

EUROPEAN INVESTORS SHY AWAY FROM PHILIPPINES.By **Chaitanya Kalbag**

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MANILA, Feb 16 - A stream of unsettling news from the Philippines has held back many potential small and medium-sized European investors, European Chamber of Commerce secretary-general Christian Roehr told Reuters.

Roehr said several large European multi-nationals had long been in the Philippines and "are not easily driven away".

"But medium and small-sized businesses lack expertise and personal knowledge and rely on largely sensational media reports. Hardly anyone takes us seriously. We very rarely get the chance to discuss market potentials," he said.

Roehr said some European businessmen, who had made serious investment preparations, had held back after a coup attempt on August 28, 1987 that nearly toppled President Corazon Aquino.

"Our prediction was that after the local elections last month, it would need about three months for the dust to settle and for alarming news reports about the Philippines to die down," he said.

But he said uncertainty had returned with Defence Secretary Fidel Ramos's statement last week that the government might impose some sort of emergency rule to combat the Communist insurgency. "That was the last thing we needed," he added.

"We are pushing the Philippines as a suitable alternative to other southeast Asian countries and not as a paradise for investors," Roehr said.

He said an investment advisory unit had been set up by the Chamber of Commerce in September last year with funding from the European Commission in Brussels. "We have changed tack," he said. "We plan to approach hand-picked European companies with concrete projects that we think are profitable."

Rene van Broekhoven, head of the investment unit, said he was preparing feasibility reports for presentation later this year to European industry groups.

The Philippines' Securities and Exchange Commission said earlier this month that total investments rose to 8.11 billion pesos in 1987 from 4.60 billion in 1986, but foreign investment slowed in the last two months of the year as Communist rebels stepped up their attacks.

Foreign investment rose to 1.55 billion pesos in 1987 from 885 million in 1986 but fell short of a targeted 2.4 billion pesos.

Among the problems, Roehr said, was a lack of cohesion in Philippine efforts to woo investments. "The Board of Investments here concentrates too much on its role as a regulator rather than acting as a promotional agency," he said.

The Board of Investments issued draft guidelines in January, six months after Aquino signed an Omnibus Investments Code into law, Roehr said.

"There are 64 pages of regulations, with investors required to send in reams of reports regularly on expatriate salaries, plans to replace expatriates with Filipinos, and so on."

Rules limiting foreign participation to 40 pct of equity also deterred many small and medium-sized businesses. "Small European businessmen do not want to come in with majority Filipino partners. Why not allow initial majority foreign ownership and stipulate divestment after some years?" he added.

Roehr said most European investors preferred to set up branch offices or regional headquarters in Manila and to increase their market share.

"Some of them have decided to directly handle sales of their products and this indicates growing confidence,"



he said.

Van Broekhoven said manufacturing investments would necessarily be limited to a small number of low- or medium-technology and labour-intensive industries.

He said sewing-machine maker G.M. Pfaff was planning to expand operations in the Philippines to keep pace with the rapid growth in the country's clothing exports.

Roehr said West German pharmaceutical company Boehringer Mannheim GmbH planned to step up training of sales personnel to raise the market share of its products.

He said the largest entry last year had been by Nixdorf Computer AG, Europe's largest computer maker, which set up a 20 million peso subsidiary in November last year to distribute its hardware and an export-oriented software development centre.

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