U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

The Philippines' growing middle class, strong domestic demand, and stable political environment, paired with gross domestic product (GDP) growth of 7.2% in 2013 make the country an increasingly attractive destination for Foreign Direct Investment (FDI). FDI rose in 2013 and is expected to continue with the Government of the Philippines (GPH) emphasizing job creation and inclusive economic growth. Thanks to a relatively large, educated, English-speaking workforce, the Business Process Outsourcing (BPO) and tourism industries have experienced growth in recent years and these trends are likely to continue. Under the administration of President Benigno Aquino, the Philippines has implemented reforms to improve the investment climate, making strides in good governance, transparency, and accountability.

Restrictions on foreign ownership rules, poor infrastructure, and corruption continue to be significant concerns for investors. Strengthening the rule of law is important as a complex and slow judicial system inhibits the timely and fair resolution of commercial disputes. In general, the Philippines lags behind its Asian neighbors in attracting foreign direct investment (FDI) because many sectors of the economy are limited to foreign investment. The Philippines has recently liberalized some of its industries to stimulate investments, specifically infrastructure, insurance, banking, telecommunications, and power industries. Invest Philippines (www.investphilippines.gov.ph/) is the GPH's network of investment promotion agencies. Investors generally report that Philippine bureaucracy is non-discriminatory, but describe business registration and procedures as slow and burdensome.

Overall, however, the investment climate of the Philippines has improved. If the country can maintain its reform momentum, its prospects for investment will continue to brighten.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

The Philippines actively seeks foreign investment to promote economic development. The Philippine investment landscape has noteworthy advantages, such as its free trade zones, including the Philippine Economic Zone Authority (PEZA) (http://www.peza.gov.ph/) and its relatively large, educated English-speaking Filipino workforce. Philippine law treats foreign investors the same as their domestic counterparts, except in sectors reserved for Filipinos by mandate of the Philippine Constitution and Foreign Investment Act (detailed below). However, legal restrictions, regulatory inconsistency, inadequate public investment in physical and social infrastructure, and lack of transparency hinder foreign investment. Philippine regulatory authority remains ambiguous in many sectors of the economy and corruption is a significant problem. A complex and slow judicial system inhibits the timely and fair resolution of commercial disputes.

Other Investment Policy Reviews

The World Trade Organization conducted a Trade Policy Review of the Philippines in March 2012. It is available at: http://www.wto.org/english/tratop_e/tpr_e/tp361_e.htm.

Laws/Regulations of FDI

The 1987 Omnibus Investments Code (OIC) mandates that the Board of Investments (BOI) (http://www.boi.gov.ph/) regulates and promotes investments in the Philippines. The annual Investment Priorities Plan (IPP) identifies preferred economic activities that are approved by the President. Government agencies are encouraged to adopt policies and implement programs consistent with the IPP.

The 1991 Philippine Foreign Investment Act (FIA) requires the publishing of the Foreign Investment Negative List (FINL), which outlines sectors in which foreign investment is restricted or limited. The FINL is comprised of two parts. Part A details sectors in which foreign equity participation is restricted by the Philippine Constitution or laws. Part B lists areas in which foreign ownership is limited (generally to 40%) for reasons of national security, defense, public health, morals, and the protection of small and medium enterprises (SMEs). The FINL is updated every two years. The ninth FINL was published in October 2012.

The 1995 Special Economic Zone Act allows PEZA to regulate and promote investments in export-oriented manufacturing and service facilities inside special economic zones. PEZA facilitates granting of fiscal and non-fiscal incentives to investors operating within these zones.

Industrial Strategy

The Investment Priorities Plan (IPP) enumerates promoted investment areas entitled to incentives. The 2013 IPP seeks to increase exports, create jobs, raise revenue, advance technology, and spur countryside development. It includes: agriculture/agribusiness and fisheries; infrastructure; motor vehicles; green projects; research and development; disaster prevention, mitigation and recovery; creative industries; business process outsourcing and IT and IT-enabled services; shipbuilding; mass housing; energy; iron and steel; hospital/medical services; and strategic projects. The BOI reviews projects to determine the extent of entitlement to incentives.

The Aquino administration established a Public Private Partnership (PPP) Center (http://ppp.gov.ph/) to promote transparency and oversee project development and approval. The Build-Operate-Transfer (BOT) law provides the legal framework for the PPP program. The PPP program has been slow in approving contracts, however, and as of March 2014, only six out of 52 PPP projects/contracts had been awarded.

Limits on Foreign Control

Foreigners are prohibited from owning land under the 1987 Constitution, although the 1993 Investors' Lease Act allows foreign investors to lease a contiguous parcel of up to 1,000 hectares for 50 years, renewable once for 25 additional years. The 2003 Dual-Citizenship Act allows dual citizens full rights to possess land. Yet, ownership deeds continue to be difficult to establish, and the court system is slow to resolve land disputes.

The FINL restricts foreign investment in the following areas: mass media (except recording); small-scale mining; private security; utilization of marine resources, including small-scale utilization of natural resources in rivers, lakes, and lagoons; and the manufacture of firecrackers and pyrotechnic devices.

Only Philippine citizens can practice the following licensed professions: engineering, medicines, accounting, architecture, interior design, chemistry, environmental planning, social work, teaching, law, real estate services, respiratory therapy, and psychology. Companies that register with the BOI may employ foreign nationals in supervisory, technical, or advisory positions for five years from the date of registration, which is possibly extendable upon request. Top positions and elective officers of majority foreign-owned BOI-registered enterprises (i.e., president, general manager, and treasurer, or their equivalents) are exempt from the five-year limitation.

Other areas carry lower limits on foreign investment: private radio communications networks (20%); employee recruitment and locally-funded public works construction and repair (25%); advertising agencies (30%); natural resource exploration, development, and utilization (40%, with exceptions); educational institutions (40%); operation and management of public utilities (40%); operation of commercial deep sea fishing vessels (40%); Philippine government procurement contracts (40% for supply of goods and commodities; 25% for construction of locally-funded public works, with some exceptions); adjustment companies (40%); operations of Build-Operate-Transfer (BOT) projects in public utilities (40%); ownership of private lands (40%); rice and corn processing (40%, with some exceptions); financing companies and investment houses (60%).

For reasons of national security, defense and public health, the Philippines limits foreign ownership to 40% in the following industries: manufacturing of explosives, firearms, military hardware, and massage clinics.

Retail trade enterprises with capital of less than $2.5 million, or less than $250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign investors are prohibited from owning stock in lending, financing or investment companies unless the investor's home country affords the same reciprocal rights to Filipino investors. Foreign ownership is limited to 60% for enterprises engaged in financing and securities underwriting, which are regulated by the SEC.

The 1994 Foreign Bank Liberalization Act limits foreign ownership in the banking sector. Only 10 new foreign banks can open full-service branches in the Philippines, and those licenses have already been issued to major international banks. The banks are limited to six branch offices. Foreign ownership limits also apply for locally incorporated banking institutions. A foreign bank that meets the Bangko Sentral ng Pilipinas (Philippine Central Bank) (http://www.bsp.gov.ph/) selection guidelines is limited to owning 60% of the voting stock in a banking subsidiary. Since 1999, the Central Bank has imposed a moratorium on the issuance of new bank licenses, although micro-finance institutions are exempt. Philippine law also requires that majority Filipino-owned banks control at least 70% of total banking resources in the country.

The 2007 Lending Company Regulation Act, which established a regulatory framework for credit enterprises that do not clearly fall under the scope of existing laws, requires majority Philippine ownership for such enterprises.

Privatization Program

The GPH's privatization program is managed by the Privatization Management Office (PMO) (http://www.pmo.gov.ph/) under the Department of Finance (DOF) (http://www.dof.gov.ph/). Apart from restrictions in the FINL there are no regulations that discriminate against foreign buyers and the bidding process appears to be transparent.

Screening of FDI

Corporations or partnerships must register with the SEC and sole proprietorships must register with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the Department of Trade and Industry (DTI) (http://www.dti.gov.ph/). A foreign enterprise seeking incentives under the OIC must apply for registration with the BOI, while export-oriented manufacturing and service enterprises within the economic zones must register with PEZA. Investors report that Philippine bureaucracy is nondiscriminatory, but slow to process business requirements.

Competition Law

The Philippines does not have a general competition law, rather there are several laws dealing with competition. The Department of Justice (DOJ) (http://www.doj.gov.ph/) is responsible for enforcement of and the investigation of cases involving competition laws.

Investment Trends

The Philippine investment climate continues to make progress as a result of reforms undertaken by the government. In 2012, FDI in the Philippines was $2.7 billion, the highest level since 2007. The majority of investment inflows are in: manufacturing, retail, real estate, mining, and the information and communication sectors. In 2013, Fitch, Standard & Poor's, and Moody's upgraded the Philippines' sovereign credit ratings to investment grade, attributing the upgrade to robust economic performance, continued fiscal and debt consolidation efforts, and improved governance. The Philippines inched up 25 spots in the World Bank's Doing Business Report in 2013, although it still remains in the bottom 50%.

Inadequate infrastructure, regulatory inconsistency, corruption, and a slow and complex judicial process remain major constraints to investments. Restrictions on foreign investment contribute significantly to a poor Philippine record of attracting foreign investment, particularly compared to its ASEAN counterparts. According to the United Nations Conference on Trade and Development (UNCTAD), the Philippines ranked sixth among ASEAN's ten countries in terms of FDI flows in 2012.

Table 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or Value**	**Website Address**
TI Corruption Perceptions Index	2013	94 of 177	http://cpi.transparency.org/cpi2013/results/

Heritage Foundation's Economic Freedom Index	2014	89 of 178	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2014	108 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	90 of 142	http://www.globalinnovationindex.org/ content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	2,500 USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Table 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards.
Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

Since 2007, the Central Bank has accelerated efforts to relax and streamline the Philippine foreign exchange regulatory framework. There are no restrictions on the full and immediate transfer of funds associated with foreign investments, foreign debt servicing, or payment of royalties, lease payments, and similar fees.

Central Bank regulations provide specific requirements for foreign exchange purchases from banks and their subsidiary foreign exchange corporations and from non-bank foreign exchange dealers, money changers, and remittance agents. There is no mandatory foreign exchange surrender requirement imposed on export earners or other foreign currency earners such as overseas workers. The Central Bank follows a market-determined exchange rate policy, with scope for intervention targeted mainly at smoothing excessive foreign exchange volatility.

3. Expropriation and Compensation

Philippine law allows expropriation of private property for public use or in the interest of national welfare or defense, and offers fair market value compensation at the time of expropriation. In the event of expropriation, foreign investors have the right to remit sums received as compensation in the currency in which the investment was originally made and at the exchange rate at the time of remittance. However, agreeing on a mutually-acceptable price can be a protracted process under the Philippine courts.

There are no recent cases of actual expropriation involving U.S. companies in the Philippines. Since the implementation of the Build-Operate-Transfer (BOT) law in 1990, some BOT contractors in the energy sector, including U.S. firms, have reported disputes with local government units (LGUs) on real property tax assessments. Some LGUs initiated auction and/or confiscation proceedings on the contractors' assets, which the companies have challenged in court.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Philippine judicial system is a separate and independent branch of the government, composed of the Supreme Court (http://sc.judiciary.gov.ph/) and lower courts. The Supreme Court is the highest court and sole constitutional body created by the Philippine Constitution. The lower courts are composed of (a) trial courts with limited jurisdictions (i.e. Municipal Trial Courts, Metropolitan Trial Courts, etc.); (b) Regional Trial Courts (RTCs); (c) Shari'ah District Courts (Muslim courts); and (d) Court of Appeals (appellate court). Special courts include the "Sandiganbayan" (anti-graft court for public officials) and Court of Tax Appeals. Several RTCs have been designated as Special Commercial Courts (SCC) to hear intellectual property (IP) cases, with four SCCs recently authorized to issue writs of search and seizure on IP violations enforceable nationwide.

Under Philippine law, a separate action must be filed for foreign judgments to be recognized or enforced. Philippine law also does not recognize or enforce foreign judgments that run counter to existing laws, particularly those relating to public order, public policy, and good customs.

Bankruptcy

The 2010 Philippine bankruptcy and insolvency law provides a predictable framework for the rehabilitation and liquidation of distressed companies. Rehabilitation may be initiated by debtors or creditors under court-supervised, pre-negotiated, or out-of-court proceedings. The law also sets the conditions for voluntary (debtor-initiated) and involuntary (creditor-initiated) liquidation. It also recognizes cross-border insolvency proceedings in accordance with the UNCTAD Model Law on Cross-Border Insolvency, allowing courts to recognize proceedings in a foreign jurisdiction involving a foreign entity with assets in the Philippines. Regional trial courts designated by the Supreme Court have jurisdiction over insolvency and bankruptcy cases.

According to the International Finance Corporation (IFC)'s 2014 Ease of Doing Business report, the Philippines ranks 100 of the 189 economies in resolving insolvency and bankruptcy cases, compared to 164 in 2013.

Investment Disputes

Foreign investors describe the inefficiency and uncertainty of the judicial system as a significant disincentive to investment. Many investors are discouraged to file dispute cases in court because of slow, costly litigation processes and corruption among judiciary personnel. Stakeholders also report inefficiency when confronted with complex issues such as technology, science, trade, and intellectual property cases.

To decongest the court's clogged dockets, several laws on alternative dispute resolution (ADR) mechanisms (i.e., arbitration, mediation, negotiation, and conciliation) were passed as part of judicial reform. In 2012, the government issued an executive order requiring all government contracts involving public private partnerships to include ADR provisions. The goal is to make resolving disputes less expensive, tedious, and time-consuming, particularly for large-scale capital-intensive infrastructure and development contracts.

International Arbitration

The Philippines is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has adopted the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, or the "New York Convention." However, Philippine courts have shown a reluctance to abide by the process or its resulting decisions, meaning enforcing an arbitral award in the Philippines can take years.

Duration of Dispute Resolution

Investment disputes can take years to resolve due to systemic problems in the Philippine judicial system. Lack of resources, understaffing, and corruption makes court processes protracted and expensive. ADR mechanisms offer shorter periods for out-of-court dispute resolutions.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Philippines currently has no measures reportedly violating WTO-TRIMS commitments.

Investment Incentives

There are about 180 fiscal incentives laws in the Philippines. The Investment Priorities Plan (IPP) lists promoted investment areas entitled to incentives. For companies seeking incentives, screening for legitimacy and regulatory compliance appears to be nondiscriminatory, but the application process can be complicated. Incentives granted by the BOI often depend on action by other agencies such as the Department of Finance (DOF) (http://www.dof.gov.ph/), including its Bureau of Customs (BOC) (http://customs.gov.ph/).

BOI-registered enterprises that locate in less-developed areas are entitled to "pioneer" incentives and can deduct 100% of the cost of the necessary infrastructure work and labor expenses from its taxable income. Pioneer status can be granted to enterprises producing: new products or using new methods, goods deemed highly essential to the country's agricultural self-sufficiency program, or goods utilizing non-conventional fuel sources.

An enterprise with more than 40% foreign equity that exports at least 70% of its production may be entitled to incentives even if the activity is not listed in the IPP. Export-oriented firms with at least 50% of their revenues derived from exports may register for additional incentives under the

1994 Export Development Act. Philippine law also provides incentives for multinational enterprises to establish regional or area headquarters, and regional operating headquarters, in the Philippines. Regional operating headquarters enjoy many of the same incentives as regional headquarters. Multinational entities that establish regional warehouses for the supply of spare parts, manufactured components, or raw materials for foreign markets also enjoy incentives on imports that are re-exported, including exemption from customs duties, internal revenue taxes, and local taxes.

Performance Requirements

Investors who receive incentives must adhere to certain requirements. Philippine law gives preference to local products and/or Filipino-controlled enterprises in the bid process for public sector purchases of goods and supplies. The 2003 Government Procurement Reform Act (GPRA) requires the public sector to procure goods, supplies, and consulting services from enterprises that are at least 60% Filipino-owned and infrastructure services from enterprises with at least 75% Filipino interest. Although Philippine law outlines objective criteria for a selection of a single portal electronic procurement system, U.S. and other foreign companies continue to raise concerns about irregularities in government procurement and inconsistent implementation.

The Philippines is not a signatory to the WTO Agreement on Government Procurement.

6. Right to Private Ownership and Establishment

Philippine law recognizes the private right to acquire and dispose of property or business interests, subject to foreign nationality caps specified in the Constitution and other laws.

7. Protection of Property Rights

Real Property

The Land Registration Authority (LRA) (http://www.lra.gov.ph/) and the Register of Deeds, which facilitates the registration and transfer of property titles, are responsible for land administration. The Philippines recognizes and protects property rights, but the laws are weakly implemented due to a poor and complex land administration system. Multiple agencies are involved in property administration, which results in overlapping procedures for land valuation and titling processes. Property registration is tedious and costly. Record management is weak due to a lack of funds and trained personnel. Corruption is also prevalent among land administration personnel and the court system is slow to resolve land disputes. The Philippines ranked 121 out of 189 economies in terms of ease of property registration in the 2014 World Bank Doing Business Report.

Intellectual Property Rights

In 2014, the Philippines was taken off the United States Trade Representative's (USTR) Special 301 Watch List, which identifies countries not offering adequate protection for intellectual property rights (IPR). While there have been significant improvements in the Philippine IPR environment in the recent years, U.S. rights holders report concerns about increasing internet-based piracy, cable signal piracy, and provisions in the patent law that may preclude the issuance of patents on certain chemical forms unless the applicant demonstrates increased efficacy. The availability of pirated and counterfeit goods and a judiciary lacking adequate experience in enforcing IPR are additional concerns.

The Intellectual Property (IP) Code provides the legal framework for IPR protection, particularly in the key areas of patents, trademarks, and copyright. In 2013, the Philippines passed amendments to the IP Code and the Philippine Intellectual Property Office (IPOPHL) (http://www.ipophil.gov.ph/) issued the law's implementing regulations, covering: (a) new enforcement functions granted to IPOPHL; (b) accreditation of collective management organizations (CMOs); and (c) copyright registrations and deposits.

The 2000 Electronic Commerce Act extends the legal framework established by the IP Code to the Internet. The 2013 Anti-Cable Television and Internet Tapping Act criminalize theft of cable television and cable internet signals. Other important laws defining intellectual property rights include: the 2002 Plant Variety Protection Act, which provides plant breeders intellectual property rights consistent with the 1991 Union for the Protection of New Varieties of Plants Convention, and the 2001 Integrated Circuit Act, providing WTO-consistent protection for layout designs of integrated circuits.

The Philippines generally has strong patent and trademark laws. Its first-to-file patent system grants patents that are valid for 20 years from the date of filing. The holder of a patent is guaranteed an additional right of exclusive importation of the invention. However, the Cheaper Medicines Act limits patent protection for pharmaceuticals and significantly liberalizes the grounds for compulsory licensing of pharmaceutical products. IPOPHL reported that it has not received an application for compulsory licensing since the law passed in 2008.

The Philippines is a contracting party to the Madrid Protocol, an agreement that facilitates the protection of trademarks in a large number of countries by obtaining an international registration. IPOPHL also utilizes the Industrial Property Automation System (IPAS), an integrated IP administration system developed by the World Intellectual Property Organization (WIPO) that automates processing of trademarks, patents, industrial designs, and utility model applications. The trademark law protects well-known marks, which do not need to be in actual use or registered to be protected under the law. Prior use of a trademark in the Philippines is not required to file a trademark application.

The IP Code also recognizes industrial designs, performers' rights, and trade secrets. There are no codified rules on the protection of trade secrets, but Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information.

Philippine law also protects computer software as literary work, and exclusive rental rights may be offered in several categories of works and sound recordings. Terms of protection for sound recordings, audiovisual works, newspapers, and periodicals are compatible with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The enactment of the Anti-Camcording Act in 2010 provided stringent penalties for illegal camcording of motion pictures in theaters, and has helped to significantly reduce unlawful camcording incidents in the country.

IPOPHL seeks to expand cooperation between the government and rights-holders to strengthen enforcement. The amended IP Code mandates creation of an IP enforcement office under IPOPHL that reviews IPR-related complaints requiring enforcement actions. It also authorizes IPOPHL to conduct visits to establishments reportedly engaged in IPR-related violations. Joint efforts to combat IPR violations between the private sector and the National Bureau of Investigation (NBI) (http://www.nbi.gov.ph/), Philippine National Police (PNP) (http://www.pnp.gov.ph/), Bureau of Customs (BOC) ((http://www.customs.gov.ph/), Optical Media Board (OMB) (http://www.omb.gov.ph/), and several LGUs resulted in successful enforcement actions.

Enforcement actions are often not followed by successful prosecutions. IP infringement is not considered a major crime in the Philippines and takes lower priority in court proceedings. Philippine officials noted the private sector's preference for settling cases is a deterrent in obtaining IPR-related convictions. Many stakeholders opt for out-of-court settlements rather than filing a lawsuit that may take years to resolve through Philippine courts. Stakeholders also report that Philippine judges lack the experience needed to handle complicated IPR disputes, resulting in slow and unpredictable decision-making. In 2011, the Philippine Supreme Court approved the "Rules of Procedure for IPR Cases" that: streamlined procedures to expedite cases and rules of evidence for IPR cases; designated regional IP commercial courts; and assigned four courts with national jurisdiction to issue search warrants.

IPOPHL has jurisdiction to resolve certain disputes concerning alleged infringement and licensing through its Arbitration and Mediation Center (AMC). The AMC facilitates IP disputes for review, resolution, and settlement through mediation and arbitral proceedings.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Contact at Mission:
David Whiting, Deputy Economic Counselor
Economic Section, U.S. Embassy Manila
Telephone: (+632) 301.2000
Email: ManilaEcon@state.gov

Local lawyers list: http://manila.usembassy.gov/service/information-for-travelers/legal-assistance/lawyers2.html

8. Transparency of the Regulatory System

Philippine agencies are required by law to develop implementing rules and regulations (IRRs) through a public consultation process that includes public hearings. New regulations must be published in national newspapers or in the government's official gazette before taking effect.

Regulatory enforcement is often weak, inconsistent, and unpredictable. Regulatory agencies are generally not statutorily independent, but are attached to cabinet departments or the Office of the President and, therefore, subject to political pressure. Many U.S. investors describe business registration, customs, immigration, and visa procedures as burdensome and a source of frustration. To counter this, several agencies have established express lanes or "one-stop shops" to reduce bureaucratic delays.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

The Philippines supports the entry of foreign investments in local and foreign-issued equities listed on the Philippine Stock Exchange (PSE) (hhtp://www.pse.com.ph). Registration with the Central Bank is required if the foreign exchange is for repatriation and remittance purposes and will be sourced from authorized banks or their subsidiary foreign exchange corporations. There are minimal requirements for the divestment of portfolio investments and the subsequent repatriation of capital.

The securities market is growing, but remains dominated by government bills/bonds. Private sector issuances have steadily increased and constitute an important source of financing for major Philippine enterprises. Positive rating actions by major, international credit rating agencies have contributed to a more robust expansion of the capital market in recent years.

Philippine Stock Exchange

Membership in the PSE is open to foreign-controlled stock brokerages incorporated under Philippine law. Investments in any publicly-listed firm on the PSE are governed by foreign ownership ceilings stipulated in the Constitution and other laws. Although growing, the Philippine stock market lags behind many of its neighbors in size, product offerings, and trading activity. Important milestones in 2013 included: the introduction of exchange-traded funds and the launching of index options at the Singapore Exchange, with hopes for a reciprocal initiative in the Philippines.

There are less than 260 listed firms on the PSE. In 2013, ten of the most actively-traded companies accounted for 47% of trading value and 31% of domestic market capitalization. The PSE has worked to enhance the quality of its indices to encourage publicly-listed companies to widen their investor base, better reflect corporate actions in a timely manner, and elevate index standards towards international best practices. The 30 companies included in the benchmark Philippine Stock Exchange Index (PSEi) are subject to review every six months. In 2010, the PSE reinstated a policy for listed companies to maintain at least 10% public ownership of their issued and outstanding shares to promote greater market liquidity and more transparent and fair stock pricing.

Hostile takeovers are not common because most companies’ shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also decrease the likelihood of hostile takeovers.

The 2000 Securities Regulation Code strengthened investor protection by requiring full disclosure in the regulation of public offerings and implementing stricter rules on insider trading, mandatory tender offer requirements, and the segregation of broker-dealer functions. The Code also significantly increased sanctions for securities violations, and mandated steps to improve the internal management of the stock exchange and future securities exchanges. It expressly prohibits any industry group (including brokers) from controlling more than 20% of the stock exchange’s voting rights, though the PSE has yet to fully comply.

The enforcement of these strengthened laws is mixed. The prosecution of stock market irregularities can be subject to delays and uncertainties of the Philippine legal system, although there has been some progress with the creation of special commercial courts.

Banking

The Central Bank has worked to strengthen banks' capital bases, reporting requirements, corporate governance, and risk management systems. There is ample liquidity in the banking system, with the liquid assets-to-deposits ratio estimated at more than 59%.

Commercial banks constitute more than 90% of the total assets of the Philippine banking industry. As of 2013, the five largest commercial banks represented about 52% of the total resources of the commercial banking sector.

The 2000 General Banking Law paved the way for the Philippine banking system to phase in internationally accepted risk-based capital adequacy standards. Since 2011, the Central Bank has broadly revised its risk-based capital framework in step with adjustments in the Basel Committee on Banking Supervision capital adequacy rules. In July 2007, the Philippines adopted the Basel II capital adequacy framework for commercial banks and their bank/quasi-bank subsidiaries, expanding coverage from credit and market risks to include operational risks and enhancing the risk-weighting framework and disclosure of capital adequacy and risk management systems. The full implementation of Basel III capital standards for commercial banks and their banking/quasi bank subsidiaries commenced on January 1, 2014 – four years ahead of the timeline set by the Basel Committee on Banking Supervision.

Thrift, rural, and cooperative banks that are not subsidiaries of commercial banks are covered by a modified, risk-based capital framework, which stems from Basel 1.5 and consists of Basel I with some elements of Basel II, such as new capital adequacy requirements for operational risks and enhanced disclosure.

Other important provisions of the General Banking Law strengthened transparency, bank supervision, and bank management. Some impediments remain in the way of more effective bank supervision and prompt corrective action, including stringent bank deposit secrecy laws and inadequate liability protection for Central Bank officials and bank examiners.

Credit is generally granted on market terms and foreign firms are able to obtain credit from the domestic market. However, some laws require financial institutions to set aside loans for certain preferred sectors, which may translate into increased costs and/or credit risks. Banks must set aside 25% of loanable funds for agricultural credit, with at least 10% earmarked for agrarian reform programs and beneficiaries.

To help promote lending at competitive rates to small borrowers and Micro, Small, and Medium Enterprises (MSMEs) with limited or non-existing collateral, the Philippines enacted the Credit Information System Act, which established the legal and regulatory framework for a centralized credit information system that collects and disseminates fair and accurate information about the track record of borrowers and the credit activities of entities participating in the financial system. The system is in place, but not yet operational.

Anti-Money Laundering and Information Exchange

The Paris-based Financial Action Task Force (FATF) continues to monitor implementation of the Philippine Anti-Money Laundering Act through the Anti-Money Laundering Council (AMLC). Covered institutions include foreign exchange dealers and remittance agents, which are required to register with the Central Bank and must comply with its various regulations and requirements related to the implementation of the Philippines' anti-money laundering law. The Philippines is a member of the Egmont Group, the international network of financial intelligence units, and the Asia Pacific Group on Money Laundering.

The Philippines has worked to address “strategic deficiencies” that pose potential risks to the international financial system, as identified by the Asia Pacific Group on Money Laundering. In 2013, the FATF removed the Philippines from its “watch list” following the enactment of key laws: allowing *ex parte* inquiry into bank deposits/investments; making terrorist financing a stand-alone crime; broadening the definition of the crime of money laundering to meet international standards; and expanding the scope of predicate crimes and covered institutions.

With the enactment of the Exchange of Information on Tax Matters in 2010, the Organization for Economic Cooperation and Development (OECD) upgraded the Philippines from its tax standards “blacklist” to those that “have substantially implemented the internationally agreed tax standard” for the exchange of information. The OECD evaluated the Philippines to be largely compliant with the standards following a more recent peer review process.

Accounting Standards

In 2005, the Philippines adopted Philippine Financial Reporting Standards, which were patterned after the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). In 2010, the Philippines also adopted the IFRS for Small- and Medium-sized Entities which, except for limited circumstances, apply to enterprises that do not have public accountability and with total assets ranging from approximately $75,000 to $8.75 million or liabilities ranging from approximately $75,000 to $6.25 million.

The Philippine SEC requires an entity’s Chairman of the Board, Chief Executive Officer, and Chief Financial Officer assumes management responsibility and accountability for financial statements. Financial statements are examined by independent auditors in accordance with Philippine Standards on Auditing, which are based on international auditing standards. The SEC reviews and revises guidelines on the accreditation of auditing firms and external auditors to promote quality control and discipline in the financial reporting environment. Certain regulatory agencies, such as the Central Bank, Insurance Commission (http://www.insurance.gov.ph/), and Bureau of Internal Revenue (BIR) (http://www.bir.gov.ph/) enforce separate accreditation rules.

A number of local accountancy firms are affiliated with the “Big Four” international accounting firms, namely KPMG, PricewaterhouseCoopers, Ernst & Young, and Deloitte.

Outward Investments

There are generally no restrictions on outward investments by Philippine residents, although foreign exchange purchases from banks and foreign exchange subsidiaries/affiliates above $60 million per investor or per fund per year require prior approval from the Central Bank.

10. Competition from State-Owned Enterprises

Private and state-owned enterprises generally compete equally with some clear exceptions. In 2002, the National Food Authority (NFA) (http://www.nfa.gov.ph/) first allowed the private sector to import rice. In 2013, the NFA ceded 75% of all rice importation to the private sector.

The Philippines has also intervened to cap or control pricing in some private markets, specifically during heavy typhoons and flooding when temporary price controls on gasoline and basic goods may be imposed. Under Philippine law, the President may freeze prices on basic goods for a period of 60 days under a state of emergency or calamity.

11. Corporate Social Responsibility

Corporate social responsibility (CSR) is regularly practiced in the Philippines. U.S. companies report strong and favorable responses to CSR programs among employees and within local communities. Many CSR programs focus on poverty alleviation efforts, environment protection, health initiatives, shelter, education, and disaster relief. The Philippine Tax Code provides CSR-related incentives to corporations, such as tax exemptions and deductions. Under the 2013 IPP, registered companies are encouraged to develop sustainable CSR projects.

12. Political Violence

Terrorist groups and criminal gangs operate in some regions of the country. The Department of State publishes a consular information sheet at http://travel.state.gov and advises all Americans living in or visiting the Philippines to review this information periodically. A travel warning is in place for those U.S. citizens contemplating travel to the Philippines: http://travel.state.gov/travel/cis_pa_tw/tw/tw_6026.html. The State Department strongly encourages Americans in the Philippines to register with the Consular Section of the U.S. Embassy through the State Department's travel registration website found at the Smart Traveler Enrollment Program (STEP) at https://step.state.gov/step/.

The Philippines continues to experience significant human rights issues, including: extrajudicial killings and enforced disappearances undertaken by security forces; a dysfunctional criminal justice system notable for poor cooperation between police and investigators, few prosecutions and lengthy procedural delays; and improving but nonetheless widespread official corruption and abuse of power.

The Philippines conducted two major nationwide elections in 2013: the May 13 midterm elections for both house of congress, provincial governors, and local government officials, and the October 28 elections of members of village councils. International and national observers viewed the elections as generally free and fair, but reported that instances of vote buying were widespread and dynastic political families continued to monopolize elective offices at the national and local level. Election related violence persisted in both elections.

In March 2014, the Philippines and the Moro Islamic Liberation Front (MILF) signed the Comprehensive Agreement on the Bangsamoro (CAB), which paves the way for the creation of a new, autonomous political entity by 2016 that will replace the existing and inadequate Autonomous Region in Muslim Mindanao (ARMM). As of the reporting period, the Bangsamoro Transition Commission, a body consisting of Philippine and MILF representatives, have completed a draft of a Bangsamoro Basic Law, which the President plans to submit to Congress for review, followed by a region-wide plebiscite for approval.

The New People's Army (NPA), the military arm of the Communist Party of the Philippines, is responsible in some parts of the country for general civil disturbance through assassinations of public officials, sporadic attacks on military and police forces, bombings, and other tactics. It frequently demands "revolutionary taxes" from local and, at times, foreign businesses. To enforce its demands, the NPA attacks infrastructure such as power facilities, telecommunications towers, and bridges, mostly in Mindanao. Peace talks have stalled between the central government and the National Democratic Front (NDF), an umbrella organization that includes the Communist Party and its allies. The NDF has not targeted foreigners in recent years but could threaten U.S. citizens engaged in major business or property management activities.

Terrorist groups, including the Abu Sayaaf Group (ASG) and Jema'ah Islamiyah (JI), including an MILF splinter group called the Bangsamoro Islamic Freedom Fighters (BIFF), periodically attack civilian targets in Mindanao, kidnap civilians-- including foreigners-- for ransom, and engage in armed skirmishes with government security forces. So far these groups have carried out such activities mostly in western and central regions of Mindanao, including the Sulu Archipelago and its surrounding waters.

13. Corruption

Corruption is a pervasive and long-standing problem in the Philippines. Recent government efforts have improved the country's ranking in Transparency International's Corruption Perceptions Index from 105 in 2012 to 94 in 2013. Nevertheless, corruption ranked second among the most problematic factors for doing business in the World Economic Forum's 2013-2014 Global Competitiveness Report, with inadequate supply of infrastructure ranked first.

The Philippines continues to implement anti-corruption reforms outlined in the Philippine Development Plan 2011-2016. Its 2012-2016 Good Governance and Anti-Corruption Cluster Plan further identifies specific measures to curb corruption through greater transparency and accountability in government transactions. Several bills supporting anti-corruption efforts are currently filed in Philippine Congress, including: freedom of information rights, whistle-blower protection, and strengthening the country's witness protection program. Since President Aquino took office in 2010, corruption charges have been filed against several high-profile public officials, including a former President and the Supreme Court Chief Justice, but there have been no convictions to date. Recent allegations against several lawmakers for misappropriating monies distributed as part of the Priority Development Assistance Fund (PDAF), commonly referred to as “pork barrel,” have garnered strong public criticism and spurred mass protests. In 2013, the Supreme Court declared the PDAF “unconstitutional” and ordered the prosecution of lawmakers involved in the illegal disbursement of pork barrel funds.

The Philippine Revised Penal Code, the Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials aim to combat corruption and related anti-competitive business practices. The Office of the Ombudsman (http://www.ombudsman.gov.ph/) investigates and prosecutes cases of alleged graft and corruption involving public officials. Cases against high-ranking officials are brought before the special anti-corruption court, the "Sandiganbayan”, while cases against low-ranking officials are filed before regional trial courts. The Office of the President can directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting, accepting and/or offering/giving a bribe are criminal offenses punishable by imprisonment, a fine, and/or disqualification from public office or business dealings with the government.

The Philippines ratified the United Nations Convention against Corruption in 2003. It is not a signatory to the OECD Anti-Bribery Convention.

Resources to report corruption:

Contact at government agency:
Office of the Ombudsman
Ombudsman Building
Agham Road, North Triangle, Diliman
Quezon City, Philippines 1101
Telephone: (+632) 479.7300
Email: pab@ombudsman.gov.ph
http://www.ombudsman.gov.ph/

Contact at Watchdog Organization:
Transparency International Philippines. Inc.
Room 401, Fedman Suites Condominium
199-201 Salcedo Street, Legaspi Village
Makati City, Philippines
Telephone: (+632) 869.9702
Email: info@transparency-ph.org
http://www.transparency-ph.org/

14. Bilateral Investment Agreements

The Philippines does not have a bilateral investment agreement with the United States. As of 2013, however, the Philippines had bilateral investment agreements with 40 partner countries: Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium and Luxembourg, Burma, Cambodia, Canada, Chile, China, the Czech Republic, Denmark, Equatorial Guinea, Finland, France, Germany, India, Indonesia, Iran, Italy, Japan, Republic of Korea, Kuwait, Laos, Mongolia, Netherlands, Pakistan, Portugal, Romania, Russian Federation, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam.

The Philippines is a member of four regional free trade agreements that include an investment chapter: the ASEAN Comprehensive Investment Agreement; the ASEAN-Australia-New Zealand Free Trade Agreement; the Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and Republic of Korea; and the Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and China.

U.S. – Philippines Tax Treaty

The Philippines has a tax treaty with the United States to avoid double taxation, provide procedures for resolving interpretative disputes, and enforce taxes in both countries. The treaty encourages bilateral trade and investment by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates or tax exemptions.

U.S. recipients of royalty income qualify for preferential tax rates (currently 10%) under the most favored nation clause of the United States-Philippines tax treaty. Philippine courts reportedly have denied the application of the preferential tax treaty rates on dividends, interests, and royalties paid or payable to U.S. residents. An entity must obtain a tax treaty relief ruling from the BIR to qualify for preferential tax treaty rates and treatment. However, the requirements for tax treaty relief applications are burdensome. Stricter regulations issued in 2010 disqualify late filings from preferential tax rates. In 2013, the Philippine Supreme Court ruled the BIR erred in denying taxpayers benefits due to late filings because the treaties should be considered self-executory and, therefore, not encumbered by additional BIR requirements. The BIR has filed a motion for reconsideration. The volume of tax treaty relief applications has resulted in processing delays, with most applications reportedly pending for over a year.

The BIR appears to be altering its position on taxing gains through liquidation. Previously, it consistently applied United States-Philippines Tax Treaty provisions exempting foreign companies from capital gains and corporate income tax on profit from the redemption and sale of shares by Philippine affiliates/subsidiaries being liquidated. However, since 2009, a number of rulings involving foreign companies held that such gains were subject to corporate income tax but not to capital gains tax, and in other cases, the gains were subject to a tax on dividends. A number of transactions involving partial liquidations through shares redemption are reportedly on hold because of this unresolved issue. Tax lawyers maintain that any gains from partial or full liquidation should be exempt under the Unites States- Philippines Tax Treaty.

The BIR rules and regulations for tax accounting have not been fully harmonized with the Philippine Financial Reporting Standards, which are patterned after standards issued by the International Accounting Standards Board. The disparities between reports for financial accounting and tax accounting purposes are common issues in tax assessments and are an irritant between taxpayers and tax collectors. The BIR requires taxpayers to maintain records reconciling figures presented in financial statements and income tax returns.

15. OPIC and Other Investment Insurance Programs

Pursuant to the U.S.-Philippines Investment Incentive Agreement that enables the Overseas Private Investment Corporation (OPIC) to support investment in the country, OPIC is able to offer the following:

***Investment Insurance*:** The Philippine government does not provide guarantees against losses due to inconvertibility of currency, expropriation or damage caused by war. OPIC can provide U.S. investors with political risk insurance against risks of expropriation, inconvertibility and transfer, and political violence.

Financing: OPIC financing is available for creditworthy projects and companies with substantial U.S. investment or participation and where sufficient or appropriate financing is not available from local or other private sector financial institutions.

16. Labor

Managers of U.S.-based companies report that Philippine labor is low cost, highly motivated, and possess strong English language skills. In 2013, the Philippine labor force was estimated at 37.9 million, with an unemployment rate at 7.3%. This figure includes employment in the informal sector and does not capture the substantial rates of underemployment in the country.

Multinational managers report that compensation packages in the Philippines tend to be comparable with those in neighboring countries. In the call center industry, the average labor cost is between $2.22 and $3.74 per hour. Regional Wage and Productivity Boards meet periodically in each of the country's 16 administrative regions to determine minimum wages, with the National Capital Board setting the national trend. The non-agricultural daily minimum wage in Metro Manila is PhP456 (approximately $10.74), although some private sector workers receive less. Cost of living allowances are given across the board. Most regions set their minimum wage significantly lower than Metro Manila. Regional Boards may grant various exceptions to the minimum wage, depending on the type of industry and number of employees at a given firm.

Violation of minimum wage standards is common, especially non-payment of social security contributions, bonuses, and overtime. Philippine law provides for a comprehensive set of occupational safety and health standards, although workers do not have a legally-protected right to remove themselves from dangerous work situations without risking loss of employment. The Department of Labor and Employment (DOLE) (http://www.dole.gov.ph/) has responsibility for safety inspection, but a shortage of inspectors has made enforcement difficult.

Literacy in both English and Filipino is high, although there have been concerns in the business and education communities that English proficiency is on the decline. The Department of Education (http://www.deped.gov.ph/), under its National English Proficiency Program, continues to strengthen English language training, including school-based mentoring programs for public elementary and secondary school teachers aimed at improving their English language skills.

The Philippine Constitution enshrines the right of workers to form and join trade unions. The mainstream trade union movement recognizes that its members' welfare is tied to the productivity of the economy and competitiveness of firms. Frequent plant closures often make many unions more willing to accept productivity-based employment packages. The trend among firms of using temporary contract labor continues to grow. The DOLE Secretary has the authority to end strikes and mandate a settlement between the parties in cases involving the national interest, including cases where companies face strong economic or competitive pressures.

In 2013, DOLE amended its rules concerning disputes, specifying industries vital to national interest. Vital sectors include: hospitals, electric power industry, water supply services (excluding small bottle suppliers), air traffic control, and other industries as recommended by the National Tripartite Industrial Peace Council (NTIPC). Economic zones often offer on-site labor centers to assist investors with recruitment. These centers coordinate with DOLE and the Social Security Agency and offer services such as mediating labor disputes. Although labor laws apply equally to economic zones, unions have noted some difficulty organizing inside the zones.

The Philippines is a signatory to all International Labor Organization (ILO) conventions on worker rights but has faced challenges enforcing them. Unions allege that companies or local officials use illegal tactics to prevent them from organizing workers. The quasi-judicial National Labor Relations Commission reviews allegations of intimidation and discrimination in connection with union activities. In 2009, the Philippines cooperated with a high-level ILO mission to investigate labor rights violations in the country. The ILO mission noted issues relating to violence, intimidation, threat, and harassment of trade unionists and the absence of convictions in relation to those crimes. It also observed obstacles to the effective exercise in practice of trade union rights. In response to the ILO mission recommendations, the Philippines created the National Tripartite Industrial Peace Council (NTIPC) to monitor the application of international labor standards and proposed several legislative measures to address weaknesses in the Philippine Labor Code.

Two new labor laws were passed in 2013: a) Republic Act 10395, or the Tripartism law, that institutionalized tripartism in labor relations as a state policy, allowing employers and workers to become part of policy-making bodies of the government, and b) Republic Act 10396, or Strengthening of Conciliation-Mediation Law, that formalized the Single Entry Approach (SENA) of DOLE and mandated that all issues affecting labor and employment shall be subjected to a mandatory conciliation-mediation for one month. Various union leaders criticized the law for adding another layer of bureaucracy that delays the delivery of justice to workers.

There have been some reports of forced labor in the Philippines in connection with human trafficking in the commercial sex, domestic service, agriculture, and fishing industries.

17. Foreign Trade Zones/Free Ports

Businesses enjoy preferential tax treatment when located in export processing zones, free trade zones, and certain industrial estates, collectively known as economic zones, or "ecozones". Businesses located in ecozones are considered outside the customs territory and are allowed to import capital equipment and raw material free of customs duties, taxes, and other import restrictions. Goods imported into ecozones may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties and are exempt from the Selective Pre-shipment Advance Classification Scheme. While some ecozones are designated as both export processing zones and free trade zones, individual businesses within them are only permitted to receive incentives under a single category.

Philippine Economic Zone Authority (PEZA)

There are 300 operating ecozones in the Philippine Economic Zone Authority (PEZA), composed primarily of manufacturing, IT, tourism, medical tourism, logistics/warehousing, and agro-industrial sectors. PEZA manages three government-owned export-processing zones (Mactan, Baguio, and Cavite) and administers incentives to enterprises located in the other 297 privately-owned and operated ecozones. Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export, IT, tourism, medical tourism, or agro-industrial enterprise with PEZA, provided that the enterprise physically locates its activity inside any of the proclaimed ecozones. PEZA administrators have earned a reputation for maintaining a clear and predictable investment environment within the zones of their authority.

Bases Conversion Development Authority (BCDA)

The ecozones located inside former U.S. military bases are independent of PEZA and subject to the Bases Conversion and Development Authority (BCDA) (http://www.bcda.gov.ph/). Enterprises already receiving incentives under the BCDA law are disqualified to receive incentives and benefits offered by other laws. BCDA-administered zones include the Clark Freeport Zone (Angeles City, Pampanga), the John Hay Special Economic Zone (Baguio), the Poro Point Freeport Zone (La Union), the Bataan Technology Park (Morong, Bataan), and the Subic Bay Freeport Zone (Subic Bay, Zambales). These ecozones offer incentives comparable to those offered by PEZA. Additionally, both Clark and Subic have their own international airports, power plants, telecommunications networks, housing complexes, and tourist facilities.

Other Zones

The Phividec Industrial Estate (Misamis Oriental, Mindanao) is governed by the Phividec Industrial Authority (PIA), a government-owned and controlled corporation. Incentives available to investors are comparable to those offered by PEZA and also include special low rates for land lease. Two lesser-known ecozones are the Zamboanga City Economic Zone and Freeport (Zamboanga City, Mindanao) and the Cagayan Special Economic Zone and Freeport (Santa Ana, Cagayan Province). The incentives available to investors in these zones are similar to PEZA incentives, but they are administered independently. In addition to offering export incentives, the Cagayan Economic Zone Authority is authorized to grant gaming licenses.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic data, U.S. FDI in host country

	Host Country Statistical Source		*USG or International Statistical Source*		*USG or International Source of Data*
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic product (GDP) *(Millions U.S. Dollars)*	2012	250,182	2012	250,200	http://www.worldbank.org/en/country/philippines
Foreign Direct Investment	*Host Country Statistical Source*		*USG or International Statistical Source*		*USG or International Source of Data*
U.S. FDI in partner country *(Millions U.S. Dollars, stock positions)*	Published data by country not available		2012	4,591	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&208=2&209=52&205=1,2&203=30&204=10&202=1&207=43&200=1&201=1
Host Country's FDI in the United States *(Millions U.S. Dollars, stock positions)*	Published data by country not available		2012	Not Shown	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=1&203=22&204=10&205=1,2&207=43&208=2&209=52&200=2&201=1
Total inbound stock of FDI as % host GDP	2012	*11.5%	2012	12.4%	http://unctadstat.unctad.org/TableViewer/tableView.aspx

*Based on International Investment Position submitted for IMF's Dissemination Standards Bulletin, BPM-6 Concept

Host Country Statistical Sources:
http://www.nscb.gov.ph/sna/DataCharts.asp
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm

Table 3: Sources and Destination of FDI

Philippines, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	28,438	100%	Total Outward	3,339	100%
Netherlands	6,318	22%	Cayman Islands	1,263	38%
Japan	4,948	17%	Virgin Islands, British	723	22%
United States	4,700	17%	China, P.R.: Mainland	545	16%
Singapore	2,873	10%	China, P.R.: Hong Kong	181	5%
China, P.R.: Hong Kong	2,111	7%	United States	76	2%
"0" reflects amounts rounded to +/- USD 500,000					

Source: http://cdis.imf.org

The Philippine Central Bank does not publish or post inward and outward FDI stock broken down by country. Total stock figures are reported under the “International Investment Position” data that the Central Bank publishes and submits to the International Monetary Fund’s (IMF) Dissemination Standards Bulletin Board (DSBB). The DSBB FDI stock figures posted on the Central Bank’s website show inward direct investments (i.e., liabilities) at $28,687 million and outward direct investments (assets) at $9,549 million as of 2012. The published DSBB submission on the outward direct investment stock is substantially larger than the total for all countries per Table 3 above. Central Bank officials cited conceptual differences between the DSBB and CDIS submissions. The DSBB figures conform with the latest (6th) Balance of Payments Manual and also reflect other complementary data sources for external account reporting purposes which the IMF’s prescribed CDIS survey forms do not capture.

Host Country Statistical Sources:
http://www.bsp.gov.ph/statistcis/sdds/sdds.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm

Table 4: Sources of Portfolio Investment

Philippines, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	6,787	100%	All Countries	88	100%	All Countries	6,699	100%
United States	2,439	36%	United States	37	42%	United States	2,402	36%
Indonesia	1,022	15%	Luxembourg	23	26%	Indonesia	1,022	15%
Korea, Republic of	481	7%	Singapore	7	8%	Korea, Republic of	479	7%
China, P.R.: Mainland	369	5%	Netherlands	7	8%	China, P.R.: Mainland	367	5%
United Kingdom	342	5%	Australia	3	3%	United Kingdom	342	5%

Source: http://cpis.imf.org/

While it disaggregates data into equity and debt securities, the Philippine Central Bank does not publish or post the stock of portfolio investment assets broken down by country. Total foreign portfolio investment stock figures are reported under the "International Investment Position" data that the Central Bank publishes and submits for the International Monetary Fund's (IMF) Dissemination Standards Bulletin Board (DSBB). The DSBB portfolio investment stock figures posted on the Central Bank's web site showed inward portfolio investments (i.e., assets) at $9,054 million as of 2012 ($92 million in equity securities and $8,962 million in debt securities), larger than the total for all countries per Table 4 above. Central Bank officials cited differences in data coverage between the DSBB and CPIS submissions. The IMF's prescribed CPIS survey forms do not capture complementary sources of data used by the Philippine Central Bank for external account reporting purposes.

Host Country Statistical Sources:
http://www.bsp.gov.ph/statistcis/sdds/sdds.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm

19. Contact Point at Post

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