CSIS BRIEFS

U.S. Investment in the Philippines

More Than Meets the Eye

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THE ISSUE

The size and scope of U.S.-Philippine economic cooperation is well documented; however, the quantitative and qualitative impacts on the Philippines are poorly understood. Without comprehensive, accurate, and easily accessible data on U.S. investments and their effects in the Philippines, malign actors may promote false or harmful narratives, thereby weakening public support for the U.S.-Philippine alliance. It is crucial for the United States to improve public awareness and understanding of its economic and investment activities in the Philippines.

INTRODUCTION

The United States and the Philippines share a robust and enduring relationship based on shared values, national interest, and dense people-to-people connections. Filipinos regularly **identify** the United States as one of the country's most trusted partners. Traditionally, the United States has been a key military partner for the Philippines, and since the 1951 Mutual Defense Treaty, the two countries have stood together in defense of their common interests. The alliance is the United States' oldest in the Indo-Pacific. While the military relationship between the two countries is often at the forefront of policy conversations, the United States' economic relationship with the Philippines is also of great significance. Creating strong economic linkages between like-minded partners throughout the region, such as the Philippines, is crucial to upholding a rules-based order and meeting countries' demands for tangible benefits to cooperation.

The economic relationship between the United States and the Philippines dates to the early twentieth century, when the Philippines was a U.S. territory. After the conclusion of the Spanish-American War in 1898, the Philippines came under the administration of the United States and remained so for nearly 50 years. During this time, the Philippine economy was strongly tethered to the United States and remained deeply intertwined even after Philippine independence in 1946. The Bell Trade Act of 1946, for instance, **coupled** the newly independent Philippine economy to that of the United States by allowing for free trade for 8 years and implementing a gradual application of tariffs over the next 20. U.S.-Philippine efforts at economic cooperation paved the way for future advancement, with U.S. investments playing a key role in the development of the Philippine manufacturing, agricultural, and services sectors. The U.S. Agency for International Development (USAID) has **collaborated** with the Philippine government since 1961, investing nearly $5 billion over the past 60 years.

Under President Ferdinand "Bongbong" Marcos Jr., the Philippines **became** one of 14 negotiating parties in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF). More significant for the time being, the United States and Philippines have launched a series of bilateral economic initiatives under the administrations of Marcos and President Joe Biden. These include the **Luzon Economic Corridor**, meant to develop critical infrastructure in the Philippines, the first-ever **Presidential Trade and Investment Mission** to Manila in March 2024, and the **U.S.-Philippines Agreement for Cooperation in Peaceful Uses of Nuclear Energy** (or the 123 Agreement) that entered into force in July 2024.

Though the direct trade, investment, and aid figures between the United States and Philippines are well documented, the quantitative and qualitative impacts of this deep economic relationship are not. Information on the effects of the United States' investment efforts in the Philippines is often difficult to find, obscuring the depth of this partnership. Furthermore, this underreporting creates opportunity for malign actors to minimize or mischaracterize U.S. initiatives in order to manipulate Philippine public opinion. Already, **disinformation regarding the U.S. defense commitment to Filipino forces** in the South China Sea is pervasive on Philippine social media. Discrediting the accomplishments made possible by close cooperation between the two governments has the potential to weaken decades of collaboration and jeopardize the current renaissance in the alliance. In an attempt to illuminate the results of the U.S.-Philippine relationship, this brief explores the ways in which significant U.S. investments in several sectors deliver wide-ranging benefits for the Philippine public.

STATE OF U.S.-PHILIPPINE ECONOMIC TIES

Goods and services trade between the United States and the Philippines reached an estimated **$36.1 billion** in 2022, with exports to the Philippines accounting for $12.8 billion and imports into the United States $23.3 billion. In 2022, the United States was the Philippines' top export destination, accounting for 14.1 percent of Philippine exports at **$15.5 billion**; China follows at 13.9 percent, Hong Kong at 11.5, Japan at 10.2, and Singapore at 6.42, respectively. In contrast, in import terms, China's supply of imported goods to the country is valued at **$53.6 billion**, amounting to 32.1 percent of the Philippines' total imports; Indonesia trails behind at 8.15 percent, South Korea at 7.49, the United States at 5.02, and Taiwan at 4.52, respectively. **Trade figures from May 2024** demonstrate that the United States remains the Philippines' top export destination, and that the economic growth trend between the two countries continues to grow.

In terms of investment, between 2013 and the first quarter of 2024, **the Philippine Statistics Authority** recorded the United States as the fifth-largest source of approved foreign investment, accounting for 7 percent, or roughly $3.6 billion. The United States is trailed closely by China, the sixth-largest source of approved foreign investment, clocking in at $3.2 billion. In 2022, U.S. foreign investment in the Philippines rose **15.7 percent** year over year from 2021 to $6.2 billion, led by a combination of manufacturing and professional, scientific, and technical services, along with wholesale trade.

Since the launch of IPEF in 2022, the United States and the Philippines have continued to mark significant accomplishments in their economic partnership. During President Marcos' visit to Washington in April 2024 for trilateral discussions with President Biden and Japanese prime minister Kishida Fumio, the three countries **announced** the first Partnership for Global Infrastructure and Investment (PGI) corridor in the Indo-Pacific, the Luzon Economic Corridor. Aiming to support connectivity between Subic Bay, Clark, Manila, and Batangas, the Luzon Economic Corridor is the first project of the PGI-IPEF Investment Accelerator and will allow the three countries to coordinate investments in infrastructure projects, clean energy, and semiconductor supply chains. Through this larger policy, the United States can work with IPEF partners to develop country-specific investment approaches in key sectors as targeted by each IPEF partner. In the same document, the U.S. International Development Finance Corporation **announced** a $20 million loan for affordable housing throughout the country as well as its intent to open a regional office in the Philippines.

When it comes to development assistance, USAID invests some **$120 million** annually to support market-driven growth in the Philippines, as well as to foster stronger democratic systems and improve education and health services. The Philippines has also been a major beneficiary of other assistance programs, such as Millenium Challenge Corporation (MCC) grants. In February 2024, the MCC **began** talks with Philippine officials about restarting threshold programs, smaller scale grants aimed at improving policies. The Philippines **previously had received** MCC threshold grants (2006–2009) amounting to $20.7 million; in 2016, it received its first compact grant—aimed at poverty reduction

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and economic stimulus—for $434 million.

Beyond traditional channels of economic engagement, since 2015, the U.S. Department of State has provided the Philippines with **$463 million** in security assistance through Foreign Military Financing (FMF), international military education and training, as well as peacekeeping operations funded through the Global Peace Operations Initiative. FMF figures are growing rapidly, with the United States providing **$100 million** in FY 2022 to potentially quintupling FMF to **$500 million** each year from FY 2025–2029. Under the Enhanced Defense Cooperation Agreement, the United States has already **allotted** $109 million in support of base facility improvements, supplies, and military equipment, with an additional $128 million planned in the 2025 fiscal year. In the **2+2 talks** held in the Philippines in July 2024, U.S. secretary of defense Lloyd Austin pledged an additional $500 million in military financing from the FY 2024 budget.

BENEFITS OF U.S. PRIVATE INVESTMENT IN THE PHILIPPINES

Foreign and domestic businesses may register with one of the Philippines' 19 **investment promotion authorities**, including the Philippine Board of Investment and the Philippine Economic Zone Authority (PEZA). These authorities are split based on geographic regions and industry strengths, such as the manufacturing and logistics network in Luzon, the tourism cluster throughout Luzon and Mindanao, and the agro-industrial cluster in Mindanao.

Much of the foreign investment into the Philippines' export-oriented manufacturing and services industries is **routed through special economic zones** managed by **PEZA**, which works to facilitate investor operations all the way down to registration and paperwork filing. As of April 2023, the Philippines was operating 419 different special economic zones **throughout** the country, ranging from manufacturing zones and information technology parks to agro-industrial economic zones and tourist export enterprises. Within the zones, the Philippine government can dole out tax incentives while sparing foreign businesses from lengthy bureaucratic procedures.

More important than investment from U.S. government programs is the U.S. private investment that flourishes in and beyond the PEZA zones, covering a variety of sectors of the Philippine economy. The CSIS Southeast Asia Program selected seven of these sectors for study based on their growth and importance to the Philippines. Ranging from renewable energy investments to aerospace engineering, the following case studies examine how U.S. private investment delivers tangible benefits for the Philippines that go beyond simply reporting overall investment and trade figures.

RENEWABLE ENERGY

The Philippine government under President Marcos has identified clean energy development as a top priority and embraced cooperation with partner nations on that front, including through the clean economy pillar of IPEF. As one of the countries most affected by increasingly severe weather events, this is necessary not only to meet the Philippines' net-zero goals, but also to grow other industries, like semiconductor manufacturing, in which foreign investors are seeking access to renewable energy. This is why the development of renewable energy is one of the three initial priorities of the Luzon Economic Corridor, **announced** in April 2024, the other two being rail and port modernization and the advancement of commercial enterprises at Subic Bay.

Collaboration between the United States and the Philippines in establishing clean, sustainable power grids is of great importance to local Philippine communities. An archipelagic nation, the Philippine energy grid is deeply **reliant** on imported fossil fuels. Though **97.5 percent** of Philippine households are electrified, the mountainous and archipelagic nature of the country's geography presents significant challenges to consistent, inexpensive power. Successive Philippine administrations have prioritized a more resilient regional grid based on modular renewable energy. The 2020 census **indicated** that there were about 26.39 million households throughout the country. U.S. investments in Philippine nuclear power would be of great benefit to local communities isolated from main power grids and for improving quality of life and maintaining consistent, cheap electrification in major cities. Geothermal, solar, and wind energy account for **32.7 percent** of the country's energy sources. The Philippines **aims** to reach 50 percent renewable energy by 2050. Under the previous administration of President Rodrigo Duterte, lawmakers amended the Public Services Act to **allow for 100 percent ownership** by foreign investors of utilities ranging from power to telecoms, opening the door to more foreign investment in the Philippine energy grid. As a result of this and other reforms, the Philippines has become one of the most attractive emerging markets for investment in renewables, according to **BloombergNEF's 2023 climate report**.

Given its geographic location, the Philippines has immense solar energy **potential**. U.S.-based BrightNight Power, in **collaboration** with the Ayala Group's ACEN, has agreed to jointly invest $1.2 billion over the next five years to develop the Philippines' renewable energy capacity. U.S. solar panel manufacturers are increasingly looking to the Philippines for production, allowing Filipinos easier access to domestically produced, cheaper solar panels while also exporting those panels to countries like the United States and Canada. Sol-Go Inc., participating in Commerce Secretary Gina Raimondo's Presidential Trade and Investment Mission in March 2024, announced that it will **build** a new solar panel factory in the Philippines in addition to its current factory operating in Batangas. This additional investment will **allow Sol-Go to triple** its locally sourced workforce and increase its capacity so that it can produce 50 megawatts (MW) of solar panels. With the average Filipino household **using** 200 kilowatt-hours of energy per month, 50 MW could easily power 180,000 homes.

The 123 Agreement between the United States and the Philippines sets the stage for **nuclear energy collaboration** between the two countries moving forward by allowing U.S. companies to invest in nuclear projects throughout the country. NuScale Power, for instance, aims to invest up to $7.5 billion through 2031 to **build** small modular reactors in the Philippines. These reactors would greatly benefit more geographically isolated communities with tenuous connections to main power grids, while also **touting** smaller footprints, reduced cost, and locational flexibility in comparison to traditional nuclear reactors.

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INFORMATION TECHNOLOGY AND BUSINESS PROCESS MANAGEMENT

The information technology and business process management (IT-BPM) sector covers a wide range of services in the Philippines, all aimed at managing certain aspects of business operations for third parties.

During the 2008 global recession, demand for overseas Filipino workers (OFWs) **decreased** significantly, prompting the Philippine government to provide **training** for OFWs to become call center agents. By 2010, the Philippines had **surpassed** India in voice-based IT-BPM services. As of 2023, the IT-BPM industry had reached 1.57 million employees, and it is **forecast** to employ 2.5 million by 2028. In April 2024, the ubiquity of Philippine IT-BPM services **went viral** on social media when a Philippines-based IT-BPM employee worked as a virtual cashier in a New York City restaurant thousands of miles away.

U.S. businesses have increasingly outsourced services to the Philippines in the last few decades, and U.S. investment has played a crucial role in the development of the sector. From 2014 to 2023, the Philippines has **benefitted** from nearly $5.2 billion worth of foreign direct investment (FDI) from the United States in general professional, scientific, and technical services. With its young, tech-literate, and largely English-proficient population, the Philippines presents an ideal location for U.S. IT-BPM investments. Government initiatives, including **Republic Act No. 7916**, which established Special Economic Zones through PEZA, offer tax incentives and ease the ability to conduct business for foreign investors. From 2003 to 2021, 395 U.S.-based firms invested **$22.4 billion** in the Philippines, 35 percent of which, or around $7.8 billion, went to the IT-BPM sector, one of the key growth drivers for PEZA, **bringing** in nearly $260 million of investments from the first quarter of 2024 alone.

IT-BPM companies are often desirable places of employment for Filipinos. U.S.-owned companies ranging from

American Express to Synchrony and Accenture **rank** near the top of a "best workplaces" list compiled by the Information Technology and Business Process Association of the Philippines and Great Place to Work. Surveys undertaken by Great Place to Work, a platform that uses employee data to certify workplaces with good levels of trust and work culture, **indicate** that from January 2022 to May 2023, "94 percent of IT-BPM employees in best workplaces experience a high-trust workplace culture." The schedule flexibility offered by IT-BPM companies, paired with the flexibility to work from home that such jobs involve, makes the sector particularly attractive to recent graduates. The Philippines **produces** about 850,000 college graduates yearly, 87,000 of whom have degrees in fields suited to the IT-BPM sector.

Both foreign and domestic investment in the Philippines has historically been concentrated within the Metro Manila National Capital Region and the surrounding regions of Luzon. Investments are slowly flowing to other emerging regions, particularly northern Luzon and the Visayas. Moreover, even though the IT-BPM sector is more widely distributed than most, it is still concentrated in a few urban centers; Bacolod, Cebu, Clark, Davao, and Iloilo **are the main hubs**. Nationwide broadband speeds, while improving, still lag **behind** those of other members of the Association of Southeast Asian Nations. Through the Digital Cities 2025 Initiative, the Philippine government is **providing** basic digital literacy and skills training in more rural provinces. These initiatives will likely pay dividends as the Philippines continues to advertise itself as an IT-BPM hub to U.S. investors.

SEMICONDUCTOR MANUFACTURING

With highly educated, English-proficient workers, the Philippines is an **appealing** location for semiconductor manufacturing. Concentrated in Metro Manila, Calabarzon (Cavite, Laguna, Batangas, Rizal, and Quezon), northern and central Luzon, and Cebu, the Philippine electronics industry is **split** between 73 percent semiconductor manufacturing and 27 percent electronics manufacturing. Electronics exports **reached** $12.9 billion in 2023, nearly 60 percent of total Philippine exports. From 2014 to 2023, the United States **invested** roughly $7.91 billion in Philippine computer and electronic manufacturing.

Given the number of Filipinos employed in the semiconductor industry, disruptions in U.S. investment can and have proven damaging to local communities. At its peak in 2008, Intel **employed** 5,000 direct workers and around 36,000 indirect workers in the Philippines. In the aftermath of the 2008 global recession, however, Intel **shut down** its Cavite-based chip assembly, testing, and packaging facility. As the global semiconductor manufacturing supply chain continues to evolve and mature, it is important to recognize the value of these private investments to local communities. As of April 2023, the semiconductor industry **employed** 2.5 million Filipinos.

Through the **CHIPS and Science Act of 2022**, the United States seeks to diversify and de-risk the global semiconductor ecosystem by boosting manufacturing and research both at home and in trusted partner countries. The International Technology Security and Innovation Fund, under the CHIPS Act, earmarked **$500 million** over five years to promote a secure, trustworthy telecommunications network aimed at ensuring semiconductor supply chain security by spreading out the traditionally concentrated semiconductor supply chain among friendly partners, including the Philippines.

In 2023, the Department of State **announced** that it would collaborate with the Philippine government to explore further cooperation in semiconductor supply chain security. During the Presidential Trade and Investment Mission in March 2024, Secretary Raimondo **announced** an investment of over $1 billion in the Philippine technology sector, aiming to double the number of semiconductor factories in the country; currently, there are 13 semiconductor factories focused on the assembly, testing, and packaging segment of the semiconductor supply chain.

In November 2023, President Marcos **stressed** that semiconductors and electronics remain top-priority sectors for his administration. PEZA aims to aggressively **promote** the Philippines as a site for overseas electronic and semiconductor manufacturing. Together with IT-BPM, electronics and semiconductors have been **among** the Philippines' top exports in 2024.

U.S. companies have been increasingly investing in the Philippine semiconductor space. In May 2023, Analog Devices announced an investment of **$200 million** in a research and development facility in Cavite. In August 2023, Texas Instruments **announced** that it would invest up to $1 billion in facility expansion in Clark and Baguio City. The Philippines **aims** to move up the semiconductor value chain, hoping to establish a lab-scale wafer fabrication plant by 2028.

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AGRICULTURE

The United States and the Philippines are longtime partners in the agricultural sector—in 2022, U.S.-Philippine bilateral agricultural trade exceeded **$4 billion**. With its growing population, expanding middle class, and increasing household income, the Philippines is an important destination for U.S. agricultural goods. The United States and the Philippines **convened** their first Food Security Dialogue in May 2023. Ongoing U.S. projects in the Philippines aim to support capacity building in food regulatory agencies and agricultural industries while digitizing the connection between farmers and buyers. A **plurality** of Philippine agriculture (39 percent) is based in Luzon, followed by Mindanao and Visayas at 33.4 and 27.4 percent, respectively.

Despite this, the Philippines is vulnerable to food insecurity, a situation further exacerbated by climate change. Its **reliance** on imported food makes the Philippines the most food-insecure country in the region. Due to the country's limited infrastructure linking its farmers to markets and its **vulnerability** to external food supply shocks, improving food production is crucial to securing Philippine agricultural supply chains. President Marcos has made the strengthening of the Philippines' food supply a key priority of his administration, boosting the budget for agricultural programs. Under the Marcos administration, the Department of Agriculture's budget was **boosted** by nearly 70 percent from 2022 to 2024 compared to the 2017-2021 appropriation under the previous administration.

From September to October 2023, the United States' first Agricultural Technology Trade Mission **explored** opportunities to help support the Philippine agricultural supply chain as it traveled to Davao and Manila. The trade mission **brought** together various Philippine companies, government agencies, local businesses, and U.S. companies to discuss the importance of food security collaboration. The trade mission highlighted innovations in agricultural technology that have the potential to enhance the country's agricultural productivity.

U.S. investors, including Cargill, John Deere, and PepsiCo, have a long history of investment in the Philippine agricultural space. Cargill, which has had a **presence** in the Philippines since 1947, has made several key investments over the past decade. It collaborated with the Jollibee Foods Corporation to create a joint-venture poultry processing facility in Batangas in 2017, creating 1,000 new jobs. As of 2022, the facility employs 1,200 workers. Similarly, Cargill operates a joint-venture plant in Laguna that produces carrageenan, a common food additive and thickener. In 2018, the company announced that it would invest **$235 million** over two years to help the country meet the increasing demand for chicken and pork. As of 2024, Cargill **directly employs** over 950 people throughout the country.

DEFENSE AND AEROSPACE MANUFACTURING

Given its strategic location and well-educated workforce, the Philippines is in a prime position to contribute to defense and aerospace supply chains. The defense and aerospace sectors, made especially pertinent due to ongoing tensions between the Philippines and China over disputed territories in the South China Sea, are critical to the Philippines' defense modernization initiatives. To support foreign investments in national defense, Philippine senators have proposed spending **roughly $17.5 million** under the Self-Reliant Defense Posture Revitalization Act aimed at encouraging investment in the local manufacturing of defense equipment.

The Philippines hosts two prominent U.S. aerospace and defense manufacturing companies: RTX's Collins Aerospace and Moog Controls Corporation. Collins Aerospace manufactures airplane parts and interiors within the Philippines, supplying both Airbus and Boeing. Collins Aerospace **established** a facility in Tanauan City, Batangas, in 2012, manufacturing myriad cabin interior products ranging from airplane galleys and galley inserts to oxygen equipment and lavatories. The facility has **expanded** from task-based engineering to design drawing and process refinement; by 2018, the Philippines-based engineering team was supporting the design of complex galleys and had already designed a head of version shipset, or the first configured and manufactured aircraft of the order. In 2023, the company began **producing** seats for Boeing, Airbus, and Embraer.

As of 2024, Collins Aerospace plans to expand its existing operations in the Philippines—hoping to add 300,000 sq. ft. to its existing 400,000 sq. ft. complex in Tanauan City. Collins Aerospace's community outreach to regional universities has the potential to create a significant impact. In 2023, for example, the company **challenged students** from the De La Salle College of Saint Benilde to develop and design aircraft cabin proposals under the university's Benilde Industrial Design program. The same year, Collins **explored** potential partnerships with Batangas State University-Lipa.

Moog Controls Corporation, a U.S. designer and manufacturer of precision control products found in military and commercial aircraft, has been **established** in Baguio City since 1984. Spread out over two campuses, one for servovalves (a type of valve used to regulate control or pressure of fluid in response to an electrical signal) and actuation systems for commercial aircraft applications and the other for high-performance motion control solutions, Moog **employs** about 1,400 personnel. In 2018, the company **announced** their intention to boost aerospace industry output in the Philippines, citing the growth of the aerospace market. Moog **received** a PEZA Excellence Award in 2023 as an outstanding employer behind community projects.

CRITICAL MINERALS AND ELECTRIC VEHICLES

The Philippines' **critical mineral wealth**, which has largely gone untapped, makes it an ideal partner in electrical vehicle (EV) battery and component supply chains. Only 5 percent of the Philippines' **$1 trillion** worth of gold, nickel, zinc, and silver reserves has been explored. Moreover, with the growing importance of electric vehicles (EVs) in international decarbonization efforts, the Philippines' **critical mineral wealth** makes it an ideal partner for EV battery and component supply chains. As of 2023, PEZA remains in talks with several EV manufacturers, **including one U.S. firm**, Envirotech Vehicles, to manufacture electric buses, cars, and heavy equipment in-country. In September 2023, Envirotech Vehicles announced its **acquisition** of a 3,000 square meter final assembly facility in the Clark Free Trade Zone; it eventually plans to open two manufacturing lines capable of producing more than 2,000 vehicles per year at the plant.

LOGISTICS AND SHIPPING

With convenient access to markets in Southeast Asia, China, Japan, and South Korea, as well as its proximity to Australia and India, the Philippines is in a prime location for logistics, transportation, and shipping services. As of March 2023, the Philippine freight and logistics market was valued at **$16.8 billion**. The growing ubiquity of e-commerce within the country, and throughout the region, necessitates not only strong general infrastructure in ports, roads, and rail connections, but also robust freight and logistics networks.

In the aftermath of the global Covid-19 pandemic, e-commerce grew more popular within the country—from March 2020 to January 2021, the number of Philippine online vendors increased from 1,700 to 93,818. Leading e-commerce sites like Shoppee, Lazada, Zalora, and Beauty MNL brought in **$17 billion** in revenue from 73 million monthly, active users. To handle this flow, the Philippine government has partnered with foreign investors for infrastructure investments as well as freight and logistics services.

New Clark City, a planned municipality built about fifty miles from Metro Manila, has emerged as an ideal location within the Philippines for logistics investments. After 36 years in the Philippines, FedEx **opened** a $30 million gateway facility in Clark City, aimed at improving the company's ability to operate within the country and in the region at large. Manila's main airport, the Ninoy Aquino International Airport, is **notorious for congestion** and inefficiency, prompting government agencies to consider outlying areas around the capital, such as Clark, as new logistics and transportation hubs. **FedEx's Clark investments** followed up on refurbishments to the company's headquarters in Makati in 2018, as well as making an additional $2.2 million worth of investments in two facilities in 2017.

UPS, another major global logistics company, **announced** in 2024 that it would build a new hub at Clark International Airport by 2025 to strengthen its supply chain and logistics services, which is necessary given the growth of e-commerce. In partnership with the Luzon International Premiere Airport Development Group, this is part of a $250 million investment push UPS is making throughout the region.

INSTITUTIONAL BARRIERS TO U.S.-PHILIPPINE TRADE AND INVESTMENT

The current Philippine constitution, ratified in 1987, includes several economic provisions that have negatively impacted the Philippines' net inflow of foreign direct investment, notably **restrictions on foreign ownership** in certain sectors. In the United Nations Conference on Trade and Development's World Investment Report 2023, the Philippines **ranked** sixth among its Southeast Asian peers in FDI inflows. Under the Marcos administration, the Philippines now aims to **improve** its standing to second by 2028. A 2022 amendment to the Public Service Act, made effective in 2023, **allowed** full public ownership of industries such as airports, railways, and telecommunications, creating a new area of opportunity for foreign investors. The same year, an amendment to the Foreign Investment Act **allowed** foreign investors to set up and fully own domestic enterprises, easing access to the Philippine market. The Philippine House of Representatives and Senate are currently **debating** whether to amend the constitution to further promote foreign economic investment, though similar efforts in previous administrations have failed. Talks of amendment have stalled at least until the 2025 midterm elections.

KEY FINDINGS AND RECOMMENDATIONS

Finding: U.S. companies operating in the Philippines demonstrate varying degrees of transparency in their official databases and on their websites. Investment and employment figures are quite vague, effectively obscuring the impact of these investments.

> **Recommendation 1:** The United States should work with the private sector and other stakeholders to develop a comprehensive database outlining U.S. investment in the Philippines, clearly and transparently listing the specific impacts of such investments, including employment figures. Though press releases offer insight into ongoing and future projects initiated by foreign businesses, they do not paint a cohesive picture of the community impact made by such investments.

Finding: Current resources for collating the impact of U.S. investment in the Philippines, or even foreign investment generally, are not user friendly. Further complicating matters, U.S. and Philippine numbers vary significantly, which obscures the impact of U.S.-Philippine economic cooperation. Data from the Philippine Statistics Authority only accounts for investments through investment promotion agencies that have been granted incentives from the Philippine government, reflecting just a fraction of total U.S. investments. Meanwhile, data from the various investment promotion authorities only account for those investments granted incentives by the Philippine government.

> **Recommendation 2:** The U.S. and Philippine governments should partner closely in collating their data and making both sets mutually intelligible. Consistency among the two countries' platforms and datasets would help create a more cohesive, easily accessible narrative. It would be to the benefit of the United States and the Philippines to create a joint resource with which to harmonize their datasets and investment figures.
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> **Recommendation 3:** PEZA and the Philippine Statistics Authority should better aggregate incoming investments into the Philippines' many economic zones and investment promotion authorities within unified charts, demonstrating aggregate total investments from specific countries in specific sectors. For example, it is currently not possible to filter foreign investments by country of investor, industry, promotion authority, or region within the same table.

Finding: Neither businesses nor the U.S. government adequately socialize the impacts of their investments on local communities, missing a key opportunity to point the narrative toward the efficacy of the U.S.-Philippine economic partnership. Most announcements are limited to business press briefings that are not often accessible to the audiences they are targeting.

> **Recommendation 4:** Businesses and the U.S. government should expand their online presences to counter rising disinformation and counter narratives that threaten to sway public opinion. U.S. companies should more actively use popular social media platforms in the Philippines to highlight the benefits brought by their investments.

Finding: Despite the longstanding economic partnership, relatively few U.S. business leaders have traveled to the Philippines or have become aware of the potential of its rapidly growing and increasingly open economy. The 2024 Presidential Trade and Investment Mission was **successful** in bringing representatives from 22 U.S. businesses to the Philippines. In a similar vein, the 2023 Agricultural Technology Trade Mission to Mindanao **brought** together key stakeholders from throughout the private sector and government to brainstorm future opportunities for improving the Philippines' agricultural supply chain.

> **Recommendation 5:** Person-to-person exchanges should remain consistent throughout administrations. Both recent U.S. government-led trade missions were the first of their kind. The United States, regardless of administration, should ensure the continuation of such exchanges.

Finding: Investments in the Philippines remain strongly centered in Luzon, and particularly in and around Metro Manila and its surrounding areas. Business interest in areas such as Cebu and Davao are growing, but Manila remains oversaturated with investment. Moreover, with limited availability and bureaucratic red tape preventing easy access to cheap land, both business owners and potential employees are thus at a disadvantage.

> **Recommendation 6:** The United States should work to diversify the span of its investments throughout the Philippines. The unitary nature of the Philippine government and the ongoing narrative of "Imperial Manila," that is, that most of the country's progress is concentrated in the capital region, makes this difficult to achieve. Expanding investment projects into emerging regions—from Iloilo and Cebu in the central Philippines to Davao and its surroundings in the south—would offer excellent opportunities for Filipinos. The expansion of the IT-BPM sector throughout the Philippines, for instance, helped to more evenly distribute work away from Manila, leading to the development and revitalization of other urban hubs. ■

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