

Statement in Support of RBH1

We, the undersigned Philippine business groups and foreign chambers of commerce, state our strong support for **Resolution of Both Houses 1 (RBH1) Proposing Amendments to certain Economic Provisions of the 1987 Constitution of the Republic of the Philippines particularly to Articles XII, XIV and XVI**, principally authored by House of Representative Speaker Feliciano Belmonte, Jr.

The resolution seeks to include the phrase “unless otherwise provided by law” in some sections of Articles XII (national economy and patrimony), XIV (education, science and technology, arts, culture and sports), and XVI (general provisions).

RBH1 has been approved on 2nd reading in the plenary but the third reading vote requires approval of three-fourths of the members of the House. Speaker Belmonte has placed passage of the resolution among his highest legislative priorities during the recently resumed House session.

Senate president Franklin Drilon has committed to our business groups that the Senate will discuss the counterpart resolution in the Senate authored by Senator Ralph Recto after RBH1 is approved by the House,

We wish to emphasize several points in support of early approval of RBH1:

- Since the year 2000, Filipino business leaders and economists have recommended replacing the constitutional restrictions on foreign equity with specific laws. RBH1 is the first serious effort to undertake this often-recommended reform.
- The constitutions of almost all countries in the world **do not contain** restrictions on foreign investment. Most countries who do impose some restrictions on foreign investment do so through legislation or administrative orders that can be changed to suit shifting national priorities.
- If approved by Congress and subsequently in a plebiscite, the amendments would allow Congress to pass future laws to change the current constitutional restrictions. The usual legislative procedures would be followed, with hearings and full consideration in both the House and the Senate and possible presidential vetoes. In the meantime, each restriction will remain in place.

- Much has changed in Asia since the restrictions were placed in the 1987 Constitution. The Philippines has joined the World Trade Organization, agreed to open trade and investment within ASEAN and with ASEAN Plus partners, Australia, India, Japan, Korea, and the People's Republic of China.
- Recently, the ambitious Trans-Pacific Partnership was agreed upon by 12 countries, which account for 40% of global GDP. Because the TPP provides for minimum barriers to cross-border investment flows among members, the Philippines may not be able to join unless some restrictions can be reduced.
- The Philippines' population has more than doubled since 1987. Amidst this development, the largest economic challenges are high poverty levels, ensuring inclusive growth, and reducing underemployment. Today, more than 10 million Filipinos work abroad given the lack of good employment opportunities at home.
- The Philippine government should maximize the amount of foreign investment generated as a means to drive down unemployment and underemployment levels. While there has been a very significant increase in FDI since 2010, amounting to over \$6 billion a year in 2014, this represents only 5% of total FDI in ASEAN, which is small, considering that the Philippines accounts for 16% of the population of ASEAN. Note as well that in recent years, ASEAN has received more FDI than China, estimated to be in the amount of \$100 billion per year.
- There have been only two significant liberalizations (covering casinos and retail trade) in the Foreign Investment Negative List over the more than two decades since the important 1991 reforms in the Foreign Investment Act.
- Constitutional restrictions on foreign ownership on certain industries will remain until Congress and the President enact specific laws to remove or amend them.

We believe that achieving our goal of sustainable and inclusive growth requires the generation of a significant number of jobs. Attracting massive amounts of foreign investments, meanwhile, is among the best means by which to create these employment opportunities. Easing our foreign investment restrictions may also be critical in light of our commitments to the ASEAN Economic Community, and our aspiration to join the Trans-Pacific Partnership and forge an advanced free trade agreement with the European Union.

Considering the above points, it is our strong position that there is no better time than now to begin the process of updating the out-dated restrictions in our Constitution through RBH1. The Philippines has enjoyed enhanced economic prospects and is on the radar screen of the international investment community—and these will be further improved by higher foreign investments. It will be

unfortunate if the Philippines fails to take advantage of this golden opportunity and realize the potentials that a liberalized trade and investment regime will bring.

Thus, we reiterate our call for the early approval of RBH 1. We support House Speaker Belmonte's and Senate President Drilon's commitment to consider the measure. We also respectfully urge our congressmen and senators to make history and swiftly pass this reform measure that will aid in our joint effort to improve the country's investment climate, create more and better jobs for Filipinos, reduce poverty, and achieve inclusive growth.

Federation of Filipino-Chinese Chambers of Commerce and Industry
Financial Executives Institute of the Philippines
IT and Business Process Association of the Philippines
Makati Business Club
Management Association of the Philippines
Semiconductor and Electronics Industries in the Philippines, Inc.
American Chamber of Commerce of the Philippines
Australian-New Zealand Chamber of Commerce of the Philippines
Canadian Chamber of Commerce of the Philippines
European Chamber of Commerce of the Philippines
Japanese Chamber of Commerce and Industry of the Philippines
Korean Chamber of Commerce and Industry of the Philippines
Philippine Association of Multinational Companies Regional Headquarters, Inc.

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