



Philippines Weekly Report

WEEK 37 OF 2002

Covering Events in the Philippines from 09 to 15 September, 2002

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HEADLINE NEWS

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See: In Support of the USA

The brazen daylight kidnaping last week of the two children of Negros Occidental Representative Jules Ledesma VI has brought into sharp focus the fact that the Administration still has problems enough to worry about on the home front. Claims by senior military and police officials that the president's anti-crime campaign was working and that "kidnapping for ransom" gangs and local "terrorist" groups were on the run were shown to be no more than over-confident wish statements. The facts of the matter are sadly otherwise.

See: No Respite on the Domestic Front

Recent newspaper reports suggest that criminal syndicates may be diverting up to PhP400 billion in corporate tax revenues with the connivance of BIR and banking officials. Major corporations that have fallen afoul of the scheme will still be liable to pay the taxes.

See: The Great tax Scam

The Philippine Chamber of Commerce and Industries (PCCI) believes that the export sector has made a substantial recovery from the global economic slump and has even predicted that the country's total shipments will rise ten percent this year. It will be recalled that early in the year, the government was hoping at best to hold the line on exports with a "no growth – no decline" scenario.

See: Exports, Back from the Doldrums

The country's gross domestic savings posted a 9.7 percent growth in the first half of the year as gross domestic product (GDP) grew faster than total expenditure. This is a further indication that growth achieved during the period was fuelled more by production rather than by consumption.

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See: Vehicle Sales Up in 8 Months

Property consultants in Manila are predicting a stagnant market for office space stock in the next three years, as the glut of space in the country's premiere commercial center remains high at 16.9 percent as of the second quarter of the year.

See: Office Vacancy Level in Makati at 17 to 20 Percent

In what was described as the "first big catch" under the Philippines' electronic commerce law, local authorities arrested last week two Jordanian nationals and a Filipino for allegedly hacking into the computer systems of a number of private telecommunication networks in the country.



Corporate Profile

The Manila Club

The Manila Club is the oldest private membership club in the Philippines with a documented history since 1877. It continues to be run as a British style club although membership is open to all nationalities.

The Club offers luncheon, merienda and dinner and is open from 11.00am daily until 11.00pm. There is ample parking in the immediate vicinity.

The Club can accommodate up to 130 people seated or can provide outside catering for the home or office at very affordable rates.

For further details and membership enquiries contact

The Manila Club
San Gregorio Street cor South
Expressway
Magallanes Commercial Center,
Makati City
Telephone: (632) 852 3507
Facsimile: (632) 852 3506

www.themanilaclub.com

See: A Test of E-Commerce Law

The Philippine government has vowed to honor its obligations under the Common Effective Preferential Tariff (CEPT) scheme of the ASEAN Free Trade Area (AFTA), while hinting that it would ask for more exemptions of sensitive products from the proposed free trade arrangements.

See: RP to Honor CEPT Obligations – Sort Of

It is a sensitive issue but when a foreigner commits suicide in the Philippines it usually makes the headlines. This is because the death of a foreign tourist or expatriate is treated with much concern in a country that seeks to revive its ailing tourism industry and accelerate the inflow of foreign capital.

See: Foreigner Suicides Worries Officials

Plus: *News In Brief, Investment News* as well as *Currency* and *Stock* information.

MAIN STORIES

In Support of the USA

Almost thirty years ago, an Australian prime minister went "all the way with LBJ" and led Australia and Australians into the morass of the Vietnam war. Over the past two weeks President Gloria Macapagal Arroyo has come perilously close to leading the Philippines "up a tree with GWB" as her administration appeared to uncritically accept and then backtrack on supporting unilateral US action against Iraq.

The controversy began when Foreign Affairs Secretary Blas Ople was quoted as saying "any US request for the use of Philippine skies could be made in the context of the international war against terrorism". The media subsequently interpreted the statement in the sense that the Philippines would support the US in its military offensive against Iraq, even though there was no formal request by the US to enter Philippine skies in case of war.

Opposition Filipino lawmakers joined the prey by describing the supposed offer by the administration of President Gloria Macapagal-Arroyo as "uncalled for" and a "provocative act" that could result in "retaliation by Iraq." The Iraqi embassy in Manila appealed to the Philippine government to "rethink" its position to open its airspace to American planes in the event of a war between Iraq and the US.

It turned out later that the Arroyo government has not yet made up its mind whether it should support the US war on Iraq (if such eventuates). Foreign Affairs Secretary Ople clarified his earlier remark when he said the final decision of the Philippine government on the matter would be based on the safety of some 1.5 million Filipino workers in the Middle East.

While no official poll has been taken on the matter, it seems that most Filipinos believe any support from the Philippines should be framed in terms of UN-sanctioned multilateral action.

Nevertheless as a precautionary measure, President Arroyo has already ordered the evacuation of some 118 Filipinos from Iraq. They include 12 overseas Filipino workers, 10 embassy staff members and their 13 dependents, 30 United Nations peacekeeping personnel and 53 employees of international organizations. While the precautionary measure was possibly advisable, the public announcement of it gave credence to thoughts that the Philippines Government was colluding with Washington in preparing for a US attack.

The president has designated former Armed forces chief of staff Gen. Roy Cimatu as head of a committee that would respond to the Middle East crisis in case of a breakout of war between the US and Iraq. Specifically, Cimatu would be in charge of the evacuation of Filipinos from the Middle East and would monitor the impact of the war on the Philippine economy.

Meanwhile, Philippine authorities have tightened their security procedures around the US, British and Israeli embassies last week at the height of the first-year anniversary of the September 11 terrorist attacks in the US. There were also media reports that the al-Qaeda group was plotting to attack the US Embassy and other Western interests in the Philippines through truck bombs, although National Security Adviser Roilo Golez downplayed these reports. In the event the anniversary passed quietly enough in Manila.

However, on the following day the staff of the British embassy were evacuated from their Makati building after receiving a call that a bomb was to be detonated in the area. A second bomb threat was reported to a radio station, also in Makati City. Special Weapons and Tactics (SWAT) experts later declared the two buildings free of any explosive material.

Four explosions, however, took place in Central Mindanao on the same day. The targets were William, Gothong, and Aboitiz (WG&A) shipping lines office in Sultan Kudarat province, the Department of Transportation and Communications office in Cotabato City and the residence of a Department of Budget and Management official also in Cotabato City. Two people were injured in these incidents.

No Respite on the Domestic Front

The brazen daylight kidnaping last week of the two children of Negros Occidental Representative Jules Ledesma VI has brought into sharp focus the fact that the Administration still has problems enough to worry about on the home front. Claims by senior military and police officials that the president's anti-crime campaign was working and that "kidnapping for ransom" gangs and local "terrorist" groups were on the run were shown to be no more than over-confident wish statements. The facts of the matter are sadly otherwise.

Cristina, aged ten, and Julio, aged five, were the victims of a well-organized snatch from their car in the exclusive San Juan residential area while on their way to school last Friday 13 September. According to eyewitnesses, the precision of the kidnap operation and the demeanor of the kidnapers led many bystanders to believe at first that they were watching a police intercept operation.

Until now, kidnappings for ransom gangs have focused primarily on those in the business community or expatriate workers of multinational corporations who it is believed will pay for the release of their executives. The shift to targeting children of congressional representatives possibly marks a new phase – if indeed it can be called such on the basis of a single incident. At this time the facts are sketchy.

Meanwhile in Northern Mindanao, kidnapers seized four female teachers from the Mindanao State University in Malawi City while a Filipino American boy, snatched last Tuesday in Cagayan de Oro City was released by week's end after his parents reportedly paid a PhP1.5 million ransom fee to unidentified kidnapers.

On Jolo Island, the government continues to pursue Abu Sayyaf bandits that continue to hold four female hostages belonging to the Jehovah's Witnesses sect as well as a number of Indonesian seamen taken last month from their vessel.

Not only has the war on kidnaping not been won. As one newspaper editorial put it "the tide has not even been turned."

The Great Tax Scam

Recent newspaper reports suggest that criminal syndicates may be diverting up to PhP400 billion in tax revenues with the connivance of BIR and banking officials.

The scheme is activated when large corporate taxpayers unwittingly entrust their payment of taxes to a member of the syndicate. This syndicate member can either be an employee of the victim business firm, an employee of the bank where the tax was supposed to be paid or a BIR employee.

Once the syndicate gets possession of the company's tax check (together with the tax returns), the check is then deposited in a personal account of another syndicate member. This account is normally opened in the same bank branch where the tax returns and payments of the victim taxpayers are filed and tendered.

Furthermore, this account is registered under a fictitious name. The acceptance of the check payment for deposit in this personal account is generally with the connivance of an employee or officer of the bank branch. Once the check has cleared, the syndicate then withdraws the money. Meanwhile, the taxpayer victim is not even aware that its tax payments have been diverted since it continues to receive its tax returns and tax receipts showing that tax payments have been made. Unbeknown to the firm, these documents or tax validation certificates are all faked by the tax syndicate. As a consequence the taxpayer may still be liable to pay the taxes that have been diverted.

The National Bureau of Investigation is reportedly investigating how a scam of this magnitude could have arisen and gone undetected for so long.

Exports, Back from the Doldrums

The Philippine Chamber of Commerce and Industry (PCCI) believes that the export sector has made a substantial recovery from the global economic slump and has even predicted that the country's total shipments will rise ten percent this year. It will be recalled that early in the year, the government was hoping at best to hold the line on exports with a "no growth – no decline" scenario.

PCCI president Sergio Ortiz-Luis, who once headed the Philippine Exporters Confederation, said that the stronger demand for electronic components in the first seven months of the year supported the Chamber's predictions.

The Philippine government, however, is being more conservative in its estimate as it is targeting only a 4 percent growth in exports this year, - following on from a contraction of 16 percent last year. The interagency Development Budget Coordination Committee (DBCC), which plans the government's economic forecasts, said a ten percent growth in exports would most likely happen next year. This appears to be in line with consumer and business sentiment, which according to a recent AC Nielsen survey indicates that most Filipinos believe that economic recovery will come in 2003.

Economic analysts, however, cite four major reasons why exports should grow by at least ten percent this year. Firstly, the country's total merchandise exports already managed a 6.9 percent growth in the first seven months of the year, with shipments rising 23 percent in July alone.

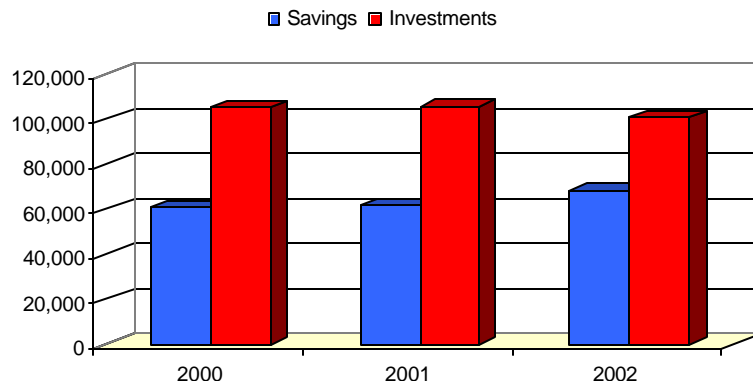
Secondly, exports usually climb faster in the second half, particularly at the onset of the Christmas season. The Philippines is one of the top exporters of consumer products, sales of which invariably peak with the onset of the holiday period.

Thirdly, such export growth as was achieved in the first half was bolstered by higher shipments to Europe, China and other Asian countries. If the Philippines can sustain this level of shipments to these countries, while boosting shipments to the US and Japan as these economies recover and increase their demand, then overall exports would see a higher level of growth in the second half.

Finally, exporters are already excited at the supposed implementation of the Common Effective Preferential Tariffs (CEPT) scheme of the Asean Free Trade Area (AFTA) that seeks to reduce tariffs on most products in the region to between zero and 5 percent by January 1 next year.

Gross Domestic Savings, Up 9.7 Percent

Savings and Investments, First Half of 2002 (In Million Pesos)



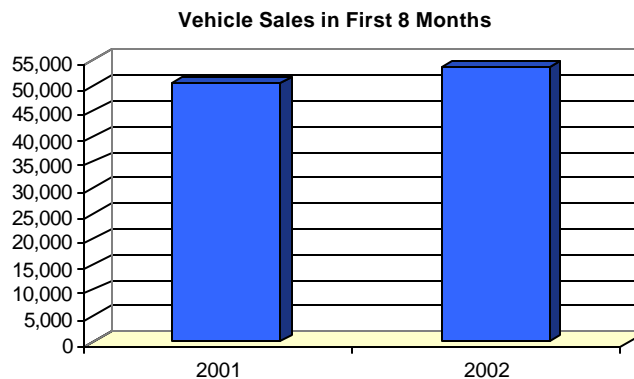
The country's gross domestic savings posted a 9.7 percent growth in the first half of the year as gross domestic product (GDP) grew faster than total expenditure. This is a further indication that growth achieved during the period was fuelled more by production rather than by consumption.

According to the National Statistical Coordination Board (NSCB), the GDP grew 4.1 percent to P494.585 billion at constant 1985 prices in the first six months of the year while the sum of personal consumption expenditure and government expenses rose by only 3.3 percent to P426.291 billion. This resulted in total gross domestic savings of P68.294 billion in the first half, up by 9.7 percent from P62.238 billion a year earlier.

Meanwhile, capital formation fell 4.6 percent to P101.118 billion in the first half as fewer foreign and local investors put their money in the country during the period. At the same time, the savings – investment gap – the difference between gross domestic savings and capital formation – narrowed by 25 percent to minus P32.824 billion from minus P43.726 billion.

While economists view a narrower savings-investment gap as good for the economy (since it indicates that the country is efficiently using its domestic resources to provide for its capital spending) this could also represent poor investment conditions aggravated by slow government expenditures, as the first half figures suggest.

Vehicle Sales Improve in the first Eight Months



According to Chamber of Automotive Manufacturers of the Philippines Inc. (CAMPI), sales of commercial vehicles and passenger cars increased 7.2 percent to 53,927 units in the first eight months of the year from 50,324 units a year earlier. Interestingly, about 73 percent of all the units sold during the period were commercial vehicles and only 27 percent represented sales of passenger cars.

In particular, demand for Asian utility vehicles (AUVs), sport utility vehicles (SUVs), vans, pickups, trucks and buses recorded a combined growth of 13.4 percent to 39,132 units in the first eight months of the year from 34,506 units a year earlier. However, sales of compact, mid-range and luxury sedans dropped 6.5 percent to 14,795 units from 15,818 units.

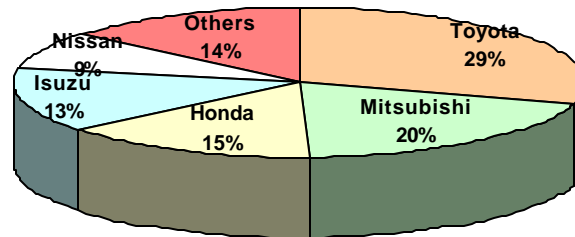
Japanese companies continue to dominate the market. In terms of market share, Toyota Motor Philippines Corp. remains at the top, with 15,993 units sold, accounting for nearly 30 percent of all sales during the eight-month period. Behind Toyota was Mitsubishi Motors Philippines Corp., with sales of 10,662 units or 20 percent of all sales; Honda Cars Philippines Inc., 7,995 units or 15 percent; Isuzu Philippines Corp., 7,232 units or 13.5 percent; and Nissan Motor Corp., sales of 4,744 units or 9 percent.

Meanwhile, the Truck Manufacturers Association (TMA) released figures that indicated a similar growth trend in automotive sales although their figures were not exactly the same as those released by CAMPI. According to the TMA, total vehicle sales of 50,264 units in the first eight months of the year were 9 percent higher than last year's level but still 31 percent below the industry peak level of 62,095 units in 1996.

The TMA said that commercial vehicle sales grew 15 percent YoY in the first eight months of the year while passenger car sales rose 6 percent. In August alone, combined sales of all vehicles increased 11 percent to 7,947 units. Asian utility vehicles accounted for 46 percent of all units sold during the month, with Toyota's FX and Revo, Honda's CRV and Mitsubishi's Adventure models topping the sales.

Sales of buses, trucks, and light trucks, however, dropped 18 percent to 1,966 units in the first eight months of the year from 2,393 units a year earlier. The TMA said that only 195 units of trucks and light trucks and 54 units of buses were sold in August.

Vehicle Market Share as of Aug 2002 (In Percent)



Office Vacancy Level in Makati at 17 to 20 Percent

Property consultancy firm Colliers International has predicted a stagnant market for office space stock in the next three years, as the glut of space in the country's premiere commercial center remains high at 16.9 percent as of the second quarter of the year.

"The stock of office space in the Makati commercial business district (CBD) remains static at 2.601 million square meters. We expect the stock to remain at the current level in the next three years," the property research firm said, adding that construction of new projects may not be announced until the fourth quarter of 2003.

The report also assumed that with the slow office space take up and the availability of some 438,771 square meters of stock, the vacancy level would remain at the double digit level until 2004. Only about 19,738 square meters of new vacant office space was occupied in the first half of the year.

As of July this year, Colliers International placed the vacancy level of the Premium Grade office space segment in Makati at 91,299 square meters or 29.1 percent; Grade A, 148,249 square meters or 30.5 percent; Grade B and below, 199,500 square meters or 11.2 percent.

The average rent for Premium Grade office space was estimated at P523 per square meter per month; Grade A, P369; and Grade B, P292. The average capital values of Premium Grade office space was valued at P65,000 per square meter; Grade A, P45,000; and Grade B, P35,000.

In a separate report, property consultancy firm Jones Lang LaSalle placed the overall vacancy level in Makati's office space at 20.7 percent as of the second quarter of the year, with vacancy for "Grade A" offices at a high of 33.4 percent¹.

Jones Lang LaSalle added that the average office space rental rates in Makati dropped 4 percent QoQ and by nearly 13 percent YoY to their second quarter levels.

¹ Colliers International and Jones Lang LaSalle use slightly different definitions for the different categories for office space buildings.

However, Jones Lang LaSalle projected that the entry of more call centers in Metro Manila would help the office space sector ease the current glut. Such assumption was based on a report by the Call Center Association of the Philippines, an organization of 12 contact center operators in the country, that some 3,000 additional seats will be established for call center operations this year and 6,000 more next year.

"Supporting the demand for the Philippine office market is the emergence of contact centers given the country's competitive attributes: skilled and English-fluent work force, quality telecom infrastructure and low operational costs," Jones Lang LaSalle said.

Both rents and capital values in Makati CBD have declined by as much as 50 percent from their peak levels in 1997, just before the Asian economic flu caught up with the Philippine economy. Land values in the area have in fact dropped by nearly 60 percent to an average of P171,250 per square meters as of the second quarter of 2002, according to Colliers International.

A Test of the E-Commerce Law

In what was described as the "first big catch" under the Philippines' electronic commerce law, local authorities arrested last week two Jordanian nationals and a Filipino for allegedly hacking into the computer systems of a number of private telecommunication networks in the country.

The suspects were charged for violating the E-Commerce Act, which was passed last year to protect the information and communication technology (ICT) sector in the country from illegal transactions and to comply with the standards of international laws on intellectual property and copyright.

Stronger protection of intellectual property rights is among the three major legal and policy concerns raised by the ICT sector in order to boost the country's bid to become a hub for e-services. The other two major concerns are development of reliable and trustworthy online networks and reduction of the cost of doing business in the Philippines.

According to reports, the suspects had been hacking into the computer system of the Philippine Long Distance Telephone Co. (PLDT) and other telecommunications firms in the country, stealing millions of pesos worth of unauthorized long distance calls and selling them to their clients.

Immigration Commissioner Andrea Domingo said the suspects have been doing their illegal trade in Makati City for almost one year prior to their arrest and have amassed some P100 million from large corporations that owned the telephone accounts, which were gathered from the computer systems of the telecommunication networks.

Police confiscated from the suspects several items of communications equipment, personal computers and notebooks. The lists of international and domestic telephone numbers and the numbers of subscribers that were found in the computers will be used as evidence against them. Police said the suspects were particularly involved in illegal private automatic branch exchange (PABX) activities.

It is believed that the problem is not an isolated one and that other groups and individuals are involved in other violations of the E-commerce Act. Last year, a television news program exposed that young Filipino hackers, mostly students or fresh graduates of computer schools, had been making online purchases from e-stores such as amazon.com, using the credit card accounts of other people.

Another Filipino computer school student was blamed for spreading the so-called "love bug" virus, which in May 2000 infected millions of computer files around the world. The virus, quickly infiltrated government and corporate computer systems globally. Described as the worst computer virus ever created, the "love bug" wrought damages amounting to US\$10 billion.

Asked why he sent the virus, the Filipino student claimed that he wanted to steal the accounts of Internet service providers (ISPs) and give them for free to Filipino Internet users. He was not held liable for any crime, because there the E-commerce law was not yet enacted at that time.

He also secured a lucrative job overseas.

RP To Honor CEPT Obligations – Sort Of.

The Philippine government has vowed to honor its obligations under the Common Effective Preferential Tariff² (CEPT) scheme of the ASEAN Free Trade Area (AFTA), while hinting that it would ask for more exemptions of sensitive products from the proposed free trade arrangements.

President Gloria Macapagal-Arroyo said that the country would not take globalization steps faster than scheduled. "If we're supposed to do it (tariff reduction) in 2003, we shouldn't do it in 2002," the president explained.

Under the CEPT, tariffs on most products traded among countries belonging to the Association of Southeast Asian Nations (ASEAN) shall be reduced to between zero and five percent by January 1, 2003. Excluded from these products are those under each country's sensitive list. The Philippines wants to put more of its products onto such a list.

The Philippines is among the 10 ASEAN member countries, which formed the AFTA in order to transform the region into a common market where products and services freely flow and where all ports adopt similar customs procedures. Other members of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

In January 1992, the original member countries of ASEAN formed AFTA, a market bloc that would compete and trade with large markets like China, Japan, United States, Latin America, and the European Union. AFTA seeks to reduce all tariff levels imposed on products from member countries faster than each country's commitment under the Asia Pacific Economic Cooperation (APEC) and World Trade Organization (WTO).

Such gradual tariff reduction under AFTA is called CEPT, a mechanism by which "tariffs on goods traded within the ASEAN region, which meet a 40 percent ASEAN content requirement." While most member countries will be required to implement the scheme in January 2003, this has been extended to 2006 for Vietnam, and 2008 for Laos and Myanmar.

As the deadline nears, a number of associations of Filipino manufacturers have launched late protest rallies against the implementation of CEPT, warning that free trade within the region would result in the displacement of local industries and workers.

In order to calm the protesters, President Arroyo said that while the country would stick to its AFTA statutory obligations, "we will maximize the avenues for exemption." Among the items that she hinted would be qualified for the sensitive list are sugar and petrochemical products. In general, she said these products should be included in the list to promote the manufacturing sector and arrest falling state revenues.

The Federation of Philippine Industries (FPI), one of the largest groups of manufacturers in the country, wants many of their products excluded from the free trade within the ASEAN block.

As local manufacturers not unexpectedly oppose the implementation of the CEPT, the Philippine government continues to voice support for globalization efforts spearheaded by wider economic blocks such the Asia-Pacific Economic Cooperation (APEC) forum and the World Trade Organization.

The Philippines is even espousing a so-called ASEAN-China Free Trade Agreement (FTA), which would facilitate the entry of cheaper Chinese products in the country to the disadvantage of local products. However, the Philippine government believes that the FTA would eventually benefit the economy in terms of higher exports to China. This of course, is unlikely to come about before the

² See our Special Report on the AFTA/CEPT scheme reproduced in last Philippines Quarterly Review

next presidential election so the government can afford to voice support. On issues close to home however – and the hip pockets of supporters – expect to see some foot dragging. That's politics!

Foreigner Suicides Worries Officials

It is a sensitive issue but when a foreigner commits suicide in the Philippines it usually makes the headlines. This is because the death of a foreign tourist or expatriate is treated with much concern in a country that seeks to revive its ailing tourism industry and accelerate the inflow of foreign capital.

The other reason is that crimes committed against foreigners are perceived to be particularly high in the country, and the government believes that the death of any foreigner should be investigated to determine if there was foul play involved. Often that is the case.

Filipino authorities, however, are baffled by a growing number of suicide incidents among Japanese and Korean nationals. The Philippines has one of the lowest incidence of suicide in Asia, and the average Filipino finds it hard to understand why any wealthy resident foreigner should try to end his (we don't mean to be sexist – but the fact is that it is invariably a "he") life in the country.

At least seven cases of suicides involving foreigners have been reported so far this year. These cases resulted in the death of two Korean and five Japanese nationals. Among the latest victims were a 44-year-old Japanese business executive, a 67-year-old Japanese tourist and his 41-year-old son.

On September 11, the 44-year-old Japanese executive, who reportedly operates a company in a Cavite export-processing zone, jumped from the 29th floor of the Grade Tower Condominium at Salcedo Village in Makati City. Police said a suicide note was found in his room. On August 26, a 67-year-old Japanese tourist and his 41-year-old son allegedly committed suicide after failing to pay their US\$11,400 hotel bills in Cebu City.

Police authorities, of course, could easily dismiss these cases as bereft of any foul play. The trouble weighs hard on the shoulder of Filipino tourism officials who have been working diligently to portray the Philippines as a safe haven for foreign tourists and expatriates.

NEWS IN BRIEF

A survey conducted by New York-based RoperASW for the local Businessworld news daily showed that the **consumer confidence** in the country improved in August, after dropping in July, thanks to the economy's signs of recovery. At the same time, results of the survey showed that 48 percent of the 300 respondents (consumers in Metro Manila) are satisfied with the government's performance and that 66 percent believe that President Gloria Macapagal Arroyo is doing a good job. Whether this result reflects the mood of the country at large is a moot point. The government would certainly like to think so but not everyone is so sure.

The finance department said the Philippines would soon enter into a bilateral **currency swap agreement** involving US\$1 billion with China, one year after it signed a similar agreement worth US\$3 billion with Japan. There are also plans to ink another accord with South Korea in an effort to keep the Philippine peso stable. Filipino officials said these agreements would allow the Philippines stand-by access to soft-term dollar loans in cases of extreme volatility in the exchange rate.

Chinese **Prime Minister Li Peng** (number two in the Chinese leadership hierarchy) arrived in Manila on September 12 for a four-day official visit. Li, the chairman of China's National People's Congress (NPC), was accompanied by a 15-member delegation that included top officials of his party. He was to sign several economic agreements, including a US\$100 million agricultural loan, with President Gloria Macapagal-Arroyo. He was also expected to press for the release of a number of Chinese fishermen being held here for poaching in Filipino waters.

Gross premiums of the country's 114 **non-life insurance companies** were up by 10.7 percent to P26.09 billion in 2001 from only P23.57 billion in 2000. Data from the Insurance Commission showed that the Malayan Insurance remained as the top non-life insurer, with gross premiums of P2.54 billion. Other top insurers last year were Prudential Guarantee & Assurance Inc. (PGA), Pioneer Insurance & Surety Corp., Philippine American Life and General Insurance Co. (Philamlife), FGU Insurance Corp.; UCPB General Insurance Co., Inc.; Federal Phoenix Assurance Co., Inc.; Standard Insurance Co., Inc.; FEB Mitsui Marine; Philippine Charter and Insurance Corp.

And finally...

Department stores in Metro Manila starting piping Christmas carols this week.

INVESTMENT NEWS

Nestlé Philippines Inc. held a ceremonial switch-on of its new P2 billion facility that seeks to expand its operations and production in Cabuyao, Laguna. President Gloria Macapagal-Arroyo, who graced the ceremony, noted that Nestlé employs 500 Filipino workers in the country.

Finance Secretary Jose Isidro Camacho said New York-based asset management firm **Cerberus Capital Management** denied that it would back out from investing in the Philippines. Cerberus had earlier committed some US\$2 billion to set up a corporate restructuring fund in the Philippines.

RFM President Enterprises Corp. (RPEC), a joint venture between RFM Corporation of the Philippines and Uni-President Group of Taiwan, opened last week its P500 million state-of-the-art food manufacturing plant at the Philtown Industrial Estate in Tanauan City, Batangas. The plant will produce noodles and noodle products.

President Gloria Macapagal-Arroyo has vowed to offer more attractive tax breaks for the automotive industry in order to lure an additional US\$100-million investment from **Ford Motors Philippines**. The president noted that the American car manufacturer has already invested some US\$200 million in the past and would most likely put up some US\$100 million more in the next two or three years.

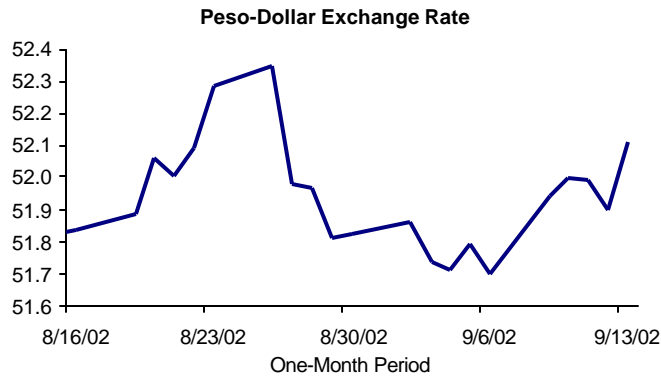
President Arroyo also hailed the latest P200 million investment of call center operator **Sykes Asia** in Makati City as "a testimony to the competitive advantage of the Philippines in the information and communications technology." The new investment is expected to create additional 1,132 call center seats in Makati City on top of the existing 674 seats in the company's Ortigas branch.

SM Investments Corp., the investment arm of the SM group of companies, bought last week some 175 million common shares of beverage conglomerate San Miguel Corporation (SMC) for P55 each or a total of P9.625 billion. The newly bought shares are equivalent to 6.2 percent of San Miguel's share capital and represent one board seat.

The **net portfolio investment** in the country grew by seven folds to US\$195.7 million in the first eight months of the year from only US\$23.3 million. Data from the Central Bank showed that total portfolio invest inflows rose 5.7 percent to US\$1.003 billion US\$949.4 million while outflows dropped by 12.7 percent to US\$807.6 million from US\$926.1 million.

CURRENCY MOVEMENTS

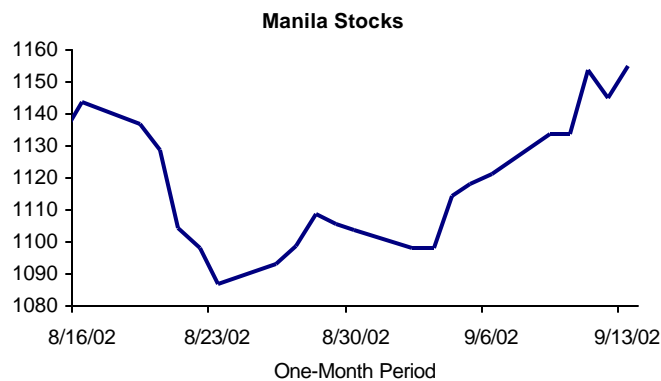
The Philippine peso dropped to a wide range of 51.9 to 52.4 against the US dollar last week, as demand for the greenback remained strong. The peso ended last week's currency trading at 52.23 against the dollar on September 13, down from the previous week's (September 6) close of 51.7 against the greenback. At one point it fell to 52.33. The main cause of the decline was reported to be nervousness over a possible pre-emptive attack on Iraq by the United States.



LATEST: 51.789/US\$ (Ave. Aug 2002)
HIGH: P26.159/US\$ (Ave. Feb 1996)
LOW: P53.224/US\$ (Ave. Jul 2001)

STOCK MOVEMENTS

The Phisix, the main barometer of the 30-company Philippine Stock Exchange (PSE), tracked an upward path last week on the back of fresh corporate developments. The Phisix climbed 22 points to end at 1155 points on September 13, up from the previous week's (September 6) close of 1133 points.



LATEST: 1147.14 (Ave. Jul 2002)
HIGH: 2,621.67 (Ave. Jul 1999)
LOW: 979.34 (Ave. Oct 2001)

ONLINE RESOURCES

MCA Limited has prepared this background report as a general reference document. Members may download this and previous documents (HTML, or PDF) from the Weekly Archive Section of the Virtual Philippines website. To access, click on the hyperlink below.

<http://www.virtual-asia.com/ph/weekly/downloads.htm>

Members Resources

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<http://www.virtual-asia.com/ph/bizpak/bizbriefs/index.html>

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FURTHER INFORMATION

MCA Limited has prepared this background report as a general reference document. Members receive the full document each week in pdf (default) or Word (on request) format. Other subscribers receive the summary edition only.

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