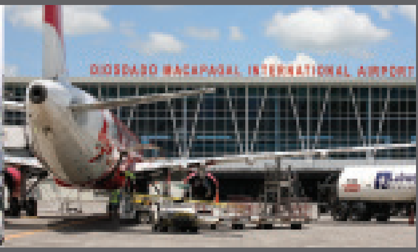

OPEN FOR BUSINESS

By Manuel L. Quezon III

The People Power Revolution of February 1986 broke the political evolutionary logjam that followed the proclamation of martial law by Ferdinand Marcos on September 21, 1972.

That was how the late Corazon C. Aquino viewed her role in the restoration of democracy after the assassination of her husband, Benigno S. Aquino Jr. on August 21, 1983 and it is what brought her to the fore, when her successors attempted to revise the constitution and eradicate all provisions on term limits.

This sense of democratic commitment propelled, in turn, the candidacy of their son, Benigno S. Aquino III, to restore equilibrium to this young and underdeveloped democracy.

In the past decade, the prospects for democracy in the Philippines were put into question again under Gloria Macapagal-Arroyo when she endorsed several plans to amend the constitution that would have extended her term beyond the mandated six years.

Each time, the public rendered a mixed verdict. While Arroyo had enough control over local governments to stay in power, she failed to earn the support of the nationally elected Senate and other institutions, including the Supreme Court, to amend the constitution.

Limits on domestic support for a winner-take-all outcome led foreign governments to look askance at the direction the Philippine government was heading.

The Philippine record vis-à-vis the United States, ASEAN and China was perceived as inconsistent under Arroyo. In 2004, the country, an avowed and long-time ally of the United States, withdrew its soldiers from Iraq following the abduction of a Filipino truck driver just outside Baghdad.

Philippine President Benigno S. Aquino III

To compensate for this, Arroyo focused on trade ties with China to prop up her flagging popularity. The move undermined ASEAN's position on the South China Sea, which the Philippines, during the Ramos administration, had helped form.

But allegations of corruption over concessional Chinese loans in turn imperiled any public goodwill Beijing hoped to gain from Manila.

Meanwhile, Arroyo may have missed an opportunity to resolve the long-running Muslim insurgency in Mindanao and instead used the situation to advance proposals to amend the constitution.

In May 2010, more than 40 million Filipinos voted in the country's swiftest ever elections and granted Benigno S. Aquino III the largest mandate conferred on a presidential candidate under the present constitution.

In broad strokes, President Aquino III is undertaking the most thorough and comprehensive review of government priorities and programs in a generation, employing a zero-based approach: allocating substantial increases for safety net programs, cutting funding for non-performing programs, and freeing up resources for infrastructure. Aquino has also focused on so-called public–private partnerships as a key to bringing in much-needed investments for major infrastructure projects, which will allow the government to focus on modernization programs for food and national security.

Securing such partnerships, however, depends on the administration's ability to guarantee that all proposals will be reviewed professionally and in a timely manner.

The president is working with congress to review the Joint Venture Guidelines and the Build Operate Transfer Law to increase transparency and accountability on both the national and provincial levels and ensure that the new framework encourages, instead of hampers, investments.

With the economic outlook positive, the local business community is looking forward to increasing their investments and expanding their businesses. GDP growth is forecast to reach seven percent this year.

"With the new government, there are a lot of people looking at the Philippines. Maybe it will entice other foreign corporations that are interested in doing these developments to come and partner with us," said Katrina Ponce Enrile, CEO of JAKA Investments Corp, a conglomerate engaged in property development, among other things.

Supported by its unquestionable legitimacy, the Aquino administration can turn its back on political adventurism and extremism and dismantle the equivalent of the License Raj and replace it with a regime of laws that embraces the free market.

"We see lots of opportunities here in the Philippines. We're not here just to write a check and come back in a few years. We are here to partner with business and government in a manner that helps the Philippines to grow," said Mark Williams, investment director of Kuwait-based equity firm KGL Investments.

"This new administration has been very proactive if you hear them talking about the public–private partnerships they want to implement. Investment in infrastructure and investment in education are the cornerstones for this country to continue to grow and develop," Williams also said.

At the same time, the Aquino administration is committed to reducing poverty through tried-and-tested programs: increased investments in pubic health and education, and conditional cash transfers as an incentive for the poor to participate in these programs.

The Philippines is, once more, open for business.

Manuel L. Quezon III was a TV presenter, radio talk show host, editorial writer and columnist, and blogger before joining the government of President Aquino in July 2010 as Undersecretary for Presidential Communications Development and Strategic Planning.

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Sparking growth in the Philippine economy

Since it was founded, JAKA Investments Corp. has imposed an indelible imprint on Philippine business, managing about 22 companies active in five core business areas: Distribution & Logistics; Lights & Woods; Food; Property & Security; and Investment Management.

JAKA Investments Corp. President and CEO Katrina Ponce Enrile

Juan Ponce Enrile, company founder and president of the Philippine Senate

JAKA's success story began with the acquisition in 1977 of a debt-ridden match factory, which has since been rehabilitated and consolidated under JAKA Equities Corp.

"That's how the manufacturing side of JAKA started," recalled JAKA Investments President and CEO Katrina Ponce Enrile, daughter of company founder Juan Ponce Enrile, who is currently president of the Philippine Senate.

"This company, although privately owned, is run by a team of dedicated, professional individuals who are experts in their particular fields," added Ponce Enrile, who attributes the conglomerate's excellent performance to its 1,500 employees.

As a fully diversified group, JAKA Investments has sought partners in some of their ventures.

A New Dawn in a Sunset Industry

While JAKA Equities Corp. is still the country's largest match producer, company officials are looking beyond the manufacturing of matches, seeing sustainable forest management as a natural offshoot of the business.

"The company dove headfirst into intensive tree plantation, initially planting 3,470 hectares of trees specifically for matchwood manufacturing. Today, that area has grown to 23,000 total hectares. And it is located in an area free from typhoons and has no pronounced dry season, thereby allowing trees to grow all year round," said Jose A. Yap, head of the lights and woods division.

"To fully utilize the excess harvest, we went into veneer manufacturing, which serves as raw material for plywood. We are also now looking at different species of bamboo as well," added Ponce Enrile.

While the match industry is seen as sunset industry, sustainable forestry has emerged a burgeoning industry in a world more conscious about the environment. And the company takes forest management very seriously.

"We are into intensive tree plantation today. We accommodate as many as 1.6 million seedlings to fully utilize our resources," said Yap.

A Finger on the Pulse of the Nation

Born out of the need to distribute the matches, JAKA set up its distribution and logistics division 20 years ago.

With its 7,107 islands, the Philippines poses a huge challenge to logistics companies, but JAKA has built a nationwide infrastructure that can access every point in the country.

"We have warehouses in every key city to make it more strategic," said Ariel Villaseñor, head of JAKA's distribution and logistics side.

That network provides JAKA with a huge competitive edge — consumer feedback on its various products and also those on third-party companies that have utilized JAKA Distribution Inc.'s services in the past, such as Gatorade, British American tobacco, Kraft Foods and Ovaltine.

Aside from distribution, the company offers warehousing and inventory management as well.

"If you look at it, the backbone of JAKA is fully utilized in terms of our own needs and what others need. We are very bullish about the opportunities in the coming years, and we invite other companies to come in and look at what we have to offer in distribution and logistics," said Villaseñor.

Splendido — Designed with the golfer in mind

After four years in development, JAKA unveiled its first property project in 2000 — the Splendido Taal Golf and Country Club, located beside the picturesque Taal Lake, less than an hour from the capital, Manila.

Determined to provide a world-class development, JAKA commissioned golf legend Greg Norman to design the 18-hole championship golf course as well as highly regarded local architect R.R. Payumo to design the Spanish mission–inspired clubhouse.

Apart from the golf club, JAKA is developing residential estates and luxury condominiums within the gated 250-hectare property.

A self-confessed "foodie," Ponce Enrile keeps a close eye on Splendido's two restaurants — La Esquina, which serves Spanish food, and the Ladera Lounge.

While Splendido is the first major development for the JAKA Group, Ponce Enrile stressed that it certainly won't be the last.

"We have land-banked many of our properties near Manila and in other beachfront areas, and we are looking for strategic partners to help us develop those areas," Ponce Enrile said.

With aggressive tactics and fundamental business sense, JAKA will surely be well positioned to be on the forefront of the Philippine market for many years to come.

"Come to the country, see it for yourself, and let's talk business," she added.

Business picks up in special economic zones

"We are here to partner with business and government in a manner that will help the Philippines grow."

Following the withdrawal of American forces from Subic Bay Naval Base and Clark Air Base in 1992, the Philippine government converted the two sprawling military facilities into special economic zones, which would offer foreign companies tax incentives to set up operations in those areas.

The task was Herculean as the two bases had suffered huge damage from the massive eruption of neighboring Mount Pinatubo the previous year.

But with its deep-sea port and existing runway, Subic Bay Freeport soon attracted the first wave of foreign investors, which included global giants FedEx, Acer and Thomson SA. In 2008, South Korea's Hanjin unveiled a $1.4 billion dollar shipbuilding facility, which has generated about 15,000 jobs.

Close by, Clark Freeport Zone has attracted its fair share of foreign investors. It has since caught up with the neighboring economic zone with the opening of the Diosdado Macapagal International Airport (DMIA).

"The country's population is approaching 100 million and over 20 percent of that is clustered around one urban area. There is only one airport servicing that area so, as Manila grows, the need for a secondary airport is more urgent," said Mark Williams, the investment director of Kuwait-based private equity firm KGL Investment Co.

The airport, once designated an alternative landing site for NASA space shuttles, is located only 50 miles from Manila and has two parallel runways with space for expansion.

To complement the new infrastructure and attract even more foreign capital, the government also constructed the Subic-Clark-Tarlac Expressway, which reduced travel time between Subic and Clark from three hours to thirty-five minutes.

The government is also building a high-speed rail link between Manila and Clark. The North Rail Line will speed up travel to DMIA and ease the transport of goods to the free zone.

KGL Investment, with partners Peregrine Development International, has recognized the opportunities arising from the developments in Clark Freeport Zone, believing that it will grow into a major logistics hub in Southeast Asia.

Earlier this year, KGL Investment and Peregrine inaugurated Global Gateway Logistics City (GGLC), a 177-hectare property adjacent to DMIA that will be made into "a fully integrated, mixed-use, multi-disciplinary development."

Called the Philippines' first "aerotropolis," GGLC will contain four million square meters of floor space when completed. The project is in line with KGL's Port Fund mandate to invest in port and port-related businesses.

"This is larger than Metro Manila in terms of floor space. We're excited for this development because we have rail, we have air, we have land, and we have sea," said Williams.

GGLC will be divided into the following: a Logistics Park for warehousing, distributorships and light manufacturing; a Business Park for companies looking for offices inside Clark; an Aero Park for aviation research and development, modeling and simulation; and a Town Center with stores and restaurants.

KGL Investment, which also has a stake in local shipping company Negros Navigation, is very satisfied with its two investments in the Philippines, according to Williams.

"What we're trying to do is not just make an investment. We're trying to add value. We are here trying to partner with business and government in a manner that will help the Philippines grow," said Williams.

Affirming the foresight of KGL Investment and Peregrine, FDI Magazine, published by the Financial Times Business Group, has classified Clark as the "most cost effective" among 700 other economic zones worldwide and ranked it seventh in terms of "economic potential."