

STATEMENT OF THE PHILIPPINE AMBASSADOR TO THE UNITED STATES, ALBERT
DEL ROSARIO, TO THE CALPERS' INVESTMENT COMMITTEE
(17 FEBRUARY 2004)

IT IS AN HONOR TO BE HERE TODAY AND WITH ASSISTANT SECRETARY JEREMIAS PAUL, MS. BERYL ANG, MR. JOB AMBROSIO OF THE DEPARTMENT OF FINANCE TO RESPECTFULLY REQUEST THE INVESTMENT COMMITTEE TO LOOK INTO NEW RELEVANT INFORMATION WHICH WOULD HAVE A MATERIAL BEARING ON YOUR DISCUSSION TODAY.

TO BEGIN WITH, I WOULD LIKE TO THANK CALPERS AND WILSHIRE FOR THEIR OBJECTIVITY AND OPENNESS, WHICH RESULTED IN A SIGNIFICANT IMPROVEMENT OF THE PHILIPPINE RATING FROM 1.46 TO 1.87 DURING THE ONE-YEAR CURE PERIOD.

I WOULD ALSO LIKE TO SHOW APPRECIATION FOR CALPERS' STRATEGY IN DEVELOPING ITS PERMISSIBLE EMERGING MARKET LIST. WE LIKEWISE SEE THE NEED FOR CALPERS TO STRIKE A BALANCE BETWEEN ITS ROLE TO ENSURE VALUE FOR SHAREHOLDERS AND ITS ROLE TO ASSESS RISKS AND ADOPT A STRONG ADVOCACY FOR GOOD GOVERNANCE AND CORPORATE REFORMS IN ITS TARGET MARKETS.

WE ARE, MOREOVER, GRATEFUL TO WILSHIRE FOR HAVING RAISED THE ISSUE OF DIVERSIFICATION OF CALPERS' INVESTMENT DESTINATIONS TO MAXIMIZE EARNINGS GIVEN THAT CALPERS HAD INCURRED AN OPPORTUNITY COST OF NEARLY 20% IN THE LIGHT OF ITS VERY RESTRICTED PERMISSIBLE LIST. THIS IS HIGHLIGHTED BY THE FACT THAT NON-PERMISSIBLE MARKETS WITH SCORES RANGING FROM 1.5 TO 2.0 HAVE OUTPERFORMED THOSE IN THE PERMISSIBLE LIST.

AS POINTED OUT BY WILSHIRE, IF A REGIONAL BALANCE IS TO BE STRUCK, UNDER THE PROPOSED MARKET INDEX FOR 2005, CALPERS WOULD BE LEFT WITH A LARGE UNDERWEIGHT IN ASIA AND A LARGE OVERWEIGHT IN SOUTH AMERICA, AFRICA, AND THE MIDDLE EAST. IF THE PHILIPPINES WILL NOT BE INCLUDED IN THE PERMISSIBLE LIST FOR 2005, BASED ON CALPERS STRATEGY - WITHOUT THE RECENT REINSTATEMENT OF MALAYSIA THERE WOULD BE NO INVESTMENT IN EMERGING ASIA.

AGAIN, WE ACKNOWLEDGE CALPERS' AND WILSHIRE'S ASSISTANCE AND SUPPORT IN TERMS OF PROVIDING US WITH A CONSTRUCTIVE ROADMAP WHICH HAS LED TO AN IMPROVEMENT FROM 1.46 TO 1.87, OR AN INCREASE OF NEARLY 30%, WHICH IS THE HIGHEST FOR ANY COUNTRY UNDER CONSIDERATION. OUR IMPROVEMENT, PERCENTAGE WISE, IS EVEN BETTER THAN POLAND'S WHICH HAS ACHIEVED AN EXEMPLARY PERFECT SCORE. WHERE POLAND HAS IMPROVED FROM NO. 2 TO NO. 1 IN THEIR RANKING, THE PHILIPPINES HAD IMPROVED FROM NO. 24 TO NO. 18- AGAIN, REGISTERING THE HIGHEST IMPROVEMENT.

BASED ON THE ABOVE CONSIDERATION AND OUR GREATLY IMPROVED PERFORMANCE, WE BELIEVE THAT A REVISITATION OF THE THRESHHOLD SHOULD BE MADE TO, SAY 60% OF 3.00, OR 1.80. THIS IS A REASONABLE THRESHOLD CONSIDERING WILSHIRE HAS BEEN RECOMMENDING A 50% OR 1.50 THERESHOLD. WE RESPECTFULLY TAKE THIS POSITION FOR THE PHILIPPINES BECAUSE, AFTER HAVING ACHIEVED 1.87, WE HAVE PROACTIVELY GONE MUCH FURTHER TO BE CONSIDERED FOR COMPLYING WITH THE THRESHOLD LEVEL OF 2.00.

HAVING IMPROVED TO 1.87, CALPERS AND WILSHIRE HAD FURTHERMORE POINTED OUT WHAT ADDITIONAL IMPROVEMENT COULD BE MADE TO BRING US TO THE THRESHOLD LEVEL OF 2.00, OR AS CLOSE TO IT AS POSSIBLE.

FOLLOWING THEIR KIND SUGGESTIONS, WE PROVIDE NEW RELEVANT INFORMATION WHICH PREVIOUSLY WAS NOT BROUGHT TO THE FORE:

- FIRST, THE PRESIDENT SIGNED JUST A FEW HOURS AGO THE DST RATIONALIZATION ACT WHICH WOULD REDUCE TO ZERO THE STAMP DUTY TAX ON EQUITIES TRADED IN THE PHILIPPINE STOCK MARKET, THUS REDUCING TRANSACTIONS COST. THE SECURITIZATION ACT WHICH ALSO ELIMINATES TRANSACTIONS COSTS IN THE SECURITIZATION PROCESS HAS BEEN RATIFIED BY BOTH HOUSES OF CONGRESS.
- SECOND, PRESIDENT ARROYO SIGNED INTO LAW THE OPTICAL MEDIA ACT (RA9239) LAST WEEK WHICH REGULATES THE MASTERING, MANUFACTURE AND REPLICATION IN OPTICAL MEDIA AND INSTALLS A MECHANISM TO CURTAIL MEDIA PIRACY IN THE PHILIPPINES. THE LAW ENSURE THE PROTECTION AND PROMOTION OF INTELLECTUAL PROPERTY RIGHTS IN THE PHILIPPINES.
- THIRD, PRESIDENT ARROYO SIGNED INTO LAW LAST DECEMBER THE SPECIAL PROTECTION OF CHILDREN AGAINST CHILD ABUSE, EXPLOITATION AND DISCRIMINATION ACT WHICH WILL ELIMINATE THE WORST FORMS OF CHILD LABOR. WITH RESPECT TO THE RATIFICATION OF ILO CONVENTION NO. 29, THE PRESIDENT HAS ALREADY SIGNED AND FORWARDED IT TO THE SENATE FOR RATIFICATION.
- FOURTH, THE PRESIDENT SIGNED INTO LAW AN ACT GRANTING ADDITIONAL COMPENSATION TO JUSTICES, JUDGES AND ALL OTHER POSITIONS OF EQUIVALENT RANK IN THE JUDICIARY, A SIGNIFICANT STEP TO STRENGTHENING OUR JUDICIARY.
- FIFTH, BOTH HOUSES OF CONGRESS HAVE RATIFIED THE ACT CLARIFYING THE TAX EXEMPTION STATUS OF OFFSHORE BANKING UNITS AND FOREIGN CURRENCY DEPOSIT UNITS, THUS REMOVING A PRIMARY CONCERN OF FOREIGN BANKERS AND A BOOST TO FOREIGN INVESTMENTS.

- SIXTH, THE SECURITIES AND EXCHANGE COMMISSION HAS SUBMITTED ADDITIONAL DOCUMENTS TO ESTANDARDS FORUM WHICH WOULD FURTHER THEIR CASE ON SECURITIES REGULATION FOR AN UPGRADED RATING FROM ENACTED TO AT LEAST COMPLIANCE IN PROGRESS. FOR ITS PART, THE PHILIPPINE CENTRAL BANK IS ALSO REVIEWING THEIR SUBMISSIONS TO ESTANDARDS FORUM SINCE THEY HOLD THE POSITION THAT THEIR RATING SHOULD ALSO BE A COMPLIANCE IN PROGRESS.

AS AN ADDITIONAL MAJOR POINT FOR CALPER'S CONSIDERATION, WE WOULD LIKE TO INVITE YOUR ATTENTION TO THE RESCALING OF THE ESTANDARDS FORUM RATING TO THE WILSHIRE THREE POINT SCORE SYSTEM. THERE APPEARS TO BE INADVERTENCIES IN THE SCORING SYSTEM THAT, IN OUR OPINION, HAS A DISADVANTAGEOUS EFFECT TO THE PHILIPPINES. FOR EXAMPLE, A COUNTRY ASSESSED AS "ENACTED" IN BOTH BANKING SUPERVISION AND SECURITIES REGULATION (SUCH AS THE PHILIPPINES) SHOULD NOT HAVE THE SAME WILSHIRE SCORE AS A COUNTRY RATED AS "NO ASSESSMENT" FOR BOTH AREAS (SUCH AS THAILAND, PERU AND TAIWAN).

GIVEN THIS OBSERVATION, MAY WE SUBMIT SEPARATELY OUR PROPOSED REVISED SCALING. WITH THE ACCEPTANCE OF THIS PROPOSAL, THE PHILIPPINES WILL OBTAIN AN OVERALL WILSHIRE SCORE OF 1.99.

BASED ON THE FOREGOING, WE BELIEVE WE MERIT AN IMPROVEMENT IN THE WILSHIRE RATING ON AT LEAST TWO FACTORS -- (A) THE MARKET REGULATION/LEGAL SYSTEMS/INVESTOR PROTECTION FACTOR AND (B) THE SETTLEMENT PROFICIENCY/TRANSACTION COSTS FACTOR.

AN IMPROVEMENT IN ANY ONE OF THE SUB-FACTOR SCORES FOR SECURITIES REGULATION, TRANSACTION COSTS OR SHAREHOLDER RIGHTS WOULD RESULT TO A 1.99 OVERALL SCORE, WHICH WOULD QUALIFY THE PHILIPPINES AS A "SPECIAL CASE" ALONG WITH INDIA AND THAILAND IF THIS CATEGORY WOULD BE CONSIDERED.

IF THE IMPROVEMENTS IN THE RATING FOR THE MARKET REGULATION FACTOR WERE TO BE COMBINED WITH THE SETTLEMENT PROFICIENCY/TRANSACTION COSTS FACTOR, OUR COMPUTATION WOULD JUSTIFY FOR THE PHILIPPINES TO BE SAFELY OVER 2.00.

WITH OUR BEST EFFORTS HAVING BEEN EXERTED AND WITH THIS SIGNIFICANT AND REALISTIC PROGRESS MADE OVER A LIMITED TIME PERIOD, AND WITH THE FULL CONVICTION TO DO BETTER THAN THE ESTABLISHED THRESHOLD, OUR MOST RESPECTFUL REQUEST IS FOR THE PHILIPPINES TO REMAIN IN CALPERS' PERMISSIBLE LIST. IT BEHOOVES US TO ESTABLISH THAT THE PHILIPPINES REMAINS AS AN ATTRACTIVE LOCATION FOR FOREIGN INVESTMENT.

AS THE PHILIPPINE AMBASSADOR TO THE UNITED STATES, PLEASE ALLOW ME TO HAVE CALPERS CONSIDER A NEW DIMENSION TO OUR REQUEST. UNDER THE LEADERSHIP OF PRESIDENT ARROYO AND PRESIDENT BUSH, THE RELATIONSHIP BETWEEN OUR TWO COUNTRIES IS THE CLOSEST THAT IT HAS BEEN IN RECENT HISTORY. OUR ALLIANCE IS STRONGER, OUR PARTNERSHIP IS MORE SOUND AND OUR FRIENDSHIP IS WARMER. OUR CLOSER RELATIONSHIP IS BOLSTERED BY VALUES WE BOTH HOLD DEAR- THE PREFERENCE FOR DEMOCRACY, FREE ENTERPRISE AND SOCIAL JUSTICE.

PLEASE REMEMBER, HOWEVER, THAT WE HAVE A YOUNG YET VIBRANT DEMOCRACY. WE HAVE DIFFERENCES IN CULTURE AND IN STAGES OF ECONOMIC DEVELOPMENT AS COMPARED TO THE UNITED STATES.

EVEN AS WE HAVE LEARNED LESSONS FROM THE U.S. AND BENEFITED FROM OUR EXPERIENCE WITH YOUR COUNTRY, WE ARE STILL IN THE PROCESS OF ACHIEVING MATURITY.

WE ARE PROUD TO HAVE THE UNITED STATES AS OUR LARGEST TRADING PARTNER AND AS OUR LEADING FOREIGN INVESTOR. IN TERMS OF CULTURAL BONDS, THE FILIPINO-AMERICANS TOTAL NEARLY 3 MILLION THROUGHOUT THE UNITED STATES, WITH OVER ONE MILLION IN CALIFORNIA ALONE.

CONSIDERING OUR HISTORICAL TIES AND OUR SHARED VALUES, WE CALL ON CALPERS TO BE WITH US AS WE FULLY INTEND TO STAY THE COURSE.

THANK YOU AND A PLEASANT MORNING TO EVERYONE.