

# Reinventing the **Philippine Economy** Towards Meeting the Health Challenges of Globalization



CONGRESSMAN MARCIAL C. PUNZALAN, JR.  
Chairman, Committee on Trade and Industry  
House of Representatives, Congress of the Philippines

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*“...the advantage of doing business in the Philippines is it offers a very good cost point, labor is available and you get a very good labor force that is highly skilled...”*

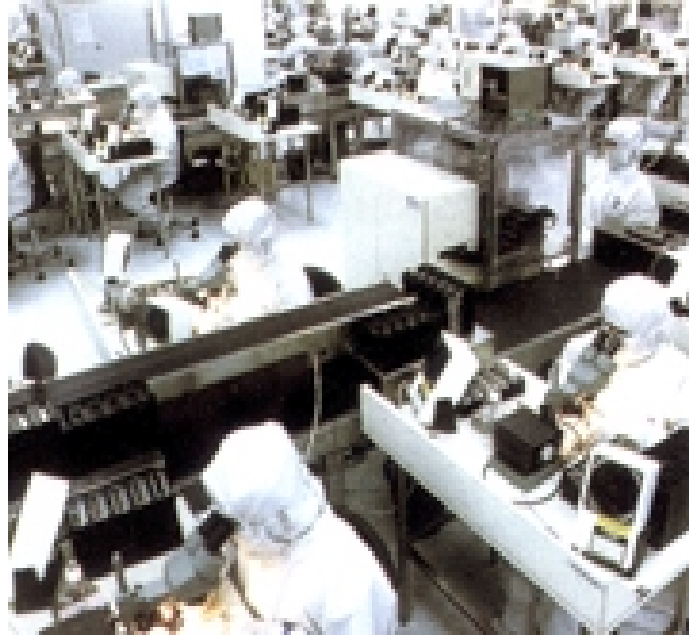
***Mr. Mike Ritonia***

***VP for International Operations, America Online***

*“The prime reason we moved to the Philippines is its manpower. The country offers much by way of technology skills. We’ve been able to find what we need and when we need it. “*

***Mr. Tony Strange***

***General Manager, Complete Business Solutions, Inc.***



## **TRAINABLE AND TECHNICALLY CAPABLE**

-Literacy rate of 94%; need only 6 - 8 weeks to learn technical skills; education system patterned after the United States.

# GENDER EQUALITY LAW

- Women made-up 47% of overall workers in 1987
- Recent report- 48.35 %

- What does it take to become globally competitive ?
- What are the prospects and pitfalls that await our small and relatively open economy?
- Will we survive the onslaught of fierce competition ?

## Economy advanced in Q2

	<b>Q2 2000</b>	<b>Q2 1999</b>	<b>2000 (Forecast)</b>	<b>1999</b>
<b>GNP</b>	<b>4.6%</b>	4.0%	4.5%	3.7%
<b>GDP</b>	<b>4.5%</b>	3.6%	4.0%	3.3%

## Exports grew between 1997 and 1999 despite Asian crisis

### GROWTH

- **2000: 13%** (*Jul YOY*)
- **1999: 19% = 35 B**
- **1998: 17% = 29 B**
- **1997: 23% = 25 B**
- **1996: 19% = 20 B**

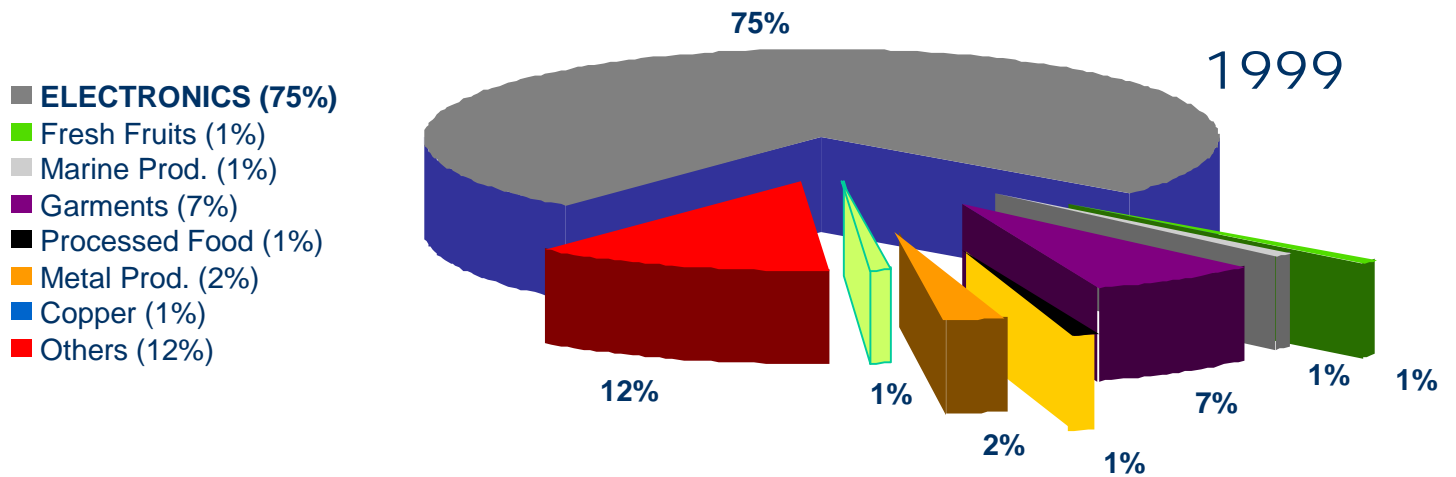
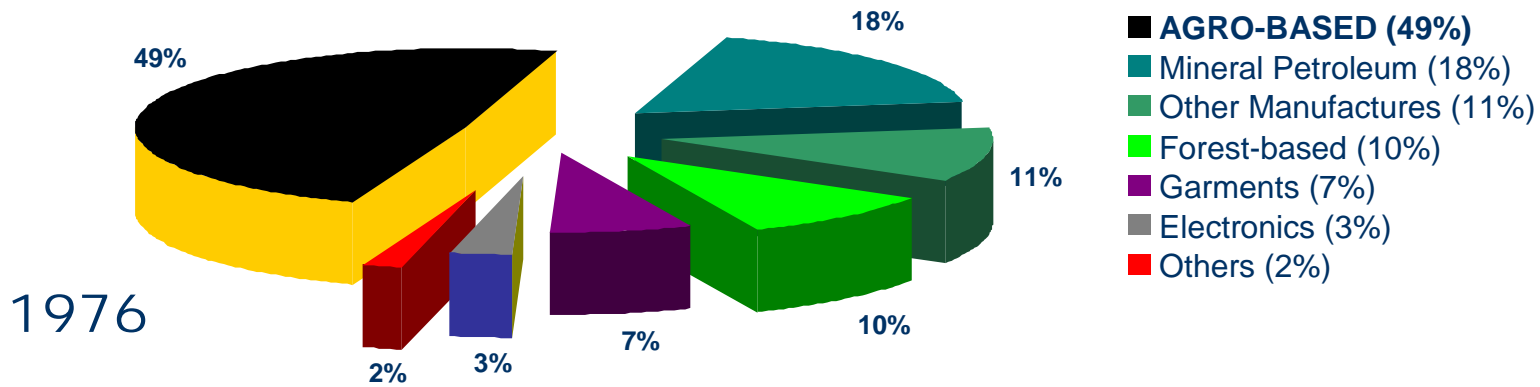
**e.g. in 1999**

**27% Electronics**

**43% Construction Materials**

**30% Metal Manufactures**

**35% Machinery/transport equip.**



## Growth (%) was led by Agri & Services

	Q2 2000	Q2 1999	1999
<b>AGRI</b>	4.8	9.2	6.0
<b>SERVICES</b>	5.0	3.8	4.1
<b>INDUSTRY</b>	3.7	0.6	0.9
<b>Manufacturing</b>	6.2	0.9	1.6

## **NEW LAWS**

- **Regional Headquarters Law Incentives**
- **Retail Trade Law Amendments**
- **General Banking Act**
- **Securities Act**
- **Countervailing**
- **Anti – Dumping**
- **Safeguard Measures**

- **MANUFACTURING**
- **TELECOM**
- **OIL**
- **BANKING**
- **LAND**
- **AIRLINE, DOMESTIC SHIPPING**
- **WATER**
- **INVESTMENT HOUSES, FINANCE COs.,  
INSURANCE**



**Deregulated &  
Liberalized  
Economy**

## ***FOREIGN INVESTMENT BASIC RIGHTS AND GUARANTEES***

- Repatriation of Investments
- Remittance of Earnings
- Securing of Foreign Loans and Contracts
- Freedom from Expropriation
- Non-Requisition of Investments
- Multilateral Investment Guarantee Agency

## IT-Related Legislation

### *E-Commerce ACT (2000)*

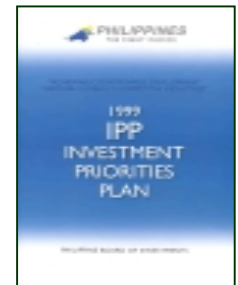
- gives e-documents legal effect, validity and enforceability of written document for commercial and non-commercial trans.
- Hacking, infringement of IPR a criminal offense
- Government on-line

### *IP CODE (1997)*

- Protects and secures the exclusive rights of scientists, inventors, artists and other gifted citizens to their intellectual property and creations.

# The Philippines as the E-Services Hub of Asia

- Strategically located
- Highly rated tech-workers
- High cost savings; better value for money
- Supportive policies
- Quality of Life



## **PRIORITY INVESTMENT AREAS**

- Software Development
  - System software
  - Middleware
  - Application software
- IT-enabled Services
- Support & Knowledge-based Services
- Business Process Outsourcing

- America-On-Line: technical and billing support
- Arthur Andersen: custom software
- Barnes & Noble: inventory management; on-line purchases
- Bechtel: Engineering design
- Caltex: finance & accounting support
- Citibank: systems development & support
- Fluor Daniel: regional design work
- James Martin: software development
- Procter & Gamble: accounting services

***FOR SERVICE EXPORTERS,  
ECOZONE/FREEPORT ENTERPRISE***

- *4-6-8 years Income Tax Holiday (ITH)*
- *Special 5% tax rate after the lapse of ITH*
- *Tax and duty exemption on imported capital equipment*
- *Unrestricted use of consigned equipment*
- *Additional deduction for training expenses*
- *Deduction for labor expenses*
- *Exemption from wharfage dues and any export tax, duty impost and fees*
- *Permanent resident status for foreign investors and immediate family*
- *Employment of foreign nationals*
- *Simplified Custom Procedures*



## **Quality Human Resources**

- **Productivity**
- **Quality of Work**
- **Ideal Work Ethic**

# Zero Accident Program

- Advocacy and information dissemination
- Training
- Compliance
- Monitoring and Evaluation
- Productivity Linkages



**Democratic & Politically  
Stable Government**

- *Peaceful Transition of Power since the People's Power Revolution*
- *Constitution that is committed to democracy*
- *Healthy check and balance among the three branches of government - Executive, Legislative, Judiciary*

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*Thank you.*