Doing Business in the Philippines

The Philippines is the gateway to the ever flourishing markets of the ASEAN nations. Within four hours flying time from the Philippines you can reach the major capitals in the region. In 2015, the Netherlands had surpassed Japan, the US and South Korea to become the largest contributor to approved foreign direct investment in the Philippines. Other excellent reasons to explore the Philippines are: quality manpower and resources, a developing infrastructure for regional growth, a hospitable lifestyle and world-class tourism to name a few.

The Philippine economy withstood the recent global economic downturn better than any other ASEAN country. Apart from being limitedly affected by international securities, the Philippines enjoys buoyant domestic consumption, low dependence on exports and large amounts of remittances flowing into the country from the millions of Filipinos working abroad. With a stable banking system, a well performing stock market, a constantly expanding business outsourcing industry and record-high levels of international reserves, the prospects for the Philippine economy remain positive. Furthermore, the Asian Development Bank (ADB, which offers a broad range of business opportunities in the region) is located in Manila. These indicators, in combination with a literacy rate of 96.3% as English, being taught in all schools provide many business opportunities for Dutch entrepreneurs. This is particularly true for the sectors mentioned below.

Priority sectors

Transport & Infrastructure

While challenges remain in the area of public infrastructure, the increased public spending on infrastructure has led to fast connectivity improvements through better roads and more flights. The next few years will see additional investments from the government and increasing private involvement in the Philippine transport sector. The Philippines is also developing airport facilities to be an international gateway in terms of air shipping-cargoes with domestic and international carriers. Due to the growing investments in transport and logistics, business opportunities for Dutch companies can be explored for airport and port development, bulk handling and logistic support facilities for agri-food commodities and fishery products (e.g. cold storage, freezing, post-harvest storage facilities).

Maritime:
The Netherlands and the Philippines have strong and long-standing bilateral political and economic cooperation in the maritime sector. The Philippines is the “crewing capital of the world” and is the primary source of seafarers for the Dutch fleet. The country’s archipelagic nature makes it a strategic hub for ports, shipping and maritime logistics within the Asia-Pacific region. Given the substantial economic interests involved for the Dutch shipping sector, more and more Dutch shipping companies are seeking to expand their business presence in the Philippines instead of just partnering with local recruitment agencies. Similarly, both governments annually hold the Joint Committee on Maritime Affairs (JCMA), a high-level bilateral meeting to strengthen maritime cooperation.
Energy

The Philippines has one of the most promising electric power industries in Asia, due to the country’s increasing population and expanding industrial activities. The Philippine energy sector, however, still relies for a large part on the outside world for the supply of its petroleum needs. A national dialogue on energy issues has been conducted with the aim of fostering sustainable long-term power and fuel for growth.

In line with this, the Department of Energy has been encouraging foreign investors to actively participate in the energy business, particularly in the power-generation sector, the development of alternative fuels and renewable energy, the exploration of oil, gas, coal and geothermal resources, and the establishment of oil depot facilities and liquefied natural gas infrastructure.

Information and Communication Technology

The Philippines IT sector is in the midst of a rapid growth. Despite low IT penetration rate among both consumers and small and medium-sized enterprises, the sector has taken off primarily as a result of outsourcing. Multinational operators continue to set up their IT support centers in the Philippines because of the lower labor costs, the highly skilled Philippine work force and the high proficiency in spoken English. Growth is expected to be driven by rising incomes and improved infrastructure with a subsequent increase in computer ownership rates and individual consumer internet demand.

Business Process Outsourcing (BPO):
Being the second biggest outsourcing market after India, the Philippine IT enabled services industry’s main attraction is its cost competitiveness. In addition, Filipino employees are valued for their relatively strong intrinsic skills in the English language and their affinity to Western culture. Because of strategic infrastructure, most of the BPO centers are located in Metro Manila and Metro Cebu.

Agriculture

The Philippine agriculture sector accounts for 11% of the country’s GDP and employs about 29.3% of the country’s population. The Philippines has undertaken an ambitious program to increase domestic crop production in order to attain food security and stabilize the country’s balance of payments. In the agriculture sector, there are about 70 Netherlands-based agricultural companies doing business in the Philippines though most engage primarily on wholesale or retail of their products through importers and distributors, others have established offices in the Philippines and have expanded to offer added-value services and knowledge-transfer activities in areas such as: livestock artificial insemination and plant and/or seed development The growing interest on innovative products and technologies to improve efficiency in production presents a wide range of business prospects for Dutch companies.

Water

Being in the typhoon belt, the Philippines experience an average of 20 tropical storms a year and with the effects of climate change, storms are now becoming stronger with devastating consequences. For this reason, an integrated and holistic approach to flood management as well as of community-based flood and disaster risk management, improved institutional arrangements, flood mitigation and adaptation, watershed and land use management can provide opportunities for Dutch companies. Similarly, due to its growing urban populations, large investments and opportunities for water management solutions is also expected in the area of water supply and sanitation such as water treatment plants, pipe networks and sludge management. Finally, Government agencies and concessionaires have also indicated an interest in Dutch expertise and technologies in the areas of wastewater treatment and improvement of water use.
Do’s and Don’ts

Be prepared
Before coming to the Philippines, good preparation is essential. Get to know about the country and its culture, as well as the economic and political climate. Make good use of the knowledge and services available from private companies and government authorities. Talk to entrepreneurs with experience of doing business in the Philippines.

Build relationships
Building and maintaining good relationships is essential for doing business in the Philippines. A reliable local partner can speed up the preparatory work considerably.

Understand business etiquette
- Building a good relationship is central to doing business in the Philippines. Doing business takes place in a relaxed manner. Make sure to discuss general topics such as family life and show curiosity in the country and culture. Filipinos are very hospitable and may invite business partners to have dinner with their families. Humor plays an important role in relationship building but avoid topics on politics and religion.
- Prepare business cards, as they are important and widely used. Use both hands when presenting and receiving business cards. A handshake is the standard form of greeting for both men and women. It is common to shake hands with everyone present upon arrival and upon departure from the meeting.
- Despite the hot weather, men wear suits and ties when conducting business.
- Most Philippine companies have a hierarchical management style. This slows down the decision-making process as different levels of the hierarchy need to be passed until the final decision maker is reached.
- Titles are important in the Philippines and should be used during business meetings (for example: address your partner as Engineer Abela or Doctor Camara) as a sign of respect.
- Filipinos are very sensitive about losing “face” and place a premium on their reputation. Avoid direct confrontation, criticism or actions which will cause offence or public embarrassment for the Filipino business person as this may prove counterproductive.
- In order to save face and to avoid disagreement, Filipinos will rarely say “no”. Foreigners should closely observe the subtle nuances in the body language to discern the non-verbal message being relayed by the business person.
- Schedule meetings and confirm them one day before as confirmed appointments can be cancelled or postponed at the last minute.
- Do follow-up immediately in writing any agreement you feel you may have reached. Yes, may not mean “yes”. It may mean “yes, I understand what you are saying”.

Know your challenges
The Philippines has a lot to offer, but there are undoubtedly many challenges in doing business here.
- Understand where to expect challenges: culture and language, laws and regulations, intellectual property rights, trade barriers, logistics, personnel and bureaucracy.
- Develop a solid business plan and do market research: set clear goals and ambitions, know your niche market and know about your competitors. Without this background knowledge, starting a successful business operation is most unlikely.
- Make sure you do due diligence prior to entering into contracts or other commercial arrangements and don’t underestimate the need for quality checks in the Philippines.

Act responsible
- Corruption can pose a serious barrier for doing business in the Philippines. The Embassy offer counselling to avoid corruption and reduce the risks of doing business in the Philippines.
- The Netherlands Government supports enterprises which implement Corporate Social Responsibility (CSR). Enterprises should put in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.

How can we support your business?
If your company is in need of support, do not hesitate to contact the Netherlands Embassy in Manila. In a government-dominated environment such as Manila, we can help open doors for you. Our main services are as follows:
- Finding potential business partners
- Providing information on sectors and rules and regulations
- Supporting trade missions and visiting programs to Vietnam
- Organizing meetings with relevant authorities at local, provincial or government level
- Monitoring business opportunities
- Trouble shooting and assistance in conflict situations
- Advising on available instruments and services
Business support instruments

For further promotion and strengthening of economic relations, the following Dutch trade instruments are offered in the Philippines:

**Development Related Infrastructure Investment Vehicle (DRIVE)**
DRIVE facilitates investments in infrastructural projects that contribute towards a good business climate and entrepreneurship in the area of water, climate, food security and sexual and reproductive health and rights (SRHR). Projects must be supportive of, and build on the Dutch agenda for aid, trade and investment, for instance by joining initiatives that have already been developed as part of Dutch development policy.

**Dutch Good Growth Fund (DGGF)**
The DGGF supports small/medium Dutch businesses and entrepreneurs by facilitating financing for development-based local investments and exports. Applications must include activities that create new local jobs, increase the production capacity of local industry, and contribute to the transfer of knowledge to the developing country concerned. DGGF is not a subsidy. The loans provided must be paid back to the fund so that other companies can also make use of the facility.

**Partners for Water Scheme**
Set up by the Ministry of Infrastructure and the Environment, the scheme encourages the use of innovative, water-related Dutch solutions to urban deltas, and their supply systems, in other countries. In this way, the scheme will increase water security and water safety, as well as boosting the added value of the Dutch water sector. The subsidy scheme covers the following topics: drinking water and sanitation; water governance; sustainable development of waterways and harbors (not on-shore); climate; security (and water security); food and ecosystems; water and energy.

**Starters International Business (SIB)**
This program aims to support companies likely to be successful with their first steps in a foreign market. Companies can apply for a voucher worth € 2,400 that can be used for individual coaching support supplied by various agencies, such as chamber of commerce, various trade associations and consulting companies.

**Dutch Risk Reduction (DRR) Team**
The Dutch water expertise is widely known and Dutch experts are involved in water related projects all over the world. The Dutch government together with the Dutch water sector founded the Dutch Risk Reduction Team (DRR-Team). With the DRR instrument the Netherlands is able to cover the entire disaster management cycle from mitigation, preparedness and response to recovery. This facility will end in December 2016.

For more information please refer to: http://philippines.nlembassy.org/doing-business

### Relevant contacts

- Netherlands Embassy in Manila: http://philippines.nlembassy.org/
- Philippines-Netherlands Business Council (PNBC): http://www.pnbc-ph.org/
- Netherlands Enterprise Agency (RVO): www.rvo.nl

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