Selective Capital Controls

The selective capital controls introduced on September 1, 1998, have been amended on several occasions since then. All that remains in effect from May 2001 are measures focused on preventing international trading in the ringgit and, in particular, in hedging against it. These measures include restrictions on borrowing in ringgit, on transfers between ringgit and foreign exchange accounts, and on amounts of foreign currency that can be brought into the country. Despite a current discussion on the merits of this policy, the ringgit remains pegged to the U.S. dollar at a ratio of 3.8 to 1.

PHILIPPINES

Overview

The Philippines economy has demonstrated a surprising degree of resilience to the external and internal pressures of the last two years (9/11, SARS, domestic political instability, etc.). GDP growth has been reasonably robust in recent years, averaging about 4% per year and exceeding that of several other Southeast Asian countries. Key elements contributing to this resilience, and in keeping domestic consumption buoyant, have been the large agricultural base of the economy and substantial foreign currency remittances from overseas Filipinos (estimated at more than $11.2 billion annually).

On the trade front, the Philippines recorded a worsening trade deficit in the first half of 2003: imports expanded by 10%, while exports edged up only 2%. Together with the approach of elections in May 2004, this deficit has provoked increasingly protectionist reflexes, with the government openly stating its commitment not to exceed its minimum multilateral trade liberalization commitments. In some cases, tariffs have been increased to the maximum bound rate. The government has been particularly sensitive to agricultural imports, imposing restrictions on meat, dairy and vegetable imports. However, some of these measures were later withdrawn, because they were inconsistent with the country's international obligations. At the WTO conference in Cancun, the Philippines joined the G20 grouping: it remains ambivalent about the Singapore issues, and is committed to special and differential treatment for developing countries.

In 2003, Canadian exports to the Philippines reached $373 million, with the principal exports being agri-food, machinery, forest products and metals and minerals. The 2003 figures represent a 20% rise from the preceding year. The Philippines enjoy a positive trade balance with Canada, with Canadian imports valued at $974 million in 2003, largely in electronics.

In 2002, Canadian direct investment in the Philippines was valued at $374 million. The largest Canadian investors in the Philippines are Sun Life and Manulife, respectively the second and fourth largest insurers in the country.

Market Access Results in 2003

- The Philippines announced on February 27, 2003, the indefinite postponement of the implementation of Memorandum Order No. 7, Series of 2002. Memorandum Order No. 7 would have required all plants wishing to export milk, meat and their products to the Philippines to submit to quarterly verification, by an independent inspector accredited by the Philippine government, of their compliance with Philippine Hazard Analysis and Critical Control Point (HACCP) standards.
- The Philippine Department of Agriculture (DA) lifted its BSE-related ban on imports of Canadian boneless beef.
- Canada contributed to a World Bank–led program of support to the Philippine government's January 2003 policy initiative aimed at revitalizing the mining sector. This contribution, in particular the funding of a best practices study tour to Canada for civil society stakeholders, led to a significantly better understanding of the mining industry by these stakeholders and to the elaboration of a new National Minerals Policy. This change in the investment environment will ease some of the challenges faced by Canadian investors in the sector.
- Canada pressed for due process on a number of specific investment cases.