

COUNTRY PROFILE:**REPUBLIC OF THE PHILIPPINES**

IES/02: ATTACHMENT A

DATED:**NOVEMBER 2007****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	Case-by-case

Recent Political Highlights

- ❑ Chief of state and head of Government since January 2001 has been President Gloria Macapagal-Arroyo. The president is elected by popular vote for a six-year term and the next election is scheduled for May 2010;
- ❑ The authority of the president will remain fragile due to ongoing corruption allegations against the administration, the latest of which involves a contract for a national broadband network. The corruption allegation may have undermined military support of the Government which remains crucial to the regime's continuance in power;
- ❑ The president's executive pardon of Joseph Estrada, a former president convicted of economic plunder, has ignited controversy. The pardon is viewed as strategic and intended to neutralise the threat that Mr Estrada could rally further opposition to Arroyo's rule;
- ❑ The president faces challenges of delivering on her promises to create jobs and improve living standards. Social and economic reforms introduced during her first term did little to ease poverty and the country's debt burden.

Recent Economic Highlights

- ❑ The Philippines has a population of 91m that was expected to grow at a rate of 1.8% this year. It has the highest birth rate in Asia and forecasters predict that the population could double within three decades. The archipelago is comprised of more than 7,000 islands, but the majority of its fast-growing population lives on 11 of them;
- ❑ Government is set to revise the country's medium-term economic assumptions from next year due to the steady rise of the peso against the dollar. Proposed targets are now being drafted for the macroeconomic targets for 2008-2010. GDP growth is expected to be adjusted upwards for next year after the robust expansion in the first half of this year;
- ❑ Improvement in the Government's finances is expected to lead to a decline in total Government debt, which is forecast to fall from 63.8% of GDP in 2006 to 53.3% by 2012 and is expected to lead to further economic stability. GDP growth is expected to improve to 6.9% in 2007 on the back of strong consumption growth and will average 5% a year in 2008-2012;
- ❑ The World Bank suspended loans to the Philippines after allegations of irregularities in the bidding and implementation of the National Road Improvement and Management Programme. The investigation by the Bank will be pursued despite a WB spokesperson stating that the Bank was ready to fund the second phase of the road project worth \$232m. The World Bank rejected two large road contracts in three successive rounds of bidding due to strong signs of collusion and excessive pricing;
- ❑ President Arroyo's Strong Nautical Highway is losing substantial money. The Philippines Ports Authority is faced with a dilemma, as no private-sector firm is interested in taking over the Government's roll-on, roll-off terminal system. The PPA has been trying to privatise the ports since 2004. The Highway is one of the President's priority programmes to bring down the cost of the inter-island shipment of goods and people and boost domestic tourism.

Latest Trade Developments

- ❑ Major exports: semiconductors and electronic products, transport equipment, garments, copper products, petroleum products, coconut oil and fruits;
- ❑ Major imports: electronic products, mineral fuels, machinery and transport equipment, iron and steel, textile fabrics, grains, chemicals and plastic;
- ❑ Main trading partners: US, Japan, Singapore, Taiwan, China, South Korea, Saudi Arabia, Malaysia, Thailand and Hong Kong;
- ❑ SA exports to the Philippines totaled R246m in 2006 from R396m in 2005 and R178m in the year to August 2007.

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