



SEC. GREGORY DOMINGO

MANILA — The inability to negotiate for incentives may be a letdown for investors wanting to invest in the Philippines, but this has given the system predictability that still makes the country attractive, according to Irma Isip of *Malaya*.

Refusing to refer to this as a constraint to investments, Trade Secretary Gregory Domingo said the government can only offer what he called are the “soft” support in terms of better servicing, faster procedures as opposed to fiscal perks like longer tax holidays or land ownership “unlike other countries which are more flexible.”

“We can promise so much, because we cannot give more than what the law allows us,” Domingo said.

Foreign investors prefer predictability

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Domingo made these comments when pressed for the outcome of his trip in the Middle East.

“There’s a lot of interest in the Philippines. But they have a different style. Because they are risk averse; they do not ask for astronomical returns but, in exchange, they want reasonable assurance of a stable investment climate,” Domingo said.

Domingo said the fact that our investment incentives are clearly defined by laws work both positively and negatively for the Philippines.

“In the investment agreements our structure in the Philippines is very well-defined by laws, the incentives we could give are defined by laws. If we have investment agreements, we can only promise so much. What we can promise are the soft (incentives) like, we can say we’ll take care of you, we’ll help facilitate but we cannot give land, we cannot give them 10 years income tax holidays because those are defined by law. Unlike other countries whose (investment regimes) are not defined by law, they have flexibility of giving less or more, we cannot have that,” Domingo explained.

“There is no room for negotiation,” said Domingo, likening our investment regime to a supermarket where prices are fixed as opposed to a wet market where one can haggle.

Domingo said this is not only a constraint to the extent that there are other countries nearby which can give all but it’s also an advantage as there are investors which do not want to stress themselves out by negotiating.

“The investors just have to do due diligence. If they know it’s very well defined by law, for most of them, it’s okay because it’s less stressful,” he said.

But when asked if such flexibility can be addressed by changing economic provisions of the Constitution, Domingo said there is no intention to change the charter.

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He said the issue of opening land and corporate ownership to foreign investors are rehashed and that there is even no need to study the matter anymore.

“We have studied this more than 20 times, it’s the same...it’s been repeated over and over.”

Domingo also said he does not believe in tweaking the incentives given by the Philippine Economic Zone Authority.

“We want to make sure we remain competitive and our number one competitive area is PEZA. So PEZA is sacred cow. We are protective of the PEZA environment because it is one of the main engines of our economy,” Domingo said.

While there could be some slight changes in some of the incentives given, Domingo said “these would be very sensitive to how they affect locators in PEZA.”

“We do not want to diminish what they have. We put to some reasonableness,” he added.