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OF REGIONAL INTEGRATION

THE ASEAN REACHES HALF A CENTURY OF REGIONAL INTEGRATION EFFORTS IN A SPECIFIC CONTEXT THAT HAS MADE ITS MEMBERS BECOME CLOSER EVERYDAY; ON THE OTHER SIDE JAPAN IS SET TO BE THE MAIN PARTNER OF THE ASEAN THROUGH SUSTAINABLE INVESTMENT, KNOWLEDGE TRANSFER AND INFRASTRUCTURE DEVELOPMENT

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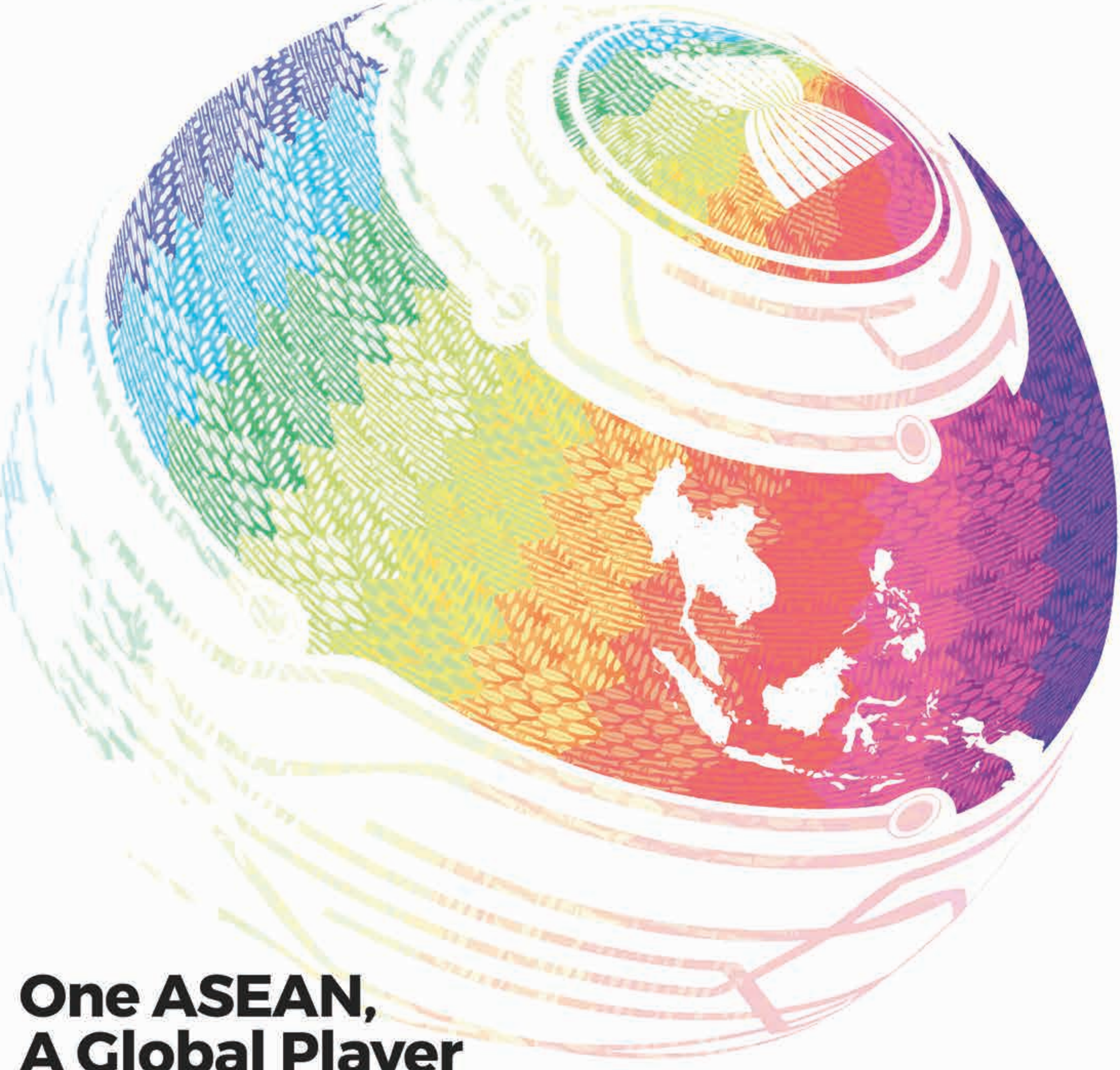

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Manila Skyline

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A MESSAGE FROM
THE PRESIDENTIAL COMMUNICATIONS OPERATIONS OFFICE OF THE REPUBLIC OF THE PHILIPPINES

Secretary Jose Ruperto Martin M. Andanar, Presidential Communications Operations Office Philippines

Welcome to the Philippine-led initiative of pursuing the ASEAN priority of inclusive and innovative growth for the individual member nations and for the collective progress of the regional community as a whole. As Chairperson of this year's Summit, President Rodrigo Roa Duterte, affirmed the unified voice of the ASEAN's proven capabilities for reciprocal business and economic opportunities as it faces the global future.

This publication joins our Presidential Communications Operations Office in presenting to the international marketplace the investment portfolio readily available in the Philippines as well as in the ten member countries of the ASEAN. Several priorities serve as guides for the continuing promotion of the region's growth.

These priorities include a people-oriented, people-centered regional group; peace and stability; maritime security and cooperation; the resiliency of each state; and the ASEAN Community as a model of regionalism and as a global player.

The Philippines is center-stage as it hosts the celebration of the 50th year of the ASEAN and as our President chairs the summit of world leaders that would include, other than the ten member countries, the leaders of Australia, Canada, China, European Union, India, Japan, New Zealand, Republic of Korea, Russia, and United States of America.

The attractive profile of our country's investment landscape opens the avenues for business, trade, commerce, markets of traditional and new products, partnerships in infrastructure, agriculture and aquatic resources, and a long list of possibilities for joint and multiple ventures. The climate of stability is assured and strongly sustained by a President who is deeply loved and trusted by the people.

We commend Worldfolio for this special edition on the ASEAN and the Philippines. There are discoveries and dimensions we can reach through the stories that this issue would tell; and we are confident that our regional association would be the homogenizing force in the economic world forum of finance masters.

The Philippines and the ASEAN are the futures we are expressing today as we write. Receive both my personal and official congratulations for this special publication.

"THE ATTRACTIVE PROFILE OF OUR COUNTRY'S INVESTMENT LANDSCAPE OPENS THE AVENUES FOR BUSINESS, TRADE, COMMERCE, MARKETS OF TRADITIONAL AND NEW PRODUCTS, PARTNERSHIPS IN INFRASTRUCTURE, AGRICULTURE AND AQUATIC RESOURCES AND A LONG LIST OF POSSIBILITIES FOR JOINT AND MULTIPLE VENTURES"

PRESIDENTIAL COMMUNICATIONS MALACAÑANG

A MESSAGE FROM MAKATI BUSINESS CLUB

EDGAR O. CHUA, Chairman

With a sustained high rate of economic growth and its successful leadership in hosting this year's Association of Southeast Asian Nations (ASEAN) meetings, the Philippines is demonstrating its capacity to become a significant contributor to the global economy. It is fast realizing its growth potential as the Philippine government strategically targets and implements game-changing reforms hinged on the tenets of globalization, healthy competition and free trade and truly inclusive growth that will bring prosperity to all.

We are, therefore, pleased to support this special *Worldfolio* publication, a timely report presenting the vital elements that nurture the economic vibrancy of the Philippines, and the many opportunities this country offers to potential investors and trading partners.

Our young, well-trained and English-speaking workforce, our rich natural resources, the rising consumer demand, and our innovation-driven mindset make the Philippines an increasingly attractive investment destination in Asia. And through this report, we hope to encourage foreign investors to consider doing business in the Philippines, particularly in growth areas outside Metro Manila where talent and resources are abundant.

Finally, this publication offers valuable insights from top business executives who examined not only the advantages of investing in the Philippines but likewise present the real challenges faced by their respective industries and sectors, and how these are being addressed through the implementation of the government's 10-point socioeconomic plan that is fully supported by the business community.

To the companies seeking to expand their presence in Asia, we hope this report will be a valuable source of knowledge to you.

"THIS PUBLICATION OFFERS VALUABLE INSIGHTS FROM TOP BUSINESS EXECUTIVES WHO EXAMINED NOT ONLY THE ADVANTAGES OF INVESTING IN THE PHILIPPINES BUT LIKEWISE PRESENT THE REAL CHALLENGES FACED BY THEIR RESPECTIVE INDUSTRIES AND SECTORS"

MBC
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THE FORUM FOR CONSTRUCTIVE IDEAS

'DUTERTENOMICS'

BUILDING SUSTAINABLE AND INCLUSIVE GROWTH

The Filipino government is set to transform the nation through its 10-point economic agenda and by opening up the country to more foreign direct investment

Since assuming office in June 2016, the new Filipino government under President Rodrigo Duterte has been working towards achieving the objectives set out in its roadmap to build sustainable and inclusive growth, known as the '0+10-Point Socioeconomic Agenda'.

The Agenda comprises ten pillars, or points, which include: maintaining current fiscal, monetary, and trade policies; instituting progressive tax reform; increasing competitiveness and the ease of doing business; increasing infrastructure spending to account for 5 percent of GDP; and investing in human capital development to meet the demands of the private sector.

The government also aims to open up its economy to boost foreign direct investment, particularly from its regional neighbors such as Japan and China, for whom the Philippines is already an attractive destination, thanks to its growing middle class; low-priced, educated and English-speaking workforce; and robust economic growth, which reached 6.4 percent in 2016, the highest figure recorded in the ASEAN region.

Several new special economic zones are also being built as further a draw for Japanese investors looking to use the Philippines as a gateway to tap the growing ASEAN market. Strengthening ASEAN regional integration, therefore, is another important factor for the government, which, during its Chairmanship of ASEAN in 2017, is promoting unity with and among the member states and its global partners.

One of the main goals is for the Duterte administration is reducing the poverty rate from the current 22 percent to 14 percent by 2022.

"Our major anti-poverty tool is going to be investment in infrastructure, and I am not only talking about physical infrastructure. I am also talking about education, training, science, and technology, but obviously physical infrastructure is what we need to primarily focus on," says Secretary of Finance Carlos Dominguez III.

The implementation of the comprehensive tax reform program is crucial to the government's infrastructure plan, says Cecilia C. Borromeo, President and CEO of the Development Bank of the Philippines. "The success of the administration's infrastructure program largely rests on it, as it will be funded mainly by revenue gains from the tax reform."

President Rodrigo Duterte has pledged to pour $180 billion into infrastructure development during his six-year tenure, which the government has dubbed the "The Golden Age of Infrastructure".

"For the last 30 years, no more than 3 percent of the GDP was spent on infrastructure – a reason for the evident congestion in the country. This is an issue that must be addressed before investors get discouraged to establish operations here," says Benjamin Diokno, Secretary of the Department Budget and Management.

Japan is set to become a major partner in the infrastructure plan. In January, Japanese Prime Minister Shinzo Abe approved a one-trillion-yen aid package (approx. $9 billion) for the Philippines, which will include both government aid and private investments. The package will be used to fund infrastructure projects across the country over the next five years. The move serves as a clear testament to Japan's intentions to strengthen its commercial engagement in the region – as it vies for power with rival, China – and to use the Philippines as its gateway to the ASEAN market.

"One factor that drives Japan into the Philippines is their search for a single market in the ASEAN region. There are around 600 million people in the region and the Philippines offers a good location," says Guillermo M. Luz, Private Sector Chairman of the National Competitive Council.

"Another factor is the long history of Japanese investments. The Japanese companies can leverage on these long-existing relationships. If their companies can produce here, another plus is the possibility of being able to export to neighboring ASEAN countries."

Decentralization

With much of economic prosperity concentrated around the capital Manila and the surrounding area, one of the key objectives for the Duterte administration is decentralization. And much of the $180 billion pledged for investment in infrastructure will be used to build vital roads, rail, air, sea and power links across the nation, in a bid to build inclusive economic growth as envisioned in the '0+10-Point Socioeconomic Agenda'.

"The main strategy that we will employ is by having investments in infrastructure outside the greater Manila area, because approximately two thirds of our GDP is produced in this area, while one third of the GDP is divided into the other regions," says Secretary of Finance Carlos Dominguez III.

"Developments nowadays are also extending towards other regions of the Philippines like Mindanao," says George T. Barcelon, President of the Philippine Chamber of Commerce and Industry.

"Previously, I was in an induction ceremony at San Fernando, Pampanga, and one of the economists there mentioned that the Philippines is becoming a rising star. If you look at the last four or five years, we are doing well as a consumer economy, primarily because of the BPO industry and remittances, among others. Our manufacturing industry has been growing also, and I am looking forward to seeing more investments coming from Japan."

While the government is going to provide much of the funding for infrastructure, the private sector has expressed its support for the decentralization plan. With the privatization of the energy sector, for example, several private Filipino companies are buying up power plants that were previously in the hands of the public sector, as well as building new power infrastructure. Japanese firms are also getting in on the act. Trading company Marubeni has invested in a coal-fired plant in the province of Batangas, and is looking to make other investments in power plants there; while Toyota Tsusho Corporation has had a 25 percent stake in Sarangani Energy Corp. since 2012. Investments from the Japanese private sector will also fund the construction of a high-speed train connecting Subic in Zambales and Clark in Pampanga, and the commuter rail connecting Tutuban in Manila and Las Baños in Laguna. Projects like these will help to further bolster economic growth outside the capital.

JAPAN IS SET TO BECOME A MAJOR PARTNER IN THE INFRASTRUCTURE PLAN. IN JANUARY, JAPANESE PRIME MINISTER SHINZO ABE APPROVED A ONE-TRILLION-YEN AID PACKAGE (APPROX. $9 BILLION) FOR THE PHILIPPINES, WHICH WILL INCLUDE BOTH GOVERNMENT AID AND PRIVATE INVESTMENTS. THE PACKAGE WILL BE USED TO FUND INFRASTRUCTURE PROJECTS ACROSS THE COUNTRY OVER THE NEXT FIVE YEARS

"The private sector has definitely welcomed the administration's plans with regards to tax reforms and most especially the whole idea of investing vast amounts of money for infrastructure over the next six years," says Peter Angelo V. Perfecto, Executive Director of the Makati Business Club, a non-profit organization which aims to foster and promote the role of the business sector in national development efforts.

"Generally, the business community will be supportive of the administration. We will provide them with help by participating when they call for policy dialogues and ensure that they succeed."

The development of economic zones is another important factor in the decentralization plan. Aside from the new economic zones being developed under the Duterte government, the Philippines already has more than 350 special economic zones, which are located across the country and offer attractive incentives to foreign investors. *(See pages 26-33)*

With subsistence farming being the main economic activity in many rural areas, building a thriving agro-industry is also a crucial part of the decentralization plan. This will help to drive economic prosperity in poorer regions. Japanese investors are already supporting this initiative. Trading firms Itochu and Sumitomo announced that they will invest an additional 12.9 billion pesos (approx. $250 million) in 2018 to expand their integrated farming projects in the Mindanao region.

Japan is also a major buyer of the Philippines vast variety of agricultural products, which range from fruits such as pineapples, mangoes, coconuts and bananas, to grains such as rice and other commodities like coffee and cocoa.

"Maximizing local agricultural resources is a critical factor but always a formidable task in stimulating economic growth," says Antonio Tiu and President and CEO of AgriNurture Inc., a company engaged in the manufacture and distribution of food and beverage products.

"Given the Philippines' good relationship with countries such as Japan, it can be considered an opportunity, a golden era – one that must be capitalized on in order to promote the country's resources and to be able to increase the income of farmers. The scarcity of agricultural resources in Japan has led the country to demand a number of off-season vegetables from the Philippines. These are then considered high-value items that the Philippines can mainly offer to Japan."

LEAVING A LASTING LEGACY

The Philippines' Secretary of Finance Carlos Dominguez III sits down with The Worldfolio to discuss the election of President Rodrigo Duterte, the issue of foreign ownership and relations with Japan

In May, 2016 president Rodrigo Duterte was elected with more than 39 percent of the vote, giving him a 15-point victory over the second best performing candidate. What is your take on the election results?

He won because our campaign was very focused on what the real problems of the country were. These include problems such as growth without inclusivity, authorities' neglect of the drug problem, and the past administration's failure to address the key issue of peace in our country. Those are the driving points of the administration until today. In line with these issues, our main goals include what we want the country to be in 2022 when we leave office.

The growth numbers of the Aquino administration were good, but they were not shared around the entire country, thereby causing a lot of social unrest and violence. This is also the same situation as to what happened in the United Kingdom, where Brexit won, because the people did not feel that the growth of the country was lifting their standards of living. The same thing happened in the U.S., and most probably the same thing will happen in France. It is a period where people are realizing that globalization has been a good tool in increasing wealth, but not a good tool in spreading it. Therefore, reducing poverty by making our economic growth more inclusive is one of the main priorities of the administration, as shown by our ten-point socioeconomic program.

You mentioned that globalization is creating wealth, but has an issue in spreading it. What are your expectations about your collaborations with other countries?

The Chinese have a very nice saying, "Better a friendly neighbor than a distant relative." It makes more sense to us to make sure that we are totally integrated within the ASEAN. First of all, that is an obligation we brought upon ourselves. It is also important for us to recognize that the Asian region is growing much faster than the West. Second, when the president decided to reorient our foreign affairs and economy towards ASEAN and our neighbors, namely China, South Korea, and Japan, it certainly looks like a smart move. This is especially true as the U.S. has started to look inward and to limit international trade.

Secretary Carlos Dominguez III, Secretary of Finance of the Philippines

Taking into consideration that the ASEAN is a market that represents strong growth in consumption and general GDP, what synergies do you see between these countries and, for example, Japan?

We have had a long relationship with Japan even prior to World War II. The Japanese in Davao, for instance, were a significant part of that population. They invested there in the production of natural fiber, namely abaca or Manila hemp. After the 60s, Japan needed a lot of wood for their construction industry, and so they bought large amounts of wood from us. Now, the collaboration between the Philippines and Japan relies on the fact that Japan's population is aging. The Japanese are going to need workers, and they would like to invest in areas outside of Japan, and the Philippines is one of those areas. Although most relationships are rocky, in the last 50 years ours with Japan has been smooth.

There are many opportunities particularly in manufacturing, where Japanese vehicles dominate our market here. In fact, the first car that rolled out with 70 percent Filipino components was inaugurated not so long ago. It is called the Mitsubishi Mirage G4. So those are the areas of opportunity we provide: a growing market for Japanese products, and a growing supply of a young, energetic and smart workforce.

Having mentioned that the country's need for infrastructure would be one of the main investment opportunities for Japan and China, how do you see this affecting growth over the next few years?

As I mentioned, our major anti-poverty tool is going to be investment in infrastructure, and I am not only talking about physical infrastructure. I am also talking about education, training, science, and technology, but obviously physical infrastructure is what we need to primarily focus on. The past administrations have spent half of what other ASEAN countries spent as a percentage of GDP on infrastructure. Thus, we have a big problem here. But that problem is in fact an opportunity for us to use investments in infrastructure to lower poverty.

For instance, Japan cannot invest in infrastructure anymore. The opportunity is not only to make our economy more efficient, it is also to make sure that jobs are created in the areas that need the jobs – outside of Metro Manila. We are going to use this tool, and we have raised a total of \$18 billion on committed ODA and commercial loans in addition to \$15 billion for investments with the private sector. Close to half of it is investments in the private sector. To give an example from Japan, a family-owned company called ISE foods are planning to invest around \$50 million in egg production at Bukidnon. It is an opportunity for us to lower our costs in egg production.

Many Japanese companies are following the main manufacturers to set up small and medium-sized enterprises here, which is what we want. The big factories are also important, but the feeder operations are also quite important for us. With ODA, we will certainly use this to implement our major infrastructure projects, which include railways, ports, roads, and bridges.

In terms of the bridges, we need only two bridges to finally interconnect the north to south roads. These bridges will connect Bicol to Samar, and Leyte to Surigao. They are less than 30km each. We will also have bridges to connect the islands in Western Visayas – Iloilo to Guimaras, and Guimaras to Bacolod. We also need ports. Lastly, we will need three or four large railway projects. One from Manila to Clark, Clark to Subic, and Manila to Bicol, which is almost 700km. Finally, a railway project around and across Mindanao – that should enable us to lower our logistics costs.

What is your view on improving the ease of doing business in the Philippines and what would you say are the sectors that would benefit most from initiatives to improve it?

The agricultural sector will be a big beneficiary, because we are also going to implement a lot of irrigation projects. Just simply lowering the costs of moving agricultural products from the farm areas to the consumer areas is going to be a big factor. It will spur investments.

In CALABARZON (Cavite, Laguna, Batangas, Rizal, and Quezon) during the Cory Aquino administration, the Japanese funds were essentially used to improve the roads, and a lot of Japanese companies have located in industrial parks. This is a trigger for creating jobs outside of the Metro Manila area. For instance, when you link Clark and Subic together, which is around 80km, the manufacturing industries in Clark will certainly get a big boost, because the shipments of the raw materials can come through Subic and be transported by rail quickly.

One thing that is still worrying some of the investors is the subject of foreign ownership, because there are still many restrictions. How could allowing 100-percent foreign ownership in certain sectors help to also create more investments and generate more revenue?

We have a robust Negative List of industries where foreign investments are not allowed. For instance, media. The Negative List defines internet selling as media, so companies cannot come and do e-commerce. Just redefining those terms will open a lot of business opportunities in the country.

In manufacturing, there's no limitation. The limitation is land ownership, because the companies cannot own the land. There are creative ways of getting around this. For instance, one way is a long-term lease, say for 50 years for a factory, and that's been done. We are going to open the areas, but not for land ownership as the president said. The point is to use the land, not to own it.

In the Philippines, the middle-class accounts for around 40 percent of the population. Which are the sectors that are mainly pushing the growth of the Filipino middle-class?

Creating a robust middle class depends on people having good jobs. The government's role is to provide the infrastructure that will encourage investments in various parts of our country. Hopefully, these jobs will be created by companies that will settle outside of the Metro Manila area. For instance, agri-industrial processing for domestic consumption or exports can be done.

We are, however, not talking of big companies. When you look at the industries in Japan, people like the look of the Sumitomo and Mitsubishi. But what drives them are the small and medium-sized industries – the small companies that feed into these large ones or feed into the local production. For instance, there is a company in Chiba that produces a large percentage of the egg sandwiches that are consumed in the railway stations. That is what we are seeing here: small companies that are popping up around the country. Their only limitation is infrastructure.

"IN TERMS OF THE DEPARTMENT OF FINANCE, WHAT I WOULD LIKE TO LEAVE BEHIND IS A COUNTRY ON A SUSTAINABLE GROWTH PATH. THE ONLY WAY TO DO THAT IS TO MAKE SURE WE CAN FINANCE THE INFRASTRUCTURES THAT WE ARE ESTABLISHING THROUGH A GOOD TAX REFORM PROGRAM … THAT WILL BRING US TO WHAT WE WANT TO ACHIEVE AS A SOCIETY, WHICH IS MAINLY A COMFORTABLE MIDDLE CLASS-DOMINATED SOCIETY THAT IS AT PEACE WITH ITSELF AND ITS NEIGHBORS"

We have witnessed the government being supportive of the private sector. What is your expectation of the Philippines' private sector throughout this mandate?

The private sector sees the opportunities that our 10-point socioeconomic program is providing them. For instance, our heavy investment in education is going to make it easier for them to train Filipinos to do their jobs. We are reorienting a lot of our education towards making the kids ready to work at 18 years. From the previous educational system, we now adhere to the K-12 program, which includes 12 years of grade school and high school. By the end of 12 years, people can get decent jobs. Most countries in the world already have the K-12 program; the Philippines is one of the last to adopt it.

Having served the country for many years and with experience in several departments and administrations, what legacy do you want to leave behind?

In agriculture, what we focused on when I was Secretary of Natural Resources was to reorient the policy of the Department of Natural Resources from exploitation to sustainable development. It was the fact that we focused on the farmers' incomes rather than rice. Rice is an important crop, but more important are the farmers' livelihoods. For instance, one of the things I did there was to reorient the research in agriculture, from researching on what the best crops are to what the farmers are going to do with their land. Maybe even the best corn will not grow in all lands, so we looked at ecozones and based our recommendations according to those ecozones.

In terms of the Department of Finance, what I would like to leave behind is a country on a sustainable growth path. The only way to do that is to make sure we can finance the infrastructure that we are establishing through a good tax reform program. Naturally, the politicians are hesitant to impose taxes, but many people in our society recognize the necessity of the tax reform program to ensure the sustainability of the ten-point socioeconomic program over the years. That will bring us to what we want to achieve as a society, which is mainly a comfortable middle class-dominated society that is at peace with itself and its neighbors.

OPENING UP THE ECONOMY TO FOREIGN INVESTMENT

Benjamin Diokno, Secretary of the Department of Budget and Management of the Philippines, gives his perspective on the country's progress, infrastructure development and relations with China and Japan

While positive macroeconomic indicators such as GDP growth are nothing new in the Philippines, the government has put in place a 10-point economic plan to make sure that these economic gains trickle down to the real economy. How important is social inclusion and economic decentralization for the Philippines?

First, our priority is to invest in public infrastructure. This will improve the competitiveness of the Philippine economy, enhance connectivity, and generate jobs. Second, it would be good to invest in the improvement of education and healthcare so as to develop the children into agile and competent youth.

The third one would be the tax reform. The current tax system of the country does not compare well with that of our ASEAN neighbors. As much as possible, personal income tax should be reduced to about 25 percent, as opposed to the current 32 percent, which equates to one third of a person's income.

Fourth is the cost of doing business. One of the focuses right now is the attempt to speed up the process of conducting business. Setting up a power plant, for example, requires about 162 permits from the national government. Consider as well the fact that it takes two years to complete documentation for such matters and that delays are bound to occur. There is too much red tape in that alone. It would be better to follow the example of Davao, whereby a mayor's permit must be issued within three days. Otherwise, you would have to report to them. And thus, Project Repeal is being pushed in order to address laws which need amendment.

If all those things could be accomplished, then the country is all set. This will further add to the Philippines' already stable status as having the fastest growing economy in South East Asia.

The government plans to invest up to $200 billion in infrastructure up to 2020, what impact do you expect as a result of this infrastructure investment?

For the last 30 years, no more than 3 percent of the GDP was spent on infrastructure – a reason for the evident congestion in the country. This is an issue that must be addressed before in-

Benjamin Diokno, Secretary of the Department Budget and Management of the Philippines

vestors get discouraged to establish operations in the country.

We are focusing on several areas of improvement such as the construction of railways. One of the plans include building an entirely new railway system from Manila down to Legazpi, which would reach about 620 kilometers. Another would be a railway system in Mindanao, of about 1,200 kilometers.

These projects have led us to negotiate with China, as well as Japan, regarding specific and important projects that would possibly create several job opportunities for Filipinos. The infrastructure itself is not the only thing that is being taken into account but also the approach to executing these infrastructure projects and everything it entails. For example, shifts would be needed since the workers cannot work continuously.

What impact do you expect to see from deeper regional integration?

Compared to its ASEAN neighbors, the Philippines has attracted quite a number of foreign investments. The President is in fact contemplating on striking out the restrictive provisions from the constitution. And so, by opening up the economy, we hope that several more investments would enter. A major part of the tax reform involves reducing the personal income tax, which hopefully will benefit 99 percent of tax payers. This will lead to consumers putting more money in the bank, as well as a big improvement in consumer spending.

What can we expect from the 2018 budget?

I have been part of three administrations and I can say that the current administration is different from the other two. At the time of Cory Aquino's presidency, the Philippines was heavily indebted to the point that we could not borrow money anymore to finance infrastructure and had experienced interest rates reaching up to 20 percent.

This current administration is different in the sense that we are now able to borrow money at a very low cost. As testament to this, Japan is actually offering to lend money with an interest rate of 0.25 percent, and 40 years to pay. This is an opportunity that the Philippines should not overlook.

However, our plan in the medium term, not only in 2018, is to achieve an appropriate deficit-to-GDP ratio of 3 percent. Despite the deficit, it is expected that our debt-to-GDP ratio will decline to 35 percent by 2022, from its current 45 percent. The plan is to refrain from borrowing excessively abroad and to keep it at 80-20: 80 percent domestic and 20 percent foreign.

Currently, the government is content with how the country is fairing in terms of the economy. The Philippines is not as export oriented as countries like Singapore. In a slowing world economy, it is a problem to rely heavily on external trade. That is why our contribution in external trade does not measure up to that of other ASEAN countries, which is good at this time.

However, it seems that there will be an increase in the country's agricultural exports such as fruits and high value crops that are in demand in Japan and China.

We have a steady stream of remittances from our OFWs (overseas Filipino workers) and BPO workers right now. Regardless of the existence of a crisis, there is no need to worry about the exchange rate since currently we have a significant amount of dollars and foreign exchange. Whereas before during the occurrence of a crisis, the country exhausted its dollars to service its debts.

It would be more beneficial, however, if we were able to export more services rather than goods. I hope our country would be able to export more professional workers like doctors and nurses, instead of domestic helpers.

PAVING THE WAY FOR MORE INCLUSIVE GROWTH

In this interview with The Worldfolio, Ernesto M. Pernia (PhD), Secretary of Socioeconomic Planning at the Philippines' National Economic and Development Authority (NEDA), speaks about efforts to bring about equitable economic development and better social inclusion

Infrastructure was a big item in the 2017 budget representing 5.3 percent of GDP and the government plans to invest up to 7.4 percent of GDP by 2022, what impact do you expect as a result of this so-called infrastructure golden age policy in real terms?

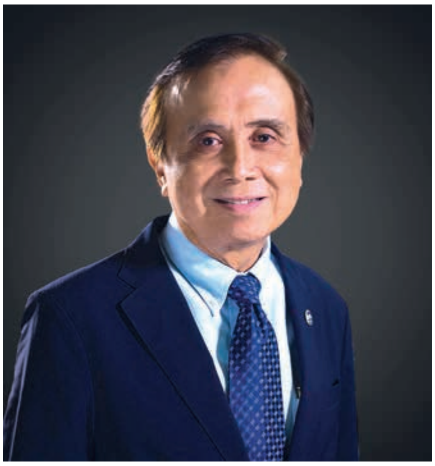
There was large underspending during the previous administration. Since the government could not decide quickly on projects to approve, project execution was inevitably delayed.

Most of the infrastructure projects today should be concentrated in the far-flung regions so as to provide public services and create jobs for people in those areas. Holding just as much importance would be investment in social infrastructure such as in the areas of education and healthcare. On the other hand, investments and spending in infrastructure in Metro Manila and the surrounding regions should focus on eliminating the traffic crisis and reducing congestion.

Funding from China or Japan is considered overseas development aid (ODA), but it can also be blended with the public-private partnership (PPP) approach or with the government funding from the General Appropriations Act. Given the many combinations and permutations as far as funding is concerned, our funding from China can be co-financed with the ADB (Asian Development Bank) or the World Bank. It is truly beneficial for us to have a variety of funding sources that we can choose from. Among the competing ones is Japan who used to be soft and reserved in terms of approaching us. Now, they are more active as a result of China becoming more aggressive.

How will the three pillars of the Philippines Development Plan (PDP) 2017-2022, aiming to realize AmBisyon Natin (National Vision) 2040, contribute to social inclusion, the growth of the middle class, the establishment of a knowledge-based economy, and eventually sustainable economic growth?

The three pillars have already been approved for official adoption just recently.



Ernesto M. Pernia, Secretary of Socioeconomic Planning, National Economic and Development Authority

The first pillar is solidarity or the strengthening of social fabric. In Tagalog, the word is *malasakit*. This refers to what binds the country together. With a strongly bonded society, a more cooperative spirit will be established among the people. There will also be a boost in trust, between the citizens and the government, and between businesses.

For example, there would be no need to present so many ID cards to prove your identity or authority if trust within the society is strong. This would allow for transactions to be facilitated and concluded quickly. *Malasakit* also implies compassion towards your fellow neighbors and compassion between different social classes.

The second pillar is *pagbabago*, which refers to the inequality-reducing transformation of society and the government. This is significant to our country wherein the reduction of inequality should result in poverty reduction. This paves the way for more inclusive growth.

Lastly, there is *patuloy na pag-unlad*. This involves enhancing or strengthening the growth potential of the economy, not just for the short and medium term, but also for achieving a long-term vision.

How far along are you and what still needs some work or more focus?

The AmBisyon Natin 2040 and the PDP have both been well received during consultations. These consultations cater to a broad range of groups that include the business sector, different civil society groups, non-government organizations, as well as stakeholders in the regions. This is not just an output of NEDA, but also of the people that have been consulted. This is something we worked on along with the different departments of the government.

The PDP, on the other hand, takes off from the 0-10 point socioeconomic agenda, and it is anchored on the AmBisyon Natin 2040, which emphasizes the collective long-term vision and aspirations of the Filipinos for themselves and the country in 2040. The PDP 2017-2022 will be the foundation for the three subsequent development plans that will lead to the realization of AmBisyon Natin 2040.

Aside from the three pillars of the PDP, there are two specific strategies that will support inequality reduction and increase in growth potential. First is enabling the macroeconomic environment, which involves maintaining a sound fiscal and monetary policy, low interest rates, low debt-to-GDP ratio, and a low budget deficit. Second is levelling the playing field by institutionalizing a mechanism for implementing the National Competition Policy.

In addition to these are bedrock strategies that will support all three pillars of the PDP, such as accelerating strategic infrastructure development and ensuring security, public order and safety, among others. It may be noted that part of the 0 in the '0-10-Point Socioeconomic Agenda is ensuring internal and external security as foundations for sustainable development. This is the peace and order that the president has been trying to pursue and achieve for the country.

'LIFE IS HERE': INVESTING IN DAVAO CITY

Situated on the southern Philippine island of Mindanao, Davao City is a prime focal point for President Rodrigo Duterte's plan for economic decentralization. Christian Cambaya of the Davao City Investment Promotion Center, discusses why the City is an attractive place for investment

What are the industries or sectors in Davao you see interesting for investment?

We are promoting several priority investment areas, but we are focusing mostly on agribusiness, tourism, real estate, and especially manufacturing. Our manufacturing is not that big as compared to those in places like Laguna, so it is one aspect that we can improve on.

We have an investment tourism roadshow in Japan which we conduct at least once a year. This will just involve a Davao delegation that is composed of the private sector and city government. We also did that in Singapore and Dubai. In partnership with the Davao City Chamber, private companies, and the Philippine Embassy, we will be going to four cities in Japan: Osaka, Kyoto, Yokohama and Tokyo.

One of the main competitive advantages of areas such as Clark, Subic Bay, Bataan, and Cebu is that they all have large special economic zones (SEZs). Your closest SEZ is Zamboanga, which is rather far away. Are there plans to have 'ecozones' in Davao?

That is the mandate of The Philippines Economic Zone Authority (PEZA) right now: to encourage more local government units to establish an ecozone especially for Davao. We have ecozones here but mostly for IT parks and villages, as well as for BPOs or outsourcing. We also have two ecozones in Davao, not for IT, but for export. It is just 10 hectares; it is not the ecozone that we are talking about, like those that reach 100 hectares.

For several years, we have been encouraging the private sector who have huge lands in Davao. Unfortunately, for the government, we do not have that, but we have big tracks of land for tourism. In the north, where our ports are located, the big lands are owned by the private sector, and we are encouraging them to convert the areas into ecozones. We have also volunteered to implement a system in the documentation process just to convince them that it is worthwhile especially for the public. That is what we have been doing, because we really lack the lands for these ecozones. Our neighbor cities, such as Tanabo, have their own port and ecozone that is around 100 hectares.

All these ecozones placed Subic and Clark on the map. It also takes a lot of time to establish them. What is it that you are doing alternatively due to the lack of ecozones in Davao?

We are working double time on our investment promotions. Last year, we also went to Manila to conduct an investment tourism roadshow with the foreign chamber of commerce as our target. We went there, office by office, just to promote Davao, because admittedly, we lack ecozones, so we compensate by intensifying our promotion efforts and providing tax incentives priority in less developed areas in Davao City.

What are the export products that you would highlight here in the Mindanao region?

Aside from bananas and coconut, one of our priorities right now is cacao. In the Philippines, 90 percent of cacao production is from the Davao Region. Something that we want to add is processing or value-adding processes for the cacao that we have. We also understand that some of these beans are being exported and used by renowned chocolate brands like Mars. They are sourcing in Davao, but that is not enough. We want investors to put up a plant here to process the beans.

> *"LIGHT MANUFACTURING IS ONE OF THE PRIORITIES OF THE CURRENT LOCAL GOVERNMENT OF DAVAO BECAUSE WE UNDERSTAND THAT IT IS A LABOR-INTENSIVE INDUSTRY. AS IT IS, MANUFACTURING IS NOT YET STRONG IN DAVAO. ONE OF THE INDUSTRIES THAT WE CERTAINLY WILL WELCOME IN DAVAO IS PHARMACEUTICALS"*

Light manufacturing is one of the priorities of the current local government of Davao because we understand that it is a labor-intensive industry. As it is, manufacturing is not yet strong in Davao. One of the industries that we certainly will welcome in Davao is pharmaceuticals. If we can get an investor who can establish a pharmaceutical company here, that will help spur economic growth in Davao City.

What are the key concepts you want the international community to associate with Davao?

One of the things that we are also doing right now are investment conferences, with the recent one called the Davao Investment Conference. We are holding these conferences and other big events in Davao in partnership with the private sector to show to the world that there is strong public-private partnership where you do not find in other big cities in the Philippines.

One of the biggest success stories we have here is the owner of Phoenix Petroleum. Just recently, they went public. The owner did not expect the huge turnout for this IPO, but nonetheless it was successful. There are still opportunities here, especially in terms manufacturing and ecozones.

Why do you think investors should go to Davao and not another place in the Philippines?

I would say: why not? In terms of land area, we are the biggest in the Philippines. We are considered the de facto capital of Mindanao. We are the center of trade and commerce in Mindanao. People come here to find work, and they send their children to study here. The government has always placed a premium on safety and order here. The president has established the Public Safety Command Center. If you look at our tagline, "Life is here," there is a perfect combination that other cities in the Philippines do not have. We have the perfect combination of urban and rural settings, and that is what makes Davao special.

THE ASEAN

CELEBRATING 50 YEARS OF PROGRESS AND ACHIEVEMENTS

This year ASEAN member states celebrate 50 years of achievements and challenges overcome. Over the next few decades, they will work towards becoming a fully integrated and politically aligned economic community, which will be the fourth largest economy in the world by 2050

For many global investors in emerging economies, the buzz acronym "BRIC" (Brazil, Russia, China and India), coined by Goldman Sachs in 2001, has been replaced by five completely different letters: A-S-E-A-N. The ASEAN, the Association of Southeast Asian Nations founded in 1967, has become one of the world's most vibrant, dynamic, and competitive regions, where GDP growth has surpassed any other region in the world consistently over the last decade and continues to do so. Labor productivity, innovation, entrepreneurship, and the realization of a regional common market are amongst some of the key drivers of this growth.

A quick glance at the figures on the opposite page shows why investors are so bullish about opportunities in the ASEAN region and its market of 622 million people, which experienced average year-on-year growth of 5.1 percent from 2000 to 2013. The combined GDP of the 10 ASEAN member states in 2016 was $2.55 trillion, with growth predictions of 4.9 percent in 2017 and 2018, and 5 percent in 2019. If considered one country, the ASEAN would be the world's seventh-largest economy; it is projected to rank as the fourth-largest economy by 2050. Inward foreign direct investment has grown rapidly in recent years, from $37.9 billion in 2008 to $120 billion in 2015 (in comparison India attracted half that figure, $63 billion, in 2015, while China received slightly more – $126 billion).

This year at the 31st ASEAN Summit, the representatives of the member states will come together to celebrate 50 years of achievements and challenges overcome, from the communization of Indochina, the Vietnamese invasion of Cambodia; and two financial crises in 1997 and 2007-8; to the signing of the Bali Declaration of ASEAN Concord and the Treaty of Amity and Cooperation in 1976, and the adoption of the ASEAN Charter in 2007, which established the ASEAN as an international legal entity.

But perhaps the Association's greatest achievements came just less than two years ago. After several years of planning and negotiations, the ASEAN Economic Community (AEC) common market was born on December 31, 2015, paving the way to the establishment a single market that allows the free flow of goods, services, people and capital – similar to that of the European Union. The AEC forms part of larger ASEAN Community which comprises three pillars: Political-Security Community, Economic Community and Socio-Cultural Community.

In 2007, ASEAN member states began eliminating tariffs on goods in the lead up to the AEC, and today around 96 percent of tariff lines are at 0 percent. And this share is expected to reach 98.67 percent by 2018. Average tariff rates have gone down from a regional average of 11 percent in 1993 to 0 percent for most countries. As a result of the removal of customs tariffs, intra-regional trade has grown significantly. Expansion of intra-ASEAN trade has outpaced the growth of world trade over the past four years. Today, some 25 percent of the region's exports of goods go to other ASEAN partners and that figure should grow over the coming years as economic integration is strengthened.

The ASEAN grouping has also signed free trade agreements with six key trading partners, namely China, Korea, Japan, Australia, New Zealand, and India. These economies account for roughly 42 percent of extra-ASEAN trade. The Bloc is also leading negotiations for the Regional Comprehensive Economic Partnership (RCEP), which now looks likely to replace the almost-defunct Trans-Pacific Partnership. In 2017, prospective RCEP member states accounted for a population of 3.4 billion people with a total GDP of $49.5 trillion, approximately 39 percent of the world's GDP.

While significant achievements have been made in some areas like trade, the AEC is still a long way from a fully-fledged economic community like the EU. Many issues need to be ironed out vis-à-vis political unity, regulatory and policy harmonization, trade in services and free movement of labor.

"The achievements in tariff liberalization have been offset by the rise in non-tariff measures. A 2016 report finds that the number of non-tariff measures increased from 1,634 to 5,975 between 2000 and 2015. There are also challenges to tackling barriers to trade in services," states a recent report by leading economists at the Asian Development Bank.

"The ASEAN has yet to fully address issues of labor mobility to include unskilled, not just skilled, labor. Mutual recognition agreements have been reached for eight professional qualifications, but these cover only 1.5 percent of ASEAN's total workforce."

To address the many gaps yet to be filled, the member states, in 2015, adopted the AEC Blueprint 2025. The Blueprint consists of five interrelated pillars (A Highly Integrated and Cohesive Economy; A Competitive, Innovative, and Dynamic ASEAN; Enhanced Connectivity and Sectoral Cooperation; A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN; and A Global ASEAN), which are aimed towards achieving the vision of having an AEC by 2025.

"The launch of the ASEAN Community in 2015, covered the three pillars: economic, political and social. Have we achieved integration? That's what we hope, but as usual you have an aspiration, we are not perfect yet," says Pehin Dato Lim Jock Seng, Second Minister of Foreign Affairs and Trade of Brunei, the AEC's smallest member that has the second highest GDP per capita in the Community after Singapore.

"Politically, we are not a community in that sense. We are still far from that, but we are working towards it. In the EU, they have a political community, but to have a common political group is not easy. We believe that this process will be very slow, but we aspire to be a community."

Fifty years on since the establishment of the ASEAN, and the region is thriving economically, with members states closer than ever before. Over the next few decades they will continue to work towards their aspiration to become a fully integrated and politically aligned economic community. Where the ASEAN will be when it celebrates its centenary in 2067, will be determined by the actions of the ASEAN's business and political leaders of today.

President of the Philippines, Rodrigo Roa Duterte, poses for a photo with the foreign ministers from participating countries in the Association of Southeast Asian Nations (ASEAN) Foreign Ministers Meeting during its closing ceremony at the Philippine International Convention Center in Pasay City, Metro Manila on August 8, 2017

THE ASEAN IN NUMBERS

$2.55trn
combined GDP of ASEAN states (2016)

$120bn
FDI in ASEAN (2015)

5.1%
ASEAN average y-o-y GDP growth (2000-2013)

622m
size of ASEAN Market

4.9%
projected y-o-y GDP Growth (2017 & 2018)

125m
no. of “consuming class” households by 2025

4th
largest economy in the world by 2050

4th
largest exporting region in the world

'GO NEGOSYO IS THE PRIME MOVER OF ENTREPRENEURSHIP IN THE PHILIPPINES'

Go Negosyo is the advocacy group of the Philippine Center for Entrepreneurship (PCE), a non-stock, non-profit organization that advocates for a change in mindset and attitude towards entrepreneurship. In this interview, CEO and President, Joey Concepcion, discusses how Go Negosyo supports the nation's micro, small and medium-sized enterprises, ASEAN integration and how the Philippines can benefit from Japanese investments

How important it is for growth to be inclusive and decentralized for the prosperity of the Philippines?

For the past few years, many Filipinos have expressed their dismay with the government for not being able to bring growth across all sectors of our society. While our economic numbers are growing faster than the others in the ASEAN, most low-lying communities have not experienced the progress and development. President Duterte has committed to the goal of inclusive growth for the whole country. Like what we always say, our mission is to bring prosperity for all – not just for the selected few in the higher levels of our society, but more so for those who belong in the lower classes.

Over 99 percent of the business community is composed of the micro and small entrepreneurs. We want them to scale up and to graduate from their current status and move up to the next level. These micro and small entrepreneurs, when enabled to grow and thrive, will bring about increased economic development and employment. In fact, these micro and small entrepreneurs provide income and job opportunities to the poor and low-income groups across all cities and towns of the member-countries, unlike the medium and large enterprises that mostly operate in urban centers and industrial locations.

What role should the private sector and entrepreneurship play in this process? How can they be incentivized to be more active?

The private sector in the Philippines led by Go Negosyo has been largely contributing to the micro, small and medium-sized enterprises (MSMEs) development goals of the government. Part of the 10-point economic agenda of this administration is to help empower the MSMEs in the country with the private sector and the entrepreneur community as a key partner. We work together in addressing the needs of our MSMEs. If the private sector's programs will be incentivized, the progress we have now will grow tremendously.

We shall reach out to the 99 percent: entrepreneurs who are continuously in search of progress and prosperity. Hence, the private sector and the entrepreneurs will serve as the drivers of economic growth and employment generation more so as they benefit from the capacity building programs that, likewise, equip them to access similar programs that provide assistance in the areas of technology and finance. As beneficiaries of these programs, the participating entrepreneurs and the private sector as a whole will actually get to upscale their operations with the valuable assistance provided by the mentors and government focal points. The achieved growth of their enterprises will further usher in increased business and market opportunities for the beneficiaries, starting with those arising from the economic integration of the ASEAN member-countries.

What impact do you expect to see from deeper regional integration in macroeconomic terms and how will it affect the real economy?

Deeper regional integration amongst the ASEAN member-countries will be better realized with the mobilization of the MSE-beneficiaries of the program as businesses engaged in inter-country trading of raw materials, labor, finished goods and services. Through it all, increased integrated economic activities will concretely contribute to economic growth in the ASEAN region.

How would you define the current investment climate of the Philippines for foreign investors, especially the ASEAN +3 (China, Japan and South Korea)?

The current investment climate in the Philippines for foreign investors is designed to be welcoming and very friendly. The government presents annually the prioritized areas of investments that go with incentives (i.e., tax and duties exemption for the first years) and relevant government agencies are keen to assist investors in setting up their businesses in the country, especially since they bring in jobs and increased economic activities.

While the +3 are our major trading partners, we try to open up to as many other countries. We also recognize the limitations prescribed in our constitution in opening up to other types of foreign investments. But we are continuously advocating for the easing of these restrictions in less politically contentious sectors and industries.

The Philippines is known for its tycoons and big holdings as reflected on the Asia 300. What are the benefits of further regional integration and how can they or should they expand their ecosystem to include MSMEs to better redistribute the economic gains?

The big corporations in the Philippines, which we call "big brothers", are encouraged to integrate an inclusive business model in their businesses in order help the "small brothers" or the MSMEs. Through Go Negosyo and the companies which have implemented IB systems, we are promoting the valuable advantages of including MSMEs in their value chains. Go Negosyo will soon be releasing a book featuring 80 inclusive business companies in the country. We aim to encourage all entrepreneurs, regardless of their size, to collaborate and help one another in reaching success.

Regional integration offers ways to further lower the costs of their raw materials, labor and necessary overheads and to expand the markets for the products and services of the big brothers. Along the way, the same big brothers are encouraged to tap the micro and small enterprises as suppliers of their needed raw materials and semi-finished products and as distributors of their finished products and services. Being big brothers affords them the opportunity to help micro and small enterprises, fortifies their value chains and boosts their contribution to the local economies.

How would you describe the current situation of entrepreneurship in the Philippines and its evolution?

When we started Go Negosyo in 2005 as a private organization, entrepreneurship was not the popular career option of many Filipinos. Since then, we have been mentoring thousands of aspiring and start-up entrepreneurs through our caravans, seminars, forums, books and our media platforms. Twelve years later, we are proud to say that Go Negosyo is one of the most recognized entrepreneurship organizations in the country.

Go Negosyo has come a long way in inspiring and empowering MSMEs. MSMEs receive business tips and strategies first hand from the wide network of successful entrepreneurs. Then in August 2017, the advocacy of entrepreneurship and MSME development was further bolstered by the Public-Private Partnership forged by the Philippine Department of Trade & Industry and Go Negosyo. This partnership now undertakes to successfully implement the mentorship program that aims to upscale micro and small enterprises (MSEs) through capacity building activities that include orientations on other ongoing government programs and laws that have all been designed to address the plight of micro and small enterprises, especially the startups that normally do not survive the first year/s of operations.

Furthermore, the government services for MSEs are made accessible to the intended beneficiaries through the establishment of Negosyo Centers in over 1,500 municipalities, towns and cities across the Philippines. These centers are manned by business advisers that are mandated to promote ease of doing business and to help MSEs access government services.

Japan is characterized by its sustainable approach to FDI. Can it help in moving agriculture to agro-industry or even manufacturing to added-value manufacturing.

Definitely. In fact, we are pleased to say that the ASEAN Japan Innovation Network has been established early this year so ASEAN's industries and emerging business enterprises can leverage on Japan's advanced technologies and innovation. The priorities and roll-out strategic plan are now being developed to address the key needs of ASEAN business, especially the MSMEs and industries.

What is the role of Go Negosyo as a vehicle for entrepreneurship in the country and what are the programs that are most important sustainable development?

Go Negosyo is the prime mover of entrepreneurship in the Philippines. Currently, Go Negosyo has partnered with the Department of Trade and Industry for the Kapatid Mentor ME which is a weekly mentoring program held in many Negosyo Centers nationwide. Since its establishment in 2016, more than 200 MSMEs graduated from the 10-week program. For the first half of 2017, more than 1,500 MSMEs were enrolled in the program.

We now have 400 accredited mentors. Aside from Mentor ME, Go Negosyo is also leading the Alliance Towards Prosperity for All, which is a long-term private sector-led campaign at the national level to build a multi-sectoral, multi-disciplinary alliance of organizations and individuals to pursue prosperity for all among the ASEAN nations. This alliance will be an active collaboration which will help create sustainable programs for MSME development. Indeed, Go Negosyo has inspired would-be entrepreneurs to pursue their dreams and has guided startups and MSEs as they deal with the challenges and problems of business management. Its Kapatid Mentor Me Program is seen to concretely establish the places of MSEs in sustainable value chains of medium and large enterprises, thereby upscaling them and enabling them to contribute more to local economies and the number of locally available jobs, especially in the poor regions of the country.

Joey Concepcion, CEO and President, Go Negosyo

The most critical and important question for MSMEs and start-ups is where to get funding due to the lack of collaterals. How will ASEAN and the Philippines be able to address this issue and how will the public and private sector be able to work together on this?

Currently, there are several government programs which provide financial and technical assistance to many MSMEs. The Department of Trade and Industry (DTI) recently launched the P3, or '*Pondo Para sa Pagbabago at Pag-asenso*', which provides micro-finance to our MSMEs. For this year, one billion pesos (approx $20 million) is allotted for this program.

Additionally, DTI offers the Shared Service Facilities (SSF) which provide tools and equipment shared by members of cooperatives or entrepreneurship associations that is expected to aid them in increasing their production and improve their competitiveness. The Department of Science and Technology has a similar program which is called the Small Enterprise Technology Upgrading Program (SET-UP) and provides technologies to entrepreneurs to improve their operations. Since 2003, DOST has assisted more than 3,000 small businesses through this program.

The agriculture sector also receives assistance from the Department of Agriculture through its Agricultural Modernization program which gives farmers and fishermen access to agricultural equipment and other technical support.

The Department of Social Welfare and Development through its Conditional Cash Transfer Program provides assistance to extremely poor families. While this provides an alternative financial support, it has not proven its capacity to aid enterprising individuals to scale up.

For the private sector, we are continuously promoting our entrepreneurship development programs which influences microfinance institutions and banks to improve their lending programs for micro and small entrepreneurs. Several banks have developed financial assistance to fit the requirements of MSMEs. In fact, a number of private banks have signified their intent to offer uncollateralized loans and other financial packages suited to the needs of beneficiaries of the Kapatid Mentor Me Program. The latter has, therefore, served to boost the bankability of startups and MSEs that hitherto have mostly been unable to access bank services.

A TIRELESS ADVOCATE FOR A MORE EGALITARIAN SOCIETY

Senator Cynthia Aguilar Villar is a Filipino politician and wife of billionaire businessman Manny Villar. In this interview, she discusses The Philippines' ASEAN chairmanship, the roadmap for the cacao industry, the work of her foundation, Villar SIPAG and her vision for The Philippines in 2025

What are the opportunities presented by the ASEAN Chairmanship to lead change for the development of the region and what is the role the Philippines is taking as the fastest growing economy within the association?

The Philippines' ASEAN chairmanship focuses on championing the causes of micro small and medium enterprises or MSMEs, which is in line with the priority of the ASEAN Economic Community (AEC). Since the launch of the AEC in December, 2015, there has been now greater investor interest and confidence in the prospects and opportunities in the region. As ASEAN chair or host, priority is given towards instituting an enabling environment that allows MSMEs to develop and internationalize through policies that ease the cost of doing business and through support activities that nurture their continuous growth. This is to encourage greater MSME participation. As you know, 99 percent of business here in the Philippines are MSMEs and they provide over 65 percent of jobs, so focus on MSMEs in the ASEAN Summit is very relevant to Filipinos and the country.

Considering that Japan is widely regarded as the finest in railway transportation. How can Japanese technology collaborate in bringing Philippine National Railways to its next level?

When we extended the charter or corporate life of the Philippine National Railways, PNR, improvement of its facilities and service is among the conditions we asked from them. And one of the priorities is to determine most advantageous or appropriate rail transit technology for the PNR lines. And since as you mentioned, Japan has one of the finest railway transportation networks, I am sure their railway system and technology is among those that will be studied closely by our railway authorities to modernize PNR.

During the Cacao National Congress, you announced the creation of a National Program roadmap. Could you give us insights about the plan?

Cynthia Aguilar Villar

The Philippine Cacao Industry Roadmap was created by the Department of Trade and Industry with the Department of Agriculture and industry stakeholders in order to put in place a competitive and sustainable Philippine cacao industry by the year 2022. The plan aims to contribute to the goal of attaining inclusive growth and poverty alleviation; increase farmers' income to at least 130,000 pesos ($2,500) per hectare per year; increase export earnings by at least $250 million per year; and generate at least 150,000 jobs by 2022.

What I did to help revive the dwindling cacao industry was to file Senate Bill No. 320 or the Cacao Industry Development Act that will establish a national program for the cacao industry. It seeks to revive the dwindling cacao industry in our country and participate in the international markets, so our farmers will get additional income.

You founded and chaired the Villar SIPAG in 1992. Since its inception, the Foundation has initiated and implemented various projects aimed at improving the quality of life of the people in various communities. Social inclusion is still high on your professional and personal agenda. How is Villar SIPAG contributing to nation-building and socioeconomic development?

The Villar Social Institute for Poverty Alleviation and Governance, or Villar SIPAG, (formerly Villar Foundation) is an extension of our family's efforts to help our countrymen. Through the foundation, we implement our advocacies—jobs livelihood generation, environment protection, supporting OFWs, youth engagement, agricultural training, among others. I believe, by implementing our projects and programs for those sectors of the society, especially the poor, we are already fulfilling the essence of socioeconomic development and we are helping in nation-building. For instance, we have built nearly 1,800 livelihood projects all over the country, which have provided a source of income for thousands of families who live in poor communities.

You are a tireless advocate for a more egalitarian society. Can you enumerate some of the latest projects you are involved in?

- Pursuing legislations in the Senate
- Chairmanship of three committees in the Senate: Agriculture & Food, Environment and Foreign Affairs.
- Providing training and workshops to farmers and their families in our own farm schools
- Implementing various advocacies of Villar SIPAG

Where would like to see the Philippines by 2025?

By 2025, I hope that a fewer number of Filipinos will be living below the poverty line; a fewer number of Filipinos will be going abroad as overseas workers, because there will be adequate job opportunities in the country; farmers and fisherfolks will not be the poorest anymore; there will be more entrepreneurs or job creators than jobseekers; sustainable economic growth; and of course, lasting peace all over the country.

BUILDING A COMPETITIVE ECONOMY

Guillermo M. Luz, Private Sector Chairman of the Philippines' National Competitive Council, speaks to The Worldfolio about new government reforms to improve the business climate and infrastructure development

The current administration, under the leadership of President Duterte, aims to assume a bigger and a more significant role in the ASEAN economic community, and is implementing various programs such as the 10-point socioeconomic plan, the 2017 budget, and tax reform. What is your opinion on these programs and what possible impacts do you expect on the investment climate?

These programs of the administration help in facilitating the economic activities in the country. Given this, the private sector is fully behind the 10-point socioeconomic plan of the government. In particular, the private sector likes the emphasis put on the aspects such as infrastructure, tax reform, ease of doing business, and simplification.

This economic plan has also provided momentum for increasing support to small and medium-scale enterprises (SMEs). It is what we refer to as the "inclusive business model". There is a very large movement to foster this model and much of the team for ASEAN integration is devoted to working on this aspect reflecting prosperity for all programs. The public-private partnership (PPP) has also been one program that we have been supportive of. There is an ongoing review and rebidding of projects and the sector will continue its support to the extent that this pursues.

There is no question as to the support given by the private sector in the administration's quest to improve economic standing. The challenge boils down to the manner of execution. The sector is supportive of the programs and asks how we can help in the execution side. As for this matter, we can help in numerous things such as in promoting inclusive business since we are direct participants in the economy. As for the tax reform, at the end of the day execution is reliant on the congress. The bill has to be passed and our participation for now is limited to expressing support for the tax reform program.

Another emphasis is put on infrastructure where the government aims to fund most of infrastructure-related projects through the national budget. If the government is able to do so, well and good. The private sector is hopeful to have this done as immediately as possible. However, we acknowledge the fact that there is a bureaucratic maze that has to be surpassed, yet the sector remains confident that the government can push through with it.

Guillermo M. Luz, Private Sector Chairman, National Competitive Council

Infrastructure is among the more emphasized points in the current economic plan. It represents a large portion of the budget 2017 which is the equivalent 5.3 percent of GDP. What do you think this would bring forth with regard to the competitiveness of the country and the ease of doing business for risk-averse countries like Japan?

Since the Philippines significantly lacks infrastructure across many fronts (i.e. roads, rails, ports and airports), the execution of such budget allocation will be beneficial. Currently, there are five to six regional airports and a decision has to be made about Manila International Airport. We would like to think that there are at least two international airports in the country.

If the government can increase the infrastructure spending to 7.1 percent of GDP, it will certainly do the country good.

In order to do this, our economy will have to be open to allow foreign contractors participate more heavily in projects because there will be an absorptive capacity issue once infrastructure projects start pouring in. The country may have all the money but lack contractors to do the work or do sufficient work. Thus, procurement must also be streamlined. The bidding process and disbursement of funds must be at pace to keep the infrastructure progress running.

One of the issues encountered in this context is the right of way acquisition. We have a fairly new acquisition law and its implementation can help the contractors move faster. The biggest hindrance is that contractors are ready to move but the land for development is not turned over to them. Take for example the airport expressway that connects terminals 1, 2, and 3. It is a public-private sector partnership project that is being built by a private contractor (San Miguel). The delay in its construction involved the right of way has not been turned over to the contractor immediately.

On the business side, streamlining is currently the focus. Among many others, we are working to reduce, streamline and eliminate unnecessary processes. There are big projects in varying levels to address this. We have it at the local and national government levels and at a congressional level. One of the most significant of these is project repealing. This involves revoking unnecessary rules and regulations. After repealing, whatever is left of the process must be automated. We need to put in a lot of information technology and take most of the interactions online. As to date, this is gradually taking its place but will still require several months to a year for automation depending on the process involved. This will involve the Securities and Exchange Commission, the Bureau of Internal Revenue, and Local Government Units as we are trying to turnout as many portals and online apps as possible for both local and national government units.

Once these issues have been eliminated, the country can move faster on developing its infrastructure. The country will be more competitive in this aspect.

BRUNEI HEADS FURTHER DOWNSTREAM

An interview with Yang Berhormat Pehin Datu Singamanteri Colonel (Retired) Dato Seri Setia (Dr.) Awang Haji Mohammad Yasmin bin Haji Umar, Minister of Energy and Industry at the Prime Minister's Office in Brunei

What is the role of the energy sector in developing the economy though job creation, wealth generation and local company development?

The oil and gas sector continues to be the main contributor to Brunei GDP, contributing around 60 percent of the country's GDP and 9 percent of export revenues. This will help drive further economic growth.

The energy sector is governed by Government Local Business Development (LBD) Directives, which aim to maximize the economic spin-off from the energy sector activities by maximizing local content in terms of use of local goods and services and as well as local employment. Since the issuance of the LBD Directives in 2011, there were 49 new local companies awarded oil and gas contracts with a total annual contract value of approximately 986 million Bahraini dollars.

The government is focusing its efforts towards attracting FDI especially for the oil and gas downstream energy sector. Through this downstream activity, Brunei is able to add more value to the produced oil and gas through the development of new refinery and petrochemical industries. This will also create the spinoff in term of business opportunities for local companies and job creation for locals.

The downstream industries play a role generating value-added products, whose prices would potentially be less susceptible to price fluctuations seen in the upstream sector. As a result, the downstream sector, continues to be developed to provide resilience against price fluctuations in the upstream sector. Brunei is seeking to develop more downstream projects in the coming years.

How competitive is Brunei in attracting FDI to the energy sector versus countries such as Malaysia, Indonesia or even Vietnam?

Brunei Darussalam needs to remain competitive to ensure the sustained growth of its energy sector, especially given the significant contribution of the energy sector to the economy. We are continuously seeking to improve Brunei's attractiveness to FDIs in the energy sector and all its priority investment clusters.

We see that Brunei has been attractive to investors in the energy sector, with the growth of the downstream sector continuing to accelerate. There is a further investment of approximately $4.7 billion from Hengyi Industries and Brunei Fertilizer Industries. Hengyi Industries has committed $12 billion to develop the second phase of its Pulau Muara Besar (PMB) refinery and petrochemical plant, making Brunei the destination of its largest foreign investment to date.

To ensure competitiveness in the upstream energy sector, activities continue to strengthen, such as exploration activities and development of oil and gas fields, and improvements in cost optimization and efficiency.

Could you tell us which are ,in your opinion, the main reasons for this success and what result will it have on FDI levels in the non-oil sector?

First of all, Brunei Darussalam has been committed to improving the ease of doing business in the country. Since 2006, Brunei Darussalam has been implementing a comprehensive reform agenda with a joint long-term vision and clear objectives to further improve the business environment to support FDI, small and medium-sized enterprises (SMEs) and economic diversification. As a result, the World Bank has named Brunei as the Number 1 most improved economy for two years running in the World Bank Doing Business Report 2016 and 2017.

The success of the reforms comes from establishing an effective whole-government delivery mechanism, with the Ease of Doing Business Steering Committee and Champion Groups comprising key government agencies. This mechanism has allowed reforms to occur at a more accelerated pace.

The improvement in Brunei Darussalam's business environment provides potential investor confidence in Brunei Darussalam as a pro-business and pro-investment destination, and shows the Government's support for the private sector, for both the oil and gas and non-oil-and-gas sectors alike. As a result, Brunei Darussalam is seeing a progressive increase in non-oil-and-gas FDIs.

Vision 2035 established an objective of non-oil sectors representing 63 percent of GDP by 2035, for which you prioritized five industries. How competitive can Brunei become regionally in those different sectors?

The development of the five priority investment sectors (Halal, Technology and Creative Industry, Business Services, Tourism, and Downstream Oil & Gas) will leverage on the unique characteristics of Brunei Darussalam in order to differentiate them. Brunei Darussalam features strong Islamic values, high-quality Halal standards, pristine untapped rainforests with a rich biodiversity, a highly educated workforce, a unique cultural heritage as well as its proximity and close cooperation with regional and international partners.

The Halal standards adopted by Brunei Darussalam are widely recognized as being of high quality in both conformance and credibility. Brunei Darussalam is one of only two countries in which the government directly regulates the Halal certification (the other being Malaysia), which is the responsibility of the Brunei Islamic Religious Council (Majlis Ugama Islam Brunei, MUIB), in order ensure the highest standards are met.

FDIs are encouraged to establish operations in Brunei Darussalam to tap into Brunei Darussalam's Halal standards and certification opportunities, as well as to use Brunei Darussalam as a gateway to the Islamic Market and ASEAN market.

BRUNEI'S REGIONAL MULTILATERAL RELATIONS

Pehin Dato Lim Jock Seng, Brunei's Second Minister of Foreign Affairs and Trade, discusses the country's history and ASEAN relations with the ASEAN +3

Brunei gained its independence from the United Kingdom in 1984, and experienced phenomenal growth during the 1990s and 2000s, developing its wealth from extensive petroleum and natural gas fields. Could you describe for us the culture, ideology and values of The Nation of Brunei?

Brunei is an old kingdom. It has existed as a Malay kingdom from the 14th century onwards and His Majesty represents the 29th generation of the dynasty. But Islam also came in the 14th century, so we trace his descent from the first Islamic ruler. We have a tradition that goes back many centuries. This is why Monarchy still plays a very important part in our life here, because it's a long tradition.

Secondly the introduction of Islam as I said, to Brunei in the 14th century onward, gave us that religious anchor for Brunei. The Malay race, the Malay population, is the dominant ethnic group. So, there is an emphasis on tolerance, friendship and on good neighborliness.

The centrality of understanding, of tolerance and of being friendly, are the key elements to achieve a peaceful climate in any part of the world. But that is the missing bit I think, in many of the societies that we live in. So those are sort of the underpinnings of the culture, the religious and the kind of government that we have. That is the way we operate and we are lucky enough that we have had stability since then.

Could you describe the importance of the ASEAN+3 (China, Japan & South Korea) and more specifically the role of Japan through institution such as JICA?

The Plus Three, integrate the world's second and third largest economies. When combined, plus South Korea, you have a very big, strong and interesting economy – if you can get them together, which it is very difficult as they have their own political problems.

It is a very strong organization, if you have the Plus Three, which is the trilateral group. Economically and politically they are very strong, but they don't get on with every-

Pehin Dato Lim Jock Seng Second, Brunei's Second Minister of Foreign Affairs and Trade

one. In a sense, we are also competing here, but we want everybody to work together so we are engaging them, providing them with a platform and meeting them as they come to the ASEAN region. The three of them are very good partners and we want to work with them. Really the potential is great, but for political reasons, it is not fulfilling its potential.

Due to a decreasing demographic and an aging population, the Japanese private sector has been promoting a strong internalization process. Following this, a big share of Japanese companies have increased their investments levels in the ASEAN, particularly in manufacturing bases, to become more competitive globally. What are ,in your opinion, the main opportunities for the Japanese private sector in Brunei?

If you look at Japan from the 60s, 70s and 80s, I would say that during those three decades, Japan's technology and economy was the one that really provided the spur for the industrialization process in South-East Asia.

During those three decades, Japan was responsible for the miracle that we had in terms of industrialization, because they were the spur. But of course now, the Chinese era is coming in, so there is competition between both of them. The Japanese at the moment, I would say, have still got the competitive edge, in the sense of cutting-edge technology.

So, the Japanese are still there, they are still a very good competitor and still contributing a lot, as I said, in healthcare and everything. So, I don't see them being played out, but the Chinese are coming in very strongly. They provide funding for infrastructure, for their silk road belt. They are competing with each other, which is good for all of us. At least we have two sources of funding. But as I said, the Japanese had their time, their three decades, the Chinese are now. Next after the Chinese, we don't know. It maybe Indonesia then.

Recent economic developments in Brunei have re-emphasized the need for structural reform policies towards a more diversified and competitive economy. The Government of Brunei has recently intensified its reform efforts to spur the private sector's role in the economy with the end objective of diversifying its export-based product and services. How competitive is Brunei as an exporting country? Which sectors and products would you highlight as the most competitive?

Diversification is very important, because we have been very dependent on oil and gas for the last 50 years. But oil and gas maybe completely useless in five or ten years when you have hydrogen and other alternatives. So we have to look at how we diversify the economy, because we are too dependent on oil and gas. The government is looking at several sectors, one is tourism. The other one is the downstream sector in the oil and gas, like methanol and from methanol we have the derivatives and refinery. If we look at Singapore, they don't have oil and gas, but they have one of the biggest refineries in the world. Maybe we could try our luck.

We are also looking at the Halal industry. The government is also looking at some of the creative industries. So they are quite a lot of possibilities and here we can even look at education, we can look at health, but mainly we are focusing on tourism, the Halal market and the down streaming of the oil and gas industry. Those are the main three.

JAPAN INC. SEES THE PHILIPPINES
AMONG MOST PROMISING INVESTMENT DESTINATIONS

Japan's diminishing domestic market, a result of its aging and shrinking population, has compelled Japanese companies to search overseas for new opportunities. Many are looking to the U.S. and Europe, but right on their doorstep is the massive market of the Philippines

With 103 million people, the Philippines is the 13th most populated country in the world and second most populated in the ASEAN region, with a GDP of close to $300 billion and annual growth averaging 6 percent. Much like China and India, the large population offers up potential in the long-term for a large and sustainable demand-based economy.

The Philippines' market potential has not gone unnoticed by Japanese Inc. In a survey conducted by the Japan Bank for International Cooperation last year, Japanese companies viewed the Philippines as one of the most promising markets for investments. The survey also concluded that manufacturing firms ranked the Philippines as the eighth most promising destination for overseas operations over the medium term, putting it ahead of its main regional rivals, Malaysia and Singapore.

The IMF estimates that GDP per capita passed the $3,000 mark in the Philippines for the first time in 2016. With salaries growing, the young and rising middle class in the Philippines are demanding more consumer items like cars, phones, laptops and electrical appliances – which presents big opportunities for Japanese manufacturers.

The car market, for example, is booming. Local industry players predict that by 2020, the Philippines will have one of the region's largest car markets, and will account for 10 percent of total sales in the region. In 2016, Philippine car sales hit a peak of 359,572 units, a 24.6 percent increase on 2015.

Japan's car manufacturers were amongst the big winners in 2016. According to the *Nikkei Asian Review*, Toyota Motor Philippines saw sales grow by 26.95 percent to 158,728 units, and cornered the leading market share, with 44.14 percent. Mitsubishi Motors Philippines, which captured a 17.08 percent market share, sold 61,400 units, up by 13.52 percent.

As a result of growing sales, both Toyota and Mitsubishi are set to establish production plants in the Philippines. In January, the latter announced that it was building a $632 million plant in Cikarang, West Java, which will open in 2018 and have the capacity to produce 160,000 units.

"I was invited to visit the Toyota headquarters and manufacturing plants in Nagoya. And I saw the opportunity, especially with our growing Philippine economy," says Alfred V. Ty, Co-Vice Chairman of GT Capital holdings, one of the Philippines largest corporations, which has interests in the power, auto and real estate industries.

Electronics manufacturers in Japan are also considering relocation to the Philippines, as demand for their products rises. Philexport trustee Francisco Ferrer said about 20 Japanese electronics companies in China are keen on relocating their operations to the Philippines next year amid higher wages in China and the high quality of the Filipino talent pool, according to a report by *The Philippine Star*.

"Among other factors, the need to diversify their own investment location drives Japanese companies into considering the Philippines," says Guillermo M. Luz, Private Sector Chairman of the Philippines' National Competitive Council.

"They have been heavily investing in China and are looking for opportunities outside as an alternative. While the Japanese companies remain in China, they are not going to keep investing in the same place. The search is who will be the plus one or the alternative location? The Philippines happens to be a good candidate as an investment destination."

The Philippines manufacturing sectors include semiconductors, medical devices, automotive and consumer electronics. Some of the Japanese manufacturers to already operate in the country include Fujifilm, Murata Manufacturing, Canon Inc, and bicycle-part maker, Shimano, which built its first factory in the country in 2015.

As the economy and consumer demand continue to grow in the ASEAN region's most promising investment destination, there is no doubt that more Japanese firms will follow the likes of Fujifilm, Canon and Mitsubishi to the Philippines over the coming years.

'WE WOULD LIKE TO CONTRIBUTE TO THE SOUND AND STABLE ECONOMIC GROWTH OF THE PHILIPPINES'

Mr. Seigo Baba, Chief Representative of Japan Bank of International Cooperation (JIBC) in Manila, discusses the benefits of investing in the Philippine and how the organization is supporting Japanese investments in the country

How would you define the investment climate between Japan and the Philippines? What are the advantages that the Japanese should know about the Philippines?

The Philippines carries various attractive points as a country. One is that there are many talented, young, English-speaking people. If you look at the country as a market, it has a big population, a large portion of which are eager to spend. It is a consumer-oriented economy. If the Japanese companies are looking into the domestic market of the Philippines, there is a large market. This will then attract more Japanese and other foreign direct investments.

Another major point is that many companies look at the export-oriented basis one can attain from the economic zones. When Japanese companies make investments with the Philippine Economic Zone Authority (PEZA), they are able to export their products from the Philippines. Moreover, PEZA has been offering very attractive incentives for investors to come into the Philippines. So, these are the advantages the Philippines have over other ASEAN countries.

What are the most pressing challenges in the Philippines for JBIC and Japan?

For us, we would be assisting the high growth in the Philippines as well as the foreign direct investment from Japan. Through this support, we would like to contribute to the sound and stable economic growth of the Philippines. It is then essential that there would be a good amount of investment coming from Japan.

For this to occur, there must be improvements made on the Philippines' side. Red tape should be eradicated or at the very least, eased. What is more important is to amend the foreign investment negative list that restricts foreign ownership in various sectors—downsizing the negative list itself. This may attract more Japanese investment coming from the small and medium scale companies particularly in the consumer goods sector.

How is JBIC providing Japanese companies assistance and a framework on how to develop business in the Philippines?

We are trying to provide access to those Japanese companies willing to make investments. We will be providing vital information relating to the investment environment here in the Philippines. JBIC also supports these companies set up their investment.

As to the framework, we have frameworks and memorandums of understanding with Banco de Oro and Metrobank. The purpose of these MOUs is to connect BDO and Metrobank to the regional banks in Japan, which have a strong connection with Japanese small to medium-scale regional companies. These connections can further provide the Japanese companies access to local financing and information about local banks. This is one way to support the small to medium scale Japanese investments to the Philippines.

JBIC together with BDO has actually provided loans for renewable energies in the Philippines. It is the first time that JBIC provided green finance to the Philippines. What are the advantages that the Japanese have in renewable energies?

I believe there are many opportunities for the Japanese coming into the renewable energy market in the Philippines. One important thing that Japanese companies are manufacturing are windmills. This may be very efficient and beneficial in some of the small islands in the Philippines. The Japanese are also producing some of the high-quality solar panels available in the market. Although, in terms of initial cost, these may be more expensive than solar panels produced by other companies, efficiency and durability of Japanese-made ones are high and life time cost may be low. So, there are possible opportunities for Japanese manufacturers in this regard. For other companies like power companies, they may also be interested in investing in renewable energy projects in the Philippines if there are some reasonable-sized projects.

How do you see JBIC's role as an engine of development and progress of the Philippines?

We would be willing to support high-quality infrastructure projects. We are also supporting Japanese investment both large and small to medium scale investments. These will be very important and beneficial in building up the manufacturing sector, especially supporting industries, of the Philippines. It is likewise significant in creating better and sustainable jobs in the country.

JBIC is likewise interested in supporting the agriculture sectors, healthcare sectors, and environmental-friendly projects. These are just some of the ways that JBIC could contribute to the sustainable development of the Philippines.

What do you want JBIC to achieve under your mandate here in the Philippines?

There are many, but time is very short which makes it so difficult to achieve something so concrete. As I have been mentioning, JBIC supports various endeavours to sustain the development of the Philippines. In this regard, I would like to see more infrastructures built in the country—not just public or private projects but more of the PPP projects.

We have conducted some workshops and have been coordinating with government-mandated agencies to make this possible. I would like to see more of the PPP projects get through, be supported by the Japanese companies, and probably financed by us during my tenure here in the Philippines.

SUPPORTING JAPANESE COMPANIES TO INVEST IN THE PHILIPPINES

Takashi Ishihara, Executive Director of the Japan External Trade Organization (JETRO) in the Philippines discusses Japan's role in the Philippines' development and the attraction of the country for Japanese businesses

What is your view on the President Rodrigo Duterte's 10-point economic plan and the advantages of new tax reform?

I understand that the Philippine government aims for sustainable development, inclusive growth and international competitive industry.

To achieve this goal, it would be important to promote more investment and to secure stable employment in the Philippines. Currently the Philippines has international competitiveness in export processing and IT-BPO.

Through the industrial upgrading, the Philippines will be able to gain stable employment as well as international competitiveness. The manufacturing sector will create many jobs and create a sustainable labor market.

Improvement of infrastructure is also a critical issue. As the Philippines will continue to supply human resource thanks to its unique population composition, education and training would be important for the Philippines' further development. Tax reform would be necessary to secure budget for the plan, especially for infrastructure development. On the other hand, we hope that the Philippine government will save and expand tax incentives for foreign companies.

How do you assess the current investment climate in the Philippines? What is the importance of economic zones for FDI growth and to attract Japanese companies?

Japan has been the largest investor in the Philippines for the past decade. From 2006 to 2016, Japan's approved investment in the Philippines was about 486 billion pesos ($9.4 billion) in total.

According to JETRO's annual survey, many Japanese companies evaluate the Philippines' business environment positively, and consider expanding their business here. There are three merits for Japanese companies to do business in the Philippines: tax incentives; an abundant, talented, English-speaking human resource; and robust economic growth.

Japanese companies obviously value tax incentives that are applied by the Philippines Export Zone Authority (PEZA) and the Board of Investment (BOI). While incentives for export processing are extensive, it would be great if incentives for domestic business will be expanded as well.

Takashi Ishihara, Executive Director, Japan External Trade Organization in the Philippines

Will the 'Build, Build, Build' Masterplan impact infrastructure development?

According to our survey, many Japanese companies are concerned about insufficient infrastructure in the Philippines. Therefore, we wish that the Philippine government will continue to put their infrastructure development plan forward. The Japanese government and private sector have been working closely with the Philippine government on this matter, and Japan will play important role to implement the plan.

How would you evaluate your role as a job creator?

We are contributing to the Philippines' economy in many ways. Mainly, JETRO has been supporting Japanese companies to invest in the Philippines in cooperation with PEZA and BOI. For example, we organize Japanese delegations to the Philippines.

We also arrange business-matching meetings between the Philippines and Japan in the category of food; energy-saving technologies; and the service industries. In contrast, we have been helping several Philippine companies that consider setting up business in Japan.

Furthermore, the business matching database is available at our website so that Philippine companies can identify possible business partners in Japan on the Internet.

What is the role of JETRO in helping not only tier-1 companies but the SMEs to come to the Philippines?

JETRO provides Japanese companies with the information and individual consulting service at no cost. We also lease free office space with business facilities for up to two months. Furthermore, we organize seminars on the Philippines in Japan and arrange Japanese delegations to the Philippines.

According to our survey, many Japanese companies hope that a value chain with supporting industries and local clients will be formed in the Philippines soon. Currently, export processing companies depend on imported materials and parts. To increase local contents and domestic production, the Philippines would need more global competitive suppliers of parts and materials. Therefore, we would like to support more Japanese small and medium-sized manufacturers that could be a front runner of the supporting industry.

To attract foreign SMEs, policies and incentives play a very important role. Incentives for export processing are extensive. We hope that incentives to enhance the local market, like the CARS (The Comprehensive Automotive Resurgence Strategy) program, will be expanded.

What is the competitive advantage of business partnership between Japan and the Philippines?

It would be natural that the Philippines and Japan will keep enhancing mutual beneficial partnership as our relationship is complementary. While Japan faces an aging society and needs to grow global staff for overseas operation, the Philippines will keep supplying abundant, talented, English-speaking human resources.

When the Philippines needs competitive manufacturers, there are many Japanese SMEs that would satisfy the Philippines' criteria. Likewise, we can find many possibilities for business partnerships between us in the service industry.

PHILIPPINES SET TO BECOME JAPAN'S PRIME PARTNER IN ASEAN

As Japan looks to strengthen its foothold in the ASEAN region, it sees the Philippines as its key partner in, and ideal gateway to, this growing market. As a result, the Philippines is poised to see more investment coming from Japan, which is already its largest source of foreign capital

In January, Japanese Prime Minister Shinzo Abe was the first head of state to visit the Philippines since President Rodrigo Duterte came to power in June, 2016. Mr. Duterte called his meeting with Mr. Abe a "welcome and much awaited reunion". And the fact that the Japanese prime minister was the first world leader to hold official talks with his Filipino counterpart in Manila is a testament to Japan's intentions to strengthen its commercial ties with the Philippines, as it looks to grow a stronger foothold in the growing ASEAN region.

"Prime Minister Abe's presence in Manila today is positive proof that Japan and the Philippines are fully committed to bring this long-standing friendship and tried and tested partnership to even greater heights," Mr. Duterte said.

The January meeting followed Mr. Duterte's October, 2016 state visit to Tokyo, which was his first outside of the ASEAN region. During his visit, the Filipino president held bilateral discussions with Mr. Abe on security, economic and defense cooperation, infrastructure development, maritime cooperation, and development projects in Mindanao.

The trade and investment ties between the two countries are already strong. Japan is the largest source of foreign direct investment into the Philippines, which has overtaken Thailand and Vietnam as the investment destination of choice in the region for Japanese companies. The Philippines is the only country in the ASEAN to have a free trade agreement with Japan, known as the Japan-Philippines Economic Partnership Agreement, which has helped to make Japan the largest export market for the Philippines.

Amongst the factors that have attracted Japanese companies to the Philippines are its young, educated and English-speaking workforce, steadfast GDP growth, which has averaged more than 6 percent over the last 5 years, and a growing middle class. While Japanese companies leverage on the growing Filipino market, the Philippines itself benefits from – aside from capital injection – knowledge and technology transfer offered by Japanese companies.


Japanese Prime Minister Shinzo Abe

Increased investment from Japan looks likely as the Philippines and its neighbors look towards deeper ASEAN regional integration, which will facilitate cross-border trade for Japanese companies.

"The Philippines is taking advantage of it status within the ASEAN while Japan Inc. is currently looking for ways to penetrate this trade bloc, trying to find a bridge to tap into the market," says Artur Tan, CEO of Integrated Micro-Electronics, Inc., a Filipino electronics company.

"Thailand could be very attractive for them as it has a significant amount of FDI from Japan, especially in the automotive and industrial market. Other options would be Malaysia or Indonesia. Nevertheless, again, there are historical and intrinsic values to be considered such as what the Philippines is able to offer in terms of demographics, literacy, communication, retention, etc."

Mr. Abe's visit and growing investment from Japan suggests that many Japanese business leaders see the Philippines as its key partner in, and ideal gateway to, the ASEAN region – a fast-growing trade bloc with robust economic growth and an expanding middle class.

"Technically, investing in the Philippines means having the second largest workforce in the ASEAN. We have a fairly educated workforce with high English literacy," says Guillermo M. Luz, Private Sector Chairman of the Philippines' National Competitive Council.

"Another factor is the long history of Japanese investments – many of which are still doing well. The Japanese companies can leverage on these long-existing relationships. If their companies can produce here, they can export to neighboring ASEAN countries."

Peter Angelo V. Perfecto, Executive Director of the Makati Business Club, an organization that promotes the role of the business sector in national development, is another firm believer that the Philippines can become a hub for Japanese and other foreign investors looking to reach the ASEAN market, but he says it will require the private sector to take a stronger role in education and training.

"Multinational companies feel that the human resource pool of the Philippines is superior. In order to live up to this, the private sector really needs to make sure that the educational system, K-12 program, on-the-job training and internship opportunities are strengthened and expanded. This will secure the country's competitive advantage, as far as the ASEAN is concerned.

"We can achieve a competitive advantage if the government can adopt an effective approach to its priorities, such as making the Philippines a doorway to the ASEAN for Japan. The country's relationship with Japan is a low-hanging fruit that we must maximize on and an opportunity we must take advantage of. The fact that Prime Minister Abe's visit turned out well and that they (Mr. Abe and Mr. Duterte) seem to have good chemistry is something to build on. We just have to keep our focus."

JICA, SUPPORTING JAPANESE COMPANIES IN THE PHILIPPINES FOR OVER 60 YEARS

Susumu Ito, Chief Representative of the Japan International Cooperation Agency (JICA), talks about how JICA has supported the growth of the Filipino economy and the advantages of investing in the Philippines for Japanese companies

To what extent does the economic growth of the Philippines benefit all levels of Filipino society and how is JICA contributing in this matter?

For the last several years, the Philippines has been enjoying high growth rates. President Duterte and Sec. Carlos Dominguez clearly mentioned that two things must be pursued: high growth and lower poverty incidence. JICA would like to support these endeavors.

JICA supports the Philippines through three pillars: (1) achieving sustainable economic growth through promotion of investment, (2) overcoming vulnerability and stabilizing bases for human life and production activity, and (3) peace and development in Mindanao. We believe that by pursuing initiatives in these areas, JICA can significantly provide support in attaining high growth and reduced poverty incidence.

For the first area, we have been supporting mainly transport infrastructure to achieve and maintain higher growth. As to the second area, the majority of the people under the poverty line are living in rural areas. In this regard, JICA supports the agriculture sector as well as the health and education sectors to help create jobs and promote a better quality of life for all. Lastly for the third area, it is important to note that poverty incidence is high in the Mindanao area. Thus, supporting this area allows us to address and improve the poverty conditions up to a certain extent.

Three years ago, JICA celebrated the 60th anniversary of the Japanese ODA. In your words what would be the projects that cemented the good reputation of your agency in the country?

For the last 60 years, JICA has been supporting numerous projects and it is rather difficult to limit it to three milestones. We view all these projects as equally important. But to enumerate the strengths that we have honed in the Philippines for the last six decades, JICA implements both hard and soft components—the former referring to infrastructure such as railway, flood control, and other socio-economic infrastructures, while the latter refers to operation capacity development to train the government how to operate, maintain, and utilize the hard infrastructures.

Susumu Ito, Chief Representative, Japan International Cooperation Agency (JICA)

Some concrete examples are the support given for the establishment of research institutes, joint activities with universities, and even scholarships to deserving individuals. Therefore, being able to improve both hard and soft components of the Philippine economy is something that strengthens the reputation of JICA in the country.

Moreover, when JICA supports a particular project it is not limited to the mere construction aspect. The agency also supports the masterplan, feasibility study, and the construction. Although this may require a longer period of time, the process ensures quality, viability, and success of the project. It will further result in a construction that is founded on sound project capacity and management plan.

In recent years, the Japanese government is strengthening the role of JICA as a partner for Japanese SMEs overseas. In the Metro Manila infrastructure megaprojects, there are many Japanese private partners collaborating with local ones. How does JICA work in relation to this matter?

As a matter of fact, we know that Japan has an aging society. This results in numerous Japanese companies having to go outside Japan to find an external market. Some of these companies, mostly SMEs, are not very experienced in the global market. Through the government's support for JICA and its role in SME development, we hope to be a platform for more of these firms to test their technologies or products in developing countries. In the duration of this testing period, we usually provide grants and financial support to cover the expenses incurred in bringing the product here. After which, they can decide whether or not they will operate in the Philippine market.

Finally, what would be your message to Japanese companies that are interested in investing into the Philippines?

First of all, I would like to mention that the Philippines is a great country with a growing economy. The people are also very nice and able workers. I really hope that more Japanese companies will be interested in working and investing in the Philippines.

Given the growth potential of the Philippines, prioritizing infrastructure would attract more foreign investors into the country. Now that the Philippine government is advocating for the 'golden age of infrastructure,' we're optimistic that it's also a 'golden time for investments.'

In this light, JICA is not only interested in supporting infrastructure development in the Philippines but also in supporting companies interested in investing in the country, regardless of company size. Since we have been working in the Philippines for half a century, JICA has built an extensive network in the country, which interested investors or companies could use for their benefit.

CEO EXCEL AWARDS 2016

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International Association of Business Communicators Philippines

DUTERTE ADMINISTRATION LOOKS TO EXPAND SPECIAL ECONOMIC ZONES ACROSS THE NATION

Offering investors attractive incentives, excellent infrastructure and access to a large pool of competent, English-speaking workers, special economic zones are key to the government's plan to build inclusive growth and decentralize the economy

Due to poor infrastructure, thick bureaucratic red tape and restrictions on foreign ownership the Philippines can certainly be a challenging place to do business for foreign investors. These are issues being addressed under President Rodrigo Duterte's '0+10 Point Socioeconomic Agenda'. But for the meantime investors can enjoy attractive incentives, streamlined procedures, excellent transport links, state-of-the-art telecommunications facilities and uninterrupted power supply at any of the country's 350-plus special economic zones (SEZs).

SEZs, the majority of which are under the control of the Philippines Economic Zone Authority (PEZA), fall under six categories: agro-industrial economic zones; free ports and special economic zones; information technology parks/centers; manufacturing economic zones; medical tourism parks/centers; and tourism economic zones. The SEZs are already home to almost 4,000 locator companies, which employ more than 1.3 million Filipinos.

Investors at SEZs can avail of a number of fiscal incentives offered by PEZA, which include: 100-percent exemption from corporate income tax for four to six years (and in some special cases up to eight years); five-percent special tax on gross income and exemption from all national and local taxes (following expiry of the corporate income tax holiday); tax and duty-free importation of raw materials, capital equipment, machineries and spare parts; and exemption from wharfage dues and export tax.

Aside from fiscal incentives, PEZA offers simplified import and export procedures, through its Electronic Import Permit System and Automated Export Documentation System, and allows non-resident foreign nationals to be employed at SEZs in supervisory, technical or advisory positions.

> *"PEZA IS REALLY AGGRESSIVE IN ITS MARKETING AND PROMOTION ... WHAT I'M DOING NOW IS CONDUCTING BRIEFINGS AND DIALOGUES WITH BUSINESS CHAMBERS, LOCAL GOVERNMENT UNITS AND BIG PRIVATE LAND OWNERS. WE ARE TELLING EVERYBODY TO TURN THEIR LAND PROPERTIES INTO ECONOMIC ZONES"*
>
> *General Charito Plaza, Director, PEZA*

"Economic zones are designed to make investments and building businesses easier as opposed to outside the economic zones," says Francis Hernando, President of the First Cagayan Leisure and Resort Corp., which operates out of the Cagayan Special Economic Zone in Northern Luzon.

"After you set up, fiscal and tax incentives are far superior inside that zone. The quality of labor inside economic zones is also perceived to be better. The autonomy of the authorities running the economic zones is another advantage; there are less red tapes and bureaucracy."

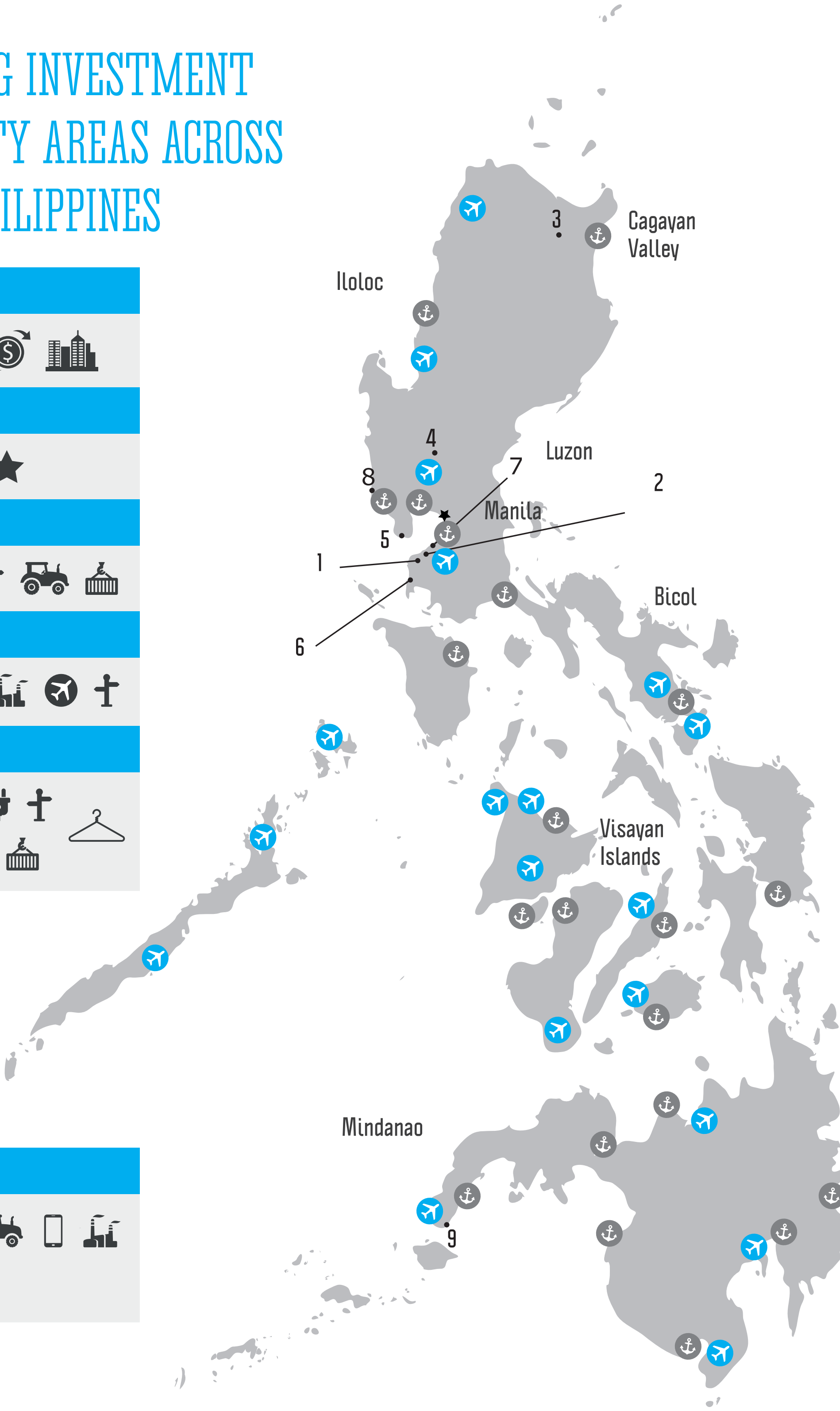
SEZs for Inclusive Development and Decentralization

President Duterte has prioritized the development of more SEZs throughout the country as part of his plan to build inclusive development, spur economic decentralization and alleviate poverty. Several "ecozones" have already been set up since he came to power in June, 2016, with many more in the pipeline. PEZA said that investment pledges for SEZs totaled 196.4 billion pesos ($3.2 billion) in the first nine months of this year, almost double the figure over the same period in 2016. Between January and September, a total of 438 new projects were registered under PEZA.

PEZA Director General Charito Plaza told reporters in October that this year's dramatic increase in investment pledges could be attributed to the agency's

Especial Economic Zones

LEADING INVESTMENT PRIORITY AREAS ACROSS THE PHILIPPINES



1.BCDA

SEZ

2.BOI

3.CEZA

4.CLARK

5.AFAB

6.PEZA

SEZ

7.TIEZA

8.SBMA

9.ZFA

LEGEND

- SEZ Special Economic Zones
- Industrial estate
- Agroindustry
- BPO
- ICT
- Freeports
- Energy
- Tourism
- Residential Real Estate
- Ship Building
- One-stop Shop For Local and Foreign investors
- Manufacturing
- Healthcare
- Fashion Manufacturing
- Diversified Economic Clusters
- Barging
- Electronics
- Airport
- Seaport

"aggressive" marketing strategy, targeting both local and foreign investors to develop more economic zones.

"PEZA is really aggressive in its marketing and promotion," she said. "What I'm doing now is conducting briefings and dialogues with business chambers, local government units and big private land owners. We are telling everybody to turn their land properties into economic zones."

One of the landmark projects signed this year is being developed by First Pangasinan Property Development Corp. The project would initially cover 400 hectares in Pangasinan Province with a project cost of almost 21 billion pesos ($480 million). This is part of a long-term $360-billion investment that will span 30 years, generating much-needed economic activity and jobs in the West of the country.

PEZA is now looking into turning some of the smaller islands of the Philippine archipelago into complete themed economic zones in a bid to boost economic development. "Some of the idle lands are the islands. We are trying to be creative by creating new types of economic zones called 'island cities'," said General Plaza at a press conference in September.

The PEZA Director gave the example of a Japanese investor, who could have a Japanese-themed island city with Japanese companies or it can also be open to all companies, adding island cities could also be tourism destinations, with the establishment of retirement villages, theme parks, and resorts.

"PEZA's vision is to invite investors to build a city on one island. Every capital city of the world will have an island," she said. "We are already marketing it. There are already investors who are interested and excited about the concept."

Davao Region

As part of the overall efforts to spread economic growth, attract FDI and generate jobs beyond Metro Manila (where two-thirds of the country's GDP is produced), PEZA recently launched its first business center outside the capital in Davao City, the country's second largest city located in the province of Davao al Sur on the southern island of Mindanao.

The PEZA Business and Investment Center (PBIC) in Davao City will assist its members and future investors in processing permits (both import and export), provide detailed services, such as document processing, and connect them to other PEZA offices.

"This is where we will be guiding our potential investors. The inauguration today is also a major event because we are now moving towards this direction of spreading the development in the countryside," General Plaza said during the PBIC inaugaration ceremony in September.

Part of the long-term plan for the PBIC is to have engineers, accreditors, examiners and personnel from the Bureau of Customs to guide locator companies. Aside from future investors, the PBIC will also be catering to 14 agro-industrial zones and five manufacturing zones in the Davao Region.

Home to country's second largest city, Davao is a focal point for economic development. Several SEZs have been established in the region over the past couple of years and are continuing to be developed. In 2015, it was announced that 14 more economic zones would be developed in the region, to accompany the 14 already in operation at the time.

Among the new SEZs is ANFLOCOR Industrial Estate, a 63-hectare agro-industrial economic zone. Aside from the industrial estate, ANFLOCOR also operates the Damosa IT Park, which hosts information technology companies.

Officials say that with this focus on development of SEZs, many investors all over the globe are now looking at Davao City and the entire Davao Region as an ideal place to invest. Investors in Davao's SEZs will have access to the newly expanded Davao International Container Terminal, whose handling capacity has increased from 300,000 twenty-foot equivalent units (TEUs) to 800,000 TEUs as a result of the 5-billion-peso expansion. The new container port has an area of 11 hectares, backed up by a 15-hectare container yard. It is adjacent to a 70-hectare export-processing zone, whose locator companies enjoy all of the aforementioned incentives offered by PEZA.

DICT is now the Philippines' most modern container terminal, thanks to its state-of-the art Navis N4 terminal operating system that powers the efficient movement of incoming and outgoing containerized cargoes.

"[DICT] is offering world-class container terminal facilities and services in this heavily agricultural island region in the Philippines, the DICT helps ensure the global competitiveness of Mindanao's export-grade products," said Alex Valoria, president and CEO of ANFLOCOR, the port developer.

The Freeport of Bataan

Located in Central Luzon, the Freeport Area of Bataan (FAB) is strategically located between Manila Bay and the South China Sea. The FAB used to be the former Bataan Export Processing Zone, the first economic zone in the Philippines.

"Formerly under PEZA, the Bataan economic zone was converted to become the freeport area. Since then, we have been the fastest-growing freeport in the country. We have been able to get anchor locators and it has been dubbed as the high-end manufacturing hub because we are the location for several big manufacturing companies such as Fashion Focus and Luenum Thai," says Emmanuel D. Pineda, Chairman of The Authority of the Freeport Area of Bataan (AFAB).

Investors in the investment priority areas, such as manufacturing, transshipment and logistics, BPO, ship repair, tourism and agriculture, can take advantage of the ports' excellent location, attractive incentives, word-class facilities and business facilitation support systems. The FAB also counts on a highly skilled workforce, capable of supporting operations in manufacturing, semiconductors and electronics, shipbuilding, logistics, BPO, energy and tourism.

By 2020, AFAB aims to turn the Freeport into a center of trade, innovation and sustainable development in Asia, using next-generation technologies and practices.

"We have big plans for Bataan that could spell the difference not only for Bataan being the center for economic activity in northern and central Luzon, but also for the Philippines to really take hold of the opportunity to become a leading logistics hub in the region," says Mr. Pineda.

"We are trying to tap and maximize our strategic location to help in decongesting Metro Manila and further put the Philippines on a more competitive position of being

UNDER PEZA THERE ARE

73 Manufacturing Economic Zones

243 Information Technology Parks/Centers

21 Agro-Industrial Economic Zones

19 Tourism Economic Zones

2 Medical Tourism Parks/Centers

ECONOMIC ZONES BEING DEVELOPED:

29 Manufacturing Economic Zones

104 Information Technology Parks/Centers

6 Agro-Industrial Economic Zones

6 Tourism Economic Zones

As of July, 2016 (latest data available)

INVESTORS IN DAVAO'S SPECIAL ECONOMIC ZONES WILL HAVE ACCESS TO THE NEW THE NEWLY EXPANDED DAVAO INTERNATIONAL CONTAINER TERMINAL, WHOSE HANDLING CAPACITY HAS INCREASED FROM 300,000 TWENTY-FOOT EQUIVALENT UNITS (TEUS) TO 800,000 TEUS AS A RESULT OF THE 5-BILLION-PESO EXPANSION

considered as the established logistics hub of the ASEAN region."

Mr. Pineda also wants to tap Bataan's large pool of high-school and college graduates that are fluent in English and highly competent in technical skills, in order to build a thriving BPO industry at the FAB economic zone, which is currently highly dependent on manufacturing companies.

"We are currently diversifying into the BPO sector. The move to diversifying arose from the need to strike a balance in the freeport, given that there are numerous manufacturing companies already," he says. "I believe we have a competitive edge with the availability of agents for call centers. That is what we offer."

Another competitive edge is the cheap power supply. According to Mr. Pineda, FAB investors enjoy some of the lowest electricity rates in the country, averaging 6.56 pesos per kilowatt hour.

"This is also among the reasons why we are able to attract big foreign companies despite our location and the lack of transportation infrastructure going to and from Bataan."

Subic Bay and Clark Economic Zones

Managed and operated by the Subic Bay Metropolitan Authority (SBMA), Subic Bay Freeport and Special Economic Zone, a former U.S. military base located around 100km north of the Freeport of Bataan in Central Luzon, continues to be one of the country's major economic engines. The 67,452-hectare special economic zone has more than 1,500 registered companies, with $10 billion worth of investments and employing more than 115,000 workers.

The SBMA has identified six investment priority areas at Subic: education, ICT, logistics, manufacturing, ship building and repair, and tourism. Like the FAB, Subic Bay is independent from PEZA, but offers investors similar incentives, such as exemption from all local and national taxes and duty-free importation of raw materials and finished goods. The SBMA also allows up to 100-percent foreign ownership and full repatriation of profits.

Subic Bay's strategic location has become its strongest link to world trade, being at the center of Southeast Asia's fast-growing commerce. It also allows investors to source their manpower needs from the region's wide labor pool of 3.5 million workers, which is the third largest in the country.

As part of the SBMA's building program to improve transport links around the Subic Bay Freeport and SEZ, the Port of Subic will

4,000
no. of locator companies in PEZA SEZs

350+
economic zones under PEZA

1.3M
no.of filipinos emploed at economic zones

Especial Economic Zones

"WE ARE TRYING TO TAP AND MAXIMIZE OUR STRATEGIC LOCATION TO HELP IN DECONGESTING METRO MANILA AND FURTHER PUT THE PHILIPPINES ON A MORE COMPETITIVE POSITION OF BEING CONSIDERED AS THE ESTABLISHED LOGISTICS HUB OF THE ASEAN REGION"

Emmanuel D. Pineda, Chairman, the Authority of the Freeport Area of Bataan

see expansion of its bulk cargo-handling facilities and the construction of $200-million New Container Terminal. The $232-million bypass road from the Subic port to the Subic-Clark-Tarlac Expressway (SCTEx) is also being constructed; as well as the $40 million widening of the Tipo Road leading to the port. The SBMA also seeks to implement the Luzon cargo railway project; and extend the freeport land area in cooperation with local government units. Aside from the Port of Subic, investors also have access to the Subic Bay International Airport, which will also undergo a $40 million expansion to increase its passenger and freight handling capacity.

Also located in Central Luzon is the Clark Freeport Zone, another former U.S. military base that serves as an important gateway and economic engine of the region. Together the Clark and Subic freeport zones were largely responsible for Central Luzon's 9.5-percent economic growth rate last year. According to the Subic-Clark Alliance for Development Council (SCADC), the two freeports attracted some $1.18 billion in committed investments, generated a total of 205,682 jobs, and exported $4.92 billion worth of goods in 2016.

Earlier this year, officials of the Subic Bay Metropolitan Authority (SBMA) and the Clark International Airport Corp. (CIAC) committed to strengthening cooperation.

"As world-class gateways, Clark International Airport and the Port of Subic can and should serve as the twin turbo-engines of growth for Central Luzon—a super duo, if I may call it," said SBMA chairperson, Wilma Eisma.

President Duterte has emphasized his desire to connect Clark and Subic free ports in order to turn Central Luzon into a major logistics hub, which would help to take pressure off the overly congested Metro Manila area.

Ms. Eisma also pointed out that by synchronizing the operations of Clark Airport and the seaport in Subic, the two zones can serve the needs of micro, small, and medium-sized enterprises, as well as large manufacturing industries in the region.

CIAC has launched an ambitious plan to increase Clark airport's capacity from the current 4.2 million passengers per annum to 8 million in the first expansion phase, 22 million in the second phase, 46 million in the third and 80 million in the ultimate phase. With a larger capacity, Clark could help to ease pressure on the Manila's overloaded Ninoy Aquino International Airport.

$3.2BN
value of PEZA investment pledges (Jan-Sept 2017)

94%
increase in investment pledges (Jan-Sept 2017 compared with Jan-Sept 2016)

438
no. of projects registred under PEZA (Jan-Sept 2017)

> *"HAVING A PRESIDENT WHO IS NOT FROM THE CAPITAL POSES SOME BENEFITS FOR THOSE OUTSIDE THE CAPITAL, AS HE WANTS TO DECENTRALIZE EVERYTHING. THE GOAL OF THE GOVERNMENT TO DECONGEST THE CAPITAL REGION AND SHIFT TO THE COUNTRYSIDE WILL SPUR ECONOMIC GROWTH OUTSIDE MANILA – SINCE DEVELOPMENT IS NOT JUST CENTRALIZED IN MANILA"*
>
> *Darwin Lacson Cunanan, Vice President, Clark International Airport Corp.*

"We need to develop Clark because our capital airport has to be decongested. We are not competing with the Manila airport, rather we are complementing their current operations," says Darwin Lacson Cunanan, Vice President of CIAC.

Clark Airport is situated within the Clark Freeport Zone, which offers PEZA-like incentives such as exemption from local and government taxes, and 100-percent tax free import importation of raw materials. Clark is already home to a number of large multinational semiconductor manufacturers, including Japan's Nanox, which employs 6,000 workers and is currently expanding its operations at the zone; Texas Instruments, which opened its $1.5 billion facility in 2009; and Korean-owned Phoenix Semiconductor Philippines Corp., which is also expanding its facilities at the zone to cater to growing demand from new customers.

But Mr. Cunanan, points out that these companies are still shipping their products to Manilla to be exported from there. It is hoped that with the expansion of Subic Port and Clark Airport, these companies will eventually be able to export their products from Luzon, removing a lot of freight traffic from the road to Manila.

"Moreover, the development of another airport does Manila a favor such that a significant amount of traffic will be reduced given that travelers from the north and central Luzon need not travel all the way to Manila just to get a flight out," he says. "So, this among others, is the importance and the implications of developing Clark and having a dual-airport system."

New Clark City

Located just 19 kilometers from Clark International Airport and within the Clark Economic Zone will be New Clark City, a 10,000-hectare development by the Bases Conversion and Development Authority (BCDA), which states the new city "is poised to become the next big metropolis" of the Philippines.

It is envisioned that New Clark City will become the Philippines' first 'smart' city, with a mix of residential, commercial, agro-industrial, institutional and information technology developments.

The full phase one of the city is due for completion in 2022, although BCDA president and chief executive officer Vivencio B. Dizon told reporters that there was "enough time" to build a portion of New Clark City in time for the country's hosting of the Southeast Asian Games in 2019.

Japan is one of the main investors in the project, through the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN), which, in 2015, forged a cooperation agreement with the BCDA to develop and build New Clark City as a major economic center in the ASEAN bloc.

"BCDA is also planning to build a government center in order to replicate what we have in Manila and to further decongest the capital," says Mr. Cunanan.

"Having a president who is not from the capital poses some benefits for those outside the capital, as he wants to decentralize everything," he adds. "The goal of the government to decongest the capital region and shift to the countryside will spur economic growth outside Manila – since development is not just centralized in Manila."

It is envisioned that New Clark City will become the Philippines' first 'smart' city, with a mix of residential, commercial, agro-industrial, institutional and information technology developments

WHY CHOOSE PEZA ECONOMIC ZONES?

FISCAL INCENTIVES

- Income Tax Holiday (ITH) – 100% exemption from corporate income tax
- Upon expiry of the Income Tax Holiday - 5% Special Tax on Gross Income and excemption from all national and local taxes ("Gross Income" refers to gross sales or gross revenues derived from the registered activity , net of sales discounts, sales returns and allowances and minus cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses during a given taxable period)
- Tax and duty free importation of raw materials, capital equipment, machineries and spare parts.
- Exemption from wharfage dues and export tax, impost or fees
- 0% VAT on local purchases subject to compliance with BIR and PEZA requirements
- Exemption from payment of any and all local government imposts, fees, licenses or taxes

NON-FISCAL INCENTIVES

- Simplified Import – Export Procedures (Electronic Import Permit System and Automated Export Documentation System).
- Non-resident Foreign Nationals may be employed by PEZA-registered Economic Zone Enterprises in supervisory, technical or advisory positions.
- Special Non-Immigrant Visa with Multiple Entry Privileges for the following non-resident Foreign Nationals in a PEZA-registered Economic Zone Enterprise

PEZA IS A ONE-STOP SHOP

- Building and Occupancy Permits are issued by PEZA.
- Import and Export Permits are issued by PEZA.
- Special non-immigrant visa processed in PEZA.
- Harmonized customs processes because of PEZA-Bureau of Customs Memorandum of Agreement.
- Environment Clearance made easy because of PEZA-Department of Environment and National Resources Memorandum of Agreement.
- Exemption from Local Government Business Permits for companies inside PEZA.
- Registration requirements simplified, registration forms made simple, approval made easy.

CAGAYAN SPECIAL ECONOMIC ZONE AND FREEPORT EYES MASSIVE EXPANSION

New CEO of the Cagayan Economic Zone Authority, Raul Lambino, is looking to expand the zone to cover the whole province – turning the area into an important node of economic development in Northern Luzon, a ASEAN hub for transshipment and logistics, and a world-class eco and leisure tourism destination

Located on the northern tip of the Philippines in the province of Cagayan, the Cagayan Special Economic Zone and Freeport (CSEZFP), is set to become an important economic engine for the Northern Luzon region, attracting both investors and tourists alike, in line with President Rodrigo Duterte's plan for economic decentralization.

Like at all of the Philippines special economic zones, investors at CSEZFP enjoy numerous fiscal incentives and benefits, including: a four to six-year tax holiday; a special tax rate of 5 percent on gross income (upon expiry of the tax holiday); and tax and duty-free importation of articles, raw materials, capital goods, equipment and consumer items.

Since its establishment in 1995, CSEZFP has been synonymous with gaming companies; it is the first and only gaming jurisdiction in Asia and home to a number of casinos and online gaming operators. But the Cagayan Economic Zone Authority (CEZA) aims to move beyond gaming to turn the whole area into a self-sustaining center of industry, BPO, finance, agriculture, transshipment and logistics, and tourism.

In July, President Rodrigo Duterte appointed lawyer Raul Lambino as the new CEO of the Cagayan Economic Zone Authority (CEZA), replacing Jose Mari Ponce, who had held CEZA's top position since 2004.

"As the President's personal choice, I will lead by example and turn the Cagayan Special Economic Zone and Freeport into his vision as a vibrant economic growth center that is efficient, clean and free of corruption," said Mr. Lambino.

"CEZA used to be associated with offshore gaming and imported used cars. Our new positioning is that it will be a growth center for Northern Luzon, a magnet for investors and a mecca for job seekers."

"CEZA USED TO BE ASSOCIATED WITH OFFSHORE GAMING AND IMPORTED USED CARS. OUR NEW POSITIONING IS THAT IT WILL BE A GROWTH CENTER FOR NORTHERN LUZON, A MAGNET FOR INVESTORS AND A MECCA FOR JOB SEEKERS"

Raul Lambino, CEO, Cagayan Economic Zone Authority (CEZA)

In September, Mr. Lambino unveiled his plan for the Greater Cagayan Special Economic Zone and Freeport (GCSEZFP), which would entail expanding the 54,000-hecatre economic zone to all 22 municipalities in Cagayan's two congressional districts. Mr. Lambino has therefore called for the creation of a new masterplan, which aims to make the GCSEZFP a catalyst for the rapid development of Northern Luzon.

As a separate customs territory, similar to Hong Kong, Singapore, Lubuan in Malaysia and Hamburg in Germany, the freeport area is set to become a major transshipment and logistics hub in the Asia-Pacific rim, offering investors a strategic location between the Pacific Ocean and China Sea along major Asian shipping routes.

Port Irene in Santa Ana town will undergo dredging and other upgrades to position it as a world-class cargo seaport and cruise ship terminal. CSEZFP investors will also have access to a brand new international airport, which launched its maiden international flight to Macau in September. A joint venture between CEZA and Cagayan Land, Cagayan North International Airport's new runway can accommodate Airbus A320s and Boeing 737s. CEZA has also proposed the development of a new inter-modal rail facility and expressway to link the new airport to Port Irene.

"With this modernized airport facility, the interconnection between the Freeport and the biggest ports and markets of East Asia and the South Pacific is now possible," Mr. Lambino said.

The zone will also feature a strategic multimodal logistics system in the context of a global transpark (the Global TransPark (GTP)/Strategic Multimodal Logistics System).

The GTP concept is an advanced multimodal infrastructure that provides logistics for manufacturing and distribution of goods and products, and allows seamless just-in-time delivery of such goods.

"It is transshipment of goods and various consumer products straight from the production line into the carrier and immediate delivery to the country of destination. It integrates just-in-time manufacturing with air cargo, surface transportation, and an advanced telecommunications system," CEZA has stated.

CEZA also says that the development of a transshipment and logistics hub would also create major investment opportunities in ancillary activities, such as warehousing, cold storage, trucking and other land transport services, airport and other airport services, sea craft and aircraft repair, banking and finance, and wholesale and retailing.

Aside from transport and logistics, CEZA has identified a number of investment priority areas for the special economic zone. As the area is covered mostly by green valleys and lush forests and surrounded by sea, it holds enormous potential for agriculture, aquaculture and tourism development.

For agriculture investors, there is the 800-acre Santa Ana Regional Agro-Industrial Growth Center, which comprise an industrial zone, residential zone, recreational zone, and a communication zone and expansion area. CEZA has highlighted several investment opportunities at the Center, such as agriculture and development centers, fertilizer production, food processing, high-value crops production, livestock and poultry raising, meat processing, fish production and aquaculture, and pulp and paper production.

In a move to further expand agro-industrial development in Cagayan, the Integrated Agro-Food Park (IAFP) will be established under a public-private partnership (PPP) at Cagayan State University (CSU) in Sanchez Mira town. The IAFP will be established in a 50-hectare area that will become the first commercial-scale one-stop-site for agricultural production and processing of food products in the Cagayan Valley.

Eco-tourism is another priority development for CSEZFP. Endowed with white sand beaches and a diverse forest environment, the area is an ideal site for eco-tourism activities, as well as a host of indoor and outdoor sports activities, including game fishing and watersports. Among CEZA's plans are the transformation of Palaui island into an eco-tourism paradise and the development of the 10,000-hectare Fuga Island.

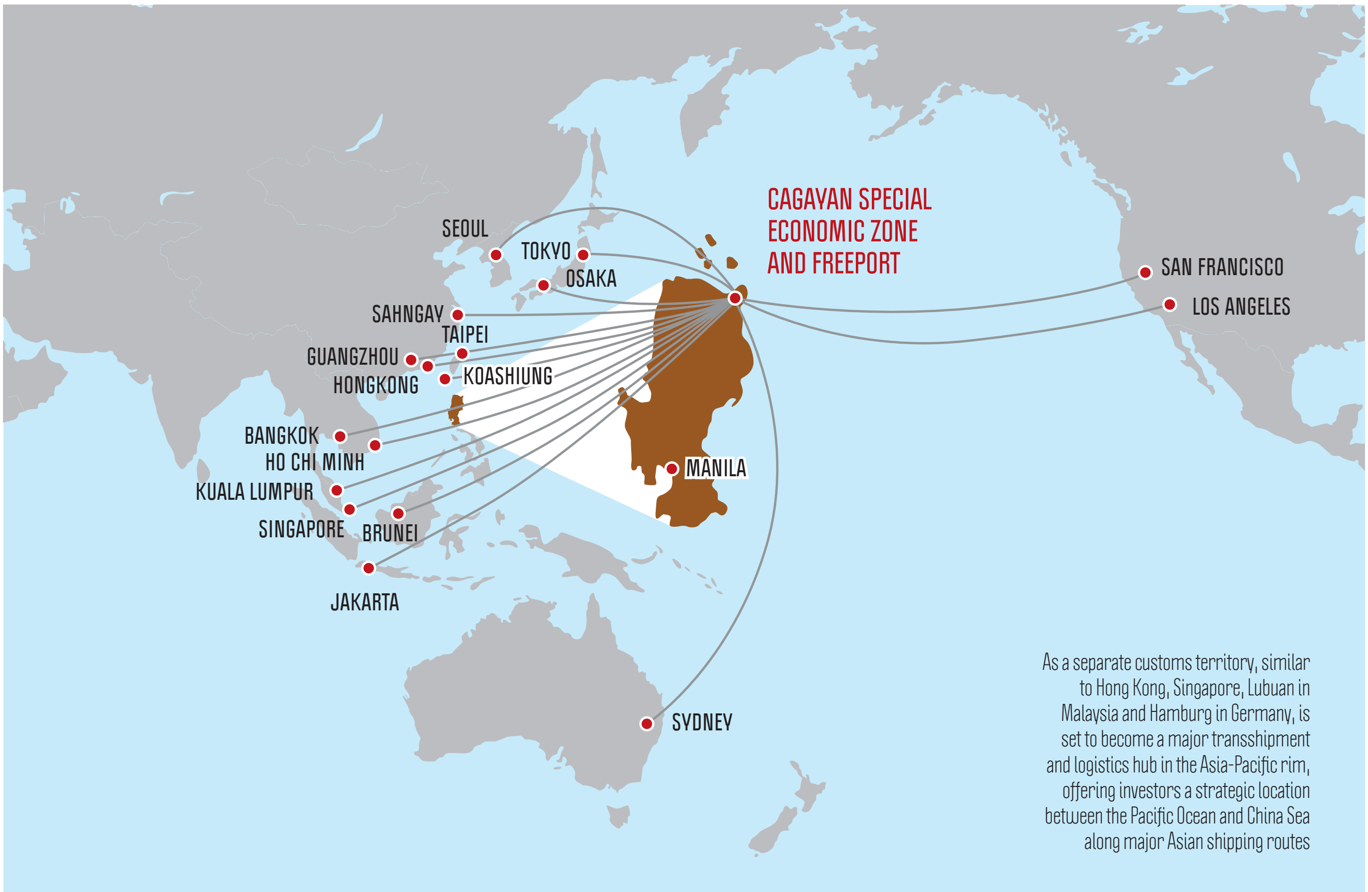
"Fuga island would easily lure tourists to its pristine coastline and powdery white sand beaches and excellent dive sites," said Mr. Lambino, who is also looking at its neighboring island of Barit, a 500-hectare enclave, as a site for a cruise ship destination.

Aside from eco-tourism, CSEZFP will continue to be a gaming and leisure destination, with a number of investment opportunities in hotels, casinos, amusements, horse racing and dog racing facilities, golf courses, and other tourism-related infrastructure. CEZA announced that already-planned tourism-related investments, which include the development of a 30-kilometer white-sand beach featuring a marina, a yacht club and a fish market, and a 72-hole, world-class golf course.

Indeed, expanding economic activity at the CSEZFP also poses opportunities for investors in energy. In October, Japanese company Tokyo Gas announced it was interested in installing a terminal for LNG in the area.

"Not only would Tokyo Gas provide clean energy," Mr. Lambino said, "but would preserve the gas-fired power plants that supply 3,200 megawatts of Luzon's needs, thereby ensuring stable power supply, which is vital in the Philippines' drive to industrialize."

Following a recent trade mission to Tokyo, Mr. Lambino stated that several leading Japanese firms, including Kyowa Shipping, are looking to establish operations at the Cagayan Special Economic Zone and Freeport. Many more investors from around the globe are sure to follow, as the area becomes a growing economic powerhouse, first choice tourism destination, and ASEAN regional hub for transport and logistics.



AT THE FOREFRONT OF THE DEVELOPMENT OF GAMING INFRASTRUCTURE

Francis Hernando, President of First Cagayan Leisure and Resorts Corp., discusses the advantages of operating inside the Cagayan Economic Zone, how his company has contributed to the economic development of the region, and the technological competencies of First Cagayan's partner, LR Data

What impact do you expect to see from deeper ASEAN regional integration and how can FDI benefit the amusement and gaming Industry?

Today, a major portion of First Cagayan's operations is inside the Cagayan Special Economic Zone and Freeport. Such special economic zones are designed to attract foreign-based companies to establish operations in those zones through fiscal incentives primarily in the form of a simplified tax framework and duty-free privileges. Furthermore, the autonomy of the authority administering the economic zone can lay the foundation for a regulatory environment that is responsive to the universal desire for ease of doing business.

With respect to the gaming industry, the geographical location of Cagayan is distinctly advantageous compared to other economic zones in the Philippines as it is closer to major markets in North and Southeast Asia. This proximity is valuable both in terms of flying distance and time, as well as speed of data transfer for business process outsourcing operations. Acceptable latency in data transfer is a key factor when online gaming companies decide on their base of operations. An increase in investments particularly in infrastructure, whether by way of ODA or FDI, would significantly boost the capacity of the Cagayan Economic Zone Authority to serve incumbent locators such as First Cagayan and to attract new ones.

What are the synergies you see with Japan, specifically with the online gaming sector?

Similar to countries that allow some form of gambling online, Japanese operators could potentially tap resources that we currently offer. First Cagayan's affiliate company LR Data has built fairly robust data network infrastructure designed purposely to cater to the nuances of online gaming operations. For example, we are in the initial stages for the planning and design of a data center to be located in a "cyberpark" inside the Cagayan Freeport. At the outset, such a data center could conceivably be attractive to Japanese online operators as their backup site for disaster recovery purposes. Beyond this, other possibilities include call centers to service legally licensed online lottery and sports betting companies. LR Data has the expertise and technology platform to enable its clients to undertake such services.

Francis Hernando, President, First Cagayan Leisure and Resorts Corp.

How do you see yourself as a contributor to the development of the Philippines via creating IT and Tourism infrastructure and investment opportunities?

The province of Cagayan has historically lagged behind other more developed areas in the Philippines in terms of infrastructure investments. First Cagayan, in partnership with the Cagayan Economic Zone Authority, established Asia's pioneer online gaming regulatory and business environment about a decade ago. Over the years, we made the infrastructure investments necessary for online gaming to take root and grow in Cagayan.

Online gaming companies provided the Cagayan Freeport with an anchor business activity that eventually spread into natural adjunct businesses that further enhanced its overall economic attractiveness. These derivative local businesses that benefited from the influx of online gaming locators into the Cagayan Freeport include hotels and resorts, transport services, the construction sector, retail establishments to name a few.

There are many other such jurisdictions, in Europe, for instance, who have very advanced infrastructure. In online gaming – something that does not really have borders – why would operators go to First Cagayan which is not as evolved as other companies?

In online gaming, as with most other internet-based commerce, the level of data infrastructure quality and the efficiency of data network design are perhaps the equivalent of geography in the bricks-and-mortar world. The quality of the technology platform that LR Data has established is comparable with counterparts in other parts of the world.

Using your example therefore, European operators would today find LR Data as robust and evolved as any other data services provider that they are used to in that part of the world. Operators desiring to establish an Asian-facing presence would be happy to know that the combination of CEZA, First Cagayan and LR Data is all that they would need to set up shop in Asia.

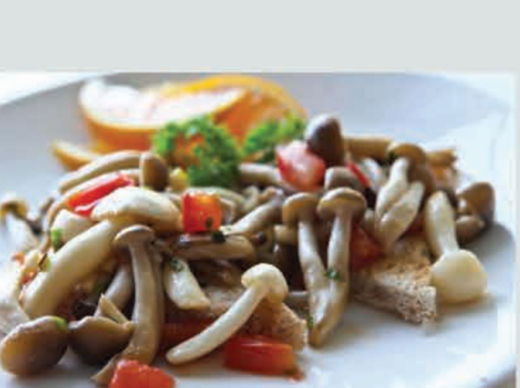
Until now First Cagayan had the benefit of being the monopoly when it comes to issuing online licenses. Considering the new regulations, how is it that you continue recruiting new customers or still give this value?

The brand reputation that the partnership of CEZA and First Cagayan created over a decade is difficult to duplicate overnight. While this brand may have been born in a virtual monopoly, it nonetheless continues to attract operators even in a drastically different regulatory environment. The licensing regime of CEZA and First Cagayan cater to both online gaming operators and their service or support providers. First Cagayan has quickly adapted to the changes in regulations by decoupling its technology services under LR Data so that the latter can offer data hosting and other services as a "licensor-neutral" technology platform. Thus, operators holding a license other than issued by CEZA/First Cagayan can maintain a relationship with First Cagayan through LR Data. In the meantime, First Cagayan, through another affiliate LR Land, is concentrating on developing venues such as those inside the Cagayan Freeport to which its licensees may consider transferring all or part of their operations.

www.hokto-kinoko.co.jp/lang/en

Makes Health Tastier

Hokuto was founded in 1964 with the aim of conducting sales of food packaging materials. Since then, Hokuto has achieved rapid growth as a top mushroom producer by developing cultivation materials and machines for quality and productivity improvement.



SOLID AND STABLE BANKING INDUSTRY OPENS UP TO FOREIGN PLAYERS

Legislation introduced in 2014 to open up the banking sector to foreign banks has boosted FDI, according to the Bangko Sentral ng Pilipinas, which has signed one of the first bilateral agreements under the ASEAN Banking Integration Framework (ABIF)

The health of the Philippine banking system has remained solid, supported by the country's strong macroeconomic fundamentals and favorable growth prospects. As of end-December 2016, the banking sector was comprised of 42 commercial banks, 60 thrift banks, and 500 rural and cooperative banks, with combined assets of approximately $273 billion.

Since 2008, the combined value of banking deposits has more than tripled to reach 10.6 trillion pesos (end-March 2017). Rapid deposit growth has enabled banks to increase lending, with loans growing at a CAGR of 15.3 percent over the period from 2012 to 2016.

Filipino banks have remained prudent in their capital adequacy management, despite this double-digit growth. The sector's regulatory capital adequacy ratio stood at 15.6 percent in 2016, which was several percentage points above the 10.0 percent minimum requirement under the Basel III framework as implemented by the country's central bank, the BSP (Bangko Sentral ng Pilipinas).

In September, Moody's Investors Service said that the outlook for the Philippine banking system would remain stable over 12-18 months, reflecting the "banks' good asset performance, strong loss buffers and ample liquidity capacity – factors that will allow banks to accommodate rapid loan growth, against the backdrop of a robust economy". Moody's has maintained a stable outlook on the Philippine banking system since November 2015.

But despite rapid growth, the size of the Philippines banking sector lags far behind that of its ASEAN neighbors, Singapore, Malaysia, and Thailand. In order to further develop the banking sector, former president Benjamin Aquino signed legislation in 2014 to further liberalize foreign participation in the market, allowing more foreign banks to open branches in the country.

Since then, ten banks have received approval to operate in the Philippines, one of Asia's fastest growing economies, including Japan's Sumitomo Mitsui Banking Corp., Singapore's United Overseas Bank, Taiwan's Chang Hwa Commercial Bank and South Korea's Woori Bank. In October, Reuter's reported that eight more banks have applied to open offices in the Philippines.

Last month, BSP Deputy Governor Chuchi Fonacier said the presence of foreign banks in the Philippines has attracted foreign direct investments, facilitating $15.7 billion in financial transactions with other countries such as the U.S., Japan, China and Thailand in 2015.

ASEAN Financial Integration

With the launch of the ASEAN Economic Community in 2015, the BSP has been one of the strongest advocates of financial integration between the 10 AEC members. Tapping into AEC markets, whose combined GDP is $2.4 trillion, is seen as a way for Philippine banks to significantly grow their deposit bases, while allowing the entry of banks from neighboring countries would lead to more capital inflows, boost financial inclusion and support further economic development.

In April, BSP governor Amando Tetangco Jr. and Governor of Bank Negara Malaysia (BNM), Zeti Akhtar Aziz, signed the Declaration of Conclusion of Negotiations (DCN) on the entry of Qualified ASEAN Banks (QABs) – one of the first bilateral agreements to be signed under the ASEAN Banking Integration Framework (ABIF). The agreement allows up to three qualified QABs from each jurisdiction to operate in the other country. BSP negotiations on similar bilateral agreements with Thailand and Indonesia are also ongoing, ahead of the full rollout of the ABIF in 2020.

"Finalizing this agreement between the BSP and BNM is an important step towards achieving the goal of the ABIF to enhance intra-regional trade and inclusive growth through QABs operating in host ASEAN jurisdictions," Governor Tetangco said following the signing of the DCN.

"As ASEAN integration advances, we expect to see greater collaboration across different members of ASEAN and the development of new channels. We think this is going to lead to greater banking activity, which then encourages greater cross border investment in the region."

BPI DIVERSIFIES LENDING TO SUPPORT INCLUSIVE ECONOMIC GROWTH

Cezar P. Consing, President of Bank of the Philippine Islands (BPI), sits down with The Worldfolio to discuss microfinancing, ASEAN economic integration and investment relations with China and Japan

In terms of loans, how can BPI, using your current strategy, help in the creation of economic inclusion and the decentralization of the economy?

We allocate capital and we can choose to allocate it to the biggest companies. We can choose to allocate it to the cities, or we can say that we can take some of this capital and allocate it to SMEs and rural areas. There is a real effort on our part now to do the latter. We can do the easy thing, which is to continue to lend to the wealthier sector of society. We can do that, it is clearly a capacity on their part to take more leverage.

On the other hand, let us try to serve the underserved. If you look at what we are doing now, two great examples are that we are creating a business bank that will sit between a corporate and retail bank. Right now, we essentially have a corporate bank. The business bank focuses on the corporate and retail. It is not something that we have traditionally looked at. We said that we have to build a business bank, and that has to be a big component of our business. If you look at it, we are looking at corporate and retail. Specifically, we are considering microfinance. These are two big pillars: the business bank and microfinance platform. We are giving it serious consideration.

Can you tell me a little bit more about your idea on microfinance?

Microfinance has been in the Philippines for a long time. One of the pioneers of microfinancing in the Philippines is a group called Card MRI. It is a combination of an NGO and bank. We are looking at that business model, but focusing more on self-employed microentrepreneurs. There are so many of them. We are focusing on them because it involves productive use.

I would like to get your vision in terms of the economic integration of the region and how the region is going to work together to stabilize the economic momentum.

The ASEAN economic integration has been talked about for a while. The reason for it to take a while before moving is a function of three things. The first is the disparity of economic wealth in the ASEAN. We have the bigger and smaller ASEAN countries—they are all at different stages of economic growth. Creating a set of rules that can harmonize these countries amid their differences is not easy. The second reason wasnthat economic integration is the hot topic three to four years ago. But it has quietened down, because a lot of the bigger ASEAN countries became beset with internal issues. The economic integration became less of a concern. The third is the role of a country like China. The Chinese market comes up, they present such a huge market, and so a lot of the ASEAN countries find China promising. In the last 10 years, China has grown 221 percent. That is a market that is growing.

> *"MICROFINANCE HAS BEEN IN THE PHILIPPINES FOR A LONG TIME. ONE OF THE PIONEERS OF MICROFINANCING IN THE PHILIPPINES IS A GROUP CALLED CARD MRI. IT IS A COMBINATION OF AN NGO AND BANK. WE ARE LOOKING AT THAT BUSINESS MODEL AND SAID, LET US TAKE THAT MODEL, BUT FOCUS MORE ON SELF-EMPLOYED MICROENTREPRENEURS"*
>
> *Cezar P. Consing, President of Bank of the Philippine Islands (BPI)*

Can you tell us about your Japanese partnerships?

Mizuho Bank is one of the many Japanese partners that we have. If you look at our foreign partnerships, we have Sumitomo in non-life insurance; we have AIA and Philam Life in life insurance; we have partners galore. We have a good understanding with Mizuho. If it's done right, you should be able to have a lot of good partners. Those partnerships make you better.

A Japanese CEO's vision is to build the company to last hundreds of years. They look forward to long-term relationships. In your perspective, why is there an investment race between China and Japan? Would you go with the Japanese or Chinese way of doing things?

To be honest, I have not given that much thought, because if you look at Chinese companies, their real thrust has been through the West. You see a lot of transactions of Chinese companies acquiring Western companies. They do it for a whole host of reasons, such as food security, energy, and whatnot. If you look at Japanese companies, they have come into markets on their own setup and their own names. Instead of buying the big, local names they just set up shop. They embrace the local market. It is attractive for a Filipino to say that Mitsubishi is going to come here; they are dealing with the local market. I think we are more used to doing the Japanese way of doing business, but certainly, there is room for both.

To me, it is significant that the Japanese prime minister visited this country two or three times – no prime minister has done that before. There is clearly a lot of Japanese focus in the Philippines. For any rational company, they look for growth here because growth is present here. Since the 60s, the Japanese have been here, there is a long history. The Japanese ageing population is also a consideration.

'WE ARE DRIVEN BY CREATING LONG-TERM VALUE FOR OUR CLIENTS'

Primeiro Partners is a leading independent investment bank in the Asia-Pacific region that advises clients on decisions that impact value creation. Managing Partners, Stephen Sieh and Lorenzo V. Tan, discuss how it can help investors to make the most from the opportunities in the Philippines, as well as their move into microfinancing

How does Primeiro Partners operate and what are the opportunities and challenges that the company deals within its operations?

Stephen Sieh (SS): We are a financial advisory firm focused on three business verticals: investment banking, asset management, and strategic partnerships. We see a wide variety of very attractive opportunities in the ASEAN region. Under our investment banking group, we are advising companies that are pursuing merger and acquisition opportunities in the region, raising capital for growth and/or undergoing a fundamental transformation in their businesses. We have advised in more than ten different industries, and currently we are particularly active in the real estate, healthcare, consumer and business services. On the asset management side, we invest in promising entrepreneurial ventures that address market needs primarily via technology. Under our strategic partnerships, we have a number of joint ventures with mature, reputable ASEAN companies participating in the renewable energy and financial technology space.

The operational challenges that we experience, for the most part, revolve around the amount of resources we need to deploy to achieve successful executions in a timely manner. Some of those challenges are brought about by he regulatory environment that we operate under. Another critical operational component for us is acquiring top talent that matches our firm's culture of integrity and excellence. In our strategic partnership business, one of the key challenges for our biofuels trading platform has been logistics.

Do you consider the Philippines as being competitive within the ASEAN region in terms of the investment climate and the ease of doing business? What could the government do to improve the business environment and what could Primeiro Partners do for its clients?

SS: Relative to all countries part of the ASEAN, I would rank The Philippines as being somewhat in the middle. We are certainly not as 'plug and play' as Singapore, but certainly not as difficult to do business in as some other ASEAN participants. One aspect that I believe makes pursuing and developing business in the Philippines extremely compelling is the fact that it has the largest English-speaking population of the ASEAN member states, by far.

The government's platform is "build, build, build." In line with that slogan, if the government can build a vision, build the infrastructure to implement that vision, and build the previous two with long term consistency we will be vastly more competitive. From a business perspective, stability and predictability is so important, it is the basis for trust, and trust brings investment.

Primeiro Partners provides leadership, credibility, and commitment to clients. To every engagement, investment or partnership, we bring a unique combination of global know-how, strategic, financial and operational experience, and an unmatched network of relationships built on trust.

What is your opinion with regard to the direction of the banking sector? What are the strategies that help the sector grow and how is Primeiro supporting this? Lastly, how important is it going to be to maintain the growth of the Philippines?

Lorenzo Tan (LT): We have a crowded banking industry in the Philippines. There is still a lot of room for consolidation to promote stronger balance sheets, cost efficiency and improved customer service. We are in a position to advice foreign or local investors who wish to acquire or consolidate their banking interests in the Philippines.

The Central Bank has been advocating financial inclusion to the various banks and the population. However, only a few universal banks have entered this field. RCBC became the first to be part of this advocacy followed by BPI and BDO. I heard the rest are also following.

Similarly, the Japanese banks are accustomed to the distribution of wealth. Thus, they are big in wholesale banking and good at consumer and private banking, but are not familiar with products for the C and D market. The distribution of wealth in the Philippines resembles a pyramid where the C and D markets each involve approximately 40 million Filipinos. So, there is a huge portion of the population who eats almost once a day. The challenge now is how to teach these people to save money over time.

Without a doubt, this can be done and the people can be taught. When I was president of PNB, the average deposit was three thousand pesos per account and we were able to bring it up to fifteen thousand pesos per account by giving them incentives to save. We created products that do not incur penalties if you do not have money. For the longest time, depositors have to pay a penalty if their balance falls below $200 a month. To encourage savings among the people, PNB created products for people who may have zero balance at a certain point in a month.

It is evolving, and it is good for the Japanese banks to enter the Philippines, collaborate with the local banks in creating products for the C and D market, and successfully enter the ASEAN region. So, from 105 million people, the Japanese can grow their market to more than 630 million people in this regard. This opportunity gives Japan or other foreign investors the key to nine other countries in the region. Not to mention, going into business in the Philippines also give the investors the possibility of finding the talent adaptable enough to be sent to the other ASEAN countries.

A positive phenomenon in the Philippines is that you can find a lot of Filipinos

Stephen Sieh (right) and and Lorenzo V. Tan (left), Managing Partners of Primeiro Partners

in the financial services sector with U.S., London, or Japan training who come back and foster some sort of knowledge transfer. In fact, most of the CEOs right now are changing and are becoming more global. From people in the sector beginning and ending their careers in the country to people beginning their career overseas and moving back to the Philippines—these reflect how the banks went through a competitive and cultural transformation. The skills are passed on to the younger individuals working in the sector.

How important is it for Primeiro Partners to be recognized as a company that make investments to help social inclusiveness here in the Philippines?

LT: A key aspect of our mission is to provide consumer and financial services for Micro and SME businesses which are often restricted in their growth due to the lack of capital and expertise. We have extensive experience in building products and services for the C and D market in the Philippines.

Could Primeiro be of help in situations where a company has the capital but has no definite plans as to where to invest and make a significant impact on the local setting?

LT: Our private equity arm can provide financial backing or advice in the capital structure of a start-up or an operating company. Our experience and relationships span a wide range of industries in the Philippines and the Asian region. We can play a vital role in helping companies realize their growth potential.

SS: We have setup our asset management business to do exactly that. A company, fund or investor can commit a certain amount of capital and provide us with their general investment parameters. Our asset management vertical finds the right companies and opportunities to deploy such capital and to monitor the direct investment. We are in the process of setting up a real estate fund, and we have invested in a technology company that will enable gigabit connectivity by reducing CAPEX and implementation costs by 30 and OPEX and complexity by 90 percent. We are also regularly asked to invest alongside our clients. Most importantly, we have unique, proprietary, and diverse opportunities for investments.

What are the core values at Primeiro Partners?

SS: Our core values are independence, integrity, and intellectual capital. We are not transaction driven, we are driven by creating long-term value to our clients. If the transaction does not make strategic sense or does not generate incremental value, we are not pressured to say so.

Independence and integrity is at the very core of Primeiro. We believe that to provide objective advice, we remain completely un-conflicted and ensure that all client matters are treated with confidentiality. Thus, we do not trade our clients' stocks, we do not write research about them, nor do we try to push any banking product. We want to make it clear that there is no another agenda other than our client's best interest.

In terms of financing, what do you think could be the opportunities in the electronic banking sector?

LT: There are tremendous opportunities in the electronic banking sector. I always tell our staff not to look at our competitors and our past. Instead, I advise them to look at other industries and learn from them. Thus, we looked at Compartamos Banco and Banco Azteca in Mexico. We started the first microfinance bank in the Philippines with Compartamos as our role model.

In this light, the Filipinos could adapt quickly if one can bring these banking models here. I was told before that the older Filipinos cannot be taught how to use the ATM. I said if you see them texting, which we do, you can teach them how to use the ATM. In this sense, we are able to change behaviour. There are indeed a lot of opportunities. In fact, we were able to grow the customers of my previous bank from 700,000 to 7.3 million.

The challenge is your operations or backroom must be scalable and nimble. One cannot sell the best burger in the world, and tell the customer to wait 30 minutes before it could be served. The backroom ("kitchen") must be scalable, in order to have a standard when it comes to delivering one's products. There are a lot of opportunities, but regulators must give you the space and opportunity to innovate.

Finally, what are your expectations with regard to business for Primeiro Partners in the Philippines?

LT: Primeiro Partners is in a fiduciary business. People deal with us because they trust us. We provide more than just capital. We are in the business of managing risks and providing opportunities. We would like to see our clients transform over time from Micro to SME, SME to big corporates, from corporates to conglomerates, while enriching the lives of their employees, customers and their communities.

SS: Lorenzo and I worked the majority of our careers for financial institutions with very high world-class standards. Our approach is to continue to grow Primeiro with such standards, and be the leading firm that corporates and investors alike welcome partnering with for advice, capital, and execution. The Philippines is an enormously promising country, we see so many opportunities here on a daily basis. We are very excited for what is ahead.

SGV'S COMPETITIVE EDGE: CONNECTING CLIENTS WITH EACH OTHER

J. Carlitos G. Cruz, Chairman of multidisciplinary professional services firm, SGV, sits down with The Worldfolio to discuss ASEAN integration, and the company's competitive edge, which is the result of its long history. He also talks about the company's vision for the future and its digital transformation

This year is the 50th anniversary of the ASEAN, and all ASEAN leaders have been pushing for more integration. What is your vision in terms of the development that ASEAN has had in the last ten years, and is it going to the right direction?

ASEAN represents a big chunk of the world's young population. The potential for growth is there, but how do we become competitive in the global market? We need to bind ourselves into one, big team.

You are aware that there are several products already that are zero-rated within ASEAN. If we work as one, it would help us to be on a different level. We, however, compete in some products, so that is one main problem. For instance, Thailand does not use the word subsidy, but how would our sugar farmers compete with Thailand? They produce sugar at very low prices, and their rice technology was adopted from Manila four decades ago. Now, they are the best in rice production. We should be complementing the needs of one another.

President Duterte is pushing for the development of economic zones. How is SGV working with Japanese companies?

Globally, there is what we call the Japanese Business Services Desk, I have three Japanese managers helping us here. That is where we connect with our Japanese clients. We regularly have these thought leadership programs. We do provide updates especially on the companies in the economic zones. If and when they have some requests to meet with regulators, that is where we try to facilitate meetings.

In my latest meeting with the Director General Plaza, the task is to push the economic zones outside of Metro Manila. Part of the inclusive growth agenda is pushing it to the provinces. To me, it makes sense for employment and development. One thing that I learned in my travels to the provinces, especially in Bacolod, is that we have been doing well in construction and real estate because of the demand.

However, if you talk to people in Bacolod, because it is a sugar region, there is a shortage of farm workers. The food security part of the country is at risk right now, because construction workers are given higher salaries. These guys do not want to go into farming anymore. That could probably be the same for all the growing cities like Cagayan De Oro and Iloilo, where there would be a shift. Another thing is that if you talk to the farmers, they send their kids to universities, and nobody returns to the farm.

"OUR HISTORY HAS HELPED US TO BUILD A NETWORK OVER THE YEARS. WE CONNECT CLIENTS WITH EACH OTHER, ESPECIALLY ON BUSINESS REQUIREMENTS. THAT IS SOMETHING THAT WE COULD HAVE AN EDGE ON TOP OF ALL THESE TAXATION REQUIREMENTS AND PROVIDING BUSINESS ADVICE. TO ME, IT IS MORE ON THE NET WORTH THAT THE FIRM HAS BUILT OVER THE YEARS, ESPECIALLY WITH THE CLIENTS"

The result is that we have aging farmers like the population of Japan. To my mind, the key is for the Japanese to teach us on how to use technology, because we are going to be lacking farm workers in the future.

What Japan is doing in agriculture, the way I understand it, is that they have introduced so much technology. With that, the shortage of farm workers is being addressed, so that is one opportunity because agriculture is one part of the government's current agenda. I would say that there are similarities between the Japanese and Filipinos. We got agricultural lands and we have complementing demographics.

What is the added value that SGV brings to companies who want to invest in The Philippines?

Our history has helped us to build a network over the years. We connect clients with each other, especially on business requirements. That is something that we could have an edge on top of all these taxation requirements and providing business advice. To me, it is more on the net worth that the firm has built over the years, especially with the clients.

For instance, we can connect a logistics firm to one retailer, and see if there is some synergy in their business. We can connect a client who is need of a financial advisor or some financial facilities. We could introduce a startup or an SME to a financial institution so that they could meet their funding requirements and guide them on future endeavors. Those are the things that normally give us an edge over competition because of our size and net worth.

As new Chairman of SGV, where do you see the company over the next few years?

We have the Vision 2020 targets, but I guess like any organization today, we are looking at digital transformation in the next few years. We have been very aggressive on this. Our learning and development process includes digitalization. I hope in the next three years, we should reach that skillset that is required to address all this digital transformation in the businesses.

On the market side, we are growing internationally, we are part of the EY Global Delivery Service Network. In the Philippines, we are part of the engagement team in the following markets—the U.S., Singapore, Hong Kong, Australia, and New Zealand. We do work for Japan, but on a very limited language requirement. That is for audit, but we also do taxes. We do some tax technology work in the automation of the tax provisioning calculation or the tax returns of other countries.

'IT IS THE GAME CHANGING MOVES THAT WILL ULTIMATELY CHANGE THE PHILIPPINES'

Paul R. Boldy, Country Manager of Harvey Law Group in the Philippines, gives us his view on the Duterte administration and the challenges it must overcome to deliver its agenda. He also discusses his company's business model and its expansion into ASEAN countries such as Cambodia and Vietnam

With the new administration, we are coming to a point where the Philippine economy is working towards solidifying growth and establishing the needed infrastructure framework, banking laws, etc. in order to keep the growth sustainable in the future. What is your point of view in this regard? Do you think the Philippines is on the right track and what do you think about the new objectives of this administration?

I went to a conference called the 'Dutertenomics'. I found it very interesting because I have never seen a group of ministers who were equally determined in what they wanted to achieve. I remember saying that if the government can do 10 to 15 percent of what they plan to do, they are going to change this country beyond belief. Crucial factors are present. The rule is there, they have identified the low hanging fruit, the projects that can be done reasonably quicker. It is the game changing moves that will ultimately change the Philippines.

I came away from that meeting feeling very positive. At present, they certainly have a lot to do; and it is good to lay out the plans first. These plans serve as the world map of what they ought to do. However, the more important issues relate to the capacity of the law to sustain the plans, if transparency would be maintained at all times, and if they would be able to eradicate, or at least sufficiently decrease, the occurrences of corruption.

It is crucial to address these issues in order to attain the required capital and partners in order to implement the plans successfully. As you may know, the sort of things they are talking about and are planning to do will need the Japanese expertise, the Chinese expertise, and the European expertise among others. The Philippines will need the world to be ready to say, "Yes, we are willing to support you and we are going to invest because we can see that things are changing." At the end of the day, this is the nagging trouble with all the growth and initiatives of the administration: how quickly these issues could be changed in order to keep up with what is going to be an aggressive "build, build, build" program.

Paul R. Boldy, Country Manager of Harvey Law Group in the Philippines

To give our readers a brief background on Harvey Law Group, could you please explain to us the business model. How does Harvey Law Group work and what are the major services or engagements of the company?

We represent major key brands such as Kempinski and Hyatt. These companies have been around for years and we know they have to be managed in an exceptional manner. These are the type of clients we partner with and provide advices to because we are ultimately a law firm and not an immigration agent. As opposed to the latter, we have a responsibility to be present to protect our client all the way through. We stand with them, take them through the process, check for shadows and inconsistencies, and let our clients know what is the best action to take. We sit down with our client and ask them first and foremost what they want. We would not recommend them the most expensive if the least expensive could already satisfy their need. Otherwise, we would not be doing our job for the client.

In terms of the Philippine restriction laws on land ownership, how does Harvey Law Group confront these limitations?

Frankly, there is nothing we could do to eliminate this. It is the Philippine law. However, the current administration is working fervently to increase the ease of doing business in the Philippines.

It is important to note that the situation pertaining to land ownership in this country can be comparable to the situation in Thailand. The law states that condominium buildings can be owned up to 49 percent by foreigners. It is a fact that a lot of the Japanese would want to live in a condominium because there is security, people on site to do maintenance, and it is something you could enjoy without any hassle. In the point of view of the Japanese or any other foreigner, the land purchase entails more risks. In this case, we point out these risks to our clients not with the objective of changing their decision rather to make them well aware and knowledgeable before they could finalize their investment decisions.

How would you evaluate the opportunities that your company has within the ASEAN region?

The ASEAN region does provide us with various opportunities. One of our recent engagements in the region is making our services available in Myanmar. Although we do not practice law yet in this country, what we do is help people who are going to move out or migrate. Many of the people who move out of the country do it for education purposes. The families there want their kids to be educated generally in the American, Canadian, Australian, or British setting.

Similarly, we have just moved into Cambodia, while we have been in Vietnam for nine years. The latter being one of our biggest markets. We have deep roots in Vietnam. This is because as we assimilate ourselves in the market, we try to find as much similarities or common ground as we can. As for the Philippines, we would also want to be regarded in 10 years' time as almost like a Filipino company in terms of that we belong here, we have been here a long time, and we work with standards in executing our craft.

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BUILDING A THRIVING AGRO-INDUSTRY

Government, banks and other private investors are helping to sow the seeds for rural development

Agriculture is the economic mainstay for many rural areas in the Philippines and still a significant contributor to the country's GDP. But while the economy has grown impressively in past few years, agriculture growth has been disappointing.

The Philippines is rich in agricultural resources, from fruits such as pineapples, mangoes, coconuts, abaca and bananas, to rice, coffee and cacao. One mistake of the industry has been the lack of crop diversification, with too much emphasis placed on rice, corn and coconut. And despite being one of the world's largest rice producers, the country still imports more rice than it exports. In fact, in 2016, agriculture food trade among five ASEAN countries showed the Philippines as the only one posting a deficit, with food exports of $5.1 billion versus imports of $11 billion.

Long-standing issues have impacted the potential of the Philippines agriculture sector, such as lack of access to credit, poor infrastructure, low farm mechanization, inadequate postharvest facilities and limited support for R&D. But these issues are all being addressed by the administration of President Rodrigo Duterte, who sees agriculture as an important part of his plan to alleviate poverty, build inclusive growth and spur economic decentralization.

The Duterte government's fresh focus on agriculture has already yielded positive results: agriculture in the first quarter of 2017 grew by 5.28 percent, after several quarters of decline. This was followed by growth of 6.3 percent in the second quarter of this year.

However, there is a long way to go to transform the sector into a vibrant and modern agro-industry that generates jobs, boosts value-added exports and drives significant inclusive economic growth. Investment in technology and improving access to credit will be key for the sector development, alongside development of human capital in rural communities.

With this in mind, the government has pledged to allocate 120 billion pesos (2.3 billion) of the national budget each year to the agriculture sector for five years to drive rural development. This money will be used for investment in irrigation, technology and R&D. To boost crop diversification, the Department of Agriculture has started the Color-Coded Agriculture Guide Map, which will determine the crops or agricultural activities that would be best suited in a specific area based on geographic, climatic and soil type conditions.

Furthermore, rural communities and farmers will be major benefactors of the president's $180 billion 'Build, Build, Build' infrastructure program, which will see much-need transport, power and other vital infrastructure built across the country. International partners, such as the World Bank are also providing funding for rural infrastructure development. In 2015, the World Bank approved a $500 million financial package for the DA-led Philippine Rural Development Project (PRDP).

Last year, agriculture secretary Emmanuel F. Piñol said that as of November 4, 2016, the infrastructure component of the Project had so far approved the funding for 354 infrastructure development subprojects worth 17.75 billion pesos and 215 enterprise development subprojects worth 540.67 million pesos.

This translates to 71 of the 81 targeted provinces already having approved subprojects under the PRDP and 18.3 billion pesos-worth of assistance for high-value commodities such as abaca, coconut, banana, dairy, coffee, cacao and goat.

"Most of the approved infrastructure subprojects are farm-to-market roads (FMRs), the equivalent length of which totals to 1,318.11 kilometers, including an additional 226 kilometer-long FMRs with bridges. We have already completed 18 FMRs stretching to 57 kilometers, while 179 FMRs equivalent to 668 kilometers are at various stages of construction," said Secretary Piñol.

In October, the government announced it was is seeking an additional $170-million loan from the World Bank "to finance the strong demand from LGUs (local government unites) for rural infrastructure support under PRDP, especially farm-to-market roads."

Local financial institutions such as Landbank are also engaging in rural development, by expanding financial services and access to credit to the nation's small farmers and fishermen. As of September 2016, just 8.2 percent (38 billion pesos) of the bank's total loan portfolio was made up of small farmers and fishermen. Upon his appointment last November, CEO and President Alex Buenaventura said he increase that figure to 20 percent (115 billion pesos) by June 2022.

"There is a need for Landbank to focus on innovating lending programs for countryside development for inclusive growth to alleviate poverty," says Mr. Buenaventura. "Based on my 36 years of rural banking experience, I proposed launching the Corporatives Development and Lending Program as a strategy for achieving this ambitious goal."

As part of this innovative program, Landbank, in June, unveiled its Joint Venture Corporative plan, which aims to resettle 3,333 poor families on 10,000 hectares of public land. Each family will be allocated three hectares of land for farming purposes, forming a corporation to professionally manage the 10,000-hectare plantation from production, to processing and marketing. The corporation will be a joint venture – 51-percent owned by a big agro-processing company and 49-percent owned by the families.

"The Corporatives Development and Lending Program is basically a corporate approach of value-chain lending to small agri-producers and microenterprises," explains Mr. Buenaventura.

With the growing support from government, banks and other private investors, the Philippines may be one step closer to unearthing its enormous potential in agriculture. A thriving agro-industry will help to ensure food security, alleviate poverty and fuel economic development in rural areas.

MAKING A LEVEL-PLAYING FIELD

In this interview with The Worldfolio, Alex Buenaventura, President and CEO of Landbank of the Philippines, discusses the policies and initiatives of President Rodrigo Duterte, regional integration, and expanding access to financial services to those in rural areas, particularly small farmers

What is your expectation on the new administration's initiatives such as the 10-point economic agenda?

The 10-point socioeconomic agenda is excellent. It focuses on infrastructure development and that addresses the basic requirements for inclusive growth. The government's main objective is to improve or reduce poverty, and the infrastructure development that will be done extensively will impact tremendously on investments in the countryside especially in agriculture. When you can move agricultural products more cost-efficiently, there will be more incentive for investors to go into investments in rural areas. That is particularly interesting for Landbank (LBP), because we are focused on promoting investments in the countryside, and these are mainly agri-industrial investments.

Agriculture accounts for more than 10 percent of GDP and is the second largest employer. More importantly, this sector is the primary source of income for rural and poorly accessible areas. Nevertheless, many farmers are still fighting for survival due to lack of financial support which dampens economic development of the entire country. How can the "Agri Agra" law be made more effective and how can FDI complement the efforts?

That is precisely the mission given to me by Secretary Dominguez for my appointment in LBP: to provide and revive access of small farmers to credit banks. Right now, we have become very stringent for farmers' cooperatives to qualify for loans. LBP requires three years of profitability for a farmer to become eligible for loans. We will now introduce a corporate approach of lending to the small farmers. The farmers will be allowed to participate here and have access by way of signing an individual farm management agreement in partnership with big agriculture companies.

These companies will manage the individual farms of the farmers. Most of them were already blacklisted by LBP. We will lend to these farmers' corporations not only for production or land development, but also for the setting up of a processing plant. This will be a complete value chain company from production to processing and marketing. Since the farmers will be owning shares of these corporations, they will also enjoy dividends. Out of the dividends, they will be able to pay restructured loans, because they should restructure the loans that they have not paid before. Moreover, they will be earning regular monthly salaries from the corporations, because they will be hired as laborers.

Alex Buenaventura, President and CEO of Landbankof the Philippines

This corporate approach of lending to small farmers is a hybrid between a corporation and a cooperative. That is why I called the program the "corporative" development program. We are excited about this, and there are many potential areas, with each being 10,000 hectares. We are talking to and inviting big agriculture companies involved especially in palm oil, rubber, coconut, coffee, and cacao production and processing. In short, we have this ambition of creating an alternative way of lending to the farmers, because LBP failed in its lending to farmers' cooperatives. We must develop a new approach, because the existing approach is not working anymore.

What role would international investors play in this context?

Let us take [Japanese soy sauce maker] Kikkoman as an example. The company can be the joint venture partner corporation of the farmers in putting up a soy bean production and processing plant. The final product can be Kikkoman. What we can do for that investor is to find the needed track of land. The LBP's "corporative" development program will identify an area of whatever size is required to supply the requirements of that Kikkoman processing plant. Anything that involves the production of agricultural crops is applicable for our program. If they are interested in investing here in the Philippines, we will look for the area suitable for them – the right size, soil, elevation, rainfall, and many other factors. We will take care of the difficult part and that is the consolidation of big tracks of land for them.

We already know the mandate of LBP and what you are trying to achieve with the whole organization. However, what is it that you personally want to achieve in your position as President and CEO of LBP?

I want to succeed in the "corporative" lending approach, which I tried to implement in 1988. Back then, I created a rice mill corporation for the rice farmers to whom my family's rural bank in Davao Del Norte lent. The approach provided the marketing strategy and collection point for loan payment, because they are supposed to deliver their harvests and produce to their own rice mill. They own 70 percent of the rice mill. However, I failed, because 20 percent of the farmers in 1988 did not deliver to their own rice mill to avoid paying their loan to my family's rural bank. In other words, they "pole-vaulted."

I told Secretary Dominguez that my main interest is to make the "corporative" approach succeed by reengineering it. The "corporative" must manage the farms. It will no longer be the small farmers who will manage, because if they do, they do not pay the bank. That is the inspiration of this "corporative" development program. That is my lifetime legacy and challenge – that I want to make something I did in 1988 succeed this time. This time, the "corporative" will manage the farms.

FROM FARM TO PLATE: THE AGRINURTURE BUSINESS MODEL

AgriNurture Inc. is a company fully integrated into the agro-industry supply chain. President and CEO Antonio Tiu gives us his insight into the agriculture sector in the Philippines and discusses his company's business model, 'From Farm to Plate'

Agriculture accounts for more than 10percent of total GDP and is the country's second largest employer. What is your evaluation of the agriculture sector?

Analyzing the budget of the Department of Agriculture, it can be seen that two thirds of the budget is allocated to the rice sector. This will be a big problem for the government especially now as we approach ASEAN Integration. The problem will be in terms of the rice trade liberalization which took effect July 1 this year. From the time of the ASEAN Integration which happened two years ago, we requested for a two-year extension on the rice restriction. Now, the big challenge would be how the rice farmers will be protected while the safety net is no longer in place. If the macro-perspective of the agriculture sector is not being considered, the sector will not be led towards the right direction.

The national government is keen on growing farm production by 2.5 percent to 3.5 percent annually starting this year until 2022. What are the possible investment opportunities here? What is the importance of the so-called "golden crops" that you are especially involved in?

The Philippines has to realize that not all its resources can come out at the top. Maximizing local resource is a critical factor but always a formidable task in stimulating economic growth. Given the Philippines' good relationship with countries such as China, Japan, and Russia it can be considered an opportunity, a golden era – one that must be capitalized on in order to promote the country's resources and to be able to increase the income of farmers. If rice becomes the focus, it's going to lead the sector towards total failure. The right resources must be channeled to the right products. Only a few products have economies of scale such as banana, pineapples, and mango. As for commodities, we produce primarily only coconut oil and maybe a little bit of abaca, tuna, and other seafood.

Mr. Antonio Tiu, President and CEO, AgriNurture Inc

In 1997, AgriNurture was set up as a trader of post-harvest agricultural machineries. It later diversified into several operations, following its goal to set up a fully integrated supply chain from the crop, to manufacturing and distribution. Would you be able to walk us through some of your major milestones and the focus of your operations?

I started as an agri-entrepreneur selling Taiwanese postharvest facilities, requiring me to travel all over the country for 20 years. It was not a bad business, per se, as it opened my eyes to the realities of the countryside. At that time, I realized that selling more agricultural equipment was my way of helping farmers to bring their produce to the consumers. That is why we came up with our business model, farm-to-plate. My focus is actually to create a brand through the promotion of our Big Chill brand rather than adding a business to our portfolio. We are expanding Big Chill in Hong Kong as a retail brand, and it's also available in China and soon in Southeast Asia, Korea, and Japan. A marketing strategy would be when people go to the supermarket and pass by the fruit section, they will correlate it with Big Chill.

My focus will still be on the main core business of AgriNurture, which is the rice trade and the export of fruits as of today. That comprises about 90 percent of our total revenue, whereas coconut water and Big Chill contribute only a few percent each. However, Big Chill is exciting because it creates and enhances the value of my products from just a commodity product to branded product. This is a long-term strategy for us. Moving forward, an advantage would be creating synergy of this retail brand with other non-competing brands such as Tully's. It will also strongly improve the profitability of the company in the retail sector.

Considering the partnership you have with the founder of Tully's coffee Japan, what investment opportunities or partnerships would you see possible for Japanese companies such as Calbee and Meiji Holdings?

There are a few offers on the table to buy stakes in our companies. It is quite an exciting time and several companies can see strategic investment value in my business. There were offers from Japanese and Chinese investors to take a stake in the company. And if the price is right, I would seriously consider.

Within the Philippines we have seen several great examples of internationally successful companies in the food business. One of them certainly is Jollibee. How would you evaluate your position in the domestic market and how do you measure up to these giants in an international context?

We do not compare ourselves with the big companies. Some of these names have shown that they are a good model to emulate for Big Chill and Tully's Coffee. However, we are more on the healthy side. Our main offering includes 'SSSS': soup, salad, sandwiches and smoothies. We want to be something new, similar to the fast-food chain but with healthy and with all-natural products. Big Chill is aiming to go in that direction. It's going to be listed soon, and it will develop slowly into something like the famous retail brands in the country.

The AgriNurture parent side is focused on commodity. Big Chill will serve as the face through its visibility, even if it's just a small fraction of our total business. The farm and trading side is more important in terms of volume, but the plate side is the face. At least people will appreciate AgriNurture as the owner of Big Chill.

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THE PHILIPPINES CONSTRUCTION AND REAL ESTATE BOOM

Steadfast economic growth has resulted in double-digit growth of the real estate and construction industry. As development moves beyond Metro Manila, growth levels are expected to be sustained over the coming years

Office development, infrastructure investment, a growing middle class fueling increased domestic consumption and commercial activity, and an influx of foreign property investors are some of the factors behind the Philippines' construction and real estate boom. The construction industry has enjoyed double-digit growth in recent years, hitting 14.6 percent in 2016, following growth of 11 percent in 2014 and 10.4 percent in 2015. According to analysis from BMI Research, the nation's construction sector is expected to post average growth of 11.2 percent between 2017 and 2021, making the country one of the best global performers.

Similarly, real-estate loans have expanded, with average yearly growth of 21 percent over the last four years. In the second quarter of 2017, the value of property lending hit 1.37 trillion pesos ($26 billion), a 20.3 percent increase from a year earlier. Over 75 percent, or 1.03 trillion pesos, of the real estate loans was extended to land developers, construction companies and other commercial borrowers; while the remaining P338.21 billion were residential loans.

"Hefty growth in lending to the property sector simply means the banks are responding to growing demand given the improving overall incomes throughout the country and anticipation that lower income tax rates will expand the base of mortgage borrowers after the tax reform is signed by the President next year," said Emilio Neri Jr., vice-president at Bank of the Philippine Islands (BPI).

Such high growth naturally leads to fears of an impending property bubble. But according to a recent report by Fitch Ratings, "credit growth does not so far appear to be fueling asset bubbles. Property price inflation, for example, has been moderate, averaging around 4 percent a year from 1Q14 to 1Q17, according to the BSP's (Bangko Sentral ng Pilipinas) house price index." Furthermore, Fitch notes that new measures by the BSP "to enhance oversight of property lending and project finance in the Philippines could make it easier to spot pockets of excess in these high-growth sectors."

Like most of the economic activity in the Philippines, much of the growth in construction and real estate has hitherto concentrated in the Metro Manila area.

"Manila today is the Hong Kong and Singapore of 30 years ago. The level of development in the metropolis over the last decade has been unprecedented and reflects on the accelerated expansion of the property market. Manila has since become an important hub for industries such as IT-BPO with huge opportunities of growth for other sectors," Chairman and CEO of property consultancy firm Santos Knight Frank, Rick Santos, told reporters in September.

But the real estate market outside Manila has also been growing steadily. And with the current focus on economic decentralization, things are looking bright for developers outside the capital, particularly in areas such as Davao City in Mindanao Island.

"We can say that congestion in Manila has twin effects," says Ian Cruz, CEO of developer FTC Group, which is currently constructing Mindanao's tallest building, the 33-storey Aeon Towers in Davao City.

"Firstly, the congestion in Metro Manila has triggered the migration of development to the regions. Secondly, the congestion results in more construction and redevelopment, and Davao City is one of the areas that has benefited from this."

Megaworld Corp. is also focusing its efforts outside Manila, and is the country's largest developer of integrated township communities. To date, the developer has built 22 large-scale township communities.

"There has been too much competition in Metro Manila for the past three years. Megaworld, having properties in areas outside of Metro Manila which are untapped and are very limited in terms of competition, began making its foray into and started generating additional revenue from these areas outside Manila," says Jericho Go Senior, Megaworld's Vice President of Development and Leasing.

Megaworld is looking into further expanding its development portfolio in the provinces. Last year it announced it would spend around 180 billion pesos over 10 years to develop its provincial townships alone, in areas such as Iloilo City and Lapu-Lapu City in Cebu Province, Davao City, Bacolod City in Negros Occidental Province, and Alfonso, in Cavite Province.

A PIONEERING AND INNOVATIVE DEVELOPER

In this interview with The Worldfolio, Jericho Go Senior, Vice President of Development and Leasing at Megaworld Corp., speaks about the company's unique selling proposition and its operations overseas

Given the circumstances and the potential outside of Metro Manila, it is understood why the company has been strategizing towards township developments. There is evidently tough competition in the Metro Manila, in addition to the fact that the Filipino market boasts a wide variety of well-known property developers, constructing similar projects in the same sectors. How does the company and its unique selling proposition of constructing innovative and integrated projects differentiate Megaworld from the other Filipino players, such as ALI, RLC or SMPH?

First, we have been able to set it very clearly that we are the pioneer and the leading developer of township communities. How we develop in a niche market: we always make sure that, whether it be tourism-centric, manufacturing-centric, or office BPO-centric, it is always a township.

Retail, if you look at the trend right now, is very challenged. The community malls are starting to see a gradual decline. For online shopping, without assortment and scale, there will also be problems. As to the regional malls, there is the presence of assortment and amenities, but the competition is very fierce. Once the use has been outlived, investments must be made again. Another point is that, being a destination mall, advertising and promotion efforts is a must and are very high. It then becomes very costly.

The difference now for Megaworld is that we develop "lifestyle malls". For example, in Eastwood City, there is a population of 100,000 in 18 hectares. Approximately 70,000 are workers and 30,000 are the residents. This manifests that we have a captive market. These residents are able to walk around the streets and there are commercial establishments like McDonalds and Starbucks. We are a game changer.

What Megaworld is doing is selling 'an experience'. For example, how can one put gourmet cuisine online? You cannot. One has to actually go and be there to experience it. From 20 percent of our retail mix, food and beverage is now up to 40 percent. Moreover, food has the highest margin not to mention we also earn a percentage from their sales. These are some of the ways we are able to differentiate ourselves from our competitors.

Jericho Go Senior, Vice President of Development and Leasing at Megaworld Corp.

Megaworld has around 18 percent of its sales revenue coming from foreign sales. This facilitates easy investment for foreign investors and especially OFW (overseas Filipino workers). As such, how does the company tap into this market and how would you compare your position within the ASEAN and Japanese markets?

We were actually one of the first to tap into this market. We have created Megaworld International and have set up satellite offices around the world – in Europe, North America, and Asia Pacific. Again, the ones that understand the business the most would be the Filipino expatriates and there are over 10 million abroad. So, what we do when we set up satellite offices is to tap the Filipinos who speak the language of that country. They are the ones we appoint as senior executives to do the marketing for us.

It proves to be effective. In Cebu, we have sold two residential towers to Japanese buyers. We are not new to the Japanese market. If you are wondering why Cebu, it is because the Japanese love the beaches, the weather, and the necessities are within reach. In turn, these people have created their own Japanese community in Cebu. The amenities (i.e. zen garden, Japanese-style spa, origami room etc.) are for this community.

The Department of Tourism has a goal to reach 6.5 million foreign tourists. Thus, there is more focus given to hotel development. How do you tap into this market on a tourism level as well as on a regional level, where partnerships with hoteliers like Dusit, Shangri-La, Lotte, and Ascot may play an important role?

Precisely the point, we have a land bank of 3,500 hectares all over the Philippines. Some of these have beautiful beachfronts (i.e. Cebu and Boracay). We created this brand called Condotel where we sell to foreigners as condominiums but are required to return the unit after some time. After which, we lease and operate the unit as a hotel. Put simply, the purchaser may use the unit as the condominium then make money out of it while the they are in their home country. This is a very beautiful concept in a sense that the foreign buyer need not be in the Philippines for 12 months of a year, but is able to come back and use a unit when needed.

Megaworld has always been innovative in terms of our approach. It is not necessarily unique as other developers are also doing it, but we have always created solutions whereby an individual's appetite for investment (i.e. tourism, office, leisure, rental income, etc.). We also have manufacturing where foreign partnership is more viable. For example, in Cavite, we have 200 to 300 hectares and we are currently open to tie-up with industrial partners like Japanese, Chinese or Korean companies. Megaworld will develop while the partners can have their financing to create warehouses then lease it out. Lease-hold is a better option than purchase, because it may be difficult to justify under the current laws of the Philippines.

'THE GOLDEN AGE OF INFRASTRUCTURE'

President Rodrigo Duterte is implementing an ambitious $180 billion infrastructure plan which is set to boost competitiveness, address transport bottlenecks and create jobs

The Philippines is among the most attractive destinations for foreign investment in South East Asia. As the economy continues to grow, so too will the number of foreign investors. But one major concern for investors is the lack of adequate infrastructure. That is why Filipino president Rodrigo Duterte has pledged to pour $180 billion into infrastructure development during his six-year tenure.

His so-called 'Build, Build Build' Program aims boost the nation's competitiveness, create jobs and attract foreign firms hesitant about power costs, logistics headaches and supply chain challenges.

Under the 2017 budget, the government increased infrastructure spending to more than 5.3 percent of GDP. It is an unprecedented move from a Filipino president, as the government attempts to address Manila's notorious congestion problem and other transport bottlenecks. Large-scale investments in roads, ports, airports, railways and electricity around the country is key to the President's overall plan to spread economic growth outside Metro Manila, and will put the country on track to becoming an important gateway to the growing ASEAN region.

Public spending on infrastructure is expected to reach 7.4 percent of GDP by the end of Duterte's term in 2022, up from 5.3 percent in 2017 and less than 3 percent from 2010-2016.

"We are focusing on several areas of improvement such as the construction of railways. One of the plans includes building an entirely new railway system from Manila down to Legazpi, which would reach about 620 kilometers. Another would be a railway system in Mindanao, of about 1,200 kilometers. These projects have led us to negotiate with Japan regarding specific and important projects that would possibly create several job opportunities for Filipinos," says Benjamin Diokno, Secretary of the Department Budget and Management.

The board of the National Economic and Development Authority (NEDA) has approved the first phase of the Japan-funded Mega Manila Subway Project scheduled to begin construction next year

In January, Japanese Prime Minister Shinzo Abe approved a one-trillion-yen aid package (approx. $9 billion) for infrastructure projects in the Philippines over the next five years.

"We will leverage Japanese technology and know-how to the fullest extent to positively cooperate for the improvement of infrastructure in Metro Manila and the whole of the Philippines," said Mr. Abe during his state visit to the Philippines in January, which was the first official visit of a head of state since President Duterte took office last year. The $9 billion will be used for 11 projects, including three commuter railways in Metro Manila aimed at easing the capital's crippling congestion problem.

In March, Filipino cabinet officials secured Japanese funding for 14 infrastructure projects, which include a high-speed train connecting Subic in Zambales and Clark in Pampanga, the commuter rail connecting Tutuban in Manila and Las Baños in Laguna, and the Mega Manila Subway Project. Undersecretary of the Philippines' National Economic and Development Authority, Rolando G. Tungpalan, told reporters during the Tokyo visit that more Japanese-backed projects will be unveiled in November, when Japanese officials are in Manila for the ASEAN 50th anniversary celebrations.

Trade Secretary Ramon Lopez – who met with senior executives of Japan's seven major trading houses in Tokyo in March, alongside Transportation Secretary Arthur Tugade – called this the Philippines' "golden age of infrastructure", in which, he said, seven Japanese trading houses (Mitsubishi Corp., Mitsui and Co. Ltd., Sumitomo Corp., Itochu Corp., Marubeni Corp., Toyota Tsusho and Sojitz Corp.) were determined to invest.

At the end of October, the Asian Development Bank approved a $100 million loan to help the Philippines prepare and develop infrastructure projects. The loan will support the Philippine government "in accelerating the delivery of high-quality public infrastructure projects," ADB said in a statement.

With the rapid increase on public spending on infrastructure, and large-scale investments from foreign partners such as Japan and ADB coming in to support President Duterte's ambitious infrastructure plan, it seems that the Philippines' golden age of infrastructure is well and truly underway.

CREATING A CONNECTED AND MOBILE ARCHIPELAGO

Arthur Tugade, Secretary of the Department of Transportation (DOT), discusses the monumental challenge task undertaken by the Duterte administration to improve intra-connectivity in the 7,000-island Philippine archipelago, as well as government efforts to stamp out corruption

Several countries in the ASEAN, such as Cambodia and Vietnam are seen to be extremely competitive. These countries are different from the Philippines in terms of internal connectivity, thus making it all the more attractive for countries like Japan and China to invest. How are the internal connectivity challenges being addressed in order to make the country more competitive to its neighbors?

That is why we are focusing now on infrastructure. The DOT is trying to create an environment of connectivity and mobility. We are an archipelago with more than 7,000 islands and there is a constant need to connect these islands. In order to do so, the country must have technology and more importantly the necessary physical structures such as airports and sea ports. This is what we are committed to doing and we are aiming to complete this in the next five years. This is why the secretaries of the different government agencies refer to this as the "golden age of infrastructure." So, we are trying to put all this into action.

Given that foreign investors usually come with their own know-how and private sector contractors, it seems that the domestic private sector feels they are being left behind. As such, what is your opinion on the worries of the private sector?

I beg to differ on this. The private sector is not being left out with all the infrastructure projects there are. For one thing, there is the transfer of technology. When we deal with foreign investors, part of the condition is this so-called transfer of technology.

Secondly, we need to clarify which aspect of the private sector we are talking about—either the ones who got "hand-me-down" projects or the ones who got projects because of performance on record. As to the firms that got hand-me-down contracts, I agree that there are reasons to be afraid or worried. Those firms that capitalize on good performance, there is no reason to worry about getting left out since they have the capacity to compete and deliver.


Arthur Tugade, Secretary of the Department of Transportation

People must create. If there is nothing done as to the development of skills and levelling of playing field, firms will certainly be buried and be left out of the rapid and highly competitive business environment we have now. If competition comes, you do not shy away. You develop and improve on your skills and talent so you can compete. Ultimately, this is why I am putting up a railway institute. So, we can compete with the big players and be better in the years to come.

In the midst of high competition and the need for skills development in order for the private sector to benefit, what are your expectations for the medium-term?

There will be a good sector and they will be ready to compete. At times, they are afraid of it because there is actually no competition. Why? Because of corruption. The costs of investments have become higher than it should have because of corruption.

With the efforts of the current administration to eradicate corruption, remove these expenses and add it to the revenue. The playing field, as I have mentioned, has been levelled now. The trouble is they have been exposed to so many anomalies before that the private sector has become doubtful. When the government communicates a certain action, the private sector is suspicious and mistrusts.

All I ask now is for them to trust us. We have a government pushing for a "no-nonsense government", a cabinet that supports this endeavour, a number of countries that are willing to support the Philippines, and a myriad of projects we are willing to take on. The only thing we need now is for the private sector to trust us.

If we look at the final goal that you are trying to achieve in terms of having an increased share of the GDP allocated to create infrastructure that can compete internationally, who are going to be the players that will help the government to turn these goals into reality?

I must say that is a good question. Given that the environment has changed, how I wish there will be "new kids on the block" or new players who are ready to trade and trade big, for example, people who used to be afraid of investment or people who would rather invest in other countries.

You develop the economy by creating that new breed of entrepreneurs and investors. We can capitalize on the youthful enthusiasm and aggressiveness of new players which drive creativity and professionalism into the business field. This is my belief and these are the players I hope could help us achieve our goals.

DBP HELPS COUNTRY TO PROGRESS FASTER

Cecilia C. Borromeo, President and CEO of the Development Bank of the Philippines (DPB), sits down with The Worldfolio to discuss the government's socioeconomic agenda, the banks' role in supporting financial inclusion, and relations with Japan

As president and CEO, what are your main goals for the Development Bank of the Philippines?

Among the main goals of the Development Bank of the Philippines (DBP) are to continue to serve its primary mandate and to help the country progress faster. Founded in 1947 as the Rehabilitation Finance Corporation, DBP had the mandate to rebuild the country's agriculture, infrastructure, businesses, and industries devastated by war. This institution was at the forefront of financing basic infrastructure requirements for a country devastated by war. We were financing the railroads, reconstructing the highways, and even rehabilitating power plants. DBP has been doing this for over the past seven decades. Today, the Duterte administration would like to be known as the strongest advocate of more infrastructure projects. This will be the Golden Age of Infrastructure for the country, and that vision is exactly within the alley of Development Bank of the Philippines.

One of the sources for the infrastructure expansion is ODA, which has been fueled by greater regional integration. ODA has reached an amount of $19 billion from China and Japan alone. We are also seeing FDI from regional neighbors growing continuously. How important would you say is it to attract the attention especially among the ASEAN+3 to develop even further?

We have had a very long relationship with Japan through the Japan International Cooperation Agency (JICA). DBP has borrowed billions of funds over the past 30 to 35 years, and those loans from JICA were very concessional. These have enabled DBP to help more local governments build most of the infrastructure that they need, not only to connect farms to markets, but also to equip communities to be more resilient to the adverse effects of climate change. We make sure that our projects help improve the quality of the environment. We finance clean water, sewerage and sanitation, and solid waste management projects. The Asian Development Bank (ADB) is also DBP's development partner, but we've had a more active partnership with JICA.

Cecilia C. Borromeo, President and CEO of the Development Bank of the Philippines

In terms of foreign investment, each country can be seen to have a different kind of approach. Japan, for example, is very well-known for its sustainability and long-term orientation. What benefits do you see in working with Japanese investors in terms of quality, knowledge exchange and sustainability?

Most of their loans can span up to 30 years, and are concessional. That is very helpful for developing countries like the Philippines. For instance, most of the loans we borrowed from JICA were coupled with technical assistance. So either we got some grants from them, or they gave us very soft loans to help increase our capacity as a lender. They also deployed consultants who were very helpful in increasing the skills and knowledge of our lending officers in terms of evaluating very technical projects, such as renewable energy and management information systems.

Regionally, several countries can be seen to boast of high growth economies. An example is Vietnam that is developing rapidly and is therefore representing competition for the Philippines when it comes to attracting investments. What is it the Philippines can offer to sustainably attract foreign investments and knowledge exchange?

A lot of attraction lies in the fact that we still need a lot of these projects, since we may be lagging compared to other countries. We also have the availability of local talents who can work well with experts. There is a very strong bond between Japan and the Philippines, and this relationship is probably not at the same level with other ASEAN countries. So, we can leverage more on that kind of a relationship we have already developed with Japan. Since we have a young population, that is also an attraction for potential investors.

Looking towards what these investments mean for the country, have you already seen any kind of change in terms of a trickling down effect to the lower classes and how this has contributed to the government's plans?

In terms of Dutertenomics, probably you cannot see much difference yet. The country, however, has already benefited a lot from the economic decisions that previous administrations have taken. In Dutertenomics, if you look at the ten-point socioeconomic agenda, it is about continuing the sound monetary and fiscal policies of previous administrations. That is a very good move by the new administration. They can further improve on those fiscal policies to make the growth of the economy more robust and sustainable.

Based on my observations, these positive economic developments have already trickled down to the lower classes. I have seen communities progressing very significantly and dramatically when a road is built in their region. When farms are connected to the market, you see tremendous benefit for the masses. Farmers can now command better prices for their goods because there is more efficiency and they can bring their produce to the markets where demand is stronger. In a few months, you see houses improved and renovated. You see families buying home appliances, which was beyond their capacity to purchase before. I have seen that, firsthand, during my visits around the provinces.

Socioeconomic progress has trickled down to the lower classes, probably not as fast and not in the scale that government plans it to be, but definitely it is happening and I hope all these positive developments will happen faster and on a much larger scale in the next five years.

DBP is the premier government financial institution serving as a "catalyst for a more progressive and prosperous Philippines" and dedicated to supporting the national government's key development programs. In this sense, it is focusing on four major areas - infrastructure and logistics; social services; micro, small and medium enterprises; and environment. In order to successfully implement its programs, the bank works hand-in-hand with key players from both the private and public sectors of national and international nature. How are you achieving your goal of becoming a "regionally-recognized development financial institution"?

We definitely want to be a recognized development financial institution, and we want to be able to help more families and communities, businesses and entrepreneurs. We can achieve that if we can increase the balance sheet of the bank. We are targeting growth for the bank at an average of 20 percent per annum to reach the one trillion peso mark in asset size. We will, then, be at par with the currently bigger development financial institutions in the region. DBP needs to increase its financial resources so it can lend more.

We are also adopting better practices so that efficiencies can be improved. We are a member of the Association of Development Financial Institutions in Asia and the Pacific (ADFIAP), and year after year, we receive awards for projects that we have financed, and even some of the systems that we have established in the bank. We are already there in the sense of being recognized already, but it is a continuing process of improving the way we do things so there will be wider recognition of the better practices that we have adopted. Maybe, other development financial institutions in the region can make us a model for some of the sectors that we serve.

We continue to improve our processes, hire the right people, so we can be more effective in helping the strategic sectors that are in our priorities, and furthermore, increase the financial resources of the bank. This is where partnerships with the likes of JICA, multilateral and bilateral agencies, ADB, and even the private sector like Daiwa, will come in.

Can you tell us more about your partnership with Daiwa and how you try to engage more with the private sector?

Our current partnership with Daiwa involves the brokerage business. Daiwa is among the top three investment houses in Japan. When we need to access the capital markets, our partnership with them will become very helpful. Right now, we are mulling with the idea of expanding the sources of our funds to match the long-term nature of the requirements of projects that will benefit infrastructure sector development. It is true that we are expanding our branch network and getting deposits, but we will probably also need to tap the capital markets here and abroad to help us match the requirements of the players in the infrastructure sector.

"IN DUTERTENOMICS, IF YOU LOOK AT THE TEN-POINT SOCIOECONOMIC AGENDA, IT IS ABOUT CONTINUING THE SOUND MONETARY AND FISCAL POLICIES OF PREVIOUS ADMINISTRATIONS. THAT IS A VERY GOOD MOVE BY THE NEW ADMINISTRATION. THEY CAN FURTHER IMPROVE ON THOSE FISCAL POLICIES TO MAKE THE GROWTH OF THE ECONOMY MORE ROBUST AND SUSTAINABLE"

Cecilia C. Borromeo, President and CEO of the Development Bank of the Philippines (DPB)

How attractive do you think are the Philippine banks' equity to Japan?

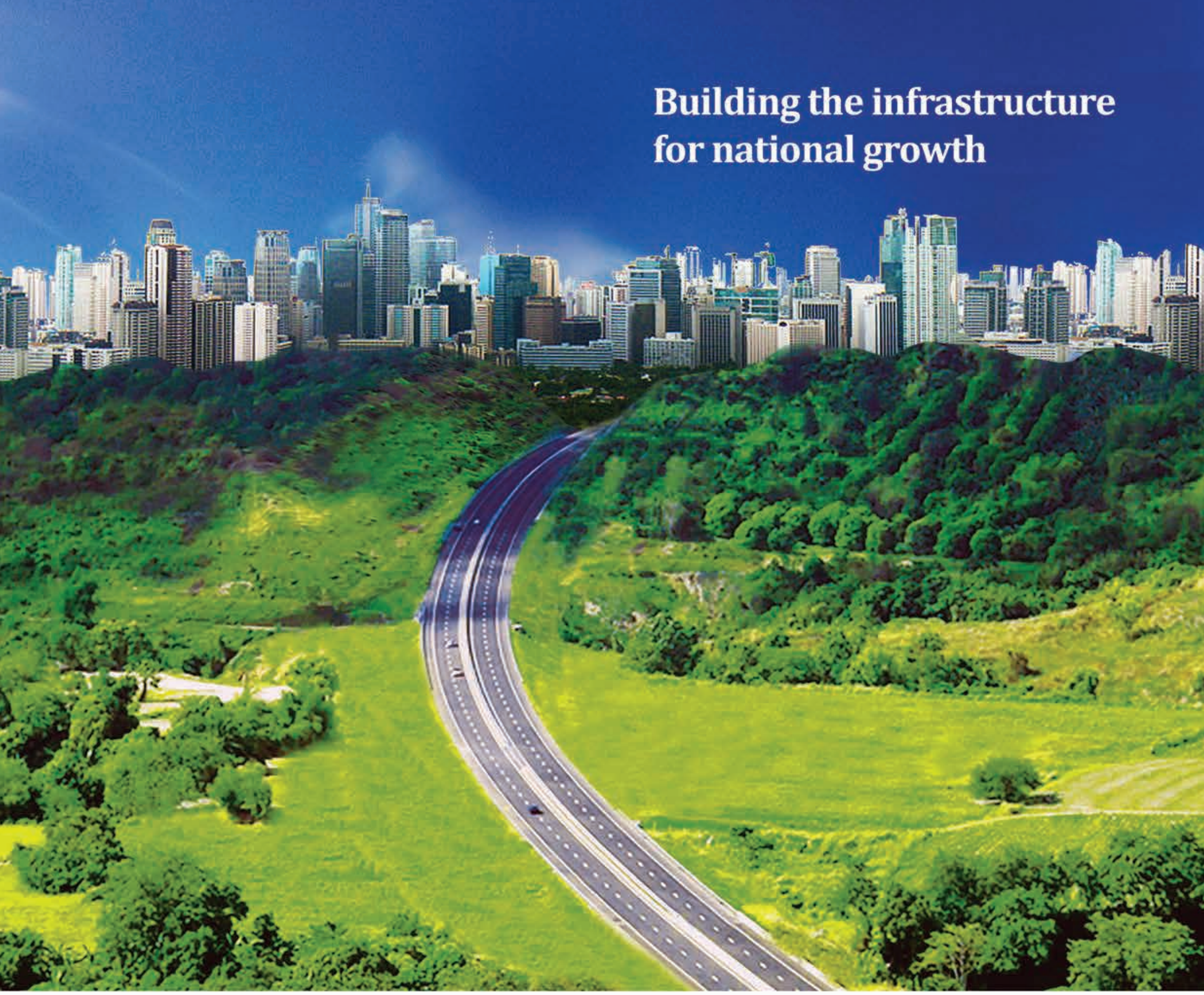
I believe you can package very good, and the right, projects and address possible concerns on the risks associated with Philippine projects. There are fewer opportunities for Japanese investors in their own country, so if we can give them the yield that is commensurate to the perceived risk that they are taking, then I think the appetite will be there.

Several Philippine private banks have a very similar strategy in this context attracting mature banking markets in Asia. Why would those foreign investors decide to choose DBP over commercial banks?

DBP is very much into funding infrastructure projects at all levels. We have a very good relationship with the local government units, and our portfolio for the local government units is a very robust and low risk portfolio. I cannot say the same for the private Philippine banks. t is true they are more active in the bigger projects like power plants and toll roads, but there are only so much of those that the country can absorb.

At the local level, there are still a lot of opportunities. It is like a new horizon in infrastructure lending. There are 1,700 local government units. Most of our branch officers have a very good relationship with the administrators and local treasurers of these local governments. We know what they need, and we can discuss with them in a manner such that they do not feel intimidated. I say this because in some underserved and underbanked areas, bankers are usually perceived to be very cold and sometimes snooty. That is not the case with our DBP branch managers as they work closely with the decision makers in those areas.

I think that is the uniqueness of a government development financial institution like DBP. If the investors in Japan would like to look at those subnational projects, then DBP would be the perfect match, or development partner, for them. We can put these all together in a unique project and issue bonds, then go to other communities and do the same thing. That is the direction we are taking.



As the financial engine for national progress, the Development Bank of the Philippines (DBP) plays a strategic role in laying the infrastructure for growth. Recognizing the value of efficient infrastructure, DBP develops more ways of transcending the barriers of land, air, and sea countrywide.

DBP supports investments that improve the country's primary transport infrastructure and logistics facilities, and promote the seamless movement of basic commodities. DBP also advocates reforms and priority investments in the power and water sectors.

Alongside this commitment to infrastructure development, DBP also champions entrepreneurship, environmental protection, and social services for a well-nurtured Philippine society.

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'WE NEED THE USE OF GOOD STEEL IN CONSTRUCTION'

Kazuya Nohara, General Manager of JFE Steel Corporation's Manila Office, discusses the steel industry in the Philippines

Kazuya Nohara, General Manager of JFE Steel Corporation's Manila Office

From an investor's point of view, what are the advantages of the Philippines compared to other countries in the ASEAN region?

The Philippines does not have a huge manufacturing sector. That is the country's weak point. Maybe we can have many parts makers here in the country; we can finally have the environment to attract manufacturers here. In the meantime, the Philippines' situation is very different compared to other ASEAN countries. Those other countries already have big, heavy industries.

Raw steel is not the biggest market in the Philippines, and most of the steel is used in the construction of infrastructure. How would you describe the potential of the Philippines' steel sector from now until 2020?

I expect steel to grow in the Philippines, as well as its consumption. Currently, almost all construction in the country uses reinforced concrete, not steel structures. We can expect increasing steel demand, but we would like to see a breakthrough. We need the use of good steel in construction.

Are your expectations of growth in JFE Steel directly related to the possible success of the government's 'Build Build Build' Program?

One difficulty is the shortage in labor. It is also very difficult to construct big infrastructure here considering the narrow areas, roads, and LRT, among others. If they use these steel structures, they can expect more demand. Now, you can see there are many high-rise buildings. Those buildings are not strong, so we need high-end steel plates. We would like to introduce steel structures to this country.

What is your opinion on the strategy that should be taken to move the Philippines into the downstream steel industry?

In the Philippines, there is not much of a manufacturing sector. Almost all involve assembly lines. They do not have subsidiaries or small companies. The Philippines needs these small and technology-focused companies. It is very difficult for this country to meet downstream demand. We need more time to be mature in this country. I want to introduce that here, but we need more time.

METRO GLOBAL HOLDINGS

An interview with Robert John Sobrepeña, President and Chairman of Metro Global Holdings, which, through its interests in Metro Rail Transit Holdings, Inc. and Metro Rail Transit Holdings II, Inc., owns and operates the EDSA metro rail transit systems that comprise 13 stations from the North Triangle to Taft Avenue in the Philippines

Robert John Sobrepeña, President and Chairman of Metro Global Holdings

President Duterte is concerned about the traffic congestion in Metro Manila, which is home to roughly a tenth of the country's 100 million people. The new subway plan connecting Quezon to Taguig, will not be finished before 2024, leaving the MRT (Manila Metro Rail Transit) as the sole solution to traffic congestion. Would the planned subway make a substantial difference?

The subway system is the solution for this gridlock that we have in traffic. Compared to an elevated system, the subway is also four to seven timesmore expensive, depending on the substructure and type of soil that they have to deal with. It is always a problem with costs and benefits. If we have funding available from China or Japan at a very low rate, then the subway can be a reality. The problem with elevated systems is that it increases the traffic during the period of construction, which is what happened the time I spent building the MRT. For three years, there was additional traffic while I was building it. When you go underground, you do not have that situation.

Can you talk about the other side of Metro Global Holdings, such as the leisure and entertainment activities. What is the importance of these activities for the future growth of the company?

I got in into golf development for two reasons: one is on real estate, because I was building golf communities. The other was tourism. I saw that golf was a booming industry in the 90s and that it would also be a primary source of golf tourism. There is a similar situation in Thailand, where a lot of people are there for golf. I thought it would be a great way to help Philippine tourism. At the same time, in terms of real estate, I also ventured into golf courses and hotels. It is a great place for business. If you want to know your business partner better, invite them for a round of golf. One afternoon of golf is worth much more than many meetings; you get to know the character of the man.

STRENGTHENING PUBLIC-PRIVATE PARTNERSHIPS

Ferdinand A. Pecson, Executive Director of the Public Private Partnership Center, discusses Chinese and Japanese investment in the Philippines and the important role of the PPPC

There is a change of policy from the Duterte administration involving a shift from the United States to attracting foreign investors such as China and Japan. With the special focus of the administration on infrastructure development, what kind of added value would you like to see come from foreign partners as they come into the Philippines?

Japan and China have offered low financing rates, long grace periods, and long repayment periods. Apart from cheaper financing, both countries would bring their expertise in infrastructure building and technology. Projects such as airports, rail and long, deep-sea bridges are the types of projects for which the Philippines lack the specific expertise and technologies and for which it can benefit from foreign assistance.

On the ASEAN sphere, many countries are opting for PPP instead of ODA to develop their respective infrastructure. In the Philippines however, we find that ODA is taking the lead. In your opinion what is the advantage of the PPP model over the ODA one?

We believe that there is no default best option for financing or procuring any project. One has to weigh the objectives of the government against the project's constraints and the risks that could arise with each procurement option. Identifying the better option has to be done on a case-by-case basis. An ODA loan is a 100-percent liability of the government. Moreover, there is the currency risk if the loan is to be repaid in foreign currency. PPPs on the other hand allocate risks between the private sector and the government. The risks that the government take become contingent liabilities for the government.

Higher value for money is achieved when there is open competition. PPPs are open to a wider set of bidders whereas in ODA projects, the bidders are restricted by the lending entity. While the financing cost of PPPs tend to be higher, the private party that builds, operates and maintains the infrastructure is fully motivated to achieve the lowest life cycle cost. ODA loans support

Ferdinand A. Pecson, Executive Director of the Public Private Partnership Center

mainly the construction part of the infrastructure. The operation and maintenance will have to be dealt with separately. In this arrangement, there is a potential risk that the infrastructure, built by a contractor who is motivated to minimize the construction cost, will not be sufficient to enable the operator to meet the performance expected during operation. Whereas in a PPP build-operate-transfer arrangement, the private party is fully motivated to ensure that the quality of construction is sufficient to support the needs of dependable operation.

What strategies are you envisioning for making PPP more time efficient and more attractive to foreign investors?

Good project planning, good project management, ownership of project tasks, accountability for results, and fast decision-making are basic requirements for a time-efficient execution. The challenge is enormous given the numerous tasks to be accomplished, the numerous task owners that need to coordinate, and the multiple decisions that have to be made by many persons. The PPP Center is working on establishing a web-based collaboration and communication tool that will serve as a common platform to be used by all involved agencies, for the planning and monitoring of all tasks of a project and the sharing of project information.

Led by NEDA, the implementing agencies are improving on how projects are planned – starting with the priorities set in the Philippine Development Plan, to the spatial plans, down to individual projects. We have been seeing also how the Investment Coordination Committee has been having more frequent meetings to decide on the approval of projects. The government is also working on redefining what comprises public utilities, with the goal of allowing more foreign participation in infrastructure projects.

The government is cognizant of the needs of foreign investors for unambiguous, fair, open, and transparent processes. Through the proposed PPP Act, the PPP Center is pushing for regulatory reforms that will better address these needs.

What is the PPPC centred on doing in terms of ensuring international companies that the processes will be smooth, that the levels of bureaucracy will be low, and that they will not encounter or be involved in corrupt situations?

The elimination of corruption and the streamlining of bureaucracy is a directive coming from our President. The PPP Center acknowledges that more can be done to reduce bureaucracy. On the other hand, it can proudly claim that all projects that passed through it were procured free of corruption. The reduction of bureaucracy will be continuously pursued while corruption free procurement will be sustained.

How do you evaluate the collaboration between JICA and the PPPC?

They have been strongly supporting us on our capacity building activities for the national agencies. For example, for the Department of Transportation, JICA helped construct a handbook for PPPs in the rail sector. This time we are in the process of getting support for capacity building that will benefit Local Government Units.

THE NEW GATEWAY TO THE PHILIPPINES

An interview with Darwin Lacson Cunanan, Vice President of Clark International Airport Corporation

In relation to the domestic connectivity and the upcoming project implementation of Clark airport, how do you think will this affect the competitiveness of the Philippines? Will this be able to attract FDI as well?

This will certainly help in a significant way, because the Philippines has a lot to offer in terms of tourism and destinations. Take Cambodia for example, Angkor Wat is what you can see there. What else? The Philippines, on the other hand, has more than one destination to offer.

With the congestion of our main gateway, it is very hard to market all these things. The department of tourism is having a hard time to reach their tourist targets. This will continue until such time that another gateway becomes available to accommodate the influx of tourists in our country. With ASEAN integration, we could expect more to come to the Philippines. Add to this the saturated gateway, we will really be at a disadvantage.

Thus, if Clark develops and gets connected to several of our tourist's destinations all secondary airports will follow suit, it has the capacity to bring in more tourists and rise the employment opportunities. This means that the economy will move much faster than it is right now.

What does Clark have to offer in terms of tourism and business to complement the operations in Manila?

Clark is inside a freeport zone. Incentives are given; in lieu of all local and government taxes, companies just pay 5 percent of gross income earned; and companies are also given allowable deductions as well. So, companies can make a 100-percent tax-free importation of goods being used within the freeport zone. We are very liberal on this one yet we maintain certain rules and regulations on how to apply for these incentives. Clark International Airport is also the only operating airport in the Philippines inside a freeport zone. Although Subic airport is inside the freeport zone, there is no operations because Subic is primarily being developed as a seaport.

In addition to the Clark freeport zone, we still have the special economic zone with incentives provided by PEZA that is managed by the BCDA. This is also where the new Clark City will be located.

We give numerous incentives to respective allocators. There are also many Japanese companies here, one of the largest is Nanox – a semiconductor company. Now, they are doing their expansion, but there are no more areas available within CDC. Thus, we accommodated them in the Civil Aviation Complex. We allowed them, because we deem that Nanox is an aviation-dependent company given that they are manufacturing semiconductor products—everything is shipped by air. In fact, there is a pressure from them for us to bring in airlines that could ship their products out of Clark, because all of their products are still shipped from Manila due to limited flights here.

'A TRUE PARTNER IN EVERY SENSE OF THE WORD'

The Worldfolio speaks with Reuben Pangan, President of logistics company Air21

You are facing a lot of big challenges in the logistics sector, especially because there are three other big logistics companies in the country. What are the competitive advantages of Air21 compared to these competitors?

First of all, we ensure that we position ourselves as a business partner. We have had small companies that trusted us from the very start, who have now gone on to become multinationals exporting abroad not only with one particular product, but several product lines. We like challenges – if you give us a challenge, the more we strive to be able to deliver on what we promise you. That is one advantage; we do not shy away from a fight or challenge.

Second is choosing the right partner. We have been very methodical and we have chosen the right partners for more than 25 years. Now, we are partnering with another giant, UPS, and we feel that with the worldwide network and competency of UPS with more than 100 years of experience plus the way that Air21 has connected the Philippines over 38 years, it is just a perfect combination. UPS wants to connect the Philippines to the world. We want to connect the rest of the Philippines to the world, so choosing the right partner is one.

Air21 has a portfolio of well-known quality partners. What is the importance of Japanese firms in this context?

As more Japanese companies come in and do business in the Philippines, we want to assure them that we are here to connect them to at least the major urban centres. We will make sure they reach all these markets. If they want to set up a manufacturing business and market it outside the Philippines, then together with our partners, depending on the mode of transport they want, we can connect them to their markets.

We like to be a true partner in every sense of the word through the Lina Group of Companies. More than going beyond logistics, if there are other things we can do for you, such as setting up a temporary space, building a call center, eliminating waste products – we will do that for you. The beauty with this is you only talk with one group. When we talk about costing, pricing, and everything, we are willing to sacrifice and we will just share in the profits of other companies.

Reuben Pangan, President of Air21

JAPANESE PARTNERSHIPS, HOW AND WHY?

Japan and the Philippines have strong connections beyond just profits. The Worldfolio speaks with Yvonne S. Yuchengco, President of Malayan Insurance, which merged with Tokio Marine Insurance in 2008, about the policies of the Duterte administration and its partnerships with Japan

What is your view on the government's tax reform agenda?

I am in favour of the tax reform. This is long overdue. In the insurance industry, if you study the ASEAN business model, we are the highest taxed. For every peso paid to us, 26.5 centavos goes to the government. Right there and then, the margins are minimized. I just came from an industry meeting, and they were talking about lobbying for tax reforms in the non-life insurance industry.

In terms of President Duterte's policies, the government is moving towards the decentralization of the economy from Metro Manila. How do you evaluate these policies?

I am in favour of the government's plans on decentralization, because there is a lot of potential in Mindanao and Visayas. I have always thought that Mindanao is more bountiful than Luzon. There are a lot of opportunities there in the mining and tourism sectors. There are also a lot of plantations there. Agriculture would be one big opportunity. In Mindanao, there is a very stable climate. They do not have many storms that destroy their plantations. The other opportunity would be marine cargo.

Yvonne S. Yuchengco, President of Malayan Insurance

"I AM IN FAVOUR OF THE GOVERNMENT'S PLANS ON DECENTRALIZATION, BECAUSE THERE IS A LOT OF POTENTIAL IN MINDANAO AND VISAYAS. THERE ARE A LOT OF OPPORTUNITIES THERE IN THE MINING AND TOURISM SECTORS"

"WHEN NEW JAPANESE COMPANIES INVEST IN THE PHILIPPINES, THEY LOOK ALSO FOR JAPANESE INSURANCE COMPANIES. THUS, TOKIO MARINE IS A GOOD CHOICE; IT IS VERY STRONG IN AUTOMOTIVE DEALERSHIPS"

What is your perspective on the relationships that can be built between the Philippenes and ASEAN +3 nations: China, Japan and South Korea?

They are good partners as they are very generous in terms of technology and knowledge transfer. In our Enterprise Risk Management System, they sent their people here to help us develop it. They also organize forums where ideas can be shared on what is happening in Malaysia, Vietnam, and so on.

In terms of your company, what are the benefits and strengths you see especially for Japanese companies?

We grow together; it is a long-term relationship. Over 50 years ago, my father established a good relationship with the Chairman of Tokio Marine at that time and we continue to benefit from that relationship. The Japanese have a long-term vision. Malayan Insurance has been around also for 87 years. As you say, insurance involves a lot of trust. We never ran away from our responsibilities. That is one of the defining factors.

What are the synergies you see in the future with the YCG Group (Malayan Insurance parent company) and Japanese companies?

When new Japanese companies invest in the Philippines, they look also for Japanese insurance companies. Thus, Tokio Marine is a good choice; it is very strong in automotive dealerships. The government's 'Build, Build, Build' program will benefit companies such as Isuzu, which sell trucks, engineering firms such as Chiyoda Philippines Corporation, Philippine Nippon and Sumitomo Construction Inc., Mitsubishi Hitachi Power System Technical Services Corporation and Chodai Co. Ltd.

We target the new companies that are going to start working here, through the Japanese Association and also with the help of the RCBC Japanese desk.

How do you evaluate your commitment to society through your work?

Tokio Marine has a very good CSR program; every year it goes around different parts of Asia and plants mangroves. They went to Jose Panganiban and Camarines Norte and they planted mangroves over several days. They bring in volunteers from different parts of Asia. They are very good when it comes to CSR. When Typhoon Yolanda came, many employees of Tokio Marine donated money from all over the world.

THE BALANCING ACT: BRINGING DOWN THE COST OF POWER WHILE MITIGATING ENVIRONMENTAL IMPACT

Mr. Edgar Chua, former Chairman of the Shell companies in the Philippines and current Chairman of Makati Business Club, discusses the energy sector landscape in the Philippines and the ASEAN region, as well as Shell's operations in the country

The Philippines is currently refocusing its energies towards deeper regional integration. This shift in policy has already resulted in ODA worth over $19 billion from China and Japan alone, both of which have also recently pledged FDI worth $1.7bn and $3.9bn respectively. Much of the money inflow will be directed to the socioeconomic development of the county, especially focusing on infrastructure. What impact do you expect to see from this deeper regional integration and what synergies do you see between the two countries, especially in the energy sector?

Regional integration can effectively expand the market for products enabling investors to tap into a bigger market. However, it is not without its specific challenges since the ASEAN operates in a very different way compared to say the European Union and one has to be mindful of the differences.

Upon the implementation of the AFTA (ASEAN Free Trade Agreement), it was already observed that movement of crude and finished petroleum products within ASEAN were at 0-rated duty. The energy sector is one of the first to have adopted this free trade movement of products.

The area in which the Philippines can contribute would be in the renewable energy space, given the country is quite ahead, especially in geothermal energy. There has been a recent example where the assets of Chevron Geothermal, Indonesia was put up for sale and three of the bidders had Philippine partners. It was eventually sold to a consortium where one of the key members is a Filipino company – Ayala Energy Corp. This transaction is a great example of the expertise of Philippine companies and how they are valued overseas.

As a private sector player, what do you expect for the future of the sector?

Edgar Chua, former Chairman of the Shell companies in the Philippines and current Chairman of Makati Business Club

The Philippines needs to find that balance between bringing down the cost of power and being conscious of the environmental impact of the kind of energy the country decides to use. While the Philippines has an abundance of renewable sources of energy, e.g. hydro, geothermal, solar, wind and biomass, there is a strong imperative to significantly bring down the cost of energy which actually favors lower cost hydrocarbons, especially coal. The country must take into account the externalities of each type of fuel and a carbon tax would be an option to consider. This will also be consistent with the country's commitments to COP21.

According to Secretary of Energy Alfonso Cusi, foreign investors in the sector value the efficiency of Filipino workers but they are held back by the high cost of electricity in the country. Countries such as Vietnam and Indonesia have much lower energy prices and also do not face the same infrastructure issues. As a foreign company in the Philippines what are the key opportunities you see for international firms?

A number of factors contribute to cost. At the generation level, the cost in the Philippines is very similar to that of Singapore. But if you look at the electricity bill, generation cost is only about 40 to 50 percent of the total cost. Other costs that are added are transmission cost, distribution cost, systems losses, missionary charge, Feed in Tariff, etc. By the time you get to the total, it is about double the generation costs. The archipelagic nature of the Philippines increases the costs compared to a country with a single land mass where you can have simpler transmission and economies of scale.

The other reason electricity costs are cheaper in most of the ASEAN countries is because they subsidize the cost of fuel because they are producers of crude, natural gas or coal. From their perspective, the oil, gas, or coal is considered a product of their country and the best way of pricing it is to price it cheap for the benefit of the citizens. However, if one thinks about it, though the intention is good, it is actually the rich who get more benefits because the poor consume less energy than the rich.

As such, the Philippine policy which benchmarks and follows international market pricing is more appropriate. The government does not waste money subsidizing fuel and instead uses the funds to provide direct support to the poor for social services like health, education, housing, etc.

In other countries like Japan, power cost is lower because they have a significant amount of cheap nuclear power in their energy mix, especially before Fukushima.

The routes of Pilipinas Shell can be traced back to 1914 and the company has become an important part of the Philippine energy sector. A big contributor to the economy is Shell Philippines Exploration (SPEX) and its Malampaya Deep Water Gas-to-Power Project which jump-started the birth of the country's natural gas industry and provides approximately 40-45 percent of Luzon's power generation requirements. Malampaya's resources are projected to be exhausted within the next ten years. What are your alternatives for the future and what may be the role of partnerships in, for example, LNG with Osaka gas, considering your both interested in the LNG facility in Batangas?

The ideal option would be to find more gas but there is no certainty more gas can be found after Malampaya. The alternative that will definitely ensure continued supply of gas is to import LNG. This will require setting up LNG import facilities which should start within the next year or two.

Your field of business is often seen as having mostly negative impacts on society and nature due to past incidents all over the world. How would you say the Philippines and its people do actually benefit from your operations and would you be able to give us more insight into your approach to sustainability and the most recent activities of Pilipinas Shell Foundation?

It is part of Shell's business values and principles to ensure that Shell's operations do not have any negative impact on the community and society in general, be it in terms of safety, security, the environment, or the health of people. For Shell, it is a social investment that will provide both short-term and/or long-term benefits.

The values are embedded in the way Shell operates. For example, one of the problems Shell has encountered before, involved the high turnover of the staff working in the retail outlets. They are not actual employees of Shell, but employees of the dealer. Shell and the dealer invest greatly in training them to provide customer satisfaction, e.g. checking the tire pressure, oil and brake fluids, cleaning of windshields, etc. They must also be able to explain the difference between the different grades of fuel, their application and any ongoing promotion.

The high turnover rate resulted in higher training costs and more problematic is the inconsistent service to the motorists. As a way of addressing this, Shell provided technical vocational scholarships to the top performers in a given station to motivate the employees. This provided them the opportunity to improve themselves and give them better opportunities. Shell provided the funding for the scholarships while the dealer allowed the employee to leave work early to attend the classes with some dealers also providing a small allowance.

"WHILE THE PHILIPPINES HAS AN ABUNDANCE OF RENEWABLE SOURCES OF ENERGY, E.G. HYDRO, GEOTHERMAL, SOLAR, WIND AND BIOMASS, THERE IS A STRONG IMPERATIVE TO SIGNIFICANTLY BRING DOWN THE COST OF ENERGY WHICH ACTUALLY FAVORS LOWER COST HYDROCARBONS ESPECIALLY COAL. THE COUNTRY MUST TAKE INTO ACCOUNT THE EXTERNALITIES OF EACH TYPE OF FUEL AND A CARBON TAX WOULD BE AN OPTION TO CONSIDER. THIS WILL ALSO BE CONSISTENT WITH THE COUNTRY'S COMMITMENTS TO COP21"

After graduation the person is free to choose if they want to stay at the station or leave. More than 90 percent actually decide to stay. From being a gasoline attendant, some become mechanics, cashiers, bookkeepers or supervisors. It does not stop there, as Shell encourages them to continue to study part time and eventually earn a full degree. Instead of incurring cost to retrain new staff, the funds were invested on scholarships and the benefits have definitely been significant.

Shell has also offered something similar to drivers of its haulers. A number of drivers actually leave to work overseas where pay is much higher as their main objective is to be able to fund the education of their children. Because of this, Shell decided to organize a scholarship program for the children of top performing drivers so they would not have to leave the company and the country. While local salaries cannot match what is offered overseas, especially the Middle East, the advantage is they will not be separated from their families. This scholarship program has also reduced the turnover rate.

Shell has invested in many community programs focusing on livelihood by teaching them about agriculture and improving farming methods, basic financial understanding and connecting them to the market.

Shell has also worked on health programs, one of the most significant being the Malaria program which has aided in reducing incidents and the mortality of malaria in the country by more than 90 percent. Shell has received more than 70 million dollars from the Global Fund and has partnered with the Department of Health, the World Health Organization and local government units in coming up with an effective program. What Shell brought to the partnership was management tools, like how to analyze a problem, root cause analysis and networking and stakeholder engagements.

Companies in the Philippines engage in social investment because there is a great need for it and the government alone cannot handle it all. The private sector with its knowhow and resources can definitely play an important role in nation building.

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Trivia and Update
(with **MIKE VILLA-REAL,**
BMAP director for Industry Relations and VP for Corporate and Consumer Banking Relations, Phil. Veterans Bank)

GROWING POWER DEMAND MEANS 'MORE SPACE FOR OTHER COMPANIES TO COME IN'

Aboitiz Power Corporation is a leader in the Philippine electric power industry with a portfolio of assets located across the country. President and CEO, Antonio Moraza, discusses the power sector landscape in the Philippines, his company's operations and its collaborations with Japanese and Norwegian partners

Japan and the Philippines are in a moment of high correlation. Japan is struggling to push up domestic consumption due to its aging population, while the Philippines has a strong and growing middle class. As a result, Japanese companies have to internationalize to expand their market opportunities; while the Philippines is fighting to attract more business to the nation. One of the key questions is the availability of resources (i.e. infrastructure, cheap and reliable energy, skilled workforce, etc.). In general terms, talking about power, is the Philippines ready to receive or accommodate foreign investments?

As far as power is concerned, sufficiency is not an issue. There are numerous plants that have just come online and are still coming online. If potential investors are worried about the availability of power, I say do not worry. The supply is abundant at the moment, enough to sufficiently sustain us until 2027 or even longer.

As to prices, they are gradually going down, but I doubt the Philippines will ever offer the lowest power costs. Given its geographic characteristics, it is rather difficult if not impossible to offer the cheapest power costs. The size and physical characteristics of the Philippine grid limit plants' size to smaller units especially in the Visayas and Mindanao regions. And smaller units mean higher cost per kilowatt/hour.

However, there is a recent by Meralco study where the Philippines at one point used to be on top of the list of countries with the most expensive power. Recently it has gone down to the middle of the list. Because of the sufficiency, which may even be oversupply, generation rates are coming down. It is important to point out that power seems to be the "boogeyman" – the one blamed for manufacturing companies not coming to the Philippines. From a holistic point of view, power is normally a small component of cost. I do not see how that, in itself, would discourage investment.

We have other issues affecting investment, such as the lack of adequate infrastructure, inland transportation costs and bureaucracy. All of these have to be addressed in order to make the country a more attractive manufacturing hub. Again, will the Philippines ever be a manufacturing hub? In my opinion, I could hardly see it. We have here a group of islands that make it difficult. In our neighbouring countries, we see an interconnected land mass (i.e. Vietnam, Myanmar, Thailand). How could we practically compete against this?

Aboitiz is known to be counting with long-term partnerships with Japanese companies and other foreign counterparts. What are the main reasons for partnering with Nippon companies and how important are the technologies these partners bring in for increasing efficiency?

As far as technology is concerned, we go all over the world. The Japanese do have certain technologies that they manufacture very well and have products that are superior. But we partner with a lot of companies around the world.

Antonio Moraza, President and CEO, Aboitiz Power Corporation

Our partnerships reflect this diversity. For example, we have Norwegian partners for hydropower and Japanese partners for coal. Given that there are various good manufacturers all over the world, we do not put special preference for one over the other.

In terms of solar power, is there a movement among the conglomerates to invest in this area?

If you refer to the irradiation map of the world, the Philippines is not the best location for harnessing solar energy. We are a tropical country with very hot temperatures, but our weather tends to be very cloudy as well. However, as the costs go down, hopefully, solar power would become competitive and would not require subsidies anymore.

Despite challenging geography and insufficient infrastructure, the Philippines still is an important generator of power. The expertise obtained through operating with these barriers gives you an advantage

over developing countries such as Myanmar, Laos, or Cambodia. What are your main priorities and opportunities in this regard?

Before anything else, it is important to point out that AboitizPower is not limited to power generation but is also involved in power distribution. For example, we think we are good at the distribution aspect but we are limited. This is because looking around ASEAN, most if not all utilities in the region are government owned so it is difficult for us to participate.

The Philippines is about the only one that has in effect a few privately-owned distribution utilities. Until this ownership structure in the region changes, it will be difficult to go to other countries and tell the government that we can help.

So, the opportunity is in power generation and that involves putting money into technology and using natural resources. This is open to anyone and there is no real advantage for any one party. Thus, we are trying to get into spaces where we get a better opportunity.

In a political sense, how risky is investment in the power sector within the region?

Moving outside the Philippines bears a great deal of risk. Each country has different practices and are governed by different laws, so it is very difficult, and risky.

In your opinion, do you think there will be more regional integration in terms of the varying legal frameworks?

It will definitely be very challenging because countries have different practices, laws, traditions, or simply culture. It is rather impossible to integrate all these differences especially in legal terms.

From your perspective and in terms of what the company is doing right now, what are your main project priorities both locally and internationally? What countries provide the biggest opportunities in hydropower?

Locally, greenfield is somewhat off the table. There are too many plants, so it would mainly be acquisition in the event that something becomes available.

Meanwhile, we are primarily looking at hydropower in the international setting. We would like to operate in this space, and our partner is the Norwegian government (SN Power). They are very well-qualified given that they have approximately 15,000 megawatts of hydropower in Norway. This also reflects the amount of experience our partners have in this sector.

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So, we would like to look for spaces there. Unfortunately, hydropower is probably one of the power projects that have the longest gestation. It could take years and companies really have to be patient.

As to the countries that provide us with better opportunities in hydropower, this includes Indonesia definitely. Both Myanmar and Vietnam have potentials as well, but we are at very early stages. Again, it would take many years before we put our feet on the ground and make investments.

In terms of the relationship between the Philippines and Japan, the latter has offered a one-trillion-yen for the "Build, Build, Build" program and other infrastructure projects within the Philippines. Do you expect more Japanese companies entering into the market as a result?

First of all, the relationship between Japan and the Philippines has been strong for a long period of time. Moreover, Japan as a supplier of equipment has also been here way before anyone else.

When it comes to power generation, the Japanese are already here and are tapping the area. However, there is a lot of local money too. The investment or the money required for investing is also available locally. The Japanese are investing more in power distribution.

While there currently are several players in the domestic market, you have been mentioning the use of an M&A strategy due to the lack of greenfield opportunities. Do you think that the map of local power suppliers, providers and transporters is going to shrink?

In my opinion, that would probably be the natural tendency. The Philippines is that the country is growing. As a result, the power demand is likewise growing every year. Thus, there is more space for other companies to come in.

With prices settling however, the one-plant operator is becoming less attractive. So, some may decide to sell some point in time. This does not necessarily mean it will be easier to sell. We have good laws in the Philippines that introduced competition and that is here to stay. Moreover, I do not see power prices spiking in the long-term. Therefore, it will be competition with advantages for the one who can keep costs down and build plants cheaply.

For foreign investors or companies who would want to tap into the market, are there any opportunities for ventures with Aboitiz?

As I previously mentioned, we are not capital-constrained. Aboitiz has had joint ventures in its history. The company actually had many of these. For us to do a joint venture again, a company must bring something to the table aside from money. An example would be technology among others. This is the reason why we partnered with the Norwegians – we are fully equipped in the field of hydropower both in terms of the know-how and the technology. But if the venturing company will only contribute cash, we might as well do it ourselves.

CHALLENGES AND OPPORTUNITIES IN A NEW ERA IN THE PHILIPPINES

Ramon R. del Rosario, President and CEO of Philippine Investment Management, Inc. (Phinma), gives his perspective on the new government agenda, discusses ASEAN's regional integration and touches on the Philippines competitive advantages for investors

What is your personal perspective on the Philippines' macroeconomic position? How important are the government's initiatives to achieve above 7-percent growth over next 2-5 years?

Today, President Duterte has put in place a very credible economic team as well, which is respected by the private sector. In his case, he put in a team who had experienced government work in the past, or had experience in the private sector equivalent to being in government. It is not a young cabinet; it is probably one of the oldest cabinets we have had.

At the outset, they announced the ten-point socioeconomic agenda, which was well-received by the private sector. One of its agenda is the stress on infrastructure development, which was the one glaring item that was missing in the Aquino administration. While the Aquino administration also aspired to put into place a lot of infrastructure projects, one of the pitfalls was the slow phase of implementation. Due to the poor implementation, that is one of the main reasons why the Aquino administration's candidate did not win in the last elections.

With very high expectations also comes the possibility of performing below expectations – that is what remains to be seen. We are one year into the administration, and so far, I would say that they have been doing good. However, there is a need to see the implementation take more concrete shape, especially in infrastructure development.

One of the major initiatives the administration is starting to put forward is the 'Build Build Build' Program, which is something needed for the development of the Philippine economy; also the aim to decentralize the economy. How fast do you think the country can achieve these objectives?

Those are big challenges, and the Philippines has traditionally been centralized. It makes sense to try and decentralize decision-making quite a bit, but I am not for shifting to a federal type of government, because there are many pitfalls. It needs to be studied much more carefully before we make a too drastic shift.

Ramon R. del Rosario, President and CEO, Philippine Investment Management, Inc.

However, you can achieve greater degrees of decentralization and giving more authority to the other regions without necessarily shifting the form of government to federalism. Those are, in my mind, two different things. In terms of decentralization, you would see widespread support from the business community.

What is your perspective on how the ASEAN has developed in terms of regional integration in the last 50 years, and in what aspects do you think the ASEAN community has not succeeded?

As a general statement, let me say that the regional integration is still a very attractive idea in this part of the world. It is not a zero-sum game – everybody can win. It is a positive approach to economic development that has paid off for so many of our countries. What we need to do is look around and see how the countries have benefitted from regional integration. That is the summary of why in this part of the world, it is not a notion that has become passé. It is still a very well-accepted notion, and it is something that will continue to grow and develop as we move forward.

The idea that we are a strong market and can negotiate with our partners has taken solid hold. The most important thing is that if everybody benefits from it, there is nobody who will argue against it. I am not saying that every single person in every country has benefitted from it. I am sure that in every country there are portions of the population who feel like they are threatened due to the entry of imported items from various ASEAN countries. However, it is a notion that has been accepted.

Within the ASEAN region, what would you say is the competitive advantage of the Philippines?

Our young and growing middle class, our trained workforce, and our ability to speak English are three factors that are very important. It has worked very well, and the classic example is the growth of our BPO sector. It is no longer just taking phone calls, it has become much higher quality now – we are doing intelligence or knowledge-based work. You are seeing more medical transcription work, as well as software development. It is also a fact that we already possess a very highly qualified workforce that is well-educated, highly trainable, and English-speaking. The middle class with growing prosperity also makes us an attractive market for investors looking at the Philippines. These ingredients coming together make us quite an attractive site for investments for the rest of ASEAN.

Considering Phinma's business, how important will that be to attract technology into the country's power sector?

It will be the answer for sure; we should be open-minded, but it goes back to my point about opening our economy so that we attract not only capital, but also talent. Maybe the other way to put it is, in spite of our disadvantage in terms of energy costs, we are still the fastest growing economy in ASEAN. There must be other factors that make up the high costs of energy. First, there are many sectors where the cost of energy is a small part of the overall cost. Second, the quality of the service you provide must be good. For instance, in the BPO sector, we have the second or third lowest costs, but we make up for it by becoming more efficient or pleasant. It is not possible for us to have all of the advantages in all the sectors. Unfortunately, the cost of power is still one of the factors where we have not found the solution. To a certain extent, if we can attract more technology to come in, by all means we should exploit it.

A THREE-POINT PLAN FOR ICT

Secretary Rodolfo A. Salalima of the Department of ICT says the government has three priority areas for ICT: expanding the broadband network with public free Wi-Fi; E-Government, with the introduction of the integrated online government portal; and moving the BPO services to the countryside

Could you please share your views on the impact that the government's 10-point economic plan and the National Broadband Plan are producing in the ICT sector?

All the government plans on the ICT sector are managed by our Department and we have focused them on creating an easy business environment in the country. Access to communications is a human right and we see it as an essential service for our people. We are looking forward to fulfilling our objective of building the necessary infrastructure in the Philippines. The president has ordered us to achieve three things: the broadband network with free public Wi-Fi; e-Government, with the integrated online government portal; and moving the BPO services to the countryside since they are too concentrated in metro Manila.

I want to create a BPO summit to be prepared for this evolution of the sector. This will include all the stakeholders in the BPO services and related business because they are also important. For example, I was talking recently to an American company that wants to localize its BPO services here and we agreed that before they settle we will have to inform technical schools in the area so that they can prepare the workforce for them.

We are also implementing the project 'Tech4ed', which is designed to support empowerment through educational technology. We have 8 offices around the country and we want to expand that to 17 to reach all the regions. We conduct seminars for people within the government and outside so they can learn how to implement IT solutions in their day-to-day.

This is also intended to reach the unemployed so they can get the skills to finally find a job.

The Government is making efforts to facilitate money inflow to the country, with initiatives like the economic zones or bilateral agreements to attract overseas development aid. What is the significance of regional integration when talking about ICT?

Regional integration is very important because of the globalized economy that we are already living in. Our country alone might not be able to compete in the international arena as strongly as we can as part of the ASEAN so I see this regionalization as a very positive measure. This is our chance to be really competitive.

Secretary Rodolfo A. Salalima, Department of ICT

In this regionalization, the country has established a long-lasting relationship with Japan. What are the synergies between both countries that you would highlight?

It is clear that countries like India, China, and of course Japan, are seeing the potential of the ASEAN. I would like to highlight the funding, which is very important, but also the knowledge that Japan brings since it is more advanced technologically and we can learn from them.

For example, recently we welcomed the Japanese Minister of ICT because we were doing the transition from analogue to digital TV using the Japanese standard.

Being at the forefront of the Fourth Industrial Revolution and investing in broadband infrastructure could benefit the Philippines greatly, considering that each 10-percent increase in digitalization and broadband penetration increases GDP growth by 1.38 percent, according to World Bank data. How can the Philippines be a leading country in terms of ICT?

Nowadays India is the number one in global BPO with the Philippines in second place, but we are already leading in "voice BPO services". BPO generated revenues of around $22 billion in 2015 in the Philippines, creating 1.3 million jobs. We plan to double the number of BPO by 2022 so that the revenues from this sector will be higher than the revenues sent by the overseas Filipino workers.

Japanese companies are very keen to expand their business in the Philippines. What is the trigger for that; why do you think Japanese companies have such an interest in this country?

I think it is a mixture of different factors: we have a strategic location; our population speaks English and we can boast of having good engineers. In some other countries, this might also be true, however, we are close to our client markets which makes it easier to adapt to the strict working requirements that Japanese companies usually have.

I would like to get a bit deeper into the national broadband project because it is a very ambitious project. How is the Government going to finance it? Is there room for public-private partnerships (PPPs) in it?

Yes, there are PPPs – funding from other countries and the World Bank and some private companies that want to be partners in the management of the broadband. There are tenders from Europe, China, and others. We are not starting from scratch because we are connected to the national power grid that has a telecommunications network which is not fully utilized. We will be able to use around 10,500 fiber-optic cables.

You have been in the ICT sector a long time and representing the country all over the world. With this experience in mind, what is the legacy that you would like to leave as Secretary of ICT?

I would like to leave a good digital infrastructure for my country and train and create a citizenry to be functional and digitally literate. Because as I said before, everyone has the right to communicate and have access to information.

GLOBE TELECOM DRIVES GROWTH OF DIGITAL ECONOMY

Globe Telecom is one of the two major players in the Philippine telco market. Mr. Ernest Cu, President and CEO of Globe Telecom, sat down with The Worldfolio to discuss how Globe is driving the growth of the digital economy by acting as a "conduit" for e-Financial services, entertainment services and e-Commerce; as well also supporting local film producers with the establishment of Globe Studios

With the existence of a duopoly in the telecoms market, there is the notion that Globe offers services at a higher cost. But you have mentioned that Globe is implementing various promotions to make the cost lower. How do your costs compare to other regional players?

From a regional level, I believe we are one of the companies offering the lowest per-gigabyte mobile data pricing. Fixed line is a completely different story. On the mobile data aspect, we believe that our pricing is at the lower quartile in Southeast Asia.

This is another falsity about duopolies – people think a duopoly is unable to price in a competitive manner. However, if the prices of Globe are not competitive, we could not have gained market share.

We see that Globe has been partnering with foreign players, such as Chinese business magnate Jack Ma, to diversify its services and portfolio. Could you tell us more about your diversification into Fintech and other subsectors and why it is important for the Globe to keep innovating?

What we do at Globe is truly understand what our assets are. The Globe distribution system is a very robust system, having one million points where you can buy prepaid credits and we have more than 300 stores. We also have a very good marketing machine.

Another factor is data. We have sheer amounts of data about our consumers, both anonymous and specific. Putting these together we are able to infer on areas where we can be active.

Financial inclusion is another consideration, looking at consumer needs. Eighty-six percent of the population is unbanked, and we have the distribution to reach them. So, it became a very interesting business for us for the last eight to ten years. Now, we finally realize it is time to scale up.

If you look at it from the perspective of having a retail footprint, a distribution footprint, and a good marketing channel—what

Mr. Ernest Cu, President and CEO, Globe Telecom

else can we flow into this pipe? This is how we see our business, because if you only focus on telco, you only have one product, data. How uninteresting is that for a company that is a consumer brand?

That is why we tried to repurpose our distribution system into many different things. This is also the reason why content flows through it now. If you look at Globe, it is a conduit for Disney, NBA, and Netflix. Among the opportunities is becoming a conduit for financial services, data analytics service, or marketing services. We need to think of our business in an innovative manner because sooner or later, call and text may be gone.

What is your approach or strategy in terms of attracting content partnerships and finance-related deals as well?

On the Fintech side: only 2 percent of the population have credit cards and 86 percent are without bank accounts—the opportunity lies there.

In China, we can see very quickly how things could change when they used cards for people to eliminate cash and everything becomes more convenient. The market is getting ripe for this phenomenon as e-commerce comes into play. In the Philippines, can you imagine e-commerce companies servicing their deliveries on a COD, or cash-on-delivery, basis? At the same time, banks are hesitant to give out coins—you have to pay for them. It is very difficult. Retailers are scrambling to get coins to give out as change. Coins are actually the most inconvenient medium of payment.

So, we want cash to be ready. That is why we chose a partner like Alipay who will help us bring the investment here into the Philippines. Today, we have less than a million active users and we want to achieve 20 times this number in five years. The vision is to have a street vendor and a usual department store to have the same capability of accepting payments.

This technology could then eliminate the vendor's burden of dealing with cash every day. In relation to this, Globe will also be able to retrieve data regarding payments received. This data coupled with the vendor's telco loading could then be used by Globe as credit scores to lend the vendor more working capital to help in the business. Just think about the power of this strategy, which by the way we are already doing. This creates a new business.

On the content side, it is a different strategy. We notice a major shift going on with regard to consumer habits. Nobody watches linear TV nowadays. At least for young individuals 25 years and below, there is a very limited portion of those who watch linear TV. With this change, we aim to take the revenue per user (RPU) that is coming from cable and take it into broadband. To be able to do this, we need to bring a lot of content to bear. For example, we want to bring the content of Netflix to more segments. Thus, we need to integrate Filipino content into it. The problem with this is that Filipino content is controlled by large cable companies. To address this challenge, we have created Globe Studios. This studio supports independent film producers to prosper in this country. We are trying to reignite local filmmaking through sponsoring their projects that we can now present to our partners and eventually include in Netflix. We have one TV series and a few movies in production. From being merely a telco company, Globe is strategizing and incorporating content creation as a media company.

PLDT SME NATION SUPPORTS DIGITALIZATION OF MSMEs

Mitch Locsin, Vice President PLDT SME Nation, discusses the growing ICT landscape in the Philippines and how his company is helping Filipino MSMEs to get online and embrace e-commerce

What are your expectations regarding the new administration goals, such as the 10-point socioeconomic agenda, particularly in the ICT and Telecom Sector?

In relation to the SME industry, these initiatives are a big help since they focus on inclusive growth. The administration's programs are devoted to ensure that the rest of the country benefits, not just Metro Manila or Cebu City for example.

I believe that these initiatives of the current government are poised to spur a lot of growth. Among its other benefits are increasing awareness on MSMEs and providing help in fueling this industry. In most of the programs, whether it be in agriculture or SMEs, one can observe that everybody is really working together.

One of the main goals of the government is actually to stimulate development through regional integration. What benefits does it bring to the SME and ICT sectors?

The government's current approach is very effective. Measuring the Philippines in a per-area basis, whether it is the market share or adaptability to the Internet, there has been a growth spike, especially in the Visayas and Mindanao regions, in the past year and a half.

Businesses from those regions are not only competing with those from Luzon, they are surpassing them. This is a very good example of inclusive growth. It shows that these regions are getting more equipped to spur growth for the SME industries.

Investment in broadband and telecommunication infrastructure could benefit the Philippines greatly. How do you see the Philippines evolving in this context and how can the Philippines become a major business enabler through increased broadband penetration and digitalization?

In relation to the telecommunications and ICT industry in the country, the Philippines is one of those unique countries that has a big challenge given its geography of having more than 7,000 islands. Compared to our neighboring countries like Thailand, Vietnam, or Singapore, it is different. From an infrastructure perspective, it is difficult.

Mitch Locsin, Vice President of PLDT SME Nation

As a result, telecommunications companies need to lay down fiber that cuts across the country with multiple rings of redundancy. For example, for PLDT alone, we have more than 3 million kilometers of fiber optic cable in our domestic network, with a capacity of 7.42 Tbps.

Just recently we were dubbed as the "texting capital of the world". But this has changed completely. From being a 'call-and-text' country, we transformed into a data-driven country. Thus, telecommunication companies have had to completely change their network infrastructure from being previously designed for voice and text into a data-driven network. With the technologies changing rapidly, from 2G to 3G to 4G – and we are talking about 5G already – our investment in network expansion is massive and unprecedented.

PLDT SME Nation has been providing entrepreneurs with technologies suited for their needs – from business-enabling voice, broadband and mobility solutions to more sophisticated enterprise-level ICT and Cloud services etc. As such, where did the idea of establishing a specialized SME arm in PLDT's operations originate?

PLDT SME Nation began nine years ago. We were just referred to as the Corporate Business Group (CBG) of the company. This CBG has always been the dominant enterprise group carrying our PLDT Fixed, Smart Wireless, ePLDT ICT services and solutions to the enterprises in the country. Thus, there was a conscious effort that if we were to give more attention to the domestic market, we really need to focus on the MSMEs as well. Since then, PLDT SME Nation has been growing by double digits every year.

Our growth may be attributed to the large customer base. Micro enterprises alone average 500,000, the small players around 90,000, and the medium players are close to 5,000. As a result, PLDT SME Nation is organized per geography.

The corporate relationships management group is the one enabling the SMEs to adapt more to ICT and digital solutions. PLDT Alpha, handles the top 5,000 corporations and conglomerates in the country.

SMEs adapting more to the cloud. This is more agile, flexible, and affordable, thus, making it possible to compete with bigger companies. The SMEs are more inclined to acquire machine-to-machine (M2M) solutions. These are the asset-management tracker solutions. These players adapt more quickly to these solutions.

The second team is the acquisitions team. We continuously have to acquire new customers because year after year there are new companies popping up. There is a community engagement group. They are the ones who put the word out, promote e-commerce or cloud solutions, and organize around a hundred events a month. These are the mind-shaping and brand-improving events in where we include our big players to become our ambassadors and mentors.

NO LONGER A MERE CONTRACT ELECTRONICS MANUFACTURER

The Philippines aims to become a regional leader in electronics innovation and R&D, with the support of both Japanese investors and domestic companies like Integrated Micro-Electronics Inc.

The Philippines' electronics industry was born in the mid-1970s, as companies from industrialized nations such as the U.S. and Japan began to relocate their production facilities to developing countries, or outsourcing production to local electronics contract manufacturers. Since then the industry has grown impressively, and today electronics and electrical machinery and components make up over half of the Philippines' exports.

The Philippine semiconductors and electronics industry specializes in manufacturing assembly, testing, packaging and distribution. The country has been a preferred outsourcing destination for many Japanese electronics firms, including Canon, Fujifilm, Furukawa Electric and Murata Engineering.

The further potential for the industry remains high, as the country intends to move to higher value-added manufacturing to meet global demand. Electronics manufacturers plan to improve current production capacities, to expand current research and development and design capabilities, and to further develop the labor force over the next several years.

"With the high-end products and technology being developed by the Japanese which are brought here, there becomes a transfer of technology occurring between the two countries. In this context, the Philippines will be able to sustain progress because we could adopt these technologies and do the manufacturing ourselves," says Emmanuel D. Pineda, Chairman and Administrator of Authority of the Freeport Area of Bataan.

The industry is working to drive up the semiconductor and electronics manufacturing index of the country by identifying customers' needs, understand suppliers' baseline, develop relevant capabilities, match industry supply and demand, and conduct periodic assessment of its performance. In addition, the industry recommends that the government continue with its scholarship program for operators and technicians, improving the country's business environment, conducting R&D capability development, and aggressively promoting local industries and SMEs through investment missions abroad.

Undoubtedly infrastructure challenges can be a deterrent for manufacturers, something that is now being addressed under President Rodrigo's $180 billion infrastructure program. But special economic zones such as Subic Bay and Clark Economic Zone have been able to attract several investors, including many from Japan, thanks to their excellent transport connections, reliable power supply, talented workforce, tax incentives and special regulations. The Government's infrastructure development program should also help to drive manufacturing growth to other parts of the country, in line with its plan to boost inclusive development.

"We would be willing to support high quality infrastructure projects. We are also supporting Japanese investment both large and small to medium-scale investments. These will be very important and beneficial in building up the manufacturing sector, especially supporting industries, of the Philippines. It is likewise significant in creating better and more sustainable jobs in the country," says Mr. Seigo Baba, a chief representative of the Japan Bank for International Cooperation in Manila.

"Based on the 'Survey on Overseas Business Operations by Japanese Manufacturing Companies', which we conduct once a year asking Japanese companies having more than three factories or operations abroad, the Philippines is ranked top 10 among countries or locations abroad where Japanese companies sees investment opportunity in coming 3 to 5 years."

While the Philippines will continue to be an outsourcing destination for Japanese and other international electronics manufacturers, it is determined to transform its image as a mere outsourcing destination, to that of a regional leader in high technology, innovation and R&D. One pillar of the '0+10-Point Socioeconomic Agenda' is focused on promoting science and technology to enhance innovation and creative capacity towards self-sustaining, inclusive development – a goal which will be supported by companies like Integrated Micro-Electronics Inc. (IMI).

"Although the country has been evolving significantly, the issue that we are facing now is that the Philippines has remained in that role of a simple contract manufacturer," says Arthur Tan, CEO of (IMI) a subsidiary of Ayala Corp.

"It is true that we are still very active in contract manufacturing but it has become less about assembly work and more about engineering to a level where new processes that are developed here have been transferred to Japan. It is now a challenge to change the perception about the Philippines as being just a contract manufacturer."

IMI has been engaged in contract electronics manufacturing since the early 80s and has several Japanese clients, but has since evolved to become a leading global electronics company.

"We have been one of the pioneers in contract manufacturing and were able to evolve with different technology trends and develop the economy," says Mr. Tan. "After many years of scaling up our engineering, we are now able to produce and develop new product processes that can be exported to other countries."

"Companies in the U.S. that used to just do back-end assembly work here have recognized our potential," he adds. "They have transitioned to front-end R&D and design work for products that are released globally. I think Japan Inc. should take notice of this."


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DRIVING INNOVATION TO BECOME A GLOBAL PLAYER

Integrated Micro-Electronics, Inc., also known as IMI, is one of the leading global providers of electronics manufacturing services (EMS) and power semiconductor assembly and test services (SATS) in the world. CEO, Arthur Tan, speaks to The Worldfolio about industrialization in the Philippines and IMI's business operations

Many Japanese companies that compete with South Korea and China specifically on price offering, are starting to shift manufacturing plans outside of Japan but are keeping R&D in the country, meaning that they are moving their assembly plants to the ASEAN. What other synergies besides bringing the cost of the product down do you see for the Japanese and Philippine manufacturing industry?

The change in the way the products are being consumed will drive that discussion. The cost of bringing the assembly over to the Philippines based only on cost is not sustainable. There has to be another value added to it.

We realized that in general, there are few differences among popular products. If we take the iPhone as an example, Steve Jobs figured that out and as a result he created the iPhone. When you set a manufacturing process based on one product, one colour, one button and then you multiply that by millions, you can operate on a different manufacturing scale. Japan has been doing that so well using robotics automation.

Nevertheless, the consumer market does not want the same product for everybody. Even Apple had to adapt to that and started producing many different iPhones with different colours. This means that if your core competencies lie solely in pure automation, you cannot compete with someone who can shift on demand. This is what the Philippines thrives on. We are such an innovative and creative culture, that we can manage this transition of working on a hybrid situation with some level of automation and some level of highly-skilled work. The combination of both is what will make you succeed.

As one of the leading global providers of electronics manufacturing services Integrated Electronics proudly represents the Philippine electronics industry. Could you walk us through the key milestones which have made this success possible and what will come next for IMI in the international arena to consolidate your position?


Arthur Tan, CEO of Integrated Micro-Electronics, Inc.

When I joined the company in 2001, it was the largest Filipino manufacturer of Japanese products. It already had the quality manufacturing label that the Japanese would accept even though it was a Filipino-run company. Unfortunately, it only operated in the Philippines. For me to acquire new costumers and grow, the challenge was not just to convince them that the company was capable of producing their next generation products or enable the evolution of their manufacturing, but also to convince them to build those in the Philippines. From 2005 onwards, we began to deploy Filipino talent in other countries.

This seems to play in our favor even more now, as today you have to have a variety of some products that have been built in the actual country where it is going to be consumed.

IMI holds on to this particular business strategy, and that is the reason we are now capable of producing in all the major markets, taking advantage of individual FTAs. Recently, we started building in Serbia, and the site is set to be operational by 2018. Why Serbia? Because Eastern Europeans are going to experience demographic growth and beyond that we feel that there will be a normalization of economic policies with Russia and the rest of the world. Therefore, there will be some economic growth that will need to be served. Serbia is one of the only countries that has FTAs that cover both Russia and Europe, so we are poised to produce there. Similar goes for our operations in Mexico and a small facility in California.

Additionally, to what you have already mentioned, having worked with the Japanese for many years and knowing how they pay a lot of attention to the manufacturing process and how protective they often are of it, how did you manage to penetrate that market and what is it that you bring to your Japanese clients that they cannot find domestically?

I have to give credit to the ones before me. When I arrived, we were already predominantly doing business with Japan. I realize that the companies that work with IMI see that the company reflects the integrity, trustworthiness and longevity of the Ayala Group. The other thing that often is not highlighted enough is the community side of the business. It is utterly important to take care of your people and the nation and to make sure that you are protecting the environment by working in a sustainable way with the resources that you are consuming.

When we started, we did not have the skillset that we have now and I have to give credit to our Japanese partners who gave us the knowledge-based training that allowed us to get where we are today. The same thing happened to many other companies and yet they have not evolved. Therefore, credit goes to the management team of IMI and the support from Ayala Corporation to see beyond our capabilities of just producing parts profitably and adopting a long-term vision, to make a difference and grow as a part of the value chain. Besides providing employment we want to be a part of the products and innovation that can be seen in the world and become a global player.

THE ASEAN'S GAMING HUB

The Philippine Amusement and Gaming Corporation (PAGCOR) is the regulator of the Philippines thriving gaming industry. In this interview, Chairwoman and CEO, Andrea D. Domingo, speaks about how PAGCOR contributes to the socioeconomic development of the country

In May, 2016 president Rodrigo Duterte was elected with more than 39% of the vote giving him a 15-point victory over the second best performing candidate. The people of the Philippines truly believe in the message of social inclusiveness, economic decentralization and social order; as shown by his 91 percent approval rating shortly after the election. What would be your analysis of the election results and what were the main drivers behind it?

When we had a meeting with all the campaign leaders and we always felt that introducing Rodrigo Duterte to the public was a lot easier than other candidates. He seemed like a magnet, he would attract voters because he has the charisma. He is so real and so different from the other candidates and that is what makes him special. People were saying “we need a working man, we need someone like us”. He has the ability to talk to the people and find the basis of what they need.

He was able to gain an exclusive right to fight crime, drugs, corruption, right from the beginning. Nobody else had the vision of doing it and knew how to solve it permanently. People got tired of people with prestigious family names and foreign education and seeing that things didn't change. So, when he first thought about it, he was reluctant but saw that he had to do it because he understood he could be the solution to our problems.

I've seen many presidents and I think that he is the kind of man that we need at this point in our history.

How important is social inclusion and economic decentralization for the Philippines and what role does PAGCOR play in contributing to it?

We are a very religious country so in 1983 there was a lot of debate about gambling and we decided to legalise it, put some taxes on it and take profit to use it for social civic programs. In our mandate, there is a specified use for the money that PAGCOR collects and it is to fund social development projects.

We opted for this option instead of making it illegal and giving room to illegal gambling lords. My vision is that in the end when you work for PAGCOR or for a casino you are working for the poor man that can't afford medicines or the orphans that need education.

The amusement and gaming industry a is a very important pillar of the economy already and in 2017 the sector expects $3 billion revenue.

Yes, that is 155 billion pesos, from which we would collect around 65 billion pesos. There are three criteria that we control. First is how we regulate the sector, second, how we collect taxes, and third, what have we do for social development with that money.

We have to regulate so there is control and not a wild proliferation. We do not allow e-gaming, there are certain rules on where can you establish a casino or a gaming facility. We are careful on where and how we allow casinos to open. That is why we are working on integrated casinos with hotels and entertainment so that we have a combination of tourism, gaming and leisure. We only allow projects that have 20-30 percent of their total area as the casino. The rest has to be restaurants, shops, rooms and other leisure spaces.

Andrea D. Domingo, Chairwoman and CEO, PAGCOR

How will you contribute to the country's tourism goal of reaching 12 million visitors by 2020?

To contribute to tourism, we are focusing on Entertainment City so that when people think of going to Las Vegas they can also come here, which is much cheaper for them, especially for the ASEAN nationals. We are working very hard on providing a personal touch and great service to customers so that they feel most welcomed.

Because of our historic relation with foreign countries, we are very used to sharing with foreigners, there is no discrimination at all in the Philippines and we think that our Asian culture and values are very appreciated because we know how to combine that with the understanding of the occidental way of thinking.

We are naturally a good cross-cultural society. Our overseas Filipino workers also bring back a lot of knowledge that stays here and helps cultural integration. That is one of our strong points when attracting tourism, everyone can feel at home here.

How do you see the Philippine gaming sector in comparison with other neighbouring countries?

We have been in this for a long time, I know there are some countries that are nowadays developing gaming but it takes a long time to be like us. Our government does not put a single peso in us, we are the third largest revenue generating body in the Philippines.

The Philippine entrepreneurial spirit is the reason why we have grown so much in this time, we have been fighting every year and now we know the business very well because we have grown with it. We are mature.

I see the Philippine gaming and amusement sector as strong. We are managing all our 44 casinos, we are regulating the operation of the private casinos which are now 11, so I think we know how to run the sector.

PAGCOR had a very good year in 2016 with a growth in revenues of 16 percent compared to 2015. How do your 11 licensees actually contribute to that growth compared with the 44 PAGCOR casinos?

They contribute a larger portion. The benefit of having the 44 owned casinos is that when you analyse the revenues, you can see how they contribute to our country. 72 percent of our income actually goes directly to other government institutions. Part of this is what we recently remitted to the office of the president in the amount of 5 billion pesos, for which 1 billion pesos was allotted for free medicines, 3 billion pesos for free hospital care and the another billion for subsidies to families of police who were either killed or wounded. Only the remaining 28 percent is used for our operating expenses.

Mandated contributions are defined by law and this is very unique. But. we are happy to give back to the people.

Are you planning on getting more licensees? Is there room for international companies to come and invest in the sector?

Attracting other licensees is something that happens, even if we don't advertise; we have a lot of companies applying. We are very careful about what we approve because we are grateful to the ones that came when this was starting when there was more risk and they chose to trust the Philippines. It wouldn't be wise for us to jeopardize their operations.

"THERE ARE THREE CRITERIA THAT WE CONTROL. FIRST IS HOW WE REGULATE THE SECTOR, SECOND, HOW WE COLLECT TAXES, AND THIRD, WHAT HAVE WE DO FOR SOCIAL DEVELOPMENT WITH THAT MONEY"

"THE BENEFIT OF HAVING THE 44 OWNED CASINOS IS THAT WHEN YOU ANALYSE THE REVENUES, YOU CAN SEE HOW THEY CONTRIBUTE TO OUR COUNTRY. 72 PERCENT OF OUR INCOME ACTUALLY GOES DIRECTLY TO OTHER GOVERNMENT INSTITUTIONS. PART OF THIS IS WHAT WE RECENTLY REMITTED TO THE OFFICE OF THE PRESIDENT IN THE AMOUNT OF 5 BILLION PESOS, FOR WHICH 1 BILLION PESOS WAS ALLOTTED FOR FREE MEDICINES, 3 BILLION PESOS FOR FREE HOSPITAL CARE AND THE ANOTHER BILLION FOR SUBSIDIES TO FAMILIES OF POLICE WHO WERE EITHER KILLED OR WOUNDED. ONLY THE REMAINING 28 PERCENT IS USED FOR OUR OPERATING EXPENSES"

We see a lot of people willing to come in but we want to grow organically and create a sustainable sector. Now with Okada coming in with $2.2 billion and employing over 7,000 people, we don't want people like this to get scared by welcoming every other project that applies so we are very selective.

Entertainment city is technically full but in other regions, we are looking for options so we can open some licenses.

For us it is very important to analyze the quality of those companies and what services they are going to provide but also the kind of people behind them. We don't want anyone with a criminal record, we check all applicants to avoid fraud, and that includes the ones that already have licenses, if they don't successfully pass the report they will see their license revoked. There is also an independent audit of all casinos and online gaming companies.

With the recent approval for the entertainment business in Japan, the opening of a potential $25 Billion market could become a reality very soon. How do you see the synergies that PAGCOR and Japanese market can establish?

I am sure there will appear some synergies as in manpower exchange, information and knowledge exchange. Our mandate says clearly that we operate in the Philippines and we should analyse the legal possibilities in the future but it is not a thing that we have in mind yet.

We have already rejected a proposal from another country to manage their sector. Since we have not reached our maximum here in the Philippines, we have enough to care about and better concentrate and keep doing it as well as we do.

But of course, we would be happy to share our experience and knowledge in management with the Japanese.

In a more personal approach, what would be the effect that you want to produce as Chairman and CEO of PAGCOR?

When the President nominated me for the position he only told me two things: that we needed a level playing field for the sector and we needed to eliminate corruption. And he gave me advice on that, he said, "When you don't know what to do, just read the law and follow it." I think that those two will be two very good goals that I want to achieve and it would be great for any other sector too.

TOURISM ARRIVALS TO REACH A RECORD 7M THIS YEAR,

AS INDUSTRY INVESTMENTS CONTINUE TO GROW

Tourism numbers in the Philippines have risen steadily in recent years and are expected to reach a record 7 million by the end of this year. The government has laid out it's roadmap for the sector in the National Tourism Development Plan 2016-2020, which aims to make tourism a key economic engine and generator of jobs across the country, in line with President Duterte's plan for inclusive growth and economic decentralization

The Philippines is made up of over 7,000 islands teeming with biodiversity, ranging from tropical rain forests, mangroves, and coral reefs to mountain ranges and sandy-white beaches. Aside from its natural sites of striking beauty, it is also known for its rich history, colourful culture and fun-loving, friendly people. And while it may not match Thailand in terms of visitor numbers, it certainly matches – if not surpasses – its regional competitor in the beauty stakes.

But the numbers are growing, making investment in the budding tourism industry an interesting proposition for foreign investors, and an alternative to less saturated markets like Thailand. In the first half of 2017, the Philippines received 3.35 million foreign visitors, an 11 percent increase over the same period in 2016, and that figure is expected to reach a record 7 million by the end of the year, increasing to more than 10 million by 2027.

"In the face of challenges, the country continues to receive a growing influx of tourists from across the globe, desiring to see our world-class destinations and experience the renowned Filipino hospitality," says Secretary of Tourism, Wanda Corazon Teo.

"We would like to close the year strongly for the tourism industry in terms of visitor arrivals and carry the momentum into the coming year."

Contributing 8 percent to GDP and employing 5.5 percent of the workforce, the tourism industry is an important pillar of the Filipino economy. The government has made tourism development a priority in its goal to build inclusive growth, and aims to invest in tourism and transport infrastructure to bring much needed economic activity and jobs to poorer regions.

Wanda Corazon Teo, Secretary of Tourism

The vision, laid out in The National Tourism Development Plan (NTDP) 2016-2020, is to develop a highly competitive, environmentally sustainable and socially responsible tourism that promotes inclusive growth.

"With the Philippines' diversely-rich natural environment, Filipinos offer our guests ultimate fun experiences. But without collaborated measures on environmental protection, we cannot ensure sustainable growth of the tourism industry nor reap its economic benefits," explains Secretary Teo.

As part of the Plan, 20 tourism clusters, nine gateway clusters and 49 development areas will be established. Building international airports to increase arrival capacity is also a vital part of the plan to boost tourism and economic growth across the nation.

"As envisioned in our NTDP, secondary airports will be upgraded to address air traffic congestion in Manila, and to disperse the benefits of tourism to the countryside," adds Secretary Teo.

Award-winning beauty

The nation has reaped numerous tourism awards in recent years, including the 2013 Rising Star in Tourism by the World Economic Forum. It was also named among the top 10 hottest new travel destinations by Condé Nast Traveller and one of the hottest travel destinations by Travel & Leisure Magazine in 2013.

Individual islands have also been singled out for recognition. TripAdvisor.com named Boracay Island, in Aklan province, the best beach in Asia in 2013, and was selected that same year as the top destination for relaxation by Agoda.com. Palawan was voted the best island in the world in 2013 by Travel & Leisure Magazine, one of the 10 best-value travel destinations for 2014 by Lonely Planet, and the fourth best holiday destination by Smart Travel Asia.

"IN THE FACE OF CHALLENGES, THE COUNTRY CONTINUES TO RECEIVE A GROWING INFLUX OF TOURISTS FROM ACROSS THE GLOBE, DESIRING TO SEE OUR WORLD-CLASS DESTINATIONS AND EXPERIENCE THE RENOWNED FILIPINO HOSPITALITY"

Wanda Corazon Teo, Secretary of Tourism

The Tubbataha Reefs Natural Park is not only a UNESCO World Heritage site but was declared an ASEAN Heritage Park in November 2015 and was dubbed the world's eighth best site for diving by CNNGO.com. And the surfing capital of the Philippines, Siargao, was voted the 9th best surf spot on the planet by CNN Travel.

Gaming and Casinos

China is the number one source of tourists for the Philippines, many of whom are drawn by the nation's gaming and casino resorts. The gaming and casino industry continues to witness impressive growth, with total gaming revenues in 2016 increasing by 22.9 percent to 53.31 billion pesos ($1 billion).

Under the direction of the Philippine Amusement and Gaming Corporation (PAGCOR), the gaming industry regulator and operator of 13 casinos, the Philippines aims to become a gaming and casino hub to rival the 'Las Vegas of Asia', Macao.

But careful of the controversy and reputation surround the gambling industry, PAGCOR CEO and Chairperson, Andrea D. Domingo, says, "We are careful on where and how we allow casinos to open. That is why we are working on integrated casinos with hotels and entertainment so that we have a combination of tourism, gaming and leisure. We only allow projects with a 20 to 30 percent of their total area as the casino; the rest has to be restaurants, shops, rooms and other leisure spaces."

"WITH THE PHILIPPINES' DIVERSELY-RICH NATURAL ENVIRONMENT, FILIPINOS OFFER OUR GUESTS ULTIMATE FUN EXPERIENCES. BUT WITHOUT COLLABORATED MEASURES ON ENVIRONMENTAL PROTECTION, WE CANNOT ENSURE SUSTAINABLE GROWTH OF THE TOURISM INDUSTRY NOR REAP ITS ECONOMIC BENEFITS"

Wanda Corazon Teo, Secretary of Tourism

PAGCOR is behind one of the country's most exciting developments, Entertainment City, a 44-hectare gaming and entertainment complex under development along Manila Bay that will be a major draw for visitors to the capital.

"We are focusing on Entertainment City so that when people think of going to Las Vegas they can also come here, which is much cheaper for them, especially for the ASEAN nationals," explains Ms. Domingo. "We are working very hard on providing a personal touch and great service to customers so that they feel most welcomed."

97.9

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IMPROVING QUALITY OF LIFE STARTS WITH HEALTHCARE

The Duterte administration is determined to increase the Filipino quality of life and improve healthcare. The Worldfolio discusses the new administration's vision with Secretary of Health Dr. Rosell-Ubial

It is very interesting to see how you are building synergies with other countries in exchange of knowledge. Considering the administration's move to more regional integration, what synergies do you have with countries like Japan or other Asian countries? How do you compare your health system with those countries?

In terms of the synergies, there is a lot of potential for Japanese companies that produce vaccines. We used to have a budget of less than 3 billion pesos ($58 million) for vaccines. Now, our budget is around 7 billion pesos for vaccine procurement alone. This is a big jump in terms of the resources that we would need. Additionally, we used to have a budget of 1 billion pesos for drugs and medicine to be distributed to the poorest Filipinos. Nevertheless, if we go ahead with our annual check-up plan this will not be enough. We are therefore looking towards a budget of 3 billion pesos. So, there is a lot of room for synergy. Japan can help us to provide the needed supplies and equipment for the gaps that we are seeing because of the change in our health system policies.

You have been mentioning that health budget might not be enough to finance your plans. What is your opinion on the possibility of public-private partnerships (PPPs) and what opportunities do you see for international companies?

We actually have an office in Japan, which is sponsored by JICA (Japan International Cooperation Agency) and dedicates its operations to PPPs exclusively. It is an entire office that looks at how the health sector can invite PPP projects into the country. We are therefore very active in facilitating this kind of investment. We hope that that would fill in the gaps in terms of the budget requirements. Right now, the current trend is to have all Filipinos covered by the national health insurance program. Setting up PPPs with Japan or with other international partners makes me confident that the hospitals and health facilities will be able to meet our commitments of offering health care for

Secretary of Health Dr. Rosell-Ubia

every Filipino, covered by the health insurance. It is, however, very difficult to go into PPPs, because all the financial management of the hospitals is dependent on subsidies from the government.

What will be the effects of your plans for free health insurance, not only in the social sphere, but also on an economic level? How does it go hand-in-hand with internationalization or regionalization?

This is one of the reasons why the private sector is expanding. They know that due to the fact that everybody is covered, they get paid. They can now take it as an opportunity to attract international clients and investments. There are a lot of positive developments now for the health sector to expand. Not just to address the local growth, but also international expansion. What we are looking at by talking to several private sector partners are the pacific small islands. It will be very difficult for them to put up a training center or medical school in their own countries. We would like to encourage them to send their doctors or health professionals here for training. We're trying to look at that as one of the avenues for developments by the Philippines which might create an opportunity for us to create an investment climate in other countries for Filipino-owned and operated hospitals.

I was in Qatar recently and we talked to the Minister of Health. We have this Filipino group of doctors who would like to put up a Filipino-owned hospital in Doha, Qatar. Many of the Filipinos that are working there, are earning quite decent salaries. However, when they need medical services, they come back here to get treated. With that first initiative, we're trying to see a future where we have a Filipino hospital in many of the Middle Eastern countries, that can cater to the extensive population of OFWs (overseas Filipino workers) there.

Several international pharmaceutical companies are already operating in the Philippines. What are the benefits for these companies to come here?

The situation here in the Philippines is that the labor is very cheap while their skills are very high. Filipinos also have that way of adapting very easily. This comes all on top of the investment climate. We offer economic zones that can also provide tax breaks and tax holidays and also provides the necessary infrastructure. The major attraction point definitely are the economic zones that are well-situated, and offer all the facilities needed.

What message would you personally send to other nations in order to invite them to come to the Philippines either as a health or medical tourist or as an investor?

The strength of the Philippines is its human resources. It is the people who make this country. We might not be comparable in terms of the infrastructure at this point, but I believe that our strength lies elsewhere – the development and training of our people their compassion, their IQ etc. In short, the personal relationships and caring atmosphere should be highlighted. That's the strength of the Philippines, and we hope to capitalize on that. If our neighbors such as Japan, Korea, or China are complementing this by investing in infrastructure and equipment we will succeed. We are taking the opportunity to develop medical tourism and all the other healthcare facilities in this country.

A LAND OF BIG CONGLOMERATES WHICH AIM FOR THE BIG FILIPINO DREAMS

JG Summit is one of the most relevant conglomerates in the country, we speak with Bach Johann Sebastian, Chief Strategist of JG Summit Holdings to understand how they work to improve the Filipino quality of life

What is your expectation on the new administration's 10-point economic agenda, 2017 budget, proposed IPPs and comprehensive tax reform and what impact do you expect on the investment climate?

As to how it affects the real economy and the middle class, the administration's priority on infrastructure development is a welcomed policy direction given that the Philippines is at least 20 years behind in terms of infrastructure development. Previous administrations have failed to give enough attention to this aspect of the economy perhaps because of the high cost of capital. There was also a deliberate focus on fiscal restraint to improve the balance sheet of the republic. Not to mention that the Philippines has been lending to pay off debt – a rather negative practice.

From 2000, the government then has focused on achieving some fiscal balance. As a result, the cost of debt began declining mainly led by the policies of the Federal Reserve of the United States. Moreover, the country has achieved an investment-grade rating. Although there were numerous Philippine companies that already had an investment-grade rating, it was only during the term of former President Benigno Aquino when the sovereign earned one. This made the cost of capital decline and raising funds for infrastructure possible.

However, under the same administration of Aquino, there was not enough political will to push the agenda for infrastructure development. So, despite having money available, it also made sense to the government to partner with the private sector. Hence, the PPP process. Lacking the experience in this sense or having a concept that is rather new, the PPP program took a while before it was properly implemented. One reason for this is probably the main access to capital has been constrained even for corporations with investment-grade ratings. Thus, there was a lot of time spent setting up the process – bidding and making it transparent among others.

Another explanation is that the Aquino administrations have also put a premium in improving accountability, transparency, rooting out corruption, and better tax collection. All these agendas made sense, but they delayed or hindered the PPP agenda. By the time everything was set up and potential technical partners were already attracted, the term of the administration was done. Thus, the finished projects were only Mactan International Airport and two expressways – very limited PPPs were completed during the term.

The worst part is that the most important infrastructure project, which is Manila airport, has not been addressed yet. Everything starts at the airport, but it was not given priority. Our airport here in Manila (the entire complex) has a rated capacity of 25 million passengers, and there were approximately 39 million passengers that came through last year. Being under capacity, you can just imagine the congestion and air traffic control pressure.

For this administration, the airport belongs to the priority list, but it has not yet expressed the exact direction they have for the Manila airport. However, one important thing is clear, the PPP format is suspended. The government wants to do it by itself. The administration is also under the impression that if the government does it, it may be accomplished faster, because you are able to bypass the search for private sector partners and the bidding process.

Having mentioned all the problems encountered in infrastructure development, how can other countries like Japan, Korea, and China contribute to the situation and help not just in terms of funding but also in other aspects such as knowledge transfer?

Everything is driven by business. The Chinese and their contractors, equipment and suppliers will definitely benefit. If their government decides to sponsor infrastructure projects, it will go back to them, because many of these companies that the Chinese employ for this kind of project are all state-owned enterprises anyway.

The same is true for Japan. Japanese contractors, equipment and suppliers are not the cheapest in the world, but their design and quality are proven in the world. Thus, we would probably have more confidence in the Japanese projects than the Chinese ones. We already know as well that all these will come at a cost – maybe not immediately and not by this administration, but succeeding administrations will. This is because these foreign firms will try to lock in operations and maintenance contracts and technical service agreements since they have provided all technical expertise for all of the projects to run and they neither reside with the government nor the private sector. When these firms lock in these contracts and try to negotiate with the government, who has no pressure to earn returns and lower costs, then we may have saved on capital expenses but could end up paying for the operating expenses of the infrastructure utilities built. This operating expense could be high and is considered as a risk when having foreign investors participate.

Nonetheless, it is a very welcome development. If the Japanese are really able to build a subway from the north of Metro Manila down to the coast and if the Chinese could really contribute to the railway going up north, then it will really be a big help in easing the traffic congestion and spreading economic activity across wider areas.

JG Summit Holdings actually has a large stake in the development of the country. The holding company and its subsidiaries already contribute greatly to the Philippines economic development and regional competitiveness, being compared with some of the continent's most prominent enterprises including Hutchinson, Tata or Samsung. In this context, how would you evaluate your position within Asia and what is your opinion on the role of conglomerates to increase the competitiveness of the Filipino private sector regionally?

Companies that JG Summit Holdings has major holdings in include Digital Telecommunications Philippines and Cebu Pacific airlines (Photo: Maksym Kozlenko)

If you look at the businesses of JG Summit, you may notice that it is very diverse. However, there is a common theme despite the diversity—that is the Filipino consumer. For packaged food or branded food, being a very consumer-oriented product, we try to provide good food and affordable prices with trusted brands that benefit the consumers. JG summit, then, benefits from the increasing disposable income of the consumers. The more disposable income the consumers have, the higher the tendency for them to snack and drink. So, it benefits us and the country.

Robinsons Land focuses on commercial centres. If you notice, the Philippines does not have many parks because of the humid weather. If one is to hangout in parks, you will sweat even under the shade. So, what we offer are climate control parks called malls. That is why we have an inordinate number of malls per square kilometre in this city. Most of them also serves as government centres, public service centres, transaction counters (i.e. NBI clearance, Police clearance, pay SSS premiums, etc.). Some government offices and municipal or city mayors have also located their offices within our malls. It is already a lifestyle matter.

So, Robinsons Land also benefits from the growing disposable income because consumption expenditure in shopping centres in the country is fairly strong. Over the last 36 years the consumption expenditure has rarely gone below 3.5 percent in real terms and has been averaging 5.5-6 percent in the recent years. Consumption expenditure is considered a significant driver in the Philippine economy assuming 70% of the entire economy. We have been a consumption-driven economy for the longest time, and this may not be sustained without building productive assets and shifting from being consumption-driven to investment-lead. Hence, the investments in infrastructure is a good policy direction.

As far as URC and RLC are concerned, these are some of the ways JG Summit benefits. Considering Cebu Pacific, we benefit much more given that air travel is highly a disposable income play. It is a well-known fact that airlines model their demand projections from the GDP. So, the GDP growth will be factored in twice and this will be the airline growth having a regression coefficient that is high. Thus, one can see how the airline company is very predictable and is very linked with the GDP- and the GDP in our country is driven by consumption which is consecutively driven by the growing middle class and the rising disposable income. So, we ride off this theme.

In summary, this is our whole portfolio. JG Summit Holdings, Inc. benefits from the growth of the Philippine economy whether it be in the consumption or manufacturing side. As consumption or manufacturing grows, trade also improves. As trade improves, so does the banking segment. We provide these services and we benefit from the growth of the economy.

Now that the region is growing closer together because of the ASEAN regional integration program, what impact do you expect to see out of this especially in terms of partnership opportunities, market penetration in other countries, and competition?

Regional integration is not new for our company. We have been on it for the past 20 to 30 years. In fact, we built our first food manufacturing plant in Malaysia approximately 30 years ago. We have been producing in Thailand and have been operating in China and Indonesia for the past 10-20 years. Investing in ASEAN is not a new concept to us and we have always seen the logic behind it.

Despite doing it for decades, there are still some practical obstacles involved. Movement of people is among the challenges we encounter. Moreover, the educational system in the country needs a serious upgrade to be at par with its neighbouring countries. There was also a period of time when the Philippines became uber-nationalistic that everything was taught in Filipino, which I believed affected the English-speaking skills of the younger generation. The ability to read, write, and speak English is an advantage we cannot lose, because it gives us an edge in education—especially in technical education which we lack.

In addition to the two factors hindering development (i.e. infrastructure and power costs), I believe the third would be education. There is not enough attention given to science and math, thus the seemingly decline in education. We need more technical institutions (i.e. engineering) to facilitate development in education. Productivity growth of an economy could not be supported without sufficient technical skills.

Filipinos are actually very good computer programmers, but we do not have the institutions that can create credible and outstanding computer science education. Outside the University of the Philippines and a few other universities, there is not enough tech culture. It is important to note that the world is already driven by the tech culture. But when a Filipino is put in Silicon Valley or in Singapore, they excel because there is already the presence of appropriate resources to facilitate learning in addition to the innate creativity of the Filipinos.

The Philippines is probably one of the last few countries where certain individuals could still program in Fortran, Cobol, or Basic. This is source code language that we are actually good at it. However, there is a failure in maximizing or in taking advantage of this resource. Education has declined somehow, and because of this, we could be in the losing end in terms of movement of people. We will probably get talent from abroad, but if our people are not trained well enough then we will not have a facility to move across the region.

THE MAN WHO HAS SEEN IT ALL

A conversation with billionaire Filipino businessman Roberto Ongpin, who speaks about Filipino history, ASEAN integration and his firm AlphaLand, a property developer that focuses on high-end properties

The Philippine economy is among the top performers in the Southeast Asian Region. This reality is not a merit of just the current and previous administration, but rather the merit of a longer term process. In your opinion, what would be the cornerstone that allowed the Philippine economy to reach the stability shown in recent years?

I would need to go way back in order to give you a proper perspective. We were a Spanish colony for more than 300 years, and that made us the only Christian country in Asia. When we were about to overthrow the Spaniards, the Americans came, thus, turning us into an American colony for approximately 50 years. The Americans, as colonizers, were not entirely bad. They gave us three things that became important components of our culture: the English language, the very high regard for education (the reason why we are more about exporting our skilled people than our products), and the system of government which is a carbon copy of theirs. We fought on their side during the Second World War, Manila was totally destroyed, and then they gave us our independence right after. Japan gave us the financial aid to rebuild.

At one time, even up to the 1950s, we were the leading country in the ASEAN in almost all aspects. We lost this lead. What we were unable to do is to control our population. It is a fact that we have one of the highest growth rates in population.

I used to be a managing partner of the largest accounting firm in Asia. We had offices in Seoul, Taiwan, Hong Kong, Kuala Lumpur, Singapore, Bangkok and Jakarta. I would spend half the month going to these offices back then. The firm employed 10,000 individuals and was the only firm, at that time, qualified by the World Bank, to do consulting. However, if we compare ourselves to Thailand at that time, they had a population of 60 million and so did we. At the moment, our population exponentially increased to 105 million while Thailand gradually increased to 63 million.

I went into the government in 1979. Former President Marcos and his administration were authoritarian. I was conscripted into the government, and there was no way you could decline or say ‘no’ at that time. But regardless we made important progress at the time.

Roberto Ongpin, Chairman, AlphaLand

One of the major events in the Philippines this year is the 50th anniversary of the ASEAN. Economically, the ASEAN project comes at a very important moment because it is one of the only regions in the world where consumption is actually growing.

The ASEAN secretariat, when it was organized, was in my SGV office. I was part of the original organizing committee as head of the largest accounting and management consulting firm in Asia. Then, we campaigned to have the headquarters in the Philippines. Although, this was a long time ago. At one point, we were the leaders in the region given that we are very well articulate. However, we gravely lost that lead. As for now, I admire what Vietnam is doing and I deem them as a great comer to the ASEAN.

At 50 years, do you see the ASEAN in its golden year or more in its mid-life crisis?

Well, I would call it neither the golden year nor the mid-life crisis. The ASEAN is doing quite a good job. The existence and expansion of the ASEAN has been very good as well. The work must be continued. There are instances when people go too overboard and propose having one currency in the region – something similar to the EU. In this regard, it may be too early for such a proposal to work and to be effective for us. The ASEAN is politically and economically behind Europe, but there is so much room for opportunities and improvements for the entire ASEAN region.

We have a common market that has been agreed upon. This is supposed to be implemented by now. However, all kinds of stumbling blocks are encountered. We were supposed to have a unified stock market, but it was recently called off. While it may be a good one, getting there is another matter. We do not have the necessary capacities yet.

The great difference is in economic achievement, capital incomes, etc. The mere fact that we are getting together is already a good thing. It is just the difficulty of agreeing on certain areas of concerns that is rather challenging. Honestly, I do not see us ever agreeing unanimously and I do not think that we should especially with regard to what stance to take against China (for example). Let every country deal with it. It is one of those things or realities that you do not find in Europe.

With the growing middle class, real estate is one of the sectors that always benefits. What are the reasons and ideas behind establishing your company, AlphaLand?

Before I developed AlphaLand, I first got involved in the development of Tagaytay Highlands. I only owned 22 percent and I got kicked out by the board. After which, the stock price went down from 5 pesos to 0.3 pesos in just six months. Moreover, the value of the membership share went from 3.3 million pesos to 400,000 pesos.

I have never developed anything before, but I guess it was always in me. Real estate is a function of interest rates. It is very easy to invest in real estate because you know when the prices are high and when the prices are low.

Anyway, real estate in the Philippine is lagging behind because we have had some sort of “borrowing syndrome”. You cannot and should not borrow to finance development if you cannot afford to pay for it. This is basically what happened in the Philippines.

'A NEW PLAYER IN A MATURE MARKET'

Winston S. Co, President of Emperador Distillers Inc., one of the world's largest brandy makers, talks to The Worldfolio about the company's venture into the whisky market

Winston S. Co, President of Emperador Distillers Inc.

According to Euromonitor, the alcoholic drink industry in South-East Asia will continue to register double-digit growth over the next five years. How would you describe the industry and its potential within the next five years and what category do you see as the most attractive?

Emperador Inc. competes primarily against established Philippine spirits companies that produce and distribute brandy and other spirits in the domestic market. The main competitors in the Philippine broad distilled spirits market mainly comprise of Ginebra San Miguel, Inc. (GSMI) and Tanduay Distillers, Inc. (TDI). Our company also competes against imported labels. With respect to flavored vodka, gin and other alcohol products, it primarily competes with other local vodka and gin companies that also produce ready-to-serve alcoholic beverages as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and the company aims to revive this segment. Our competitive edge is our preparedness with respect to and our focus on premiumization. So, in the next five years or so, premiumization is key and whisky is a growth opportunity for us.

Having acquired a very aggressive position in the whisky segment, what is your strategy focusing on maximizing the fact that most of Asia is keen on whisky?

Whyte and Mackay is a British institution and the global operation is managed from the U.K. The company is now significantly invested in the Asian market. The Asia market is a new frontier for our whiskies. We are a new player in a mature market. We have to be more innovative in our approach and closely work with key partners in each market. Yes, we have some iconic whisky brands within our portfolio. This presents a unique opportunity at the top end of the market.

In this sense, Emperador has become a symbol of the Filipino identity and spirit, which is very unique. Do you consider Emperador as one of the flagship brands of the Philippines?

Philippines maybe the most international country in Asia. We have close affinity with Spain and the U.S. The Filipino culture is highly influenced by our Spanish heritage. Emperador has significant investment in the brandy producing region of Jerez de la Frontera in Spain. Yes, we consider Emperador as one of the flagship brands of the Philippines being the largest brandy brand in the world, which exports to more than 50 countries.

NEXT STEP: COMPETING WITH THE WORLD'S BEST

Lamoiyan Corporation is a Philippines company that manufactures household items such as toothpaste and dishwashing pastes. President and CEO Competition, Dr. Cecilio K. Pedro, speaks to The Worldfolio to give his view on doing business in the country

Dr. Cecilio K. Pedro, CEO, Lamoiyan Corp.

At such a competitive time, what do you believe is the biggest challenge of doing business in the Philippines?

The problem is that the Philippine market is so competitive and highly westernized. I believe the country is the most westernized nation in the ASEAN region. The challenge is not to compete with the local companies ,rather to compete with the top companies of the West or the world for that matter. Unless one is prepared to lose a big amount of money, this couldn't be possible.

The private sector, especially the SMEs, is wary of this up to a certain extent. First, we lack the kind of resources available to compete with these giants. We are not yet in the position to join the global competition on our own.

How important is it to attract the attention of the ASEAN +3 countries (China, Japan and South Korea) in helping to close the gap between The Philippines and other ASEAN countries in terms of competitiveness?

There is always attraction happening between the +3 nations and the Philippines, given the fact that we are a developing country. Moreover, there are neighboring countries which are in a similar situation. Indonesia, Thailand, and Vietnam are some of the countries experiencing a similar situation to the Philippines. Malaysia is quite more advanced than the Philippines, but still needs funds for infrastructure development. Since we are not fully developed, there are opportunities for big companies to invest and make money.

Lamoiyan has been able to penetrate the market in the Philippines quite heavily. What would you say were the key strategies that made Lamoiyan the success it is today?

Maximizing one's marketing strategies. We also engage in numerous corporate social responsibility (CSR) endeavors. We take care of the deaf or hearing-impaired and provide education as well. So, we touch the heart of the consumers and let them know that we are a good company with good intentions. We do not compromise on our quality despite selling our products at a low price – averaging 20-30 percent lower than competition.

CREATING AN 'EXTENSIVE HIGH-POTENTIAL CORPORATE GROUP OF JAPAN'S BEST ASSETS'

Since its establishment, Japanese firm ALCONIX has continuously been evolving by adapting and providing high-quality Light Metals and Copper Products, Electronic and Functional Materials, Non-Ferrous Raw Materials, and Construction and Industrial Materials, among others. Eiitsu Masaki, President and CEO of ALCONIX, speaks about the company's operations, as well as his visionary plans for the future

Could you tell us how ALCONIX has evolved over these years and the core products and solutions it provides?

ALCONIX started as a subsidiary company under the non-ferrous metals division of Nissho Iwai Corporation. After trading rights for non-ferrous metal products were transferred from Nissho-Iwai in April 2000, ALCONIX joined forces with Mizuho Capital, and an MBO (Management Buy Out) was implemented in April 2001.

Since 2004, we have acquired nine trading and six manufacturing companies. These acquisitions allowed our annual revenue in sales to reach 200 billion yen per year ($1.8 billion) with an ordinary profit of 5 billion yen. Our business forecast for FY2017 (Financial Year, ending on March 31, 2018) is that sales of manufacturing companies will merely represent 15 percent of the total gross sales. Yet, the ordinary profit will reach 64 percent of such total. This mirrors the success of purchasing manufacturing companies. And despite the fact that the trading component represents the majority of our business, profits come essentially from manufacturing.

In a matter of years, ALCONIX has grown into one of the industry's major corporate groups. We believe that this growth comes from our successes in: 1) conducting strategic M&A, 2) engaging into aggressive business investments, and 3) fostering and keeping employees with highly specialized expertise. All employees of ALCONIX have been taught to overcome difficulties by co-operating with one another, to lead development of working towards our common goal. That is why ALCONIX has been able to continue to grow and I believe it is our mission to contribute both to the company and our society.

Can you tell us more about your international strategy and about the role of Asia within that strategy?

Eiitsu Masaki, President and CEO of ALCONIX

In accordance with the changing economic environment, globalization has become inevitable. Our customers face various kinds of trouble when penetrating overseas markets. These problems are caused by socio-cultural paradigms, such as language barriers, varying business cultures, ways of life etc. Thanks to our unique global expertise and our extensive overseas network, we are able to provide solutions to our clients' international expansion plans. Now, about 60 percent of our 200-billion-yen turnover comes from foreign trade, and this figure will continuously increase in the future.

ALCONIX has 11 local subsidiaries: five are located in China; four are located in South East Asia (SEA), in Thailand, Malaysia, Singapore and Vietnam; one is located in the U.S.A; and the remaining one is located Germany.

Most Japanese manufacturers expand into SEA countries to establish local factories and to start selling from there. It is a local endeavor with no export coming from Japan. Because SEA does not require traders such as ALCONIX, growth in the region will come from the creation of factories and manufacturing bases. Additionally, the local demand does not require high-tech products or high added-value solutions at the present stage, so we can't really expect increasing our exports of high-tech products from Japan to the region.

However, China poses a different scenario. We have started manufacturing sophisticated products for the Chinese market. We now have five entities in China and we are further building our local footprint. For us, SEA and China fit into two distinct categories.

Going back to SEA, we understand that commodities trading is not a sustainable business practice. We therefore started working closer with local communities. Investing in local manufacturing companies and collecting the profits from the products we forward them represents great business potential. The model we are implementing in SEA countries aims at lessening the importance of Japanese production by promoting local domestic trade to increase regional independence. From an investor's perspective, SEA is a reliable region for investments. At ALCONIX, our objective is to spread the quality of our "Monozukuri".

How does the future look like for ALCONIX?

I have an acute sense for profitable opportunities and I have a visionary dream for the future. Currently, we are witnessing that owners of the manufacturing companies are getting older. Without withstanding the fact that they have the technology, that they have done all the research and development, and that they have become knowledgeable and successful in creating a profitable momentum for their companies; there is no one who could succeed the ownership of the companies.

Well, I want to step in, buy those companies, reshuffle their capacity and portfolio to create an extensive high-potential corporate group made out of Japan's best assets. Because ALCONIX started as a trading company, we have the knowledge about that business. The strategy we want to adopt is to acquire manufacturing companies with no successors and reorganize the manufacturing industry.

TOKYO ENERGY & SYSTEMS INC. BRINGS ITS EXPERTISE TO ASEAN

A Japanese leader in the construction of mechanical and electric power facilities is eyeing growth opportunities in the ASEAN

Tsutomu Kumagai, president of Tokyo Energy & Systems Inc.

To effectively upgrade its energy supply infrastructure, the OECD estimates that the ASEAN requires $2.5 trillion of cumulative investment by 2040. Faced with such massive expenditure, the member nations of ASEAN will have a choice to make when seeking partners, and within that context, Japan's Tokyo Energy & Systems Inc. is a company to watch for.

Domestically known for its high-quality projects, tailor-made solutions and sustainable infrastructural investments, this integrated developer of social infrastructure specializes in the construction, operation, and maintenance of thermoelectric power, hydroelectric power, nuclear and renewable energies. The company has built upon its historical expertise to become a domestic market leader. "We have a 70-year-old track record of working together with Japanese companies towards providing tailor-made energy solutions that effectively address their needs," says president, Mr. Tsutomu Kumagai.

The company is currently in the midst of a global expansion, and has established two joint ventures in Thailand, SCI Enesys Co. and TES Practicum Co. "The ASEAN market bears huge potential," explains Mr. Kumagai, "and that implies not just going for short-term projects, but developing long-term interactions and support contracts with local companies."

In comparison to some of its competitors, Tokyo Energy & Systems Inc. contributes to the sustainable development of the regions it operates in by transferring its accumulated knowledge to the local workforce. "By contributing to the training and coaching of local engineers, our main goal is to deliver solutions that can later on be managed by local companies," says Mr. Kumagai.

Through its focus on skill transfer, reliability and attention to detail, Tokyo Energy & Systems Inc. is one of those companies that has chosen sustainability over cost efficiency. When asked which he would choose between the two, Mr. Kumagai raises an interesting point: "If we look at the full lifecycle cost of Japanese infrastructure, there is a fair possibility that it will become cheaper over time because it requires less maintenance and technical intervention thanks to the high level of Japanese technology."

Q'd TOKYO ENERGY & SYSTEMS INC.

J TRUST FINDS BANKING NICHE IN ASEAN

While other big banks focus on mega projects, J Trust has focused on a business approach that not only generates profits, but is improving lives and 'making people happy' through microfinancing and small business loans for farmers and local communities

Nobuyoshi Fujisawa, President & CEO of J Trust

Japan's demographic situation is forcing Nippon companies to look abroad. Prime Minister Shinzo Abe has made important efforts to convince Japanese enterprises to look within the continent for more opportunities, and they are doing so within the ASEAN region.

While other big financial players invest in mega projects in the region, Mr. Nobuyoshi Fujisawa, President & CEO of Japanese financial group J Trust, says he has found a niche investment segment: "All of the other international banking institutions that are moving into these markets, focus on infrastructure or industrial projects, with credit lines typically ranging from $10 million to $1 billion.

"We are very flexible in that sense, and through our companies in the region we encourage individuals access to credit lines that average $200 to $300 per person. For the individuals that need to buy expensive equipment, such as agricultural machinery, we can offer hire purchase and the loan amount is around $30,000, and that is one of our focuses in the region. So, not having other banks addressing this consumer market and it's suburb area means no competition for us. Furthermore, for example, J Trust Bank Indonesia focuses on SME loans and it deals with corporate loans from roughly $1 million to over $ 5 million."

Today understanding ASEAN markets is understanding their people and sharing their personal challenges at a personal level. A vision that Mr. Fujisawa applies to each market: "Regardless of religion or geography, all humans aim at improving the living conditions of their families and loved ones, and we have the capacity to support these people towards achieving that," he says.

"We believe that focusing on such goals will naturally produce revenues and profits. I expect to have an increase in the number of banks and services across South East Asia, while pursuing the same business approach – microfinancing individual clients and making people happy."

D. EDGARD CABANGON

CONTINUING HIS FATHER'S LEGACY

D. Edgard Cabangon was born with the proverbial 'silver spoon in his mouth' but, throughout his life and career, has kept his feet planted firmly on the ground. After having spent time as a working student in the U.S., studying Political Science in the University of Santo Tomas, he returned to his homeland and has worked his way up to head many of the family businesses established by his father, the late Ambassador Antonio Cabangon Chua, a renowned Filipino business mogul who died in March, 2016.

Mr. Cabangon is the President and CEO of the ALC Group of Companies, which controls GenCars Isuzu Group, Eternal Gardens, Eternal Plans, Fortune Care, Fortune Life, Citystate Savings Bank, PR Bank, Citystate Tower Hotel and the Cherry Blossoms Hotel.

D. Edgard Cabangon, President and CEO of the ALC Group of Companies

Having several interests in the media industry, he heads several media companies, including Aliw Broadcasting Corporation which runs DWIZ 882 KHZ AM, Home Radio 97.9 FM Metro Manila and several regional radio stations. He is also the President of CNN Philippines, and president and publisher of the first business tabloid in Filipino, *The Pilipino Mirror*, as well as *The Business Mirror*, *The Graphic Magazine* and *Cook Magazine*.

Mr. Cabangon is a long-time partner of Isuzu Corporation, Japan, through the Isuzu GenCars Dealership in the Philippines. He also presides over the Eternal Gardens, Citystate Tower Hotel Manila and Cherry Blossoms Hotel, as well as Batangas Ventures Inc., one of the biggest bus terminals in Batangas.

Currently, Mr. Cabangon is the president of the Philippine-Laos Business Council, which promotes a thriving business relationship between the two ASEAN countries. He is well-respected in Laos after his active participation in keeping a fruitful relationship with the country when his father was the ambassador of the Philippines to Laos.

Mr. Cabangon has been the recipient of several accolades dur-

HAVING SEVERAL INTERESTS IN THE MEDIA INDUSTRY, HE HEADS SEVERAL MEDIA COMPANIES, INCLUDING ALIW BROADCASTING CORPORATION WHICH RUNS DWIZ 882 KHZ AM, HOME RADIO 97.9 FM METRO MANILA AND SEVERAL REGIONAL RADIO STATIONS. HE IS ALSO THE PRESIDENT OF CNN PHILIPPINES, AND PRESIDENT AND PUBLISHER OF THE FIRST BUSINESS TABLOID IN FILIPINO, THE PILIPINO MIRROR, AS WELL AS THE BUSINESS MIRROR, THE GRAPHIC MAGAZINE AND COOK MAGAZINE.

Pope Francis with D. Edgard Cabangon in Manila in January, 2015. His company, Isuzu Gencars, Inc., made the 'Popemobile' used by Pope Francis during his visit to Manila

MR. CABANGON HAS BEEN THE RECIPIENT OF SEVERAL ACCOLADES DURING HIS CAREER, INCLUDING THE 2016 INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS' CEO EXCEL AWARDS. THE AWARD IS CONFERRED ON INDIVIDUALS FROM THE GOVERNMENT, BUSINESS AND ACADEME FOR EXCEPTIONAL AND ETHICAL USE OF COMMUNICATION STRATEGIES AND TOOLS TO ACHIEVE BOTH BUSINESS AND SOCIETAL GOALS

ing his career, including the 2016 International Association of Business Communicators' CEO Excel Awards. The award is conferred on individuals from the government, business and academe for exceptional and ethical use of communication strategies and tools to achieve both business and societal goals.

"This is not for me, this is for the whole ALC Croup of Companies," Cabangon said on receiving the award.

In 2015, His father received a Lifetime Achievement award from the Kapisanan ng mga Brodkaster ng Pilipinas (KBP) at the 23rd Golden Dove Awards for his dedication in promoting responsible journalism and communication as a business strategy.

"We have, as they say, big shoes to fill, but with my [siblings], we will uphold the legacy of the company," he added.

A popular figure amongst his thousands of employees, Mr. Cabangon personally speaks to them and offers his assistance when needed. The humble Mr. Cabangon also asks for support and help from his employees, making them feel that they are a part of their growing businesses.

Continuing the great social work of his father, Mr. Cabangon supports several educational, health, charity and church-related initiatives. He is the chairman and president of the Catholic Mass Media Awards Foundation after being appointed by Manila Archbishop Cardinal Luis Antonio Tagle.

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