immigration codes, the Foreign Professionals Partners in Development Act, foreign investments restrictions rationalization, amendments to the input tax recovery provision of the Value-Added Tax Law, constitutional amendments on foreign investments, and competition policy as priorities.

On government transparency, they said changes to the Forfeiture Law, Anti-graft and Corrupt Practices Act and the Ombudsman Act; a bill combatting smuggling; changes to the flag law; the Freedom of Access to Information; omnibus reengineering; and the Whistle Blowers Protection Act as necessary.

With respect to infrastructure, the list called for amendments to the Build-Operate-Transfer law, the Convergence Policy Act, declaration of Subic and Clark as logistics hubs, Customs Code changes, the creation of the Department of Information and Communications Technology, and the use of open source software, renewable energy, and voice over internet protocol.

To boost the financial system, the business groups called for approval of the central bank charter, corporate code amendment on the fit and proper rule, Corporate Recovery Act, Investment Advisory Act, financial sector taxes rationalization, Fiscal Responsibility Act, Pre-need Code, real estate investment trusts, Securities Regulation Code changes, and waivers on bank deposits.

Other priorities not placed under in the four main headings were changes to the Clean Air Act, Cybercrime Prevention Act, Land Administration Reform Act, farm land as loan collateral, and reproductive health.

Mr. Lim said key to passing important bills is better coordination between the Senate and the House. This was cited by observers when the 13th Congress failed to pass any law when it wrapped up its business last week. — P. J. L. Lising

BUSINESS

Liberal air pact with Seoul welcomed

BY BERNIE CAHILES-MAGKILAT

Foreign businessmen yesterday lauded the government for successfully negotiating a more liberal air services agreement with South Korea even as they urged the government to pursue the same aviation policy to pave the way for a rapid development of Clark and the Diosdado Macapagal International Airport (DMIA).

In a joint statement, the Foreign Chambers said the air services agreement between the two countries will now allow Philippine carriers to offer a maximum of 19,000 seats per week to all the gateways of South Korea.

The Korean carriers are also entitled to the same number of seats to all Philippine gateways.

Thus, the Philippine tourism industry will definitely benefit from the maximum combined capacity of 38,000 seats per week by both Philippine and Korean carriers.

Indeed, this significant increase in capacity will boost the half a million Korean arrivals in 2006 and enable the country to compete with Singapore and Thailand, currently the top destinations of more than 7 million annual outbound Korean travelers.

As a result, the Foreign Chambers reiterated its call for the government to adopt a liberal aviation policy for Clark and DMIA.

"We again strongly recommend that the President sign the proposed EO 500-B for the rapid development of Clark and the Diosdado Macapagal International Airport (DMIA) as a premier airport in the Philippines and a major air transport and logistics hub in the Asia-Pacific region," the statement said.

Many appeals have been made in recent months urging the national government to open the skies at Clark to carriers willing to service routes flying tourists and others to Central Luzon, the statement said.

A liberal aviation policy that adjusts rapidly to allow numerous new carriers to service tourism demand has contributed greatly to the astounding success of the tourism industry on these Southeast countries following progressive aviation policies, the foreign businessmen said.

The Foreign Chambers noted that even Cambodia has seen its tourist arrivals rise rapidly to nearly two million visitors, mainly visitors to the ancient Angkor Wat temple complex, by pursuing a policy that liberally allows new carriers to service Siem- Reap-Angkor International Airport.

By 2008, ASEAN has agreed to allow unlimited 3rd and 4th freedoms between capitals. This would allow any carrier to fly passengers and goods in either direction between the capital cities of consenting countries.

However, the Philippine government has not said whether it will join this progressive agreement which will greatly benefit the economies of the participating countries.

The domestic aviation industry in the Philippines has grown significantly since competition was introduced more than a decade ago. Domestic carriers are experiencing strong growth in passenger and freight volume and revenues. They have placed significant orders for new aircraft.

"We believe they are positioned to compete not just in the Philippines but in the region and should begin to embrace rather than oppose competitions policies that are truly in the national interest of the Philippines," the statement added.

"Thus, the Foreign Chambers call on President Macapagal- Arroyo to issue the proposed EO 500B, which we are convinced- as already proven under EO 500 — will bring more tourists into the country, create large numbers of new jobs, lad to very significant levels of new investments and improve the overall competitiveness of the Philippines," the statement added.(BCM)

BUSINESS

Foreign chambers urge masterplan for aviation, sea transport, logistics

The Foreign Chambers of the Philippines (FCP) has called for a new masterplan to develop international and domestic aviation and sea transport for logistics in Central Luzon in order that the Philippines could cope up with the fast increasing volume of travellers,

In a statement, Roger J Dallas, FCP president, expressed particular concerns about the inefficiencies of several major airports to handle the expected growth of international and domestic air traffic. He cited the NAIA which he said suffers from two very serious constraints: (a) runway safety and capacity and (b) antiquated terminal facilities.

The foreign chambers also recommended the following:

1. Opening of the NAIA Terminal 3. It is extremely important that the terminal be opened at the earliest date and be available to all international carriers on a "level playing" field basis. The operation of the terminal should be bid out to the private sector, including international firms, to ensure professional management comparable to other international airports in Southeast Asia.

2. Operation of NAIA Terminal 2. The "new" domestic terminal (Terminal 2), financed by Japanese Official Development Assistance, has operated for a decade as the domestic and international terminal of Philippine Airlines and since 2006 as the domestic terminal of Air Philippines, a PAL affiliate. PAL pays lease payments to the government for Terminal 2, but has not paid the government aeronautical fees amounting to billions of pesos. The terminal should operate as originally intended as the new domestic terminal.

3. Expansion of DMIA Terminal (Interim). The current terminal at Clark is approaching capacity and needs to be expanded as soon as possible and completed by the end of 2008.

4. DMIA Terminal (Future) – Clark will need a large modern terminal for international and domestic traffic in around five years and the current master plan for Clark should be revised as part of the new Central Luzon Air and Sea Logistics Hub Master Plan. Then a design-build contract should be prepared for international bidding. Funding for the terminal might come from a bond issued by the Clark International Airport Corporation.

5. Construction of additional DMIA parallel Runway. Runway 02 R/20 L needs an additional parallel runway as an alternative runway as well as to allow eventual dual simultaneous operations. Runway 02 L/20 R can not be used by any aircraft because of the "crocodile cracks" which appeared on it after the Mt. Pinatubo eruption. The construction of a runway takes 2-3 years, after a planning and bidding period of 2-3 years.

6. Manila-Clark Rail connection. A high-speed rail connection between Metro Manila and Clark will be essential.

All other domestic and international carriers have continued to operate from outdated, unsafe and increasingly overcrowded facilities, while awaiting the opening of the ill-fated privately-financed Terminal 3, which the current administration expropriated in 2005 over alleged corruption in the terminal's contracting and construction. Current estimates suggest Terminal 3 will not open until sometime in 2008, if at all. Many foreign businessmen visiting the Philippines for the first time ask why the facility remains unused.

7. Clark should be developed rapidly. The Philippine Government is fortunate to control the former US military base at Clark (renamed Diosdado Macapagal International Airport) north of Manila which has two parallel international runways (of which only 02 R/20 L accommodates flights) and vacant space for a third to be built as an option, instead of rehabilitating the old runaway 02/L20 R. This would allow simultaneous use of two runways.

However, Clark lacks adequate domestic and international terminals and its ground transportation links to Manila are subject to congestion. Clark is about the same distance from the capital as the expensive new international airports and terminals built in recent years in Korea and Malaysia at some distance from city centers, which have highly efficient ground transportation links. For example, the high-speed train connecting Kuala Lumpur to its new international airport travels 57 kilometers in 30 minutes.

THE EXPONENT OF PHILIPPINE PROGRESS
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Sunday, 22 July 2007

Fidel V. Ramos

10 years later: Where are we now?

(First of 2 Parts)

DURING the financial crisis in East Asia that started in early July, 1997 in Thailand, the values of national currencies and other assets dropped precipitously. Stock markets collapsed and businesses folded up. Millions of workpeople who had lifted themselves up painfully to middle-class status slipped below the poverty line once again. According to experts, the turmoil eventually inflicted estimated total social costs for Thailand of 95 billion USD or 54.8 percent of GDP. Indonesia suffered a loss of 95 billion USD or 40.9 percent of GDP. Malaysia lost 39 billion USD or 31.0 percent of GDP, and South Korea 53 billion USD or 7.8 percent of GDP. The Philippines had the lowest estimated total social cost at 7 billion USD or 6.5 percent of GDP. The crisis brought about not only economic devastation but political upheavals as well. The political fallout descended most heavily on President Suharto of Indonesia and Thai PM Chavalit Yongchaiyudh, both of them were forced to resign. And in a few months, PM Ryutaro Hashimoto of Japan lost his job.

Last 18 July, the Ramos Peace and Development Foundation (RPDEV) and the Roberto F. de Ocampo (RFO) Center for Public Finance and Regional Economic Cooperation deemed it both timely and relevant to revisit that crisis at the 8th FVR-RPDEV Public Lecture at the Carlos P. Romulo Auditorium, RCBC Plaza, Makati City. I was joined by distinguished presentors: Former NEDA Secretary Dr. Cielito F. Habito; SGV Chairman David Balangue; HSBC-Philippines President/CEO Mark Watkinson; and Dr. Claudio Loser, former Director of the IMF's Western Hemisphere Department. Dr. Roberto de Ocampo, Chair of the RFO Center gave the Synthesis and Recommendations, while BSP Governor Amando Tetangco concluded with Summation: Government Actions.

The Philippines suffered less

How the Philippine economy fared at the height of the East Asian crisis makes an instructive story. Listen to then BSP Governor Gabriel Singson in his semi-annual report, "The Philippines: Onward to Recovery" dated July, 1998:

"Asia was made wiser by the many lessons derived from the crisis, whose breadth and persistence reached new dimensions never before experienced anywhere in the world, triggered a massive pull-out of foreign funds and adversely affected financial markets in the region. From these difficult regional conditions, the Philippines is emerging better than most of its neighboring economies. In 1997, it sustained a respectable economic growth of 5.3 percent. Its positive growth in the first quarter of 1998 compared favorably with several countries where economic growth actually declined. The external sector continued to perform well. Merchandise exports grew strongly, reaching 20.3 percent in the first five months of 1998 while imports declined by 8.3 percent. Foreign investments also started to flow back. These allowed the buildup of international reserves to 11 billion USD as of May, 1998 from a low of 8.8 billion USD in December, 1997.

"Overall, the events during the last twelve months served as a rare opportunity for learning valuable lessons. We identified our strong points and the measures needed to strengthen further our economic foundation. Moreover, we saw the pernicious effects of speculation undermine even sound and strong economies. Significantly, national economic policy-making is strongly underpinned by political stability based on democratic principles. Last May, relatively peaceful national elections were successfully concluded, paving the way for an orderly transfer of power from the Ramos administration to the Estrada administration on 30 June, 1998."

Why Philippines got off lightly

Why did the Philippines get off so relatively lightly?

One simple reason is that the Philippines was, by then, accustomed to economic crises: It had weathered several traumatic disasters before 1997 such as devastating calamities (earthquakes, typhoons, volcanic eruption, *El Niño*) and a crippling power shortage. As a consequence, the Philippines was growing only moderately. And, in the context of the financial contagion, slow growth proved to be a blessing in disguise. Our country escaped the dangerously high levels of capital flows in the 1990s that stoked the overheated East Asian economies.

But the better reason, from the national viewpoint, was that our leaders – regardless of socioeconomic persuasion, political affiliations, and geographical origins – worked together as a solid national team during the period 1992-1998. The mechanism that was exploited to bring about consensus among the President and Cabinet; Senate and House for both majority and minority groups; and civil society/sectoral leaders was the Legislative-Executive Development Advisory Council (LEDAC) created by R.A. 7460 in December, 1992. Consistently and predictably for 5 years – every Wednesday at breakfast – while Congress was in session, I convened the LEDAC to establish legislative priorities and coordinate implementation of policies and programs. My team approach and the patient consultation among the leaders of the "extended" Filipino family worked wonders. Difficult problems were solved and challenges overcome more expeditiously.

Fortuitously, by early 1997, we had put our basic economic policies and social reforms in place, and that also meant that the economy was stronger and better equipped to cope with external shocks. In fact, as of March, 1998, the Philippines graduated from IMF "tutelage" after 35 years by settling our 22 major loan programs.

Of course, our country was still carried along by the region's economic drift. But, looking back, the Philippines did not do too badly after all – certainly not as badly as we would have without a regime of macro-reforms and capacity-building put onstream.

Growth momentum still precarious

How have we fared since then?

The two administrations that succeeded mine, beginning in July, 1998, have had mixed records. My immediate successor's term was cut short by a second non-violent People Power revolution in January, 2001. Early on, President Gloria Macapagal Arroyo was confronted by a series of violent protests, political intrigues, coup conspiracies, and unending debates about the legitimacy of her Presidency. Campaigning for the President's office in her own right, PGMA narrowly won a hard-fought election in May, 2004. But her sliver of a victory was soon tarnished by allegations of connivance with an election official, giving rise to two failed impeachment attempts in the House of Representatives. Much of these past six years, President Arroyo has spent fighting for her political survival, leaving her precious little time to devote to the work of governance, uplifting of our poorest communities, and completion of the interrupted peace process on the Communist insurgent and Muslim separatist fronts.

Nevertheless, her Administration must be credited with some worthy accomplishments. By extracting from an unusually recalcitrant Congress an expanded value-added tax (EVAT) and the indexation of excise taxes, PGMA placed the State's finances on a sounder footing, damped down inflation, and regained a measure of investor confidence. As a result, in 2006, the public sector posted its first budget surplus in nine years. And, during Q1-2007, GDP grew by 6.9 percent, the highest quarterly growth rate in 17 years. This feat we owe mainly to the increase in OFW remittances and, partially, to slightly improving macro-economic fundamentals – including a stronger peso, lower interest rates, and the promise of a balanced budget by 2008.

Hollow, shallow, narrow

However, the economy's growth momentum is still too brief – and too uncertain – for ordinary people to feel its benefits, much less for our poorer communities to be lifted up to the national average. Despite positive trends in inflation and the growth rate, joblessness persists. In 2006, unemployment hit 7.9 percent, up from 7.7 percent in 2005. The economy generated only 650,000 new jobs, compared to 690,000 in 2005 – far short of the one million new jobs needed by those entering the workforce yearly. Underemployment rose to 22.7 percent.

A major problem is that growth was generated not by agriculture, which still accounts for a disturbingly high (36.7 percent) proportion of our workforce, but by manufacturing, trading, transport and communications. The declining share of investments in agriculture in relation to GDP continues to constrain this capital-intensive sector.

Even the bulk of our exports still depend heavily on imported raw materials and intermediate inputs. For instance, in electronics which makes up 64.9 percent of our export revenues and garments which account for 6.4 percent, the tiny slice of value-added incountry (no more than 15 percent for electronic assembly, for instance) to such imported materials is almost entirely accounted for by labor. And there is hardly any linkage between these industries and the rest of the productive sectors of the economy. Although call-centers and BPO firms are the popular sources of new jobs, the skills they require are beyond the capacity of most of our unemployed – rural young people who are just elementary school graduates or high-school dropouts.

What is more, growth is still geographically imbalanced – the bulk of it (61.8 percent) coming from Metro Manila, Central Luzon and Calabarzon. And, until now, only a few large corporations and family dynasties dominate the economy. The World Bank continues to puzzle over our "missing middle-class:" the absence of the small and medium industries that in other countries generate the most jobs and livelihood for common people.

Our growth momentum is precarious because, according to Dr. Cielito Habito, now Director of the Ateneo Center for Economic Research and Development, it is HOLLOW, SHALLOW and NARROW.

Urgent for Malacañang and the 14th Congress

To remove poverty from among us, our overriding concern must be to make the economy grow. We must recognize that economic activities so far have benefitted only a privileged handful. We must begin to focus on our development as a national community by enhancing our physical infrastructure and spreading our weapons of mass upliftment (WMU) – thus expanding people's access to decent jobs, primary health care, quality education, and opportunities to move upward.

For the umpteenth time, Malacañang and Congress are called upon by our people to lead the Filipino family, now estimated at 87 million (and still counting), to the better utilization of our human potential, natural resources, and geostrategic advantages in the short time remaining. **Why not avail of the institution called LEDAC – which served us so well in the past – to overcome the political baggage, vested interests, personal resentments, and ingrown biases of the past nine years? Once a week, or even just twice a month in a friendly and civil dialogue on the call of the President? *Pwede ba?* For the sake of all our young ones, our elected leaders must generate unity of purpose, solidarity in values, and teamwork in nation-building.**

Kaya ba ninyo ito? Abangan – Part Two, next Sunday.

Please send any comments to *rpdev@skyinet.net*. Copy of this article is available at *www.rpdev.org*.

By BOO CHANCO

NAIA: A tragedy waiting to happen

The crash of an Airbus 320 in the congested airport of Congonhas in the Brazilian city of Sao Paolo has been described by a number of news reports as a tragedy that had been waiting to happen. That reminded me of NAIA. All the elements are there… less than adequate runway, congestion and third world airport management.

Consider this excerpt from that *LA Times* report: "Others said that when Congonhas was built in the early part of the 20th century, the surrounding area was mainly open land. Today, the airport is surrounded by high rises, adding another challenge for pilots."

Now that our own domestic airline industry has invested heavily in about 20 new Airbus 320s, I can just imagine the strain in the capability of NAIA to handle all that increased air traffic. That's why flights are now almost always delayed, according to the airlines.

By sheer serendipity, the foreign chambers of commerce two weeks ago, came up with a well researched position paper calling government's attention to the inadequacies of our airports, principally NAIA. If Ate Glue is really into infrastructure building and really wants to impress tourists and investors, she need not go further than our airports.

The foreign chambers worry that "NAIA suffers from two very serious constraints: (a) runway safety and capacity and (b) antiquated terminal facilities." More specifically, "Runway restrictions limit its capacity to handle flights (now allowed to land 22 hours each day from 4 a.m. to 2 a.m.)."

All three of NAIA's operating terminals are being used beyond original design capacity, the foreign chambers observe. The old domestic terminal handled three million passengers in 2006, above its design capacity of 2.5 million passengers. There are peak periods when the three operating terminals at NAIA are extremely crowded, creating negative impressions for travelers who are used to the modern, efficient facilities built in most Asian cities over the last decade.

The foreign chambers however assert that more problematic than the passenger terminals are serious and immediate constraints to runway capacity and safety. **The runways' design is now well below standards for new generation aircraft, creating serious potential safety concerns.** For example, distances between the centerline of runways and centerlines of taxiways do not meet the new International Civil Aviation Organization criteria, the UN body that supervises international aviation regulation and standards.

"The International Runway (called 06-24) was built in the 1940s when the biggest aircraft carried no more than 50 tons. Today an average B747 weighs 350 to 400 tons. With a single runway carrying the entire burden of all international flights, the runway requires heavy maintenance, which affects airline schedules and airport revenue.

"At the best-managed airports such as Hong Kong, Heathrow and JFK, planes can land at a rate of every 3 minutes or 20 an hour during any weather or light conditions. Based on current arrivals and departures, NAIA's International Runway can accommodate only 15 flights per hour (taking off or landing) during bad weather or at night.

"With current annual growth in total passenger throughput above 10 percent, the runway capacity will reach its limits about the same time that all NAIA terminals including NAIA 3 reach their combined full capacity. In other words, **very soon and as early as 2010 NAIA will probably not be able to take additional flights.**"

As for the terminals, the foreign chambers echoed what I have been saying in this column about the horrible condition of the domestic terminal. " **The 'old' domestic terminal is totally out of date, with only one passenger entrance, two security machines and no air bridges. There are often long lines of departing and arriving passengers outside the terminal exposed to the elements, while passengers bump into each other and their baggage in security, check-in and terminal fee lines inside.** Most tourists traveling to the popular tourist destination of Boracay must experience the quite negative experience of going through this completely retrograde facility which should have been closed when Terminal 2 opened."

As for Terminal 1… it "is almost 30 years old and is a growing maintenance challenge. At peak hours, it experiences severe traffic and overcrowding with long delays while cars inch through departure and arrival areas."

The foreign chambers see little hope for NAIA. "New runways cannot be added at NAIA nor can the airport be closed to allow construction of an international runway meeting current international weight standards. When the airport's runway capacity is met in three years (at current growth rates) it will be important that an alternative airport to NAIA is available for air travelers in Central Luzon."

This is why, as I wrote here the other week, government should speed up plans to make the Diosdado Macapagal International Airport in Clark the new main airport to service the National Capital Region. This means upgrading its terminal and also most importantly, getting serious about putting up a high speed rail connection to Metro Manila.

As the foreign chambers noted, "Clark lacks adequate domestic and international terminals and its ground transportation links to Manila are subject to congestion. Clark is about the same distance from the capital as the expensive new international airports and terminals built in recent years in Korea and Malaysia at some distance from city centers, which have highly efficient ground transportation links. For example, the high-speed train connecting Kuala Lumpur to its new international airport travels 57 kilometers in 30 minutes."

The foreign chambers feel "**a high-speed rail connection between Metro Manila and Clark will be essential.** There will be many challenges, such as design, routing, terminal locations, technology, funding and construction, but such a multi-billion project is essential for future development and needs to be a core element in the Central Luzon Air and Sea Logistics Hub Master Plan. Extending the MRT-3 and LRT-1 up to NLEX must also be considered in order to allow efficient access to the NCR light rail system."

The foreign chambers also see the need to construct another runway at Clark. "Runway 02 R/20 L needs an additional parallel runway as an alternative runway as well as to allow eventual dual simultaneous operations. Runway 02 L/20 R can not be used by any aircraft because of the "crocodile cracks" which appeared on it after the Mt. Pinatubo eruption. The construction of a runway takes two to three years, after a planning and bidding period of two to three years."

If all that Ate Glue ends up doing in her last three years to make sure we have these basic airport facilities, she would already leave very concrete accomplishments behind. If she sees no urgency and we end up having our own Cogonhas tragedy at NAIA, she could well be blamed for doing nothing much to prevent a tragedy that was clearly just waiting to happen.

Postal bank

Romy Reyes, a colleague at the Tuesday Club, talked to me to explain that the bank director who filed questionable liquidation receipts that were disallowed by COA is no longer with the bank. Also, he clarified that the rest of the money cited in the report really covers their P10,000 a month director's allowance, which he said is a pittance as bank directors' allowances go.

Half price

The new airline introduced a special half fare for wives who accompanied their husbands on business trips. Expecting valuable testimonials, the PR department sent out letters to all the wives of businessmen who had used the special rates, asking how they enjoyed their trip.

Letters are still pouring in asking, "What trip?"

Boo Chanco 's e-mail address is bchanco@gmail.com

15 business groups bare list of priority bills for Congress okay

By MA. ELISA P. OSORIO

Fifteen various business groups challenged yesterday the new Congress to pass needed legislative reforms which failed to hurdle the previous Congress in order to capitalize on the current economic opportunities.

"The business community, both local and foreign, met with Finance Secretary (Margarito) Teves, DTI (Department of Trade and Industry) Secretary (Peter) Favila and NEDA (National Economic and Development Authority) deputy director general (Margarita) Songco to create an initial priority bills as legislative agenda for the 14th Congress. We agreed on a magic number of 12," the business groups said in a statement released yesterday.

"Such positive conditions present great opportunities for the Philippines to build on recent gains and push GDP (gross domestic product) growth to seven percent and higher. We urge you to challenge the next Congress to be the most productive in a generation," the letter, addressed to President Arroyo, stated.

The groups asked Mrs. Arroyo to encourage legislators to undertake reforms, with most of the 12 recommended reforms dealing with fiscal reforms.

The recommended reforms include the BOT (Build-Operate-Transfer) Law Amendments, the Credit Information Systems Act, Customs Brokers Act Amendment, Financial Sector Taxes Rationalization Act, Foreign Investment Restrictions Rationalization Act, Freedom of Access to Information Act, Land Administration Act, Local Government Code Amendments, Magna Carta for SMEs Act Amendments, Renewable Energy Act and the Simplified Net Income Taxation Act.

The groups said the previous Congress failed to pass the reform bills which should have increased the nation's economic growth and social development.

"Notwithstanding this progress, the private sector believes opportunities to pass additional significant reform bills were missed and the country faces an increasing need for legislative reforms," the group further said.

The business leaders who signed the letter were: Roger Dallas, president of American Chamber of Commerce; Richard Barclay, president of Australian-New Zealand Chamber of Commerce; Leslie Stokes, president of British Chamber of Commerce; Oscar Sañez, CEO of Business Processing Association of the Philippines; Steward Hall, of Canadian Chamber of Commerce; Melito Salazar, chairman of Capital Market Development Council; Sergio Ortiz-Luis, president of Employees Confederation of the Philippines; Hubert D' Aboville, president of European Chamber of Commerce; Toshifumi Inami, president of Japanese Chamber of Commerce; Jae Jang, president of Korean Chamber of Commerce; Ramon del Rosario Jr., chairman of Makati Business Club; Amb. Albert del Rosario, president of Management Association of the Philippines; Shameem Qurashi, president of Philippine Association of Multinational Companies Amb. Donald Dee, chairman of Philippine Chamber of Commerce and Industry; and Arthur Young, chairman of Semiconductor and Electronics Industries in the Philippines.

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Business groups draw up legislative wish list

Aim is to boost competitiveness, lure investors

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As of 5 p.m., July 24, 2007

By Ronnel W. Domingo

SEVENTEEN LOCAL AND foreign business groups yesterday called on the 14th Congress to act on a list of a dozen proposed new laws, the early passage of which would greatly help the country achieve higher levels of growth.

In a joint statement, the business chambers and industry associations asked lawmakers to put up an ad hoc committee on competitiveness, which should be composed of key committee chairs, that would advise the Senate and the House of Representatives on such legislative agenda.

The groups include the American, Australian-New Zealand, British, Canadian, Korean, Japanese and European chambers of commerce; the Business Processing Association of the Philippines, Bankers' Association of the Philippines, Financial Executive Institute of the Philippines, Employers Con

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Business groups . . .

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federation of the Philippines, Philippine Exporters Confederation, Makati Business Club, Management Association of the Philippines, Philippine Association of Multinational Companies, Semiconductor and Electronics Industries in the Philippines, and the Philippine Chamber of Commerce and Industry.

These groups have been active in the National Competitiveness Council, a collaboration between the government and the private sector, in drawing up an action agenda aimed at making the country more attractive to investors.

Their legislative wish list called for changes in the Build-Operate-Transfer law, the Local Government Code, the Customs Brokers Act and the Magna Carta for Small and Medium Enterprise Act.

They also asked for new laws that cover the creation of a credit information system, ensuring freedom of access to information, reforming land administration, institutionalizing the use and promotion of renewable energy, and simplifying the taxation on net income.

The groups also asked for laws that would rationalize taxes on the financial sector, fiscal incentives and restrictions on foreign investment.

"(These laws) would strengthen the country's competitiveness and increase the country's growth and social development," they said. "Such positive conditions present great opportunities for the Philippines to build on recent gains and push the gross domestic product growth to 7 percent and higher."

BusinessMirror
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OPINION

Editorial:

Agenda for 14th Congress

Reader, suppose you were an idiot. And suppose you were a member o Congress. But I repeat myself. —Mark Twain (1835-1910)

NOW that we have the 14th Congress, what do we do?

Certainly, there's a lot of unfinished legislative business in the 13th Congress But before lawmakers even start working on these unfinished bills, they should undergo a change in perspective, a "paradigm shift," to make thei work relevant to the demands of the times.

Congress should cast away its insularity, its tendency for inertia and navel gazing, which has paralyzed economic policymaking, and look far greater int the bigger picture, this fast-integrating and globalizing world.

If there's one thing that characterized past Congresses, it's the pettiness o the chamber's politics, and the total lack of ambition in its legislative agenda Hostage to the political-survival instincts of the ruling party, the 13th Congress, for instance, was notorious for delayed passage of the budge necessary to finance development.

With a thin legislative output, most of the more important economic legislatior necessary for addressing vital issues, like fiscal rationalization and lanc administration reform, were sidelined for reasons that the public could only speculate upon.

Insularity of outlook, a sort of small-barangay thinking among many of its members, explains this lack of energy, focus and legislative ambition. Coming largely from the landed gentry and rentier classes, many of Congress's members view the Philippines as an isolated island, no different from thei beach hideaways where they have fun and frolic, blissfully unmindful of what's going on in the larger world.

Hence, while legislators in the rest of the Asia-Pacific region were preoccupied with sharpening their policies to maximize gains and adjust to changes brought about by the global economy, our legislators were busily haggling over pork barrel, or grandstanding on endless investigations that led to nowhere.

The Executive of course was mired in dozens of scandals (e.g. election cheating, fertilizer scams, the Bedol affair, etc.), dragging down Congress and other social institutions deeper into the mire of political paralysis and social stasis.

And while members of Congress where preoccupied with petty bickering, entrepreneurs chaffed at the difficulties of having their businesses registered because of a tangle of obsolete rules; locators in some special economic zones were panicking at the prospect of losing fiscal incentives promised them when they registered; and the general public was left wondering whether or not it would ever have better infrastructure or improved social services. These sad truths didn't help our efforts to attract foreign investments.

The new Congress should wake up and change its ways of doing things to make it more responsive to the demands of the "brave new world."

Unknown to many members of Congress, more than 60 percent of the country's gross domestic product are accounted for by the globalized sectors (e.g. outsourcing, electronics, remittances and the rest of the export-oriented industries). That means most Filipinos are deriving money and livelihood from the dynamics of the globalized world. Focusing legislation on economic issues relevant to this economic transformation, therefore, should be the primary business of the new Congress.

Is the country's business sector globally competitive? How should the country respond to the accelerating exodus of professionals and skilled people? Is the educational system producing enough graduates with the skills needed by industry? Is the country's policy on language and the medium of instruction helping the fast-growing information technology sector? Is the policy environment conducive to interisland trade? Are we unnecessarily putting barriers to foreign investments? Are we developing our science and technology capabilities?

These are among the questions that need to be addressed by the new Congress for them to be socially relevant. And it's encouraging that Sen. Edgardo Angara is one of those actually responsive to these issues. Recently, he called for the creation of a congressional committee on science and technology, an initiative that will surely engender a lot of soul-searching and rethinking about how we can sharpen our capability in science and technology.

Congress should go strong on initiatives like this. It's high time it exerts its leadership in the policy arena because, based on the tone of the President's State of the Nation Address (Sona), the ruling party is not so keen on crucial reforms anymore.

It seems like Malacañang is going to spread the grease off pork barrel around (e.g. the construction of bits and pieces of a highway here, a few bridges there, and some septic tanks somewhere).

For a presidency that was bent on bringing us the "hallmarks of modernity" by 2010, the only economically pressing economic policy reform that it has proposed is the reform of the Epira bills to promote open access and greater competition. What the Sona revealed to us is a lame-duck presidency that is just coasting along for a less bumpy transition to oblivion.

Yes, we believe that Congress could actually take the policy leadership. The 2010 elections could be a distraction, but most of the would-be presidential aspirants appear to be mavericks not likely to benefit from endorsements from the current political partisans (Arroyo and Estrada). Hence, there would be more room for independent initiative and statesmanship.

We are crossing our fingers, of course.

All together now

Peter
Wallace

Sixteen business chambers and the economic team of the government working together has to be a first. We've often had some, such as the Joint Foreign Chambers, or Management Association of the Philippines and the Makati Business Club working together. But everybody?

Well they did, and the very fact that so many business groups joined should send a very serious message. The meeting was to select 12 bills they consider of the highest priority for Congress to pass, and to do so far more swiftly than they did in the last three years.

The bills are the Credit Information System Act, Financial Sector Taxes Rationalization Act, Fiscal Incentives Rationalization Act, Foreign Investment Restrictions Rationalization Act, Freedom of Access to Information Act (especially contract transparency), Land Administration Reform Act, Renewable Energy Act, Simplified Net Income Taxation Act, and amendments to the Build-Operate-Transfer Law, the Customs Brokers Act, the Local Government Code (clarifying its role regarding investments) and the Magna Carta for Small and Medium Enterprises.

Some of these had already gone a long way down the track in the last Congress, so there should be no need to go through the whole process all over again.

These bills could be finalized within the next three months. There were no objections before, only the need for some clarification and minor amendments. New members of Congress could perhaps trust the work of their predecessors and/or rely on their colleagues who transited through and were involved before.

The above list was forwarded to the President in the hope that it would be included in her State-of-the-Nation Address. Unfortunately, despite such widespread support from the business community, no mention was made of it. Instead the first 15 minutes of her Sona were devoted to naming politicians and the projects identified with them despite that earlier she'd said that she would "tear away layers of inefficiency piled on by decades of political accommodation." If personally naming politicians wasn't politicking, what on earth was it?

As to the Sona itself—I suppose a Sona is just that: The current state of the nation. She actually detailed it quite well, although I will take issue with her when she says that the condition of the poor has greatly improved, especially with regard to employment, education and medication.

My reading of the statistics says the reverse—there are more unemployed today than there were when she came to power. And more are poor. I agree the percentage of unemployed improved (but marginally) but its people that are without a job, not inanimate percentages. The number of people unemployed in 2000 was 3.5 million. In 2006 the figure (using the same definition, which you must do in any fair comparison) was 4.1 million—600,000 more.

It's the same on poverty. Self-rated poverty based on surveys by the Social Weather Stations showed that 43.5 million considered themselves poor in 2000. In 2006, 47.2 million did. These are hardly figures you can be proud of. What they say is that far more direct attention and action to improve these numbers in a much more meaningful way is needed. But first what is needed is to recognize them and accept them so you can then work to improve the situation.

The economy has the chance to break out of the rut it has been in these many years, but it won't do so if everyone doesn't recognize the problems and work toward solving them. We have three years to put in the reforms. Let's forget the political posturing and just do it.

In Australia, the opposition is known as the "Loyal Opposition," loyal to the state but in opposition to the government of the time. That's what we need here now. The bills we've identified are for the good of the State, are for the improvement of the lot of the Filipino people. They need to be passed for the sake of the country, it doesn't matter whether it helps the image of the President or not. What matters is it helps the country.

We can only hope that the 12 bills are included in the Legislative-Executive Development Advisory Committee she is calling for, and that the politicians agree that these are priority and will address them with the urgency that is needed.

But in doing so, let's have well-crafted, thoughtful, well-researched laws. Four of the 12 we've identified are amendments to existing laws to correct the faults in those laws. It's just unacceptable to find that within weeks or even days a law has faults. I don't care, as many seem to, how many laws have been passed. Surely we have too many already. What I care about is that whatever new law is introduced is needed and is going to be beneficial to society. And is sufficiently well-crafted as to meet its objective without need of amendments.

As an aside, I'm told there is too often a lack of quorum, particularly in the lower House. It is my understanding that in the Philippine political system the governor, mayors, etc. are responsible at the local level for their local community. While the congressmen are responsible for taking the concerns of their constituents to the national level, and constructing laws to provide a better world for their constituents. Their place is, therefore, in the halls of Congress so they can do this.

We've seen some significant improvement in the overall economic growth rate but it's been too narrowly focused. It hasn't yet spread out to the wider Filipino community.

This is what the President should focus on. And where action needs to happen.

Comment to my columns can be sent to plw@mydestiny.net or text to 0920-929-2929

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SUNDAY, 29 July 2007

Fidel V. Ramos

SoNA: *Ok lang*, but not enough

(Last of 2 Parts)

PGMA's 7th SONA on 23 July drew the usual mixed reactions ranging from high praise from her drumbeaters to "more of the same laundry list" from opposition stalwarts. My own assessment is: "*OK lang*, but not enough." – because we are still in a catchup mode, having lost 6 to 7 years to overall poor performance. Last Sunday, we discussed the first part of a wideranging socio-economic and political issue: "Ten Years After the Asian Financial Crisis: Where are We Now?" The similar and consistent – albeit independently arrived at – conclusion by a group of knowledgeable and prestigious presentors at the 18 July FVRRPDEV Public Lecture was loud and clear: *"There are signs of improvement in the Philippine condition, but much more needs to be done."* (Sounds like my report card on PGMA's SONA "*OK lang*, but not enough.") The Filipino experts were:

(1) Amando Tetangco, *Bangko Sentral Governor*, who served under BSP Governors Singson and Buenaventura as deputy governor, and is credited with keeping inflation down, building up foreign exchange reserves and reducing foreign debt.

(2) Dr. Roberto de Ocampo, Chair of the RFO Center for Public Finance and Regional Economic Cooperation, and former Secretary of Finance from 1994 to 1998, member of the Board of Governors of the World Bank and the ADB, alternate Governor of the IMF, and retired president of the Asian Institute of Management (AIM);

(3) Dr. Cielito Habito, professor of Economics, Ateneo de Manila University, former NEDA secretary during FVR's full six-year term. He chaired the Cabinet Clusters on Social Development and Infrastructure Development; and,

(4) Chairman/Managing Partner David Balangue of SGV & Co., the Philippines' largest audit and accounting professional services firm, and the only ISOcertified company of its kind with over 1,600 CPAs and legal, taxation, technology and risk management experts.

Representing the views of the Philippine-based foreign investors, Dr. Mark Watkinson, HSBC-Philippines CEO, said: *"After a dramatic drop, growth rates have largely recovered."* For his part, Dr. Claudio Loser, former Director of the IMF's Western Hemisphere Department, compared the performance of Latin American economies with Asia's, and opined that: *"Latin America's growth has lagged behind the World and developing Asia, including the Philippines. However, most of Latin America is ahead of the Philippines in human development and per capita income, mainly due to significantly lower defense expenditures and larger investments in the social sector."*

Catching Asia's New Wave Of Growth

If the Philippines is to ride the new wave of growth in Asia, we must speed up market-opening, lower costs of doing business, and create a truly level playing field.

This new wave is being generated by the emergence of once-closed economies in China, Russia, India, and Brazil; the resurgence of Japan, and the continued high growth in South Korea, Taiwan, and our Southeast Asian neighbors. Our country missed the "East Asian Economic Miracle" of the 1960s-1980s that lifted first Japan; then Taiwan, South Korea, Hong Kong and Singapore; and, later, Malaysia, Thailand and Indonesia.

Now, the Philippines has another chance – and this second wave promises to be even bigger. The emerging economies are radically changing the relative prices of labor, capital, goods, and assets worldwide. And since the biggest of these tigers are Asian, they are also shifting the world's center of economic gravity from the Atlantic to the AsiaPacific.

Our economy still relatively closed

Among the key components of the economic equation is liberalization. Beginning in the 1980s, successive Administrations – spurred by crises – have been opening up the economy. Collectively, they have achieved a great deal, according to analysts – but the Philippines is still seen as being less open to global trade and investment than comparable Asian economies.

Over these next three years, Malacañang and Congress must therefore complete the work of opening up. Mining – which stalled for ten years after the passage of the innovative Mining Code of 1995 – makes a good case study of what market opening can accomplish. Thanks to a favorable Supreme Court ruling last year, this strategic industry was further liberalized to attract more foreign capital and technology.

Strong demand, particularly from China and India, should sustain our mining sector, at least over the next 20-25 years. Equity inflows are expected to hit 6.5 billion USD yearly over the next few years, according to the Chamber of Mines of the Philippines.

Protectionist provisions in successive Constitutions since 1935, however, continue to curtail foreign direct investment (FDI) into key sectors of the economy. This is why the influential Philippine Chambers of Commerce and Industry has urged Congress to convene as a Constituent Assembly – even if only to address the "archaic" economic provisions of the Constitution.

We desperately need FDI to generate new jobs and livelihood in the countryside – because the only way to get people out of poverty permanently is to give them jobs. Any other solution is only palliative.

Reducing The Costs Of Doing Business

Because of weak state policies, the poor delivery of public services, and the "regulatory capture" of strategic industries, the relative costs of doing business continue to be higher here than our neighbors. NEDA Secretary Romulo Neri estimates that overregulation loses the State between ₱100 billion to ₱200 billion in potential income, reducing average GDP growth by one to two percentage points yearly.

NEDA deplores the "regulatory capture" (read "Red Tape") of the aviation, ports, telecommunications, and the energy sectors. Take the aviation industry, for instance. The three operating terminals in Metro Manila are extremely crowded at peak periods, creating negative impressions for travelers used to modern facilities in Asian cities built over the last decade as Bangkok, Guangzhou, Hanoi, Incheon, Jakarta, Kuala Lumpur, and Xiamen. Our NAIA TerminalIII remains empty and deteriorating, and our Centennial Terminal-II benefits only passengers using Philippine Airlines. According to the Joint Foreign Chambers of Commerce, 53 percent of the total domestic and international passenger throughput using NAIA in 2006 passed through terminals that should have been replaced long ago.

In its yearly Competitiveness Report, Switzerland's International Institute of Management Development (IMD) tracks the rankings of developed and developing countries in their competitiveness in global markets. In 1997, the Philippines ranked 31st. Three years later, we fell to 37th. In 2003, we ranked 40th. We were 42nd in 2005. Last year, we are 45th out of the 55 nations rated. IMD's partner institution, the AIM, recommends: *"Because the country scored low in terms of ease in doing business and starting an enterprise, legislation and regulation must work to support businesses to accelerate competitiveness."*

Governance quality: Crucial to modernization

The quality of governance is just as crucial to modernization as the vigor of the economy. This is why we must strive to make the Philippine State more effective – in policy-making, economic management, and project implementation (where bribery is prevalent). By opening up our economy, modernizing infrastructure (physical and human), and raising workers' productivity, we should be able to attract more investments and technology-exchange.

Quality governments respond effectively to domestic challenges, and ingeniously mitigate external demands imposed by globalization. Quality governments plan for long-term progress rather than immediate political points, and do not obstruct broad-based strategic initiatives but, instead, facilitate cooperative relationships with both private business and civil society. In short, quality governments continuously adapt their economies and capacities to changing conditions.

The object of political reform should be an effective State delivering quality governance whose first task is to ensure enduring stability as the foundation of sustainable development.

Restoring political stability

Toward this end, we should conclude the protracted talks with the MILF brokered by the OIC thru Malaysia, and resume the negotiations with the Communist Party of the Philippines mediated by Norway.

Critical to stabilization is a consistent "affirmative action" program to uplift our Muslim communities to the level of our other regions in accordance with the standard indicators of human security: nutrition, health care, life expectancy, public safety, housing, basic education and family income. And, even if the local Communists appear ambivalent about returning to the negotiating table, Government should keep trying, in order to prove the NPA cannot succeed – even as AFP and PNP pressure is maintained on the armed enemies.

There are many housekeeping chores we are unable to perform properly because of our political fragmentation. For instance, our tax effort (revenue collections as a percentage of GDP output) is still far below the revenues our neighbor-states are collecting. Civil service reform we can no longer afford to put off. And, we need to raise the efficiency of our Ombudsman system in weeding out rogues in Government. Equally important, the electoral process, together with the Comelec itself, we must raise beyond the reach of patronage politics.

Must Filipinos kill each other?

We must do all we can to end the nation's war against itself: to stop Filipinos from killing fellowFilipinos – because rebellions are wars of ideas more than competitions won by body-counts. Killing insurgents will not kill the insurgency. Insurgencies are won – or lost – depending on which side gains the people's hearts and minds.

All of the above amounts to a relentless drive against greed, corruption, and our *tayo-tayo* (wewe) habits – which are the enemies that need to be killed, if Filipinos are to overcome poverty.

To achieve these ambitious – but essential – goals, our politics must transcend partisan and vested interests, and give everyone a stake in our country's development.

Self-interest and free enterprise are useful – indeed, necessary – to the task of generating economic growth. But, free enterprise should not mean enterprise free from public accountability. We should seek greater equity for all our people – not in the sense of a forcible redistribution of social wealth – but in equal access to political rights, procedural justice, social services, and quality education.

Summing Up

These are the tasks that remain and must be completed – to ensure that the masses of our people fulfill their needs, hopes, and aspirations. And, it is our elected leaders in Malacañang, Congress and local government who bear the brunt of both responsibility and accountability. Again, as we stressed last week, unity of purpose, solidarity in values, and teamwork in nation-building will work for the Filipino people – but our leaders must lead and perform.

Kaya ba nila ito? To be leaders with U-S-T as their guiding principle?

Please send any comments to *rpdev@skyinet.net*. Copy of this article is available at *www.rpdev.org*.

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Open letter from business groups to GMA recommending priority legislation Download

Description: This open letter from leading domestic and foreign business groups in the Philippines addressed to President Gloria Macapagal Arroyo advocates certain priority legislative reform agenda for the 14th Congress which would strengthen Philippine competitiveness and increase the nation's economic growth and social development.

The recommended national competitive investment climate legislation include:

- BOT Law Amendments
- Credit Information System Act
- Customs Brokers Act Amendment
- Financial Sector Taxes Rationalization Act
- Fiscal Incentives Rationalization Act
- Foreign Investment Restrictions Rationalization Act
- Freedom of Access to Information Act (especially contract transparency)
- Land Administration Reform Act
- Local Government Code Amendments (clarify role re investment)
- Magna Carta for Small and Medium Enterprises Act Amendments
- Renewable Energy Act
- Simplified Net Income Taxation Act

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