PHILIPPINES - MALAYSIA BUSINESS COUNCIL

PH-MYBC NEWSLETTER

FIRST QUARTER 2013

Amidst Sabah conflict, Malaysian investments in the Philippines to stay

In the face of the escalating conflict in Sabah, Malaysian businesses said that they are not looking at any pullout of their operations in the Philippines.

"There is not even a grain of a hint that our mother company, Alloy MTD, is thinking of either pulling out or slowing down activities in the Philippines," said Alloy MTD Philippines president Isaac David. Alloy MTD is one of the biggest Malaysian companies operating in the Philippines, and has at least P22 billion worth of investments in the country.

Since entering the Philippines in 2010, Alloy MTD has been participating in projects involving the construction of regional government centers, power plants, and even rail systems. David added that their Malaysian officers have even instructed them to continue to join in the government's big ticket projects, particularly in the public-private partnership program.

On the conflict in Sabah, David said, "It is a political matter that is best left to our [respective] political leaders, and which I hope will be resolved in a peaceful and expeditious matter."

Dato' Azmil Khalid, Alloy MTD President and President of the Malaysia-Philippines Business Council, presented an optimistic perspective on the matter.

"Whilst what is happening in Sabah is sad and unfortunate to say the least—and we pray for a speedy end and a resolution to it—it does not in any way affect our determination, and [we] will continue to do business in the Philippines. We continue to hold [the Philippines] in high esteem and as a place [where] we want to do business," he said

Khalid continued, "As president of the Malaysia-Philippines Business Council, I will continue to encourage my fellow Malaysian businessmen to look at and invest in [the Philippines]. Despite the problems in Sabah, I have to yet receive a call or hear from my brethren of any negatives or even reservations towards the Philippines. Nor do I foresee that [it] will happen anytime soon."

With its parent company based in Kuala Lumpur, AirAsia Philippines, is also unfazed by the escalating crisis. Quoted in the Philippine broadsheet, The Daily Tribune, AirAsia Philippines president and CEO, Marianne Hontiveros, said that they are, as a matter of fact, seeking to have "a bigger stake and more aggressive business operations."

Malaysia is a leading source of foreign direct investment in the Philippines, estimated at P200 billion. Malaysian companies actively participate in the Philippines' mining, infrastructure, oil exploration, airline, and banking sectors.

A quarterly publication of the Philippines-Malaysia Business Council, the **PH-MYBC Newsletter** provides the latest socio-economic updates, as well as news on developments in trade and investments between the two countries.

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BOI begins 2013 Investments Plan consultations

Spearheaded by the Board of Investments (BOI), consultations with government and the private sector are now underway for the formulation of the 2013 Investment Promotions Plan (IPP). Targeted for submission to the President on April this year, industry stakeholders and concerned government agencies were given until February 25 to submit their respective position papers to the BOI.

The IPP is an annual listing of the country's priority sectors for investment. Industries and sectors identified in the IPP will qualify for and enjoy fiscal and non-fiscal incentives, which include, but are not limited to, income tax holidays and duty-free importation of capital equipment, among others.

Preferred sectors identified in last year's IPP were agriculture/ agribusiness and fishery, creative industries/knowledge-based

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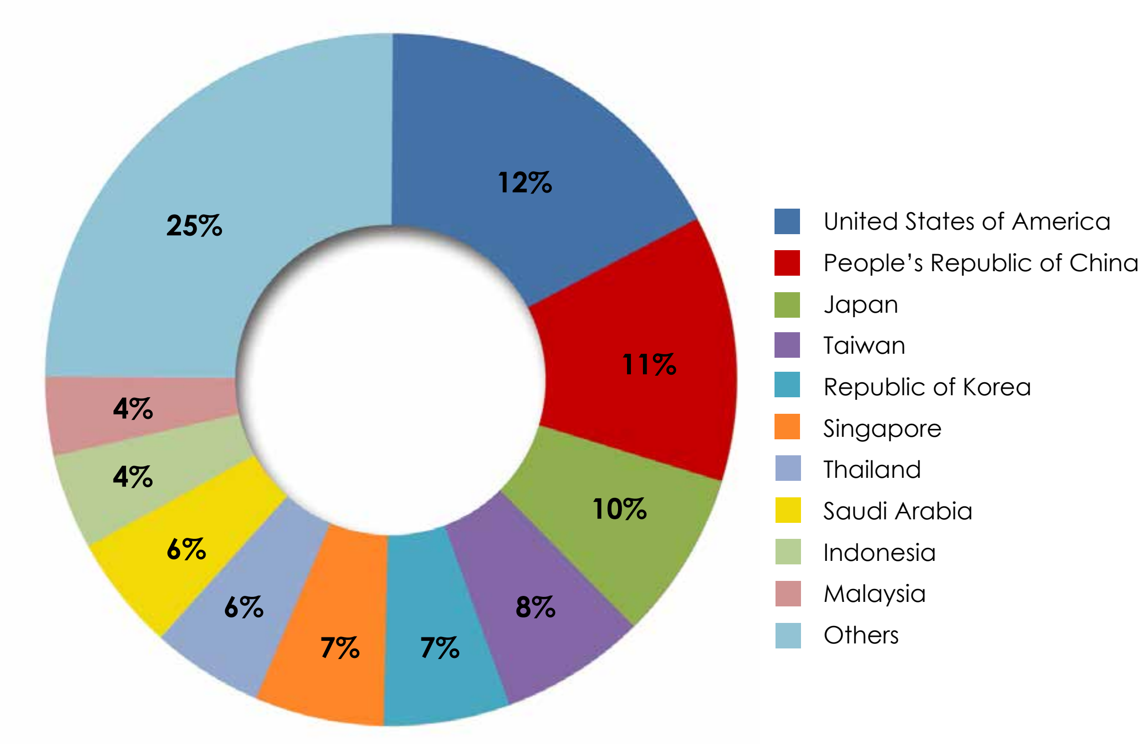
2012 Philippine Imports Share
(Top Ten Countries)

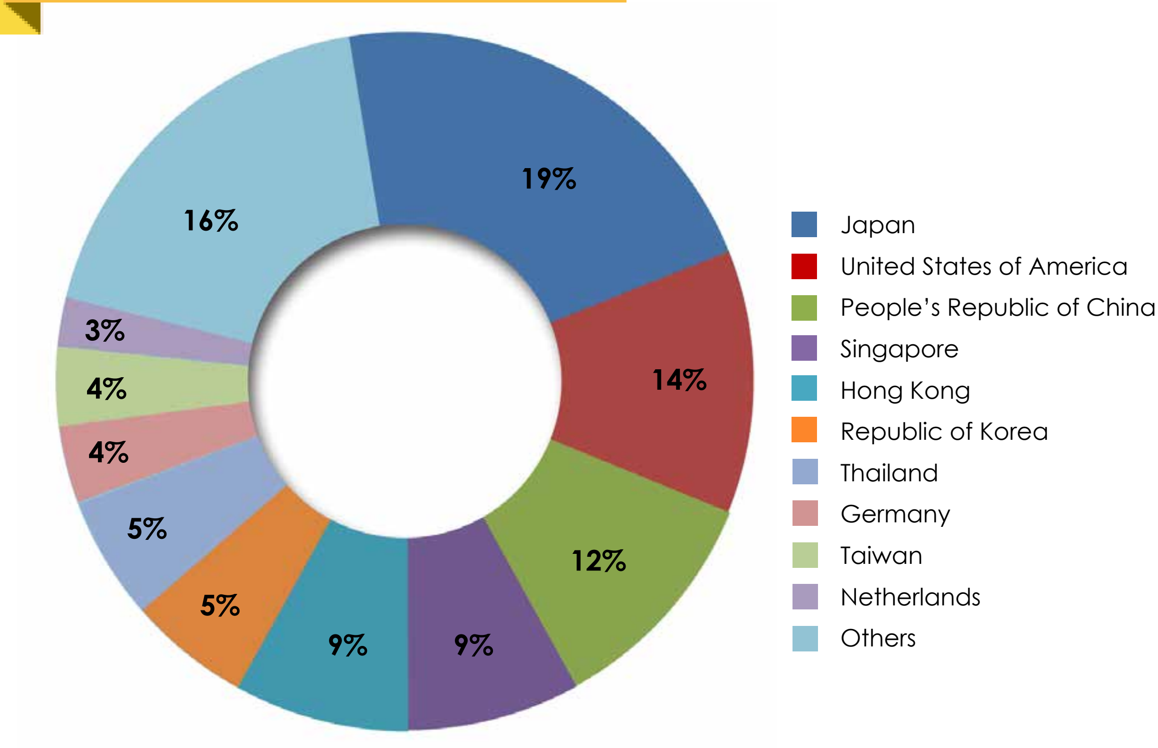


TOP 10 PHILIPPINE IMPORT MARKETS AS OF 2012

Rank	Country	Value of Imports (in million US$)	% share
1	United States of America	7,118	11.53%
2	People's Republic of China	6,663	10.80%
3	Japan	6,446	10.44%
4	Taiwan	4,833	7.83%
5	Republic of Korea	4,504	7.30%
6	Singapore	4,403	7.13%
7	Thailand	3,447	5.58%
8	Saudi Arabia	3,432	5.56%
9	Indonesia	2,732	4.43%
10	**Malaysia**	***2,494***	***t***
	Others	15,642	25.35%
	Total	**61,714**	**100.00%**

Source: National Stastistics Office
Note: Values are rounded off

2012 Philippine Exports Share
(Top Ten Countries)

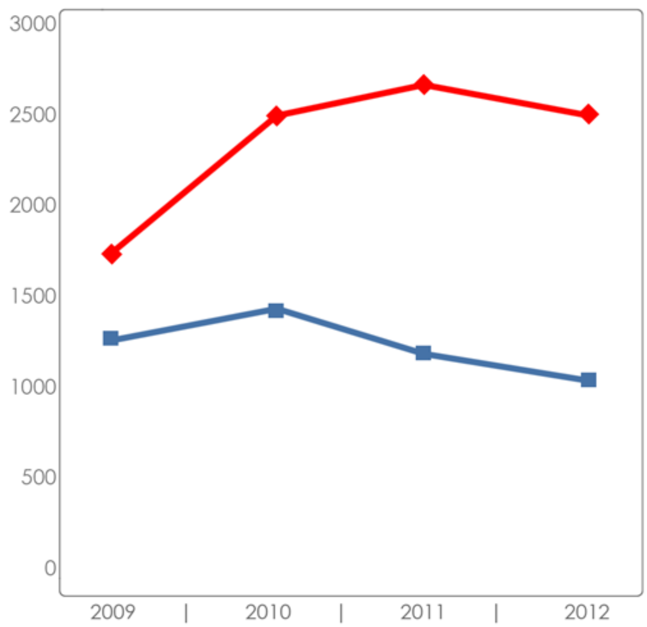


TOP 10 PHILIPPINE EXPORT MARKETS AS OF 2012

Rank	Country	Value of Exports (in million US$)	% share
1	Japan	9,881	19.00%
2	United States of America	7,396	14.22%
3	People's Republic of China	6,159	11.85%
4	Singapore	4,864	9.35%
5	Hong Kong	4,776	9.19%
6	Republic of Korea	2,862	5.50%
7	Thailand	2,446	4.70%
8	Germany	1,957	3.76%
9	Taiwan	1,915	3.68%
10	Netherlands	1,551	2.98%
	Others	8,189	15.77%
11	**Malaysia**	***1,018***	***1.96%***
	Total	**51,995**	**100.00%**

Source: National Stastistics Office
Note: Values are rounded off

Philippine Trade with Malaysia



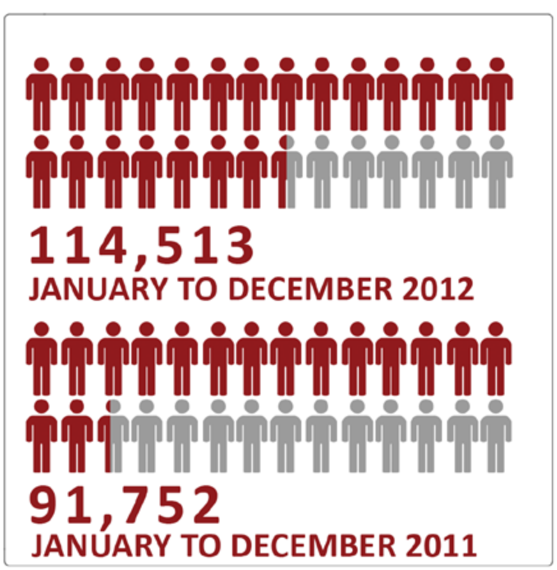
PHILIPPINE TRADE		
in million US$	EXPORTS	IMPORTS
2009	1,360	1,693
2010	1,396	2,515
2011	1,099	2,640
2012	1,018	2,494

Source: National Statistics Office

Export

Import

Visitor Arrivals from Malaysia



NO. OF VISITOR ARRIVALS FROM MALAYSIA	
January to December 2012	**114,513**
January to December 2011	91,752

Source: Department of Tourism

increase of 24.8%

BOI begins 2013...

services, shipbuilding, mass housing, iron and steel, energy, infrastructure, public-private partnership (PPP) projects, research and development, green projects, hospital and medical services projects, motor vehicles, strategic projects, and disaster prevention and recovery projects.

The Philippine Development Plan serves as the overall framework for the IPP in identifying sectoral opportunities and promoting forward and backward linkages in priority areas and high-growth potential sectors to attract investments and generate employment. Also to be included in the IPP are over 50 industry roadmaps submitted by private sector stakeholders to the BOI last year, which will be integrated into a comprehensive manufacturing industry roadmap. ■

Lifting of mining moratorium raises expectations on investments

The Philippine government revised its target and expectations on mining investments, from $718 million to $1 billion, following the lifting of Memorandum Order No. 2011-01, a moratorium on the acceptance of all types of mining applications.

With the lifting of the moratorium, local and foreign mining companies are expected to start applying for exploration permits. Since 2011, the Mines and Geosciences Bureau (MGB) has reviewed a total of 2,100 mining applications, with 500 passing MGB standards, and 400 under appeal.

The moratorium, issued two years ago, imposed a suspension on mining applications such as, but not limited to, exploration permits, mineral product sharing agreements, financial or technical assistance agreements, and industrial sand and gravel licenses. Around 1,200 mining areas where mining permit applications were previously cancelled for two years have now been opened to accommodate new mining applications.

Image courtesy of Benguet Corp.

The Philippine government also expects an increase in revenues due to the issuance of Administrative Order No. 2013-10 in February. The Order increases application fees for permits and agreements from P60 to P300 per hectare. ■

AirAsia teams up with Zest Air

Philippines AirAsia (PAA), the local unit of Malaysian budget airline AirAsia Bhd., will acquire 49% of domestic and regional carrier Zest Airways, Inc. after a share swap agreement forged last March 2013.

This move is part of AirAsia's strategy to maximize the profitability of its Philippine operations, complementing its expansion of Malaysian, Thai, Indonesian, and Japanese routes.

According to Zest Air CEO, Marianne B. Hontiveros, "This will allow us to leverage on our respective strengths, which in the case of Zest Air, include its operations out of Ninoy Aquino International Airport (NAIA), which constitutes majority of the air traffic in the Philippines."

PAA's main hub is the Clark International Airport, with international routes covering Kuala Lumpur, Hong Kong, Singapore, and Taipei, and domestic routes such as Kalibo and Davao. Zest Air, meanwhile, flies to more than 12 domestic areas, as well as operating international routes including Shanghai, Incheon, and Jinjiang from NAIA in Manila. Both brands will be retained after finalization of the deal. ■

Join the Philippines-Malaysia Business Council!

The PH-MYBC was established in 1996 to promote trade and investments between the Philippines and Malaysia. The council is composed of top business executives who seek to explore business opportunities between the two countries and to promote the exchange of views on policies of mutual concern. The Makati Business Club serves as the secretariat of the PH-MYBC.

For membership inquiries, contact Ms. Maria Victoria Sibal, PH-MYBC Coordinator at (+63 2) 751-1143 or send an email to v.sibal@mbc.com.ph or mbc.businesscouncils@gmail.com