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The Entrepreneur

The Competition for Investments

WE have a huge task ahead of us. But we must be wary of any sign that may lead to a decline in trade, investments, overseas remittances and even official aid.

One such sign is the projected slowdown in the growth of remittances from overseas Filipinos, from 7 percent last year to 5 percent this year.

While developments in the global arena are beyond our control, still we can do something about public spending. Accelerating government spending, particularly on infrastructure development, is an effective way to cushion our economy from external shocks.

This will enhance our investment climate and boost investor confidence, thereby creating more jobs, which will, in turn, increase income levels and fuel consumer spending.

Improving our infrastructure systemswill make us more attractive to investors.

However, this is just one of many factors that investors look at before deciding where to invest their capital. And one of the most important factors is the high growth rate in terms of gross domestic product (GDP) of a prospective host country's economy.

When we say, for instance, that the Philippine economy grew by 3.7 percent in 2011, investors will likely compare us with Indonesia, which grew by 6.5 percent.

So, improving government efficiency and pursuing anti-corruption programs will help, but if we are to compete with other countries for investments, raising our GDP growth rate will be essential in 2012 because of the crisis in Europe and the weakness in the US, which have tightened the export markets.

The Senate Committee on Economic Affairs, of which I am chairman, jointly with the Committees on Ways and Means, Trade and Commerce, Oversight on Economic Affairs and Finance, Banks, Financial Institutions and Currencies, is currently deliberating on several proposed measures which we hope will be our contribution to government efforts not only to shield our economy from external shocks but also in driving growth and ultimately improving the lives of our people.

One of the measures is a proposed Resolution 639, which I introduced, to conduct an inquiry into the domestic business climate in relation to our competitiveness in attracting foreign investments, with the end in view of increasing the inflow of foreign direct investments (FDI).

So far, we have not been successful in attracting as much FDI as we need. According to the Bangko Sentral ng Pilipinas, net inflow of FDI totaled $1.262 billion in 2011, slightly lower than the $1.298 billion net inflow in 2010.

I don't think it's a coincidence that the Philippine economy grew at a higher 7.6 percent in 2010, when we received more foreign investments, compared to 3.7 percent in 2011. In December 2011 alone, net FDI inflow plunged by 56 percent or from $97 million to $43 million.

The World Bank recently released a study, entitled "Ease of Doing Business 2012," which covers 183 countries (including the Philippines), taking into account leading indicators such as ease of starting a new business, getting construction permits, paying taxes and investor protection laws in each country.

The WB study ranked the Philippines No. 136, down two notches from No. 134 in 2011, making it the lowest-ranked Asian country on the list of the most difficult places to do business in. So it was no surprise that we received less than 2 percent of the $76.5 billion of foreign direct investment that flowed to the 10 members of the Association of Southeast Asian Nations (Asean) in 2010.

It's ironic that the Philippines has remained behind its other Asean members despite having massive untapped mineral wealth, a key geographical location between Southeast and North Asia, and a large, growing English-speaking population.

The World Bank study found that investors were concerned about the Philippines's unstable legal system, violence and bureaucracy. And it ranked the Philippines as among the lowest in terms of resolving insolvency and starting a business, which takes more than five-and-a-half years, compared with an average of one year and seven months in countries belonging to the Organization for Economic Cooperation and Development.

Based on the findings of the World Bank and consistent with the government's policies on economic growth and poverty reduction, we should devise ways in order to make the Philippines more investor-friendly by reducing red tape in business-application processes, fast-tracking business applications, permits and licenses, as well as providing for incentives which would entice prospective investors to put up their projects here.

(To be continued)

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