Comments on the Proposal to Amend Certain Economic Provisions of the 1987 Constitution of the Republic of the Philippines particularly on Articles XII, XIV and XVI introduced by the Honorable Speaker Feliciano Belmonte Jr[1].

1. I would like to express support to the initiative taken by Speaker Feliciano Belmonte Jr. to amend the economic provisions of the Constitution through the insertion of the phrase "unless provided by law" to the foreign ownership restrictions of the Constitution in public utilities, land, mass media and advertising, educational institutions, and development of natural resources (particularly on Articles XII, XIV and XVI). Certain provisions of the Constitution have restricted foreigners from majority ownership in certain sectors or industries, e.g., public utilities and have, thus, constrained foreign direct investments in those industries.

2. This phrase introduces flexibility for Congress to define and determine sectors or industries that could be opened up for greater foreign participation (ownership). It may provide the pathway to greater openness of the economy to foreign direct investments. Based on various studies foreign direct investments are significant factors in an economy's productivity and growth. Foreign direct investments provide a channel for transferring technology, introducing innovations and good business practices that can make local firms more competitive.

2. The economy needs much more substantial foreign direct investments (FDIs) that it has been receiving. FDIs stimulate productivity, growth and employment generation, and help in structural transformation of the economy that will lead to inclusive growth. The experience of Thailand with FDIs is worth noting. The massive inflow of foreign capital in Thailand's manufacturing sector, e.g., automotive manufacturing, has been instrumental in the structural transformation of the Thai economy, with manufacturing as a main growth driver creating greater value addition and employment.

3. The level of foreign direct investments (FDIs) in the country has remained as one of the lowest in the ASEAN. **Table 1** and **Figure 1** below show how the country compares with other ASEAN countries on FDI inflows. The more open economies (Viet Nam, Thailand and Singapore) have received most of foreign direct investments in the region and they have benefited from those investments in terms of increased outputs and employment generated. It is noted that these ASEAN countries have maintained more liberal foreign investment rules that have facilitated the entry of foreign capital inflows.

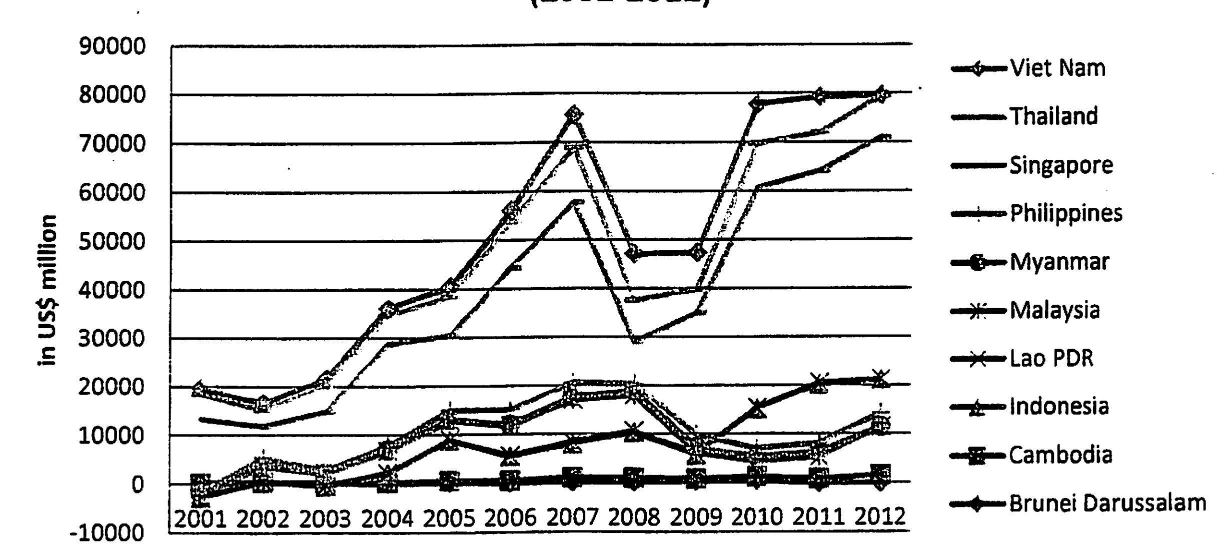
[1] Submitted by Gilberto Llanto, Philippine Institute for Development Studies, February 18, 2014

Table 1. Foreign Direct Investment, ASEAN, 2001 to 2012
(in US$ million)

Countries	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brunei Darussalam	61	230	124	113	175	88	258	222	326	496	...	...
Cambodia	149	145	84	131	381	483	867	815	539	783	902	1,557
Indonesia	(2,977)	145	(597)	1,896	8,336	4,914	6,928	9,318	4,877	13,771	19,241	19,618
Lao PDR	24	4	19	17	28	187	324	228	319	279	301	...
Malaysia	554	3,203	2,473	4,624	3,966	6,076	8,590	7,376	115	(10,886)	(15,119)	(9,734)
Myanmar	210	152	251	214	235	276	710	864	1,079	901	1,001	...
Philippines	195	1,542	491	688	1,854	2,921	2,916	1,544	2,712	1,635	1,816	2,797
Singapore	15,087	6,402	11,941	21,026	15,460	29,348	37,033	8,588	24,939	53,623	55,923	56,651
Thailand	5,067	3,342	5,232	5,860	8,055	9,455	11,327	8,538	4,854	9,104	7,780	8,616
Viet Nam	1,300	1,400	1,450	1,610	1,954	2,400	6,700	9,579	7,600	8,000	7,430	...

Source: NSCB Philippine Statistical Yearbook 2013

Figure 1. Foreign Direct Investments, ASEAN, (2002-2012)



4. The country has lagged behind other ASEAN countries in tapping FDIs as indicated in **Figure 1** above. To address critical development problems requires finding the key to unlock the economy's growth and employment potential. The country needs substantial investments for sustained growth and employment generation.