



FOURTH ARANGKADA ANNIVERSARY FORUM 2015

Invest for Inclusive Now!

Official Press Release

More sustainable reforms key to achieving inclusive growth, say foreign investors

The Joint Foreign Chambers (JFC), the largest coalition of foreign investors composed of the American, Australian-New Zealand, Canadian, European, Japanese and Korean Chambers in the Philippines as well as the Philippine Association of Multinational Companies Regional/Operating Headquarters, Inc., representing over 3,000 companies, USD200 billion worth of trade and USD30 billion investments to the Philippines, emphasized that “a long-term strategy and continuity of reforms are necessary to set the direction towards achieving inclusive growth.”

During the fourth edition of the Arangkada Assessment Forum at Shangri-La Hotel-Makati, heads of the various JFC members noted that while there has been a big improvement in the country’s competitiveness over the last four years, which contributed to high growth levels of the GDP and inward FDIs as well as investment grade status of the Philippines, there are still key binding constraints that deter the country’s track to achieving inclusive growth.

Adopting the theme “Invest NOW for Inclusive Growth!,” this year’s Arangkada Assessment highlighted the following critical areas where reforms are necessary to achieve inclusive growth: 1) creating a sound investment climate through regulatory and policy coherence; 2) enabling the middle class through equitable participation and larger share in economic activities; 3) promoting trade and investment liberalization and creating a level playing field for investors; 4) providing opportunities for gainful employment especially to the young labour force; and, 5) supporting integrity, transparency, judicial reforms, anti-corruption and peace initiatives.

The *Arangkada* Assessment of 462 Recommendations showed an overall improvement in the percentage of recommendations that are active/moving, to 74.22% in the latest 2014 assessment from 51.44% in the first assessment in 2011.

Twenty sectors/subsectors were rated as **more active/moving**:¹ growth, competitiveness, agribusiness, business process outsourcing, creative industries, tourism, infrastructure policy, airports, roads and rail, water, environment and natural disasters, governance, judicial, labor, local government, macroeconomic policy, security, education, health and population, poverty.

¹ Based on percentage of active/moving recommendations equal or greater than total percentage of all recommendations 74.22%.



Nine sectors/subsectors were rated as **less active/moving**:² logistics, manufacturing, mining, power, seaports, telecommunications, business costs, foreign equity and professionals, and legislation.

The Arangkada Forum acknowledged many significant reforms achieved under the Aquino Administration. “Looking back at 2014 there was good news for future inclusive growth: GDP growth of 6.1% was one of the highest in the region; domestic and foreign investment is rising; International credit and competitiveness ratings improved; BPO, construction, manufacturing and tourism were strong growth drivers; 2.5 million Filipinos escaped extreme poverty; and, unemployment fell to 6%, the lowest in a decade,” Rhicke Jennings, president of the American Chamber of Commerce in the Philippines (AmCham) said.

While noting the contribution of governance reforms to good economic performance of the Philippines, the JFC urged the public sector to continue and improve its policies to create a better environment for jobs to flourish with a better educated, healthier, and secure workforce enjoying modern infrastructure as well as putting in place supportive rather than burdensome regulatory regimes.

“The public sector is the enabler of job growth, while the private sector is the engine. The two must work in parallel for inclusive growth and job creation,” foreign chamber leaders emphasized.

For its part, the JFC said “private sector is doing its share and is ready to do more to improve inclusive growth through investing. Various firms generously support a wide range of socially responsible and economically oriented activities, especially in education, health, housing, and disaster relief and recovery.”

The JFC also urged both public and private sectors to work together in charting a long term roadmap that will enable the Philippines to move up the global business and competitiveness ladders especially with the advent of ASEAN integration and other forthcoming FTAs such as the Trans Pacific Partnership (TPP).

“The integration of the ASEAN economies by the end of 2015 will jump start the creation of a 600-million base consumer economy where long term prospects for investments, employment and equitable development are prioritized. With the Philippines’ growth trajectory complements its desire to be a key and major player in ASEAN integration, it needs to enable a competitive environment for industries to thrive, participate in global value chains, and create quality jobs” the JFC said.

The Arangkada Forum stressed the need to ensure a conducive investment environment to help accelerate the growth of seven sectors—agri-business, business process outsourcing, creative industries, mining, manufacturing, tourism-retirement-medical travel, infrastructure—identified as drivers and winners of economic transformation where a large percentage of the population are expected to benefit from the opportunities derived from enhanced integration with the rest of the world.

² Based on percentage of active/moving recommendations less than total percentage of all recommendations 74.22%.



The JFC believes that specific targets have to be realized to support inclusive growth in the next years. These include the following: 1) GDP growth accelerating to 8%; 2) overall investments increasing from 19% to 30% of GDP; 3) foreign direct investment (FDI) surging from \$6 billion to \$10 billion; 4) public sector infrastructure spending reaching at least 5% of GDP; 5) re-orienting policy focus to agricultural, creative industries, and mining sectors to accelerate growth especially in rural areas; 6) ensuring peace and order in Mindanao; and, 7) increasing gainful employment opportunities to bring down unemployment rate below 5% and reducing poverty to 18% by 2016 consistent with the MDG goal.

The JFC further reinforced the need to institute a free, open and competitive business environment that promotes a level playing field for all investors.

“For the Philippines to make growth more inclusive, successive presidential administrations should undertake reforms that sustain and increase GDP growth. This will require continued good governance, political will to undertake more structural reforms, better infrastructure, a fair regulatory regime, and better business costs, among others” JFC leaders stressed.

About Arangkada Philippines Project

Arangkada Philippines is the major advocacy—launched in 2010—of the Joint Foreign Chambers (JFC) to increase investment and employment in the Philippines until September 2016. These goals are contained in its main policy document *Arangkada Philippines 2010: A Business Perspective*. *Arangkada* is funded by a US\$ 1-million grant from the US Agency for International Development (USAID) and is administered by the American Chamber of Commerce of the Philippines, Inc.

About the JFC

The JFC—comprised of the American, Australian-New Zealand, Canadian, European, Japanese, and Korean chambers of commerce as well as the Philippine Association of Multinational Companies Regional/Operating Headquarters Inc. (PAMURI)—promotes enhancement of mutual trade and investment relations between the Philippines and the countries of its seven members. Over 2,000 firms belong to the seven JFC member chambers, contributing substantial investment, jobs, and tax revenues to the Philippine economy.



American Australian-New Zealand Canadian European Japanese Korean Philippine Association of Multinational Companies RHQs/RoHQs