

# Philippine economy

Economics



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The Philippines is a developing country in South-East Asia. In 2004, it was ranked as the 24th largest economy by the World Bank according to purchasing power parity. The Philippines is one of the newly industrializing countries in the world. Important sectors of the Philippine economy include agriculture and industry, particularly food processing, textiles and garments, and electronics and automobile parts. Most industries are concentrated in the urban areas around metropolitan Manila.

Mining also has great potential in the Philippines, which possesses significant reserves of chromite, nickel, and copper. Recent natural gas finds off the islands of Palawan add to the country's substantial geothermal, hydro, and coal energy reserves. History Since the end of World War II, the Philippine economy has had a mixed history of growth and development. Over the years, the Philippines has gone from being one of the richest countries in Asia (following Japan) to being one of the poorest. Growth immediately after the war was rapid, but slowed over time.

A severe recession in 1984-85 saw the economy shrink by more than 10%, and perceptions of political instability during the Aquino administration further dampened economic activity. During his administration, President Ramos introduced a broad range of economic reforms and initiatives designed to spur business growth and foreign investment. As a result, the Philippines saw a period of rapid sustained growth, but the Asian financial crisis triggered in 1997 slowed economic development in the Philippines once again.

In 1998, the Philippine economy deteriorated as a result of spill-over from the Asian financial crisis and poor weather conditions. Growth fell to about -  
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0. 5% in 1998 from 5% in 1997, but recovered to 3. 4% by 1999. President Estrada tried to resist protectionist measures; and efforts to continue the reforms begun by the Ramos administration made significant progress. A major bank failure in April 2000 and the impeachment and subsequent departure of President Estrada in the beginning of 2001 led to lower growth.

The current administration under President Gloria Macapagal-Arroyo is pushing towards faster and more rapid economic growth. In 2004, the Philippine economy grew by 6. 1%, beating most analysts and even the government's estimates. In 2005, the Philippine Peso posted an appreciation rate of 6%--the fastest in the Asian region for that year. However, the advent of high oil prices dampened the government's growth estimates for that same year as growth only amounted to 5. 1%. During 2006, the economy posted a 5. % growth, dampened by two typhoons which wreaked havoc on the agricultural sector. The government plans to bolster infrastructure spending in 2007 ten-fold, and is targeting an accelerated growth of the economy by 7% in 2007, 8% in 2008, and 9% in 2009[1]. As of February 2007, the stock market is currently near all time highs and the peso has appreciated to 48. 07 to the dollar. Despite the positive outlook of the economy, the government still faces challenges in many areas. Wealth distribution is uneven, and poverty remains high.

Corruption is still a problem and political instability is still a reality. 2006 figures In 2006, the Philippine economy expanded at a rate of 5. 4%, faster than the previous year. The government plans to increase the country's GDP by 7% in 2007, although official projection is a around 6. 1%-6. 7%. It also aims to grow the economy by 9% in 2009, as part of the projected target of

the government via enhanced public investment to attract foreign capital as well as improved domestic improvement.

Rice paddies are a common sight in the Philippines, as rice is the largest agricultural export. Industrial production is centered on processing and assembly operations of the following: food, beverages, tobacco, rubber products, textiles, clothing and footwear, pharmaceuticals, paints, plywood and veneer, paper and paper products, small appliances, and electronics. Heavier industries are dominated by the production of cement, glass, industrial chemicals, fertilizers, iron and steel, and refined petroleum products.

The industrial sector is concentrated in the urban areas, especially in the metropolitan Manila region and has only weak linkages to the rural economy. Inadequate infrastructure, transportation and communication have so far inhibited faster industrial growth. Agriculture The Philippines currently hosts the International Rice Research Institute (IRRI), which studies high yielding rice varieties. It has played a key role in the Green Revolution and was able to increase rice yields and rice production during the 1970s .

#### Automotive

The ABS system used in Mercedes-Benz, BMW, and Volvo cars are made in the Philippines. 2005 was the first year that the Philippines exported cars in quantity courtesy of Ford Motor Company. Electronics Intel has been in the Philippines for 28 years as major producer of Intel's advanced products including the Pentium 4 processor. A Texas Instruments plant in Baguio has been operating in for 20 years and is the largest producer of DSP chips in the

world. TI's Baguio plant produces 100% of all the chips used in Nokia cell phones and 80% of all chips used in Ericsson cell phones in the world.

Until 2005 Toshiba laptops were produced in Santa Rosa, Laguna. Presently the Philippine plant's focus is in the production of HDD's. Software One of the software houses established in the country is Trend Micro, an anti virus software maker with its main product PC-Cillin. The company develops its "cures" for viruses in Eastwood City, Libis Quezon City Outsourcing See main article: Business process outsourcing in the Philippines The majority of the top ten BPO firms of the United States operate in the Philippines.

Total jobs in the industry grew to 100, 000 and total revenues are placed at \$960 million for 2005. Mining The country is rich with mineral and thermal energy resources. It produces 1931 MW of electricity from geothermal sources (27% of total electricity production), second only to the United States [2] and a recent discovery of natural gas reserves in the Malampaya Fields off the island of Palawan is already being used to generate electricity in three gas-powered plants. Philippine gold, nickel, copper and chromite deposits are among the largest in the world.

Other important minerals include silver, coal, gypsum, and sulfur. Significant deposits of clay, limestone, marble, silica, and phosphate exist. About 60% of total mining production are accounted for by non-metallic minerals, which contributed substantially to the industry's steady output growth between 1993 and 1998, with the value of production growing 58%. In 1999, however, mineral production declines 16% to \$793 million. Mineral exports have generally slowed since 1996. Led by copper cathodes, Philippine mineral exports amounted to \$650 million in 2000, barely up from 1999 levels.

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Low metal prices, high production costs, lack of investment in infrastructure, and a challenge to the new mining law have contributed to the mining industry's overall decline. The industry went on a rebound starting in late 2004 when the Supreme Court deemed an important law permitting 100% foreign ownership of Philippine mining companies constitutional. The Department of Environment and Natural Resources is ill equipped to address the renewed interest in mining. There are several companies that mine under the Small Scale Mining (SSM) that should rightly be classified and taxed under the large scale mining laws.

The DENR is taking some time to inform these companies that they are violating the SSM laws by mining more than 50, 000 tons of ore per year. The DENR has yet to approve the revised Department Administrative Order (DAO) that will provide the Implementing Rules and Regulations of the Financial and Technical Assistance Agreement (FTAA), the specific part of the 1994 Mining Act that allows 100% foreign ownership of Philippine mines. The current DAO 99-56 is deficient because it is confusing and open to abuse.