The Mergers & Acquisitions Review

Seventh Edition

Editors
Simon Robinson and Mark Zerdin

Law Business Research

The Mergers & Acquisitions Review

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THE LAW REVIEWS

THE MERGERS AND ACQUISITIONS REVIEW

THE RESTRUCTURING REVIEW

THE PRIVATE COMPETITION ENFORCEMENT REVIEW

THE DISPUTE RESOLUTION REVIEW

THE EMPLOYMENT LAW REVIEW

THE PUBLIC COMPETITION ENFORCEMENT REVIEW

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PUBLISHER'S NOTE

In presenting this seventh annual edition of *The Mergers & Acquisitions Review*, the publisher would like to extend warm and heartfelt thanks to editor Simon Robinson, who has recently retired from Slaughter and May. Simon has held the position of editor of *The Mergers & Acquisitions Review* since its inauguration seven years ago, and Simon and his partners at Slaughter and May have been instrumental in the success of The Law Reviews series. Thank you Simon.

The publisher would like to welcome Mark Zerdin, also a partner at Slaughter and May, as current and future editor of *The Mergers & Acquisitions Review*. We are delighted to have Mark on board, and we look forward to future editions in Mark's very capable editorial hands.

Gideon Roberton
Publisher, The Law Reviews
August 2013

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EDITOR'S PREFACE

This past year has seen some surprising twists and turns, not only in the mergers and acquisitions markets but also in the economic and political environments. November saw the re-election of Barack Obama, although this had less of an impact on the markets than an announcement by Ben Bernanke in May that the US Federal Reserve would consider a slowdown in its programme of quantitative easing. On the other side of the Pacific, Xi Jinping has outlined a new communist doctrine – the 'Chinese dream'. The doctrine reflects the changing economic outlook in China where growth will be increasingly consumer rather than investment-led. A new political rhetoric has also emerged in Japan as Shinzo Abe, elected in a landslide December victory, seeks to reinvigorate the Japanese economy. Both rebrandings flirt with nationalist sentiment and the attitude of these two countries towards one another will continue to bear on the region's business environment.

In Europe, despite an awkward Cypriot bailout, the sovereign debt crisis showed signs of stability and government bond yields are falling. Europe also improved its attractiveness in the eyes of investors and remains the largest destination for foreign direct investment. However, there has yet to be a return to growth. Investors seem split fairly evenly between those who believe Europe will emerge from the crisis in the next three years, and those who believe it will take five years or more. In any event, a return to the boom years is unlikely in the near future, particularly as the emerging markets see a relative slowdown. The IMF data for 2012 shows that the combined growth rate of India and China is at its lowest in over 20 years while global growth fell below 2.5 per cent in the second half of 2012. This global slowdown continues to pull M&A figures down making 2012 the fifth consecutive year in which deal values fell globally.

There are reasons for optimism though, particularly in the US market which has seen some substantial deals (the acquisitions of Heinz and Virgin Media being particular highlights). These deals have been made possible by the return of debt financing where the right deal can attract very favourable terms. Equities have also performed much more strongly over the past year. In May 2013 both the Dow Jones and the FTSE 100 hit record highs – validating to some extent the aggressive monetary policies pursued in the US and the UK. Whether political will can start to lift the markets more broadly still remains to be seen.

I would like to thank the contributors for their support in producing the seventh edition of *The Mergers & Acquisitions Review*. I hope that the commentary in the following chapters will provide a richer understanding of the shape of the global markets, together with the challenges and opportunities facing market participants.

Mark Zerdin
Slaughter and May
London
August 2013

Chapter 54

PHILIPPINES

Rafael A Morales, Philbert E Varona, Marie Corinne T Balbido and Hiyasmin H Lapitan[1]

I OVERVIEW OF M&A ACTIVITY

There is no centralised data available on M&A in the Philippines. However, based on general investment data compiled by investment promotion agencies (such as the Board of Investments (BOI) of the Philippines) and the Bangko Sentral ng Pilipinas (BSP), total approved foreign direct investment (FDI) for 2012 reached 289.1 billion Philippine pesos, which surpassed the previous year's record level of 258.2 billion Philippine pesos by 12 per cent. Further, the approved FDI for the fourth quarter of 2012 was the highest since 1996.

Manufacturing remained the top industry to receive investment pledges. Transportation and storage came in second, followed by information and communication.

Based on data from the National Statistical Coordination Board (NSCB), approved investments of foreign and Philippine nationals in the fourth quarter of 2012 totalled 330.1 billion Philippine pesos, 44.9 per cent higher than the 227.8 billion Philippine pesos registered in the same period of the previous year. Pledges from Philippine nationals stood at 99.9 billion Philippine pesos, which accounted for 30.3 per cent of the total approved investments during that quarter.

1 Rafael A Morales is the managing partner, Philbert E Varona is a partner and Marie Corinne T Balbido and Hiyasmin H Lapitan are senior associates at SyCip Salazar Hernandez & Gatmaitan.

II GENERAL INTRODUCTION TO THE LEGAL FRAMEWORK FOR M&A

M&A is primarily governed by the Corporation Code and the Civil Code of the Philippines, as well as the Securities Regulation Code (SRC) when listed companies are involved. Furthermore, M&A would have to comply with the nationality requirements in the Philippine Constitution, the Foreign Investments Act, and other laws as applicable.

Most M&A does not require regulatory consent or approval except for some companies engaged in regulated businesses such as banking, insurance and telecommunications.

Acquisitions in the Philippines are typically structured as share purchases, as these are generally simpler to implement and more tax-efficient. In some instances, however, an asset acquisition may be preferred, where the primary considerations are the ability to cherry-pick attractive assets and the desire to avoid being saddled with pre-existing obligations of the selling entity. A third method of acquisition is through merger or consolidation.

There is a potential need to comply with tender-offer rules if the target is a public company (such as one listed on the Philippine Stock Exchange, or PSE) and the buyer will acquire at least 35 per cent of such company's capital stock (in one or more transactions within 12 months). It may take at least two months to prepare for and complete the tender offer.

III DEVELOPMENTS IN CORPORATE AND TAKEOVER LAW AND THEIR IMPACT

i Determination of compliance with foreign ownership ceilings

As a general rule, there are no restrictions on the extent of foreign ownership of Philippine enterprises. However, the Constitution and statutes impose ceilings on foreign equity in certain areas of economic activity, such as the ownership of land, operation of public utilities, and the exploration, development and utilisation of natural resources. The Ninth Regular Foreign Investments Negative List (issued on 29 October 2012) enumerates some of the more important investment areas and activities that are reserved for Philippine nationals.

In this connection, the Philippine Supreme Court ruled that compliance with the Constitutional provision restricting the operation of public utilities to corporations at least 60 per cent of whose capital is owned by Philippine citizens, must be determined on the basis of the ownership of outstanding shares that are entitled to vote in the election of directors. According to the Supreme Court, other shares that are owned by Philippine citizens, but that are not entitled to vote for directors, must be disregarded, even if otherwise entitled to dividend and other rights.

The Securities and Exchange Commission (SEC) recently issued the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities. These Guidelines state that, for the purposes of complying with constitutional or statutory ownership requirements, both: the total number of outstanding shares of stock entitled to vote in the election of directors; and the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, must meet the required percentage of Filipino ownership.

ii Relaxation of local currency conversion requirement

FDI is not required to be registered with the BSP, unless the foreign exchange needed to service the repatriation of capital and the remittance of dividends and earnings will be purchased from the Philippine banking system. FDI may be in cash or in kind (such as machinery and equipment, and raw materials). Foreign exchange funding investments must be remitted into the Philippine banking system to be eligible for registration. There is no need to convert the foreign exchange to pesos for BSP registration purposes.

iii Minimum public ownership rule

Publicly listed companies are required to maintain a minimum public ownership (MPO) of the higher rate of 10 per cent of their issued and outstanding shares, exclusive of treasury shares; or such percentage as may be prescribed by the SEC or the PSE. Listed companies that are not MPO-compliant on or after 1 January 2013 will be suspended from trading for a period of not more than six months and automatically delisted if they remain non-compliant after the lapse of the suspension period. A tax regulation issued in late 2012 also lends teeth to this policy by providing that the sale, barter, exchange or other disposition of shares of listed companies that fail to meet the MPO will be subject to capital gains tax on the net gain realised (5 per cent on the first 100,000 Philippine pesos net gain and 10 per cent on the net gain over 100,000 Philippine pesos) and documentary stamp tax of approximately 0.375 per cent of the par value of the shares sold. In contrast, an on-exchange sale of shares in an MPO-compliant listed company is subject to a preferential stock transaction tax of just 0.5 per cent of the selling price of the shares, and exempt from documentary stamp tax.

iv Proposal to raise threshold for tender offers

Apart from the tender-offer rules in the SRC, there are no takeover regulations in the Philippines. Unlike other jurisdictions, the Philippines has not adopted 'squeeze out' regulations that would allow a company (or a new investor) to compel minority shareholders to sell their shares.

There is a proposal to raise the threshold for a mandatory tender offer, which is currently at 35 per cent of a class of shares in a public company.

IV FOREIGN INVOLVEMENT IN M&A TRANSACTIONS

The Philippines is situated in one of the fastest-growing regions in the world. Business confidence continues to improve based on the quarterly Business Expectations Survey conducted by the BSP.

Interest in the country has been attributed to strong macroeconomic conditions. Economic expansion in the country is between 6 and 7 per cent and is expected to continue to improve, especially with the positive outlook assigned to the country by Fitch Ratings in March 2013 and by Standard and Poor's and Japan Credit Rating Agency Ltd in May 2013. The World Economic Forum has ranked the Philippines 65th out of 144 economies in its 2012–2013 Global Competitiveness Report, moving the country 10 places up from the previous year's ranking.

At the end of 2012, the majority of the investments coming into the country were pledged by the Netherlands. Its investment pledges of 104.3 billion Philippine pesos account for 36.1 per cent of the total FDI. The Netherlands' investments targeted mostly transportation and storage, and administrative and support services.

Second is Japan, which committed 63.0 billion Philippine pesos (23.9 per cent). The United States follows with 35.9 billion Philippine pesos (12.4 per cent). For both countries, the majority of the investment is intended to finance manufacturing, information and communication, and administrative and support services projects.

Singapore, although accounting for only 4.5 per cent of the investment, posted the highest increase – from 2.2 billion Philippine pesos in 2011 to 13 billion Philippine pesos in 2012.

V SIGNIFICANT TRANSACTIONS, KEY TRENDS AND HOT INDUSTRIES

i Hot industries

An overwhelming amount of the investment in all quarters of 2012 was for the manufacturing industry. Investment pledges in this area amounted to 169.5 billion Philippine pesos (58.6 per cent for 2012). This is an increase of 18.6 per cent compared to the 142.9 billion Philippine pesos registered in 2011.

The other top performing industries are transportation and storage with investment of 53 billion Philippine pesos or 18.3 per cent of the approved FDI, and information and communication at 15.4 billion Philippine pesos or 5.3 per cent of the total. These industries also saw significant increases in investment compared to 2011.

The Philippines also attracted great interest from global consumer companies, as exemplified by Mexico-based Coca-Cola FEMSA's acquisition of Coca-Cola Philippines for US$688.5 million, Dutch dairy company Royal Friesland Campina's acquisition of Alaska Milk Corporation for US$454 million, and Nestle SA's acquisition of Wyeth Philippines, Inc.

ii Investment priority areas

Other industries that foreign investors could consider for 2013 are those identified in the BOI's Investment Priorities Plan (IPP). Investors in identified IPP industries are entitled to government incentives.

The 13 regular priority investment areas identified in the IPP are agriculture and agribusiness and fishery; creative industries and knowledge-based services (including business process outsourcing (BOI); shipbuilding; mass housing; iron and steel; energy; infrastructure; research and development; green projects; manufacture of motor vehicles; strategic projects; hospital and medical services; and disaster prevention, mitigation and recovery projects.

Calata Corporation, a listed agribusiness company, recently disclosed to the PSE an intention to negotiate for possible acquisitions, mergers or other types of business combinations with third parties engaged in related businesses.

Export activities remain a priority investment area. Other areas and activities included in the IPP are industrial tree plantation; exploration, mining, quarrying and processing of minerals; publication or printing of books; refining, storage, marketing and distribution of petroleum products; ecological solid waste management; clean water projects; rehabilitation, self-development and self-reliance of persons with disabilities; renewable energy; and tourism.

Another list of priority projects is available from the regional BOI of the Autonomous Region in Muslim Mindanao.

ii Key trends

Also expected to see increased M&A activity in 2013 is the banking sector, particularly rural banking. On 24 May 2013, the President of the Philippines approved Republic Act No. 10574, which allows the infusion of foreign capital into rural banks up to a maximum of 60 per cent of the their voting stock. This is expected to complement an existing matchmaking programme called the Strengthening Program for Rural Banks (SPRB) Plus, which the BSP implements with the Philippine Deposit Insurance Corporation. SPRB Plus provides a number of incentives to encourage strong financial institutions to acquire weaker ones. These incentives include allowing a bank to establish branches in restricted areas in Metro Manila and a loan grant to strengthen the capital of merged entities.

The country has 600 rural banks, accounting for about 2 per cent of the total banking resources of over 7 trillion Philippine pesos. On average, 20 rural banks close yearly due to lack of capital.

Already, rural banks are consolidating, preparing for the entry of foreign investors. Most investment inquiries in this sector come from Europe, particularly the Netherlands, and the United States.

Recently, Bridge Financial Services of Singapore announced a US$24 million initial investment plan, including M&A, in Philippine rural banks. The fund will be raised with the help of several social-oriented non-bank financial institutions, such as Accion, Bamboo Finance, DEG and FMO.

Another sector that could see increased activity is infrastructure. The Philippine government is accelerating the roll-out of infrastructure projects to address the country's inadequate infrastructure, which has been identified as a constraint to economic growth. These projects include national roads and bridges, airports and seaports, classrooms and other educational facilities, irrigation, and potable water supply systems, among others. The government's national budget for infrastructure in 2012 was 182.2 billion Philippine pesos, a 26 per cent increase from the 2011 budget.

The government is tapping the private sector for the financing, construction, operation, maintenance and rehabilitation of major infrastructure under its public-private partnership programme. In 2012 alone, 16 projects amounting to 154.0 billion Philippine pesos were identified for bidding to the private sector – both local and foreign.

The outsourcing industry is one of the fastest growing in the country. It is projected to reach US$25.0 billion in revenue by 2016 and take hold of a 10 per cent share in the global market.

Within the wide range of outsourcing services available in the country, voice-based BPO services continue to dominate. However, impressive performance has also been seen in higher value knowledge-based, non-voice services, such as software product development, animation, game development, health information management, and financial and accounting services.

VI FINANCING OF M&A: MAIN SOURCES AND DEVELOPMENTS

Private equity firms appear to be particularly interested in investing in the infrastructure, power and renewable energy sectors in the Philippines. In July 2012, the Asian Development Bank approved an equity investment in the Philippine Investment Alliance for Infrastructure fund alongside commitments from the Government Service Insurance System, which administers the Philippine state-owned pension fund, as well as a Dutch pension fund asset manager, and the Macquarie group. The said fund is expected to invest in Philippine core infrastructure assets with an initial focus on existing projects that need expansion or rehabilitation, but will also support the development of critical infrastructure projects from the ground up.

Interest in BPO is also apparent. In April 2013, the sale by Philippine Long Distance Telephone Company (PLDT) of the BPO businesses owned by SPi Global Holdings, Inc (a wholly-owned subsidiary of PLDT) to Asia Outsourcing Gamma Limited (AOGL) (a company controlled by CVC Capital Partners, one of the world's leading private equity and investment advisory firms) was completed. PLDT reinvested approximately US$40 million of the proceeds from that sale in AOGL, resulting in approximately 19.7 per cent interest therein, and will continue to participate in the growth of the business as a partner of CVC Capital.

According to mergermarket.com, foreign private equity firms have expressed their strong interest in entering the Philippine M&A market. However, there is a significant level of competition in this area from local conglomerates (such as the San Miguel group, the SM group, and Metro Pacific Investments Corporation), which have holdings in retail, utilities, energy, infrastructure, banking, and health care (among other ventures), and which typically are not hesitant to express an interest in acquiring key assets that become available for sale. Family-owned enterprises that need to raise capital may also prefer to retain control and list on the PSE, which has posted record highs in recent months.

VII EMPLOYMENT LAW

The Labour Code of the Philippines is silent on the effect of a merger on the status of the employees of the merging companies. However, under the Corporation Code, there is an automatic succession of employment rights and obligations from the surviving company to the employees of the absorbed company. The absorbed company is deemed substituted as employer, by operation of law, by the surviving company. This was confirmed by the

Supreme Court in *Bank of the Philippine Islands v. BPI Employees Union – Davao Chapter – Federation of Unions in BPI Unibank* (2011). There, it was held that employment contracts of the absorbed company are automatically assumed by the surviving company even in the absence of an express stipulation to that effect in the articles or plan of merger.

It should be noted, however, that in an asset purchase, employment-related obligations and liabilities, as a general rule, do not extend to the acquirer. On the other hand, in share purchase, there is no concomitant change in the relations between the employer and the employee. Thus, unless specifically carved out in the agreement between the acquirer and the seller, the acquirer generally assumes the liabilities of the corporation with respect to its employees.

VIII TAX LAW

Generally, a transfer of shares of stock in a company incorporated in the Philippines or of real property located in the Philippines is subject to income tax and other taxes. A certificate authorising registration (CAR) from the Philippine Bureau of Internal Revenue (BIR) is required before the transfer can be recorded in the stock and transfer book of the Philippine company (in case of a sale of shares) and with the registry of properties (in case of a transfer of real property). The CAR is a certification that all taxes on the conveyance have been paid.

The sale of other moveables within the Philippines is also subject to income tax, among other taxes. However, no CAR is required for the transfer of such assets.

The acquisition of shares in a company listed on the PSE is subject only to a stock transaction tax of 0.5 per cent of the gross selling price and exempt from documentary stamp tax (in contrast to a capital gains tax of 5 per cent on the first 100,000 Philippine pesos net gain and 10 per cent on the net gain over 100,000 Philippine pesos realised by the seller and a documentary stamp tax of approximately 0.375 per cent of the par value of the shares sold, in the case of unlisted shares). If the shares of stock in a Philippine company that are not listed at the PSE are sold at a price lower than their fair market value, the BIR may require the payment of donor's tax from the seller, at the rate of 30 per cent (if the transfer is between corporations) of the difference between the fair market value of the shares and the selling price, before the BIR issues a CAR.

On the other hand, an asset acquisition from a Philippine-resident corporation may attract corporate income tax (generally at the rate of 30 per cent of the taxable income) and value added tax (generally at the rate of 12 per cent of the gross selling price), and other taxes, depending on the nature of the assets being sold.

The BIR recently issued Revenue Regulations No. 6-2013, which amends the definition, under Revenue Regulations No. 06-2008 (Consolidated Regulations Prescribing the Rules on the Taxation of Sale, Barter, Exchange or Other Disposition of Shares of Stock Held as Capital Assets), of the fair market value of shares of stock issued by Philippine companies not listed or traded on the PSE.

The new definition still makes reference to the book value of the shares under the latest audited financial statements (AFS) of the Philippine company. The adjusted net asset method, which is the prescribed method under Revenue Regulations No. 6-2013 for calculating the fair market value of the shares, requires the assets and liabilities of the investee corporation to be 'adjusted to fair market values'. The difference between the total assets (as adjusted) and the total liabilities (as adjusted) of the Philippine company is the fair market value of the shares.

With respect to real properties owned by the corporation that issued the shares sold, the adjusted net asset method requires the use of the highest figure for the fair market value of each real property by comparing the fair market value (1) reported as book value under the AFS of the investee corporation; (2) as determined by the Commissioner of Internal Revenue; (3) as provided in the schedule issued by the assessor of the province or city where the real property is located; and (4) as determined by an independent appraiser.

Based on the sample calculation under Revenue Regulations No. 6-2013, to derive the adjusted net asset value of a real property, the highest fair market value (based on a comparison of amounts from various sources) must be deducted from the book value of the asset. The difference will be added to the book value of the asset. The sum of the adjusted values of all real properties and all other properties will be added to the total assets reported in the AFS. The fair market value of the shares will be the difference between the adjusted total assets and the adjusted total liabilities. The fair market value per share sold is the difference between the adjusted total assets less the adjusted total liabilities divided by the total number of outstanding shares as of the end of the period covered by the AFS.

The sale by a non-resident foreign company of shares in a Philippine company or of moveables within the Philippines may be exempt from income tax or may be subject to a preferential tax rate under an applicable tax treaty. The BIR requires, as a condition precedent to the availment of the tax exemption, or of the lower tax rate, the prior filing of an application for tax treaty relief before the taxable transaction. The favourable ruling of the BIR is required before a CAR is issued on the transfer of shares.

The assignment of properties pursuant to a plan of merger or consolidation may also be exempt from income tax if the exchange is made solely for shares of stock in a corporation that is a party to the merger or consolidation, and provided that the requirements under Section 40(C)(2) of the National Internal Revenue Code of 1997 are met. The transfer of property pursuant to Section 40(C)(2) of this Code is also exempt from documentary stamp tax. However, other taxes (such as value added taxes and local transfer taxes) may still be payable depending on the type of property exchanged.

After the execution of documents, the parties to a merger or consolidation have to secure a BIR ruling that confirms the tax free exchange status of the transfers in order to obtain CARs without having to pay taxes.

IX COMPETITION LAW

At present, there is no general antitrust or antimonopoly law in the Philippines. There are, however, pending bills on the subject in the Congress of the Philippines.

The Philippine Constitution adopts a general policy against monopolies and combinations in restraint of trade. In general, it mandates the regulation and prohibition of monopolies when public interest so requires. It remains for the Congress of the Philippines to pass a comprehensive enabling legislation.

However, monopolies and other combinations in restraint of trade are declared unlawful and penalised under the Revised Penal Code. Specifically, it penalises: any person who enters into any contract or agreement or takes part in any conspiracy or combination in the form of a trust or otherwise, in restraint of trade or commerce or to prevent by artificial means free competition in the market; any person who monopolises any merchandise or object of trade or commerce, or combines with any other person or persons to monopolise any merchandise or object in order to alter the price thereof by spreading false rumours or making use of any other article to restrain free competition in the market; and a manufacturer, producer, processor or importer, wholesaler or retailer who combines, conspires or agrees in any manner with any person likewise or with any other persons not so similarly engaged for the purpose of making transactions prejudicial to lawful commerce, or of increasing the market price in any part of the Philippines of any such merchandise or any article where such merchandise is used. There is a pending bill before the Philippine Congress that seeks to increase the penalties able to be imposed for these unlawful activities.

The Civil Code also provides for the recovery of damages in the case of unfair competition in agricultural, commercial or industrial enterprises.

By virtue of Executive Order No. 45 (2011), the Department of Justice was designated the Philippines' Competition Authority. The duties and responsibilities of the Competition Authority include enforcement of competition policies and laws to protect consumers from abusive, fraudulent, or harmful corrupt business practices, and the investigation of all cases involving violations of competition laws and prosecution of violators to prevent, restrain and punish monopolisation, cartels and combinations in restraint of trade.

X OUTLOOK

M&A in the Asia-Pacific region (particularly in power, energy, mining and utilities) is expected to continue to increase in 2013 as companies shift attention from Europe and the United States in search of faster growth rates, according to PriceWaterhouseCoopers in its Power & Renewables Deals: 2013 Outlook and 2012 Review.

The Philippines is an attractive market for investors, mainly due to its fast economic growth, relative political stability and rising domestic consumption. According to the NSCB, the country's gross domestic product grew by 6.8 per cent in the fourth quarter of 2012, outpacing the rest of South East Asia and paving the way for annual GDP to post a broad-based growth rate of 6.6 per cent. Household final consumption expenditure (5.1 per cent in the fourth quarter of 2012, up from 4.6 per cent) together with increased government spending, the recovery of capital formation and the notable performance of external trade, contributed to the healthy growth of the economy in 2012.

Philippine banks are encouraged by the BSP to merge or consolidate to further strengthen the banking sector. To this end, the BSP has announced the grant of temporary rediscounting lines to newly merged or consolidated banks, in addition to the general incentives or relief already granted to them.

At the end of last year, the Bank of the Philippine Islands expressed its interest in taking over the Philippine National Bank, which has, in turn, just completed its merger with Allied Bank.

It has been reported that the BOI met with Swedish and Singaporean business delegations to explore business opportunities in the Philippines. The Department of Trade and Industry (DTI) presented investment opportunities in the Philippines for Swedish investors in the areas of public-private partnership, renewable energy, information technology and business-process outsourcing, tourism and agribusiness. The Philippine Economic Zone Authority also discussed the opportunities for Singaporean investors in the Philippine economic zones.

Foreign investments from Korea may also be expected. In an article recently published in the *Korea Economic Daily* (a copy of which was furnished by the Philippine Trade and Investment Center in Seoul to the DTI capital office), the Philippines is now seen as the emerging overseas investment destination of choice for small and medium-sized Korean enterprises. The continuing global recession is cited as the major reason for the growing number of Korean companies interested in the Philippines.

Appendix 1

ABOUT THE AUTHORS

RAFAEL A MORALES

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Rafael A Morales is the managing partner of SyCip Salazar Hernandez & Gatmaitan. Previously, he was head of the firm's banking, finance and securities department. His areas of expertise include corporation and commercial law, as well as banking and financial law. He has extensive experience in mergers and acquisitions, project financings, securities offerings, and joint ventures.

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