Question 2

Finance

A country risk analysis for Philippines Favorable investment climate or business environment is a critical factor of country competitiveness (Escribano et al, 2009; Lesher, & Plummer 2011), especially for the developing country, such as Philippines. Some of the key factors that have impact on the IC include costs, risks, economics growth rate, corruption, regulatory burden, taxation policies, the quality of infrastructure, and technological support (Escribano et al, 2009). Philippines has reached a three-decade high per capita economic growth rate of 7. 3 percent real growth of GDP in 2010 and 3. 7 slowdown in 2011 (Roberts 2012, 28). While there are reported some positive trends during the recent years including enhancement of the entrepreneurial environment in the country (Roberts 2012), there still are some critical zones that make business environment less attractive. Thus, for example, based on the infrastructure, red tape, corporate governance, corruption and crime criteria, Philippines is ranked in the last position comparing with Indonesia, Malaysia, and Thailand (Escribano et al, 2009). Moreover, Philippines fail to protect the investors and there are more difficulties in obtaining credits than in its Asian neighbor countries. In terms of attraction of foreign direct investment to the economics of Philippines, there also exist some formal and informal barriers imposed by government combined with weak judicial system and corruption (Roberts, 2012). All these factors make Philippines less desired destination for multinational corporations and foreign direct investments. Based on the recent World Bank' survey results, Philippines fall toward the bottom of the ranking of business-friendly environment (Lesher, & Plummer 2011). However, despite even its unfavorable investment climate, according to the UNCTAD, in the first half of 2013 there was recorded the second biggest FDI

inflow to the Philippines among ASEAN countries (Malinao, 2013).

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