

JAPAN SEES BETTER ECONOMIC TIES WITH PHILIPPINES.By **Chaitanya Kalbag**, Reuters

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MANILA, June 10 - Japan feels the political and economic situation in the Philippines has stabilised and will encourage its businessmen to invest here, a Japanese official said.

"Now the appreciation of the yen has added a new element and it is logical for Japanese businessmen to look to ... the Philippines to shift their investments," Yasuaki Tanizaki, economic counsellor at the Japanese Embassy, told Reuters.

He said Japanese contacts with Manila, preparatory to a step-up in aid, began with a visit last week by an economic mission led by former foreign minister Saburo Okita. Tanizaki said Foreign Minister Tadashi Kuranari would stop over in Manila on June 21-22 on his way home from an Association of South-East Asian Nations (ASEAN) meeting in Singapore.

He said another mission led by a senior Foreign Ministry official would arrive around June 29 for annual consultations on grant aid and technical cooperation.

A delegation from the Keidanren, the biggest federation of Japanese business organisations, is expected in early July to explore investment and trade possibilities. The Japan Chamber of Commerce will make a similar trip in the autumn. Embassy figures show Japanese investment declined to 455 million pesos in 1986 from 485 million in 1985 and 568 million in 1984, after rising from a record low of 56 million pesos in 1983.

But Tanizaki said Japanese investment, as a percentage of total investment in the Philippines, accounted for 28.5 pct of the 1.6 billion pesos the country attracted in 1986.

This compares with 19.7 pct of the 2.4 billion pesos total investment in 1985 and 14.5 pct of 3.9 billion pesos in 1984.

Board of Investments figures show Japanese investment fell 63 pct to 76.21 million pesos in the first quarter of 1987 from 204 million pesos in the same 1986 period. Tanizaki said a Japanese evaluation team arrived in May to examine 14 projects proposed by Manila for the 14th loan package from the Overseas Economic Cooperation Fund (OECF).

The team will wind up its work this week and he expects an announcement on the loan to be made next month, he said.

The loan, originally scheduled for disbursement in Japan's 1986/87 fiscal year ending March, had been delayed because Manila presented its proposals only last October.

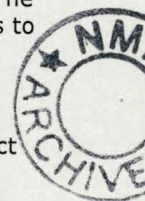
The Philippines asked for loans of 80 billion yen, up from 49.5 billion yen in the 13th package, with half in project loans and the rest in commodity loans for budgetary support. OECF loans routinely carry repayment periods of 30 years, including a 10-year grace period at three pct annual interest. Tanizaki said OECF commitments to the Philippines totalled 466.5 billion yen in the 1959-86 period.

Last month, the OECF approved a special 40.4 billion yen loan for a thermal power station in Batangas Province, near Manila.

Official Development Assistance from Japan totalled about 10 billion yen last year, up from 8.2 billion yen in 1985, while technical cooperation grants were between five and six billion yen, up from five billion in 1985, he said. Tanizaki said the Export-Import Bank of Japan approved in April a first-ever loan of 300 million dollars to the Philippines to match an identical economic recovery loan from the World Bank.

He said the Philippines was only the third country, after Indonesia and Mexico, to be granted such a loan. Manila has proposed 30 projects to be financed by the loan, and disbursements are likely to be made project by project.

Final terms have yet to be decided, but under Organisation of Economic Cooperation and Development guidelines the loan's grant element would have to be less than 25 pct to avoid classification as a development



assistance package, he said.

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Robert Noyce

Capital

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MANILA, June 10 - The Philippines' Comprehensive Investment Code was approved by the cabinet and a final draft will soon be prepared for decree by President Corason Aquino. Trade and Industry Secretary Jose Concepcion said.

The cabinet approved the investment code in principle and within a week its draft will be submitted to the president for final draft for her signature, "he told a news conference."

There are two or two areas that we have to look at. First, looking at the (code) will be done by the end of June," Concepcion said the code, which covers a 1982 law, will attract foreign-oriented, major-intensive and agricultural investments. To be, many officials will be areas where the code will allow up to 100% foreign ownership in 24 countries where it enjoys a guaranteed system of preferential privileges.

"We have roughly 8,000 projects which enjoy these privileges which we are still reviewing about 120 per cent," he said. "We have new projects that will be encouraged."

Concepcion said total investments had jumped to 2.25 billion pesos in 1986 from 4.7 billion pesos in 1985 and 6.12 billion pesos in 1984. The trade and industry secretary said the country's 1987-90 economic development program had a target of 6.5 billion pesos worth of investment for the period, of which about 45 billion was likely to be domestic.

"We reviewed and looking at the government's investments and in a way brought them together," he said.

He said the new code will encourage foreign investment in preferred areas and eight-year tax holidays for pioneer industries.

"We want to attract high technology investments because we are behind South Korea by about 15 years," he said. "Local and foreign business groups have urged Aquino to make the investment code better for all investing countries." Investors are divided by the code's deadline due to concerns on July 31.

Concepcion said the new code would also focus on the manufacturing process and services. He also said the Board of Investments "over the years" already accelerated, making pending investment applications within 20 days if they were properly filed. The initiative said the new code would provide incentives for foreign investors, including a 5% tax deduction on the annual fixed capital expenditures of a foreign investor and a tax break for the first two years for power and telecommunications facilities. In the Philippines, particularly in Manila, he said, there is a lot of other legislation of South East Asian Nations (ASEAN) member countries, he said.

There is a deliberate attempt to "open up" Concepcion said. "About 70 per cent of our industrial production is in the export market. We cannot have a Republic of Singapore. We might have one in the other regions." Concepcion said the new code would be up to the Philippines to have with fellow members of ASEAN and closely monitoring investment, industry in Malaysia and Thailand.

The draft investment code was introduced in February. The minister said his department had extensive public hearings and studies of other countries' papers submitted by private sector groups before finalizing the latest version.

The Board of Investments said it had already approved from January to April detailed 1.2 billion pesos, or 10 per cent, of the 1987-90 economic development program in the second 1986 period.

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