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THE PHILIPPINES AND ITS SOUTHEAST ASIAN NEIGHBORS: THE PATH TO INVESTMENT-LED ECONOMIC GROWTH

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THE PHILIPPINES AND ITS SOUTHEAST ASIAN NEIGHBORS: THE PATH TO INVESTMENT-LED ECONOMIC GROWTH

The COVID-19 pandemic lockdowns that began in 2020 and the heightened trade tensions that characterize increasing competition have posed considerable challenges to global supply chains. The US-China trade war, marked by increased tariffs, prompted companies to rethink their global supply chain strategies. Neighboring East Asian countries such as South Korea, Japan, and Taiwan diversified their supply chains out of China.

Taiwan introduced its New Southbound Policy in 2016 to build stronger and mutually beneficial partnerships in economics and trade, science and technology, education, culture, and tourism. Taiwan has also been working on diversifying its production and relocating its investments to Southeast Asia, North America, Central Europe, and Eastern Europe to strengthen global supply chains and make them sustainable.

South Korea adopted its New Southern Policy Plus in 2022 to encourage companies to set up their businesses in ASEAN countries to widen their supply chain network. Identified as their most attractive choice is Vietnam, given its comparatively cheaper labor, more favorable foreign direct investment (FDI) policies, and stronger people-to-people ties.

Japan also passed its economic security bill in May 2022, outlining measures to defend its supply chains, infrastructure, and leading technology against their vulnerability to supply-side constraints in China.

This convergence of strategic direction to revisit current supply chains offers the Philippines a golden opportunity to attract foreign investors. This study analyzes the comparative attractiveness of the Philippines as an investment destination vis-à-vis the region's favorites—Singapore, Thailand, and Vietnam.

Political and Economic Climates in the Philippines, Singapore, Thailand, and Vietnam

Policy Landscape

In assessing a country's attractiveness as an investment destination, the policy landscape—encompassing the set of rules, regulations, and government interventions about various aspects of business operations and societal functions—plays a critical role. At the minimum, investors look for a stable, predictable, and transparent business environment. Beyond these, they feel confident investing when the governance framework is robust and supports sustainable economic growth.

Philippines

The government aggressively pursued initiatives to open the economy to more trade and investments under the administration of President Rodrigo Duterte from 2016 to 2022. Towards this move, three legislative reforms were passed into law to liberalize the Philippine economy: the amendments to the Public Service Act, the Foreign Investments Act, and the Retail Trade Liberalization Act. These measures complement two earlier initiatives—the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which provides for a graduated lowering of Corporate Income Tax, and the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, aimed at streamlining government services and reducing the processing time for business permits and licenses and, consequently, improve the country's competitiveness.

Providing an overarching theme to these reforms, incumbent President Ferdinand Marcos Jr. approved the Philippine Development Plan (PDP) 2023-2028[1] in December 2022 to serve as the country's blueprint for socioeconomic development over the medium term. Anchored on the administration's 8-point socioeconomic agenda, the PDP aims to stimulate job creation and reduce poverty by revitalizing the economy and steering it towards a high-growth path for inclusive economic and social transformation. In particular, the PDP aims to (1) develop and protect the capabilities of individuals and families; (2) transform production sectors to generate more quality jobs and competitive products; and (3) foster an enabling environment encompassing institutions, physical and natural environment.

In addition, the government launched the Philippine Export Development Plan (PEDP) 2023-2028[2] in June 2023. It is intended to help the country transform its export industry into a significant economic engine and generate over a million high-quality and sustainable jobs by 2028. Under the PEDP, three strategic actions will be prioritized: (1) addressing constraints to production in terms of scale and scope, (2) developing a strong and innovative export ecosystem, and (3) increasing the Philippines' mindshare in the global market.

In February 2023, to further encourage foreign investments, the Philippines introduced "green lanes"[3] to expedite the process of acquiring permits and licenses for strategic investments—those aligned with the PDP and expected to bring in substantial capital, improve the country's balance of payments, and enhance its infrastructure capabilities. These include highly desirable projects, FDIs, and projects or activities under the Strategic Investment Priority Plan (SIPP).

President Marcos Jr., in his second State of the Nation Address (SONA)[4] in July 2023, declared that the government had been aggressively promoting and facilitating investment and business. At the same time, he also asserted that the country's independent foreign policy—to be a friend to all and an enemy of none—had proven effective, emphasizing that the Philippines was able to form strategic alliances with both traditional and newfound partners in the international community. He also noted that the economic travel missions have resulted in an estimated total investment value of PHP3.9 trillion (USD71 billion), potentially generating 175,000 jobs.

Supporting the vision of the President is the industrial policy of the Department of Trade and Industry (DTI), anchored on science, technology, and innovation. A significant aspect of the DTI's industrialization strategy[5] is prioritizing specific industry clusters that are seen as potential sources of growth in the country:

- *Industrial Machinery and Transport (IMT)*: aims to upgrade opportunities in aerospace, automotive, maritime, and semiconductors by focusing on maintenance, repair, and overhaul of aircraft, pollution reduction, green vehicles, IT in vehicles, precision metal components,

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The Philippines' untapped potential necessitates addressing bureaucratic complexities, clarifying policies, investing in infrastructure, projecting political stability, bridging the skills gap, and enhancing marketing efforts to compete effectively with its more successful neighbors in attracting foreign investment

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and electronics R&D. The cluster will also support businesses in outsourced semiconductor assembly and testing.

- *Technology Media and Telecommunications (TMT)*: presents opportunities to digitalize services, allowing the IT-BPM sector to contribute to the competitiveness and efficiency of other global value chains while creating an enabling environment for the development of creative industries.
- *Health and Life Sciences (HLS)*: hopes to make the Philippines self-sufficient in pharmaceuticals, medical devices, healthcare services, and therapeutic systems.
- *Modern Basic Needs, Resilient Economy (MBNRE)*: focuses on ensuring agriculture development, food security, and sustainability, supporting, and strengthening the other three clusters.

Singapore

Singapore, an ultra-modern country, has long been a preferred destination for establishing regional headquarters and other foreign company structures given its legal and tax regimes that are widely regarded as one of the most business- and investor-friendly regimes in the world. It is also known for its financial system that is highly integrated with international financial markets.[6]

Since the 1960s, Singapore has experienced remarkable economic growth that made it the most advanced economy in Southeast Asia. To date, Singapore, Hong Kong, South Korea, and Taiwan complete the "Asian Tigers." However, Singapore sets itself apart from other Southeast Asian countries by not primarily relying on the production and export of commodities.[7]

Singapore upholds an open, trade-dependent economy important to the global supply chain and embraces predominantly open investment policies and a robust free market. Transparency, business-friendly laws, tax structures, customs facilitation, intellectual property protection, and well-developed infrastructure are among Singapore's attractive investment climate features, as identified by foreign companies.

Moreover, Singapore rigorously enforces its anti-corruption laws, consistently earning recognition as the least corrupt country in Asia.[8] Government supervision has been pivotal in Singapore's economic development, with heavy dependence on investment capital from foreign multinational corporations. The government, holding about three-fourths of all land, contributes surplus capital derived largely from the Central Provident Fund (CPF) social-security savings program. Singapore has few natural resources, with no remaining natural forests on the island.[9]

Singapore depends significantly on foreign workers, who constitute 36% of its workforce.[10] A strong emphasis on education and health accompanies efforts to enhance labor productivity and attract investment as labor shortages and rising wages prompted a shift toward higher value-added production. Over the years, Singapore's economy has transitioned from labor-intensive industries to high-technology sectors like electronics, precision equipment manufacturing, and oil refining. Emphasizing its comparative advantage in knowledge-intensive activities, Singapore champions communications, information, and financial services.[11]

Singapore's legal framework and public policies are typically favorable to foreign investors, with the Economic Development Board (EDB) serving as the lead promotion agency for facilitating foreign investment. Nonetheless, exceptions to Singapore's general openness to foreign investment exist in sectors deemed critical to national security, such as telecommunications, broadcasting, domestic news media, financial services, legal and accounting services, ports, airports, and property ownership.[12]

Thailand

Thailand, a popular destination for tourists worldwide, has a political and economic climate commonly characterized by its half-trillion-dollar economy, upper-middle-income status, and pro-investment policies. Despite its occasional political instability, the country has, over time, become a significant destination for FDIs.

Thailand actively works towards bringing in more FDI to the country to foster economic and technological development and job generation.[13] Its Foreign Business Act (FBA) of 1999 governs most foreign investors' activities. The Board of Investments (BOI) serves as the country's principal investment promotion authority, assisting in navigating regulations and providing incentives to domestic and foreign investors. The BOI facilitates businesses in targeted economic sectors through tax and non-tax incentives.[14] But while Thailand welcomes investments from all countries, the Foreign Business Act also restricts certain business activities foreigners conduct unless additional licenses or exemptions are secured.

In 2022, the BOI adopted its new Investment Promotion Strategy 2023-2027,[15] which aims to propel the country into the "New Economy" era by promoting technological advancement, green and smart industries, talent development, and creativity and innovation. These are intended to strengthen the country's position as a regional hub for business, trade, and logistics.

Thailand's investment focus extends to the Eastern Economic Corridor (EEC), its flagship investment zone covering three provinces: Chachoengsao, Chonburi, and Rayong. The government aims to develop the EEC as the ASEAN region's primary investment and infrastructure hub. It targets 12 industries: next-generation automotive, intelligent electronics, advanced agriculture and biotechnology, food processing; tourism, advanced robotics and automation, integrated aviation industry, medical hub and total healthcare services, biofuels and biochemicals, digital technology; defense industry, and human resource development. Furthermore, planned EEC development projects include smart cities, an innovation district, a digital park, an aerotropolis, and a medical hub. The EEC aims to attract domestic and foreign investment by leveraging well-developed infrastructure, tax incentives, and regulatory concessions.[16]

Moreover, the government has actively pursued foreign investments in clean energy, electric vehicles, etc. It is developing a National Energy Plan (NEP) to increase the 2037 renewable energy target to 50% to meet the new climate goals and further align energy production with the government's "Bio-Circular Green Economy" model. The government attributes its success to private sector investment.[17]

The country recognizes corruption as a hindrance to the influx of investors. Thus, more than just addressing corruption through the country's legal system, the government has also taken steps to improve transparency, such as the "regulatory guillotine" initiative launched in 2017 to streamline regulations and cut down on red tape. The government actively promotes environmental, social, and governance (ESG) disclosures, with regulations and incentives supporting sustainable and responsible investing. The BOI continues providing privileges for projects in innovative and sustainable industries such as digital and clean energy.[18]

Vietnam

Vietnam, a country with a compelling history, has cultivated its economic growth primarily driven by FDIs. The government has created policies broadly conducive to FDI, particularly export-oriented manufacturing investments. Foreign investors claim that the critical attractive factors of Vietnam are its political stability; strong economic growth; young, urbanized, educated population; competitive labor costs; increasing trade agreements; and an affordable, stable power supply.[19]

In 2020, Vietnam enacted a new Public-Private Partnership Law, revising its Law on Investment, to bolster foreign investment in infrastructure projects, alleviate government financial burdens in project funding, and enhance collaborations between the foreign and local private sectors.[20]

Moreover, in 2021, the 13th Party Congress of the Communist Party of Vietnam (CPV) created a 10-year economic strategy outlining a shift of foreign investment towards high-tech industries while ensuring environmental protection. In the same year, Vietnam implemented its new Securities Law and Labor Code. The Securities Law underscored the government's intention to eliminate foreign ownership restrictions in most industries. On the other hand, the updated Labor Code introduced provisions promoting increased contract flexibility, formal acknowledgment of a broader segment of the workforce, and the freedom for workers to join independent labor organizations. However, as of 2023, decrees for the Labor Code are still pending implementation.[21]

Economic Environment

The economic backdrop holds equal significance alongside the policy terrain when assessing a country's appeal to investors. In a general sense, a robust and prosperous economy establishes a favorable foundation for businesses to thrive. Multiple elements, encompassing the GDP growth rate and other macroeconomic metrics, contribute to shaping the choices of foreign investors.

Figure 1 shows the annual GDP growth rates of the Philippines, Singapore, Thailand, and Vietnam from 2001 to 2022, based on data from the World Bank.[22]

Of the four countries in comparison, the Philippines ranked third from the top in 2001. By 2013, it had been the top performer of the four countries, with a GDP growth rate of 6.8%, compared to Vietnam's 5.6%, Singapore's 4.8%, and Thailand's 2.7%. By the following year, Vietnam performed at par with the Philippines at 6.4%. Both countries were neck and neck for several years until 2018 when Vietnam posted a growth rate of 7.5% against the 6.3% of the Philippines.

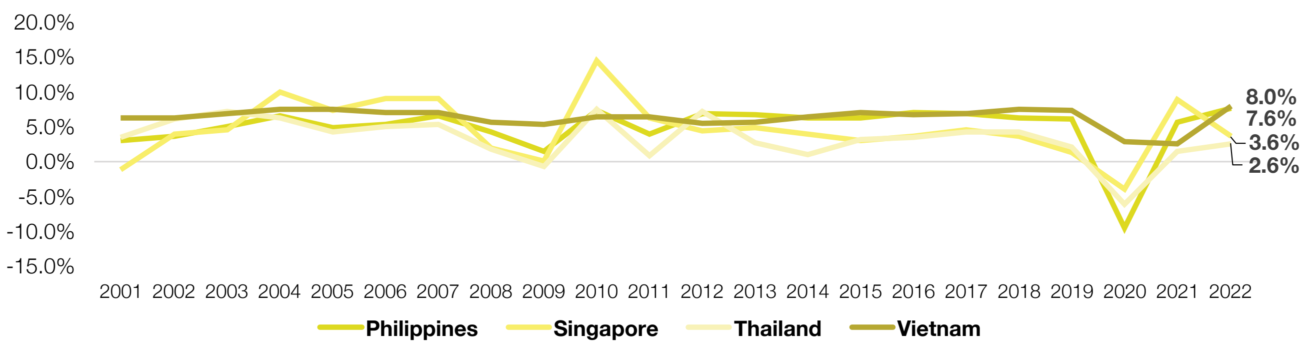
In 2020, at the height of the COVID-19 pandemic, only Vietnam managed to steer its economy to a positive growth rate of 2.9%, with the economies of the three other countries contracting. The Philippines suffered the biggest decline at -9.5%.

By the following year, in 2021, Singapore managed to secure the top spot with a surge in the economic performance of an 8.9% growth rate. The Philippines clinched the second spot with a 5.7% growth rate, while Vietnam posted a 2.6% growth rate and Thailand a modest 1.5%.

In 2022, the competition between the Philippines and Vietnam seemed to have resumed. Vietnam's economy expanded by 8.0% compared to the Philippines' 7.5%. Singapore's economy grew by 3.6% while Thailand's by 2.6%.

Annual GDP Growth Rates: Philippines, Singapore, Thailand, Vietnam
(2001 – 2022)

Figure 1



Source: The World Bank (2023)

Investment Environments in the Philippines, Singapore, Thailand, and Vietnam

Foreign Direct Investment Trends

Foreign Direct Investments (FDIs) act as a dependable gauge of a nation's attractiveness as an investment destination and, inevitably, of investor trust. Nations that draw in elevated FDI amounts typically manifest a favorable climate for business, stability, and promising returns. The substantial presence of FDIs points to a country's capacity to offer a secure and accommodating environment for global investors.

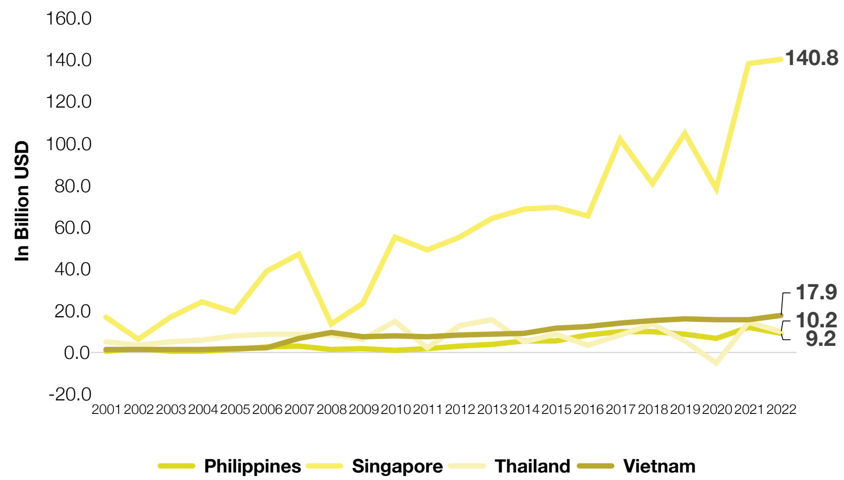
Since 2014, Vietnam has consistently surpassed both the Philippines and Thailand in attracting FDIs, based on data from the World Bank (Figure 2).[23] Moreover, according to the United Nations Conference on Trade and Development's (UNCTAD) 2023 World Investment Report,[24] Vietnam received a total flow of USD18 billion, a significant increase of 14% from the previous year. On the other hand, FDIs in the Philippines fell by 23% due to acquisitions of foreign affiliates by local investors. Thailand, despite experiencing a dip in its investment flow, continues to be a noteworthy player in the global investment landscape. It has been identified as one of the crucial destinations for electric vehicle production projects, with six projects pledged to be completed in the country. This indicates that Thailand is emerging as a hub for advanced manufacturing, especially in new industries such as electric vehicle manufacturing.

Vietnam's performance remained robust despite the height of the COVID-19 pandemic and related economic restrictions in 2020. This trend highlights Vietnam's appeal as a preferred destination for foreign investors seeking opportunities in Southeast Asia.

Similarly, World Bank[25] data show that in 2022, FDI net inflows in Singapore accounted for 30.2% of its GDP, outpacing 4.4% in Vietnam, 2.3% in the Philippines, and 2.1% in Thailand (Figure 3). The higher percentage of FDI relative to GDP signals strong confidence from international investors in Singapore's economic landscape and potential for growth.

Net Foreign Direct Investments Inflows:
Philippines, Singapore, Thailand, Vietnam
(2001 – 2022)

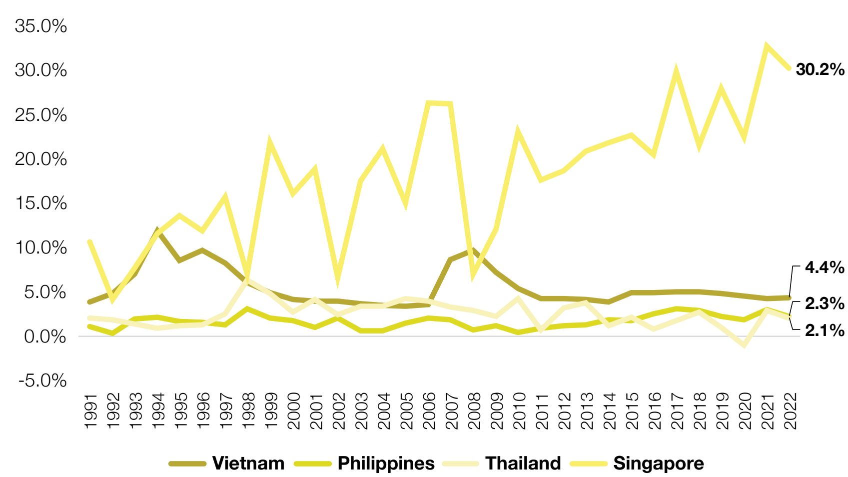
Figure 2



Source: The World Bank (2023)

Net Foreign Direct Investments Flows as Percent of GDP:
Philippines, Singapore, Thailand, Vietnam
(1991 – 2022)

Figure 3



Source: The World Bank (2023)

Geographical Location and Market Access

A country's appeal for investment hinges on its strategic location, including proximity to major markets and global trade routes. This geographical advantage significantly influences the ease of international business operations, making it a pivotal factor for potential investors. The country's attractiveness is thus intricately tied to its place on the global economic map.

The location of the Philippines is a crucial entry point for more than 600 million people in the ASEAN market and serves as a natural gateway to East Asian economies. It also stands at the crossroads of international shipping and airlines. Within Asia, the Philippines is accessible by plane within three to four hours.[26] It also has the 2nd longest coastline in the Asia-Pacific region[27] and the 5th worldwide.[28] Interestingly, its distance from mainland Asia generally insulates it from regional economic issues, depending on how the national policymakers manage the situation to the country's advantage.

Singapore is Southeast Asia's largest port and ranks among the busiest globally. Its growth and prosperity stem from its strategic location at the southern tip of the Malay Peninsula. Positioned at the Strait of Malacca's juncture, Singapore plays a pivotal role in connecting the Indian Ocean to the South China Sea.[29] However, smaller countries like Singapore are more vulnerable to geopolitical issues. Singapore, which operates in the middle of the expansive Asian market, heavily relies on external markets for its economic sustenance.[30]

Meanwhile, through transportation infrastructure, Thailand is well-connected to the CLMV (Cambodia-Laos-Myanmar-Vietnam) sub-region. Investments in developing its logistics systems help integrate the country's transportation system with those of other emerging economies. This integration brings opportunities for cross-border trade and investment.[31]

Lastly, Vietnam is situated along the eastern coastline of the Southeast Asian peninsula, sharing land borders with China to the north and Laos and Cambodia to the west. Its coastline also provides direct access to the Gulf of Thailand and the East Sea. Vietnam has a seacoast of 3,444 kilometers, which is ideal for developing the maritime industry, trade, and tourism. Its diverse geographical structure, with hills, highlands, and coastal areas, is also suitable for economic zones.[32]

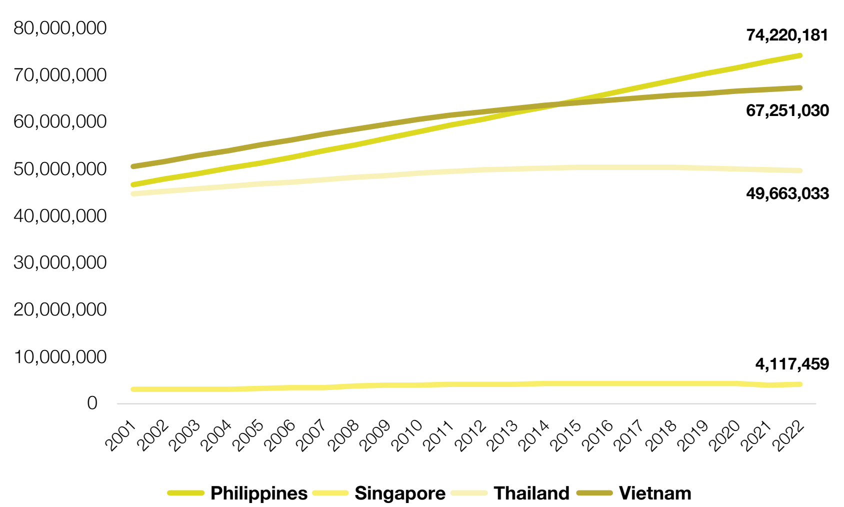
Population and Labor Force

A skilled and educated workforce is important for meeting labor needs and encouraging innovation. A growing population contributes to economic growth and market expansion. Thus, a country with a substantial and diverse population becomes more appealing to investors, offering a promising market, a qualified workforce, and the potential for sustained economic growth.

A nation's workforce is the backbone of its economy, and the latest data from the World Bank[33] offer insights into the demographic landscapes of the Philippines, Singapore, Thailand, and Vietnam. In 2022, the Philippines stood as the 13th most populous country in the world, with a population of 115.6 million. Vietnam ranked 16th with 98.2 million, Thailand ranked 20th with 71.7 million, and Singapore ranked 114th with 5.6 million. Similarly, figures from the World Bank[34] indicate that among these countries, the Philippines takes the lead in the working-age population group (i.e., ages 15-64), with 74.2 million (Figure 4).

Despite the Philippines leading in the working-age population with 74.2

Population Ages 15-64:
Philippines, Singapore, Thailand, Vietnam
(2001 – 2022)
Figure 4

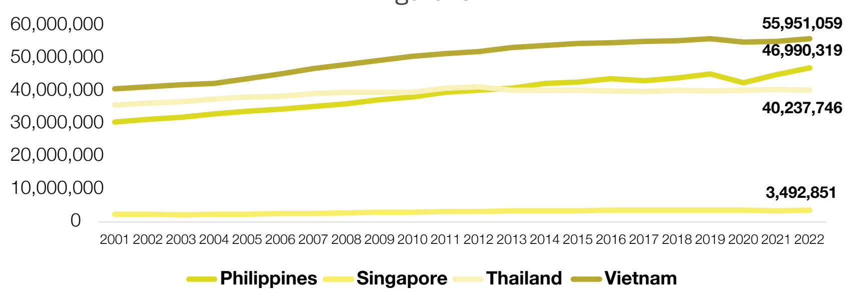


Source: The World Bank (2023)

million, World Bank[35] data show that Vietnam leads in the labor force, with nearly 56.0 million people in 2022. This surpasses the Philippines, which follows closely with almost 47.0 million, and Thailand with 40.2 million. Meanwhile, Singapore lags with 3.5 million people (Figure 5). This indicates the need to take proactive measures to develop the working-age population to ensure effective integration into the labor force. It is also important to note that among the three countries, the Philippines was the only one that saw a decline in its labor force at the height of the COVID-19 pandemic in 2020.

Total Labor Force:
Philippines, Singapore, Thailand, Vietnam
(2001 – 2022)

Figure 5



Source: The World Bank (2023)

Progression of Incentives Based on Industry Tier

Table 1

Location	Tier I Export	Tier I Domestic	Tier II Export	Tier II Domestic	Tier III Export	Tier III Domestic
National Capital Region (NCR)	**14** (4 ITH + 10 ED/SCIT)	**9** (4 ITH + 5 ED)	**15** (5 ITH + 10 ED/SCIT)	**10** (5 ITH + 5 ED)	**16** (6 ITH + 10 ED/SCIT)	**11** (6 ITH + 5 ED)
Metropolitan areas or areas contiguous and adjacent to NCR	**15** (5 ITH +10 ED/SCIT)	**10** (5 ITH + 5 ED)	**16** (6 ITH + 10 ED/SCIT)	**11** (6 ITH + 5 ED)	**17** (7 ITH + 10 ED/SCIT)	**12** (7 ITH + 5 ED)
All other areas	**16** (6 ITH + 10 ED/SCIT)	**11** (6 ITH + 5 ED)	**17** (7 ITH + 10 ED/SCIT)	**12** (7 ITH + 5 ED)	**17** (7 ITH + 10 ED/SCIT)	**12** (7 ITH + 5 ED)

Source: Philippine Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Industry Tiers Under the CREATE Act

Table 2

Tier I	Tier II	Tier III
Activities that (1) have a high potential for **job creation**, (2) take place in sectors with **market failures** resulting in the under-provision of basic goods and services, (3) generate value creation through **innovation, upgrading or moving up the value chain,** (4) provide essential support to sectors that are critical to **industrial development**, and (5) emerging owing to **potential comparative advantage**	Activities that produce **supplies, parts and components**, and **intermediate services that are not locally produced** but are critical to industrial development and import-substituting activities, including crude oil refining	Activities shall include (1) **research and development**, (2) generation of **new knowledge and intellectual property** registered and/or licensed in the Philippines, (3) commercialization of **patents, industrial designs, copyrights, and utility models** owned or co-owned by a registered business enterprise, (4) **highly technical manufacturing**, and (5) are **critical to the structural transformation of the economy** and require substantial catch-up efforts

Source: Philippine Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Incentives

The provision of incentives by a government—such as tax breaks, subsidies, grants, and regulatory advantages—contributes to enticing investors to a country. Favorable tax policies, for example, can significantly trim operational costs, making the investment environment more appealing. Governments that actively promote and support attractive incentive programs convey a solid message to investors about their dedication to cultivating a business-friendly atmosphere.

Philippines

The CREATE Act of 2021 aims to enhance the country's tax incentives regime, making it more competitive and attractive to global investments. It involves gradually reducing the corporate income tax (CIT) rate from 30% to 25% retroactively to July 1, 2020. Subsequently, the CIT will decrease by 1% annually, reaching 20% by 2027. This performance-based, targeted, time-bound, and transparent approach seeks to foster investment inflow into the Philippines.
Tax incentives are granted based on the approved projects or activities under the Strategic Investment Priority Plan (SIPP). Categories are determined by both location (prioritized by development level) and industry (aligned with the SIPP) of the registered project or activity (Tables 1 and 2). Entities currently enjoying incentives before the CREATE Act's effectivity period can continue, with specific rules in place. However, investors claim that the law is not effectively implemented, pointing to a disparity between the commitments outlined in the law and the actual actions taken by the government.

The Philippine government has actively supported the business process outsourcing (BPO) industry. The Special Economic Zone (SEZ) Act of 1995 promoted the development of Special and Industrial Economic Zones throughout the country to encourage competitive incentives to attract foreign investors into the Philippines. The law also created the Philippine Economic Zone Authority (PEZA), a government agency attached to the DTI that promotes investments and assists investors in export-oriented manufacturing and service facilities in SEZs.

According to the PEZA,[36] as of April 2023, there were 419 PEZA ecozones in the country, most of which are information technology (IT) parks and centers (297). There were also 78 manufacturing economic zones, 24 agro-industrial economic zones, 17 tourism export enterprises, and three medical tourism parks and centers. BPO firms are the dominant locators in tax-advantaged IT parks and centers.

Singapore

Singapore's tax system is known globally for its efficiency and competitiveness, providing foreign investors with low tax rates and various tax incentives. Singapore operates under a single-tier, territorial tax system, ensuring foreign-sourced income is not subjected to additional taxes. Moreover, Singapore imposes no capital gains tax or tax on dividends. Singapore imposes a flat 17% corporate income tax (CIT) rate for both foreign and domestic companies – the lowest among all ASEAN members – and has drawn a vibrant investment community to Singapore, with over 7,000 multinational firms, more than half of which are conducting their Asia-Pacific operations out of the country.[37]

Singapore provides a variety of tax incentives and schemes designed to promote specific industries and activities to promote economic growth and innovation. These incentives lower a company's final CIT rate, depending on the business enterprise's eligibility for such incentives. The incentives for foreign businesses include tax exemptions for start-up companies and other headquarter and internationalization incentives, common corporate tax relief measures to help reduce tax bills, and incentives for finance and treasury activities.[38] There are also industry-specific incentives for sectors such as financial services, banks, fund management, tourism, shipping and maritime, global trading industries, insurance, processing services, research and development, headquarter activities, legal firms, e-commerce, and event organization.[39]

Notably, Singapore offers incentives for manufacturing and services activities, particularly the pioneer tax incentive and the Development and Expansion Incentive (DEI), where businesses manufacturing high-value-added products or services can apply for a pioneer certificate. This certificate entitles them to tax exemption or a concessionary tax rate of 5% or 10% for five years, with the possibility of extension based on the company's commitment to further expansion. To be eligible, applicants undergo evaluation based on both qualitative and quantitative criteria, which include the following:[40]

- Ability to create employment for Singaporeans;
- Introduction of new skills and expertise;
- The capacity for business expenditure to create economic spin-off;
- Manufacturing projects must commit to developing soft and hard infrastructure;
- Introduce new technology and know-how that can advance an industry; and
- Business activities must be new and have not been undertaken by other companies in the country.

Following the conclusion of the pioneer tax incentive period, businesses can qualify for the DEI, which awards companies shifting to activities that add more value, such as investing in projects that advance key industries like manufacturing, with a tax reduction ranging from 5% to 10%. The tax relief period is capped at a maximum of 40 years.[41]

Thailand

Thailand's new Investment Promotion Strategy 2023-2027[42] seeks to promote investments in restructuring the country's economy around three core concepts: (1) innovation, technology, and creativity; (2) competitiveness and the ability to adapt quickly; and (3) inclusiveness, taking into account environmental and social sustainability. In implementing the strategy and the vision of the new economy, investment promotion policies will revolve around seven pillars:

1. The upgrade of existing industries, in parallel with the building of new industries in which Thailand has a high potential, and an overall strengthening of the supply chain;
2. The acceleration of the industrial transition to green and smart industries through investments in automation, digital adoption, and decarbonization;
3. The promotion of Thailand as a business center and an

international trade and investment gateway to the region;
4. The strengthening of small and medium enterprises (SMEs) and startups, ensuring they are connected to the global market and supply chain;
5. The promotion of investments in the different regions of Thailand that fit the potential of each area and enable inclusive growth;
6. The promotion of investments that will promote community and society development; and
7. The promotion of Thailand's overseas investment to expand business opportunities for Thai companies.

According to Narit Therdsteerasukdi,[43] the Secretary General of the Thailand BOI, the agency will expand its role from being a mere "Promoter" offering tax and non-tax benefits to transforming into an "Integrator" of investment support tools, a "Facilitator" providing services, and a "Connector" linking industries to generate more business opportunities. The Thailand BOI[44] seeks to encourage domestic and foreign investment in industries deemed essential to Thailand's long-term development and competitiveness.

The following new incentives took effect in January 2023:[45]

- Investor retention and expansion program: This initiative offers tax exemptions to incentivize long-standing investors in Thailand. Companies that have received investment benefits for a minimum of three projects over the last 15 years, with a combined investment value of at least THB10 billion (USD265 million) and are seeking approval for a new project or expansion project worth THB500 million or more, are eligible for special incentives. These include a CIT exemption for up to three years or a 50% CIT reduction for up to five years, depending on the type of activity.
- Relocation program: A relocation program offering CIT exemptions will be available to companies moving their operations to Thailand, including regional headquarters, research and development centers, and manufacturing facilities. However, the CIT exemption will only apply to revenue from relocated manufacturing activities.
- New promoted industry categories: Industries will be considered "promoted industry sectors" eligible for BOI's investment promotion policies covering tax, land, and hiring incentives. Environmentally sustainable industries will be the focus, which include the manufacturing of hydrogen vehicles, installation of electric vehicle battery swapping stations, novel food, organic food, hydrogen production, and power and steam generation from hydrogen.
- Premium incentives for advanced technology: The incentive offers premium incentives to "A+1" investments in innovation and technology, such as biotech, nanotech, and advanced materials. Qualified projects can receive CIT exemptions without a cap for up to 10 to 13 years, depending on the activity.
- New special investment zones: Four regions covering 16 provinces will be designated as special investment zones, which will benefit from various incentives.
- Ease of doing business: The Sub-Committee on the Resolution of Obstacles and Facilitation of Investment will be established to improve the ease of doing business in Thailand by addressing pain points raised by investors.

Thailand has also pushed for incentives to encourage investments in semiconductor manufacturing and other related industries to enhance its electronics supply chain. In 2021, to stimulate competitiveness and technology upgrades in advanced manufacturing sectors, especially electronics, the BOI[46] approved increasing the benefits to companies investing in research and development (R&D). Firms spending not less than 1% of their total sales for the first three years in R&D, or not less than THB 200 million, will receive an additional CIT exemption for up to five years with no ceiling, the number of additional years depending on the amount of R&D investment. For companies adding R&D investment to the main operation, the longest combined tax exemption period available is 13 years.

Vietnam

According to the United Nations Industrial Development Organization (UNIDO), multinational enterprises (MNEs) identified economic and political stability and low labor cost as the primary pull factors to invest in Vietnam. Vietnam has become an export powerhouse due to its ability to attract large FDIs in manufacturing.[47]

Vietnam has developed incentives for foreign investors and economic zones to attract and facilitate foreign investment. The government has established a framework of incentives, including lower CIT rates, exemption of some import tariffs, and favorable land rental rates across the following sectors: advanced technology; research and development; new materials; energy; clean energy; renewable energy; energy-saving products; automobiles; software; waste treatment and management; and primary or vocational education.[48]

The Vietnamese government offers incentives to retain the appeal to international investors and continuously strengthen its offerings. The incentives introduced are as follows:[49]

- *Corporate Income Tax (CIT)*: CITs are granted to foreign and local investors.
    - Preferential tax rates
        - 10% for the lifetime of the entire project
        - 10% for 15 years from the first year of income generation
        - 17% for the lifetime of the entire project
        - 17% for 10 years from the first year of income generation
    - Tax holiday rates
        - Tax exemption for 4 years, 50% reduction of payable tax amounts for 9 subsequent years
        - Tax exemption for 4 years, 50% reduction of payable tax amounts for 5 subsequent years
        - Tax exemption for 2 years, 50% reduction of payable tax amount for 4 subsequent years.
- *Import Duties/Tax*: Exemption of import duties or tax on goods imported as fixed assets and exemption of import duties on raw materials, supplies, and parts used for manufacturing purposes.
- *Land rent and levies*: Exemption, reduction of land rents, and land levy.
- *Accelerated depreciation, increasing the deductible expenses upon calculation of taxable income*: Depreciation in the direction of accelerating capital recovery in the first years of using fixed assets.

Furthermore, the government has embraced the term “Supporting Industry” (SI) to cover all sectors involved in manufacturing materials, accessories, components, and spare parts used to assemble finished goods. These industries are qualified for the following incentives:

- *CIT incentives*: Exemption for the first four years, 50% reduction for the subsequent nine years, and preferential tax rate of 10% for 15 years.
- *Import duties*: Exemption of import tax for imported machines and equipment to form fixed assets.
- *Value-added tax (VAT)*: Income from SI may be declared every quarter. If a company generates income from both supporting industrial products and from other business activities, it shall declare VAT every quarter or may declare VAT every month and notify its managing tax authorities.
- *Land rental fee*: Investment projects of manufacturing in the SI field are exempt from land rent for seven years. Investment projects in craft villages and projects on technical infrastructure in the SI zone will be eligible for exemption for 11 years.

The government has also developed different foreign trade zones (FTZs) over the last decade. Industrial zones (IZs) are areas dedicated to industrial activities, while export processing zones (EPZs) are focused on export-oriented production and activities. Currently, Vietnam has more than 350 IZs and EPZs. Foreign investors claim that it is easier to implement projects in these areas because they do not have to be involved in site clearance and infrastructure construction. Companies operating in these economic zones can take advantage of specific tax incentives unavailable elsewhere in Vietnam. These zones often focus on specific industries, such as high-tech manufacturing, aligning with Vietnam’s economic development goals. The emphasis on foreign incentives and economic zones underscored Vietnam’s commitment to creating a conducive investment climate as it pursues economic growth and integrates into the global market.[50]
Table 3 shows a comparison of incentives in the Philippines, Singapore, Thailand, and Vietnam.

Comparison of Incentives: Philippines, Singapore, Thailand, Vietnam

Table 3

Incentives	Philippines[51]	Singapore[52]	Thailand[53]	Vietnam[54]
Income Tax Holiday	✔ 4-7 years depending on location and industry priorities (Sec. 296, CREATE Act)	✔ 5-15 years (pioneer)	✔ Up to 13 years	✔ 2-4 years
Corporate Income Tax Rate[55]	25% (20% - for domestic corporations with total assets not exceeding PHP100 million and total net taxable income not exceeding PHP5 million)	17%	20%	20%
Preferential GIE	Repealed by the CREATE Act			
Reduction of CIT	✔ For export enterprises ONLY (Sec. 294(B)), the equivalent of 5% of gross income earned in lieu of all national and local taxes, may be availed for ten years after ITH availment (Sec. 296(A)); Cannot be availed of with Enhanced Deductions (Sec. 295(B))	✔	✔	✔
R&D Deduction	✔ 100% additional deduction (Sec. 294(C)(3))	✔	✔	✔
Labor and Training Deduction	✔ 100% additional deduction (Sec. 294(C)(4))		✔	✔ Additional tax reductions may be available for engaging in manufacturing, construction, and transportation activities that employ several female staff and/ or ethnic minorities. CIT reduction must correspond with the actual payment for those employees
Accelerated Depreciation	✔ Additional 10% for buildings, additional 20% for machineries and equipment (Sec. 294(C)(1))	✔	✔	✔
Capital Equipment	✔ Duty exemption on importation (Sec. 294(D))	✔	✔	✔[56]
Raw Materials, Spare Parts, and Supplies	✔ Duty exemption on importation (Sec. 294(D))	✔	✔	✔[57]
Carry Forward of Losses	✔ Net operating loss during the first three years from the start of commercial activity may be carried over as a deduction within the next five consecutive taxable years (Sec. 294(C)(8))	✔		✔[58]
Reinvestment / Expansion / ITA	✔ For manufacturing RBEs; a maximum of 50% deduction within a period of 5 years from reinvestment (Sec. 294(C)(7))	✔	✔	✔[59]
Other Incentives	✔ 60% additional deduction on domestic input expense (Sec. 294(C)(5) 50% additional deduction on power expense (Sec. 294(C)(6) VAT exemption on importation and VAT zero-rating on local purchases (Sec. 294(E))	✔	✔	
Flexible Incentives	President may modify the mix, period, or manner of availment of incentives or craft the appropriate financial support package for a highly desirable project or a specific industrial activity, subject to conditions, ITH limited to 8 years only, SCIT thereafter, but total period not to exceed 40 years (Sec. 301)			Special investment incentives applicable for qualified R&D and large investment projects Exemption or reduction from on land and water rental fees

Source: Philippine Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, Thailand Board of Investment, PwC, Deloitte

World Competitiveness Ranking:
Philippines, Singapore, Thailand, Vietnam
(2022 – 2023)

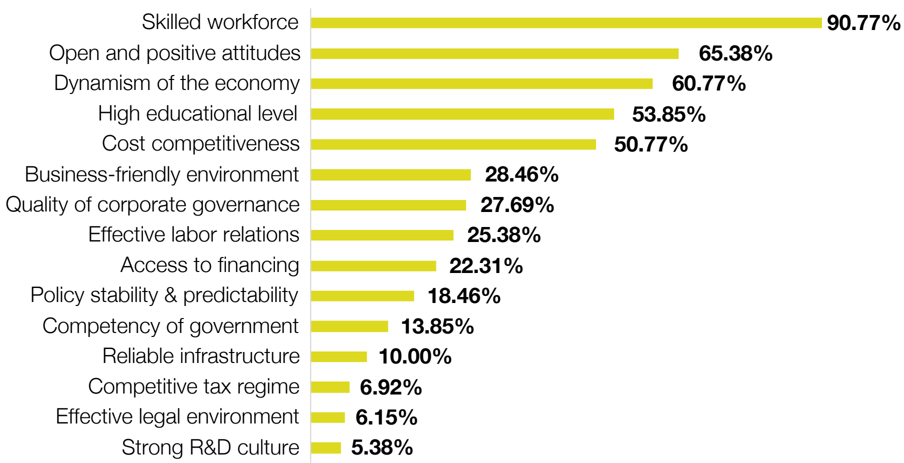
Table 4

Country	2023	2022	Ranking Change	
Singapore	4	3	-1	↓
Thailand	30	33	+3	↑
Philippines	52	48	-4	↓
Vietnam	-	-	-	-

Source:International Institute for Management Development (2023)

Key Attractiveness Indicators of the Philippines
(2023)

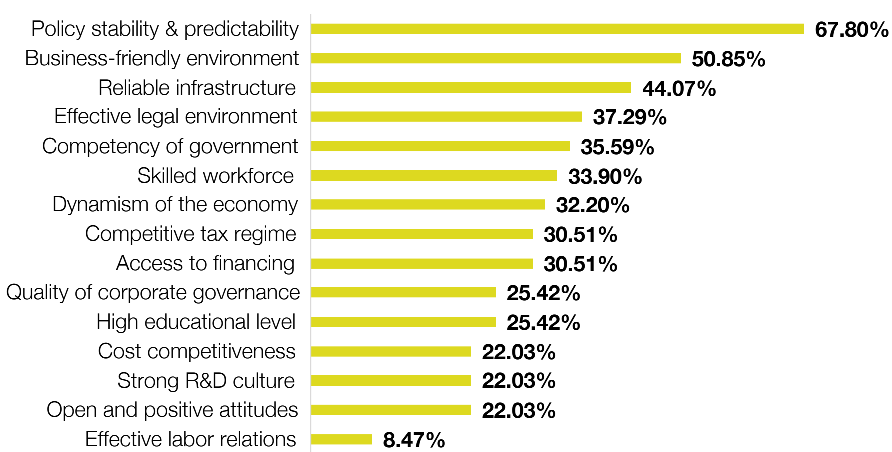
Figure 6



Source: International Institute for Management Development (2023)

Key Attractiveness Indicators of Singapore
(2023)

Figure 7



Source: International Institute for Management Development (2023)

Global Ranking

Global rankings are a defining feature in assessing the economic competitiveness of countries. These rankings, designed to assess and compare the performance of countries across various indicators, have gained prominence due to the increasing interconnectedness of global markets and the need for investors, policymakers, and the public to make informed decisions. Often, these lists offer a consolidated view of a country's strengths and weaknesses, providing valuable insights for businesses, governments, and stakeholders alike, allowing countries, as well, to use these as more than a tool for keeping tabs but also as a road map for improvement.

World Competitiveness Ranking

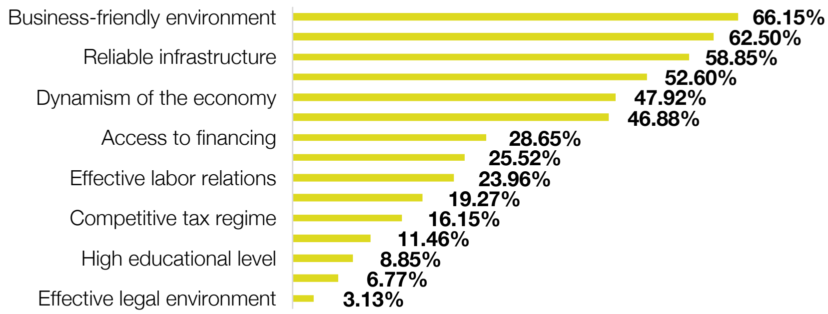
The 2023 World Competitiveness Ranking by the International Institute for Management Development (IMD) revealed that Singapore fell one rank to place 4th, trailing behind Denmark, Ireland, and Switzerland in the annual report. Still, it is the most competitive in Asia. Meanwhile, Thailand's competitiveness ranking increased by three points from the previous year, and the Philippines fell to the 52nd rank out of the 64 countries from 48th in the previous year (Table 4). Vietnam has not been included in the ranking for the past five years.[60]

International business executives identified key factors that make competitive economies attractive. The Philippines was recognized for its skilled workforce, characterized by open and positive attitudes and high education levels, along with the dynamism of its economy (Figure

Key Attractiveness Indicators of Thailand

(2023)

Figure 8

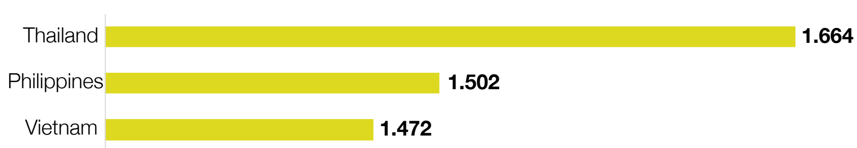


Source: International Institute for Management Development (2023)

Most Attractive Emerging Markets: Philippines, Thailand, Vietnam

(2023)

Figure 9

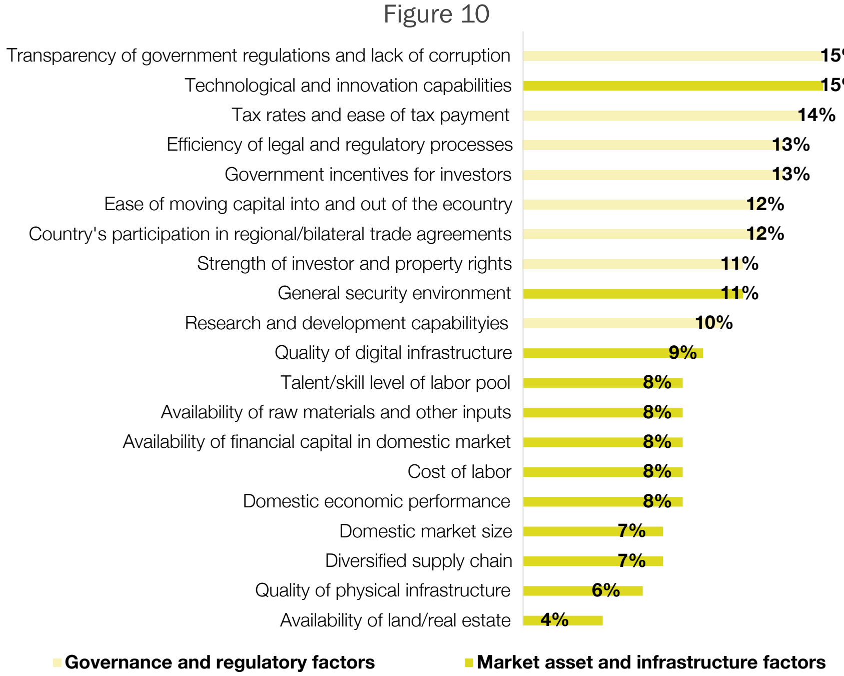


Source: Kearney (2023)

Most Important Overall Factors for Companies When Choosing Where to Make FDI

(2023)

Figure 10



Source: Kearney (2023)

6), making the country attractive to executives.[61] On the other hand, Singapore's attractiveness to investments is mainly due to its policy stability and predictability, business-friendly environment, and reliable infrastructure (Figure 7). Likewise, Thailand was acknowledged for its business-friendly environment, reliable infrastructure, and cost competitiveness (Figure 8).[62] These findings indicate that the policy environment and infrastructure are critical factors investors consider when making investment decisions.

The report noted that the most competitive economies have robust and efficient institutions and an effective government, which helps build resilient economies amid geopolitical tensions by adopting policies based on current economic conditions. With strong systems in place, competitive economies can generate more investments and enhance their citizens' quality of life.

FDI Confidence Index

The Kearney FDI Confidence Index[63] in 2023 identified the most attractive emerging markets for investors in the present and the next three years, especially with Thailand securing the 5th position, obtaining a score of 1.664 (Figure 9). The Philippines and Vietnam were positioned at 12th and 13th, respectively. As more investors seek to diversify their supply chain investments for greater resilience, these three countries emerge as promising destinations for investments. On the other hand, Singapore ranked 9th among the developed markets, experiencing the most pronounced increase in rankings, rising from 18th due to its higher-than-expected growth in 2022. Moreover, investors were optimistic about improvements in the country's tech exports, which seem poised to rise with the rebounding external demand.

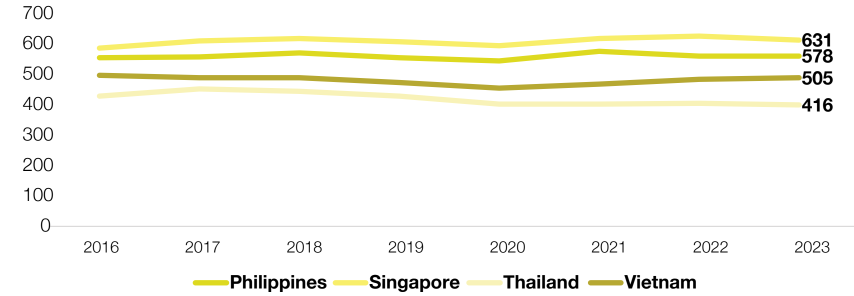
Investors' top concern in considering where to make their foreign investments is mainly related to governance and regulatory issues (Figure 10). Transparency and accountability in government systems, technological capabilities, and tax rates remain investors' priorities when making investment decisions. With an open and transparent government, investors gain confidence when making financial transactions. They are assured of a stable political environment with a lower risk of sudden policy changes, government instability, or political unrest. Investors also cited political instability and a country's regulatory environment as their top concerns when investing in emerging markets such as the Philippines. Thus, a favorable and predictable regulatory environment is attractive to investors as it provides a sense of certainty for their investments.

English Proficiency Index

Based on the English Proficiency Index[64] of EF Education First, Singapore is among the top countries with a population with a "Very High Proficiency" in English language skills among adults who took the EF Standard English Test. The Philippines has also consistently outperformed Thailand and Vietnam (Figure 11). In the 2023 Index, Singapore ranked 2nd among 113 countries with a score of 631, followed by the Philippines at 20th with a score of 578, categorized as among the countries with "High Proficiency." Meanwhile, Vietnam ranked 58th with a score of 505 ("Moderate Proficiency"), and Thailand held the 101st

English Proficiency Index Scores: Philippines, Singapore, Thailand, Vietnam
(2016 – 2023)

Figure 11



Source: EF Education First (2023)

2020 Ease of Doing Business Indicator Ranking: Philippines, Singapore, Thailand, Vietnam

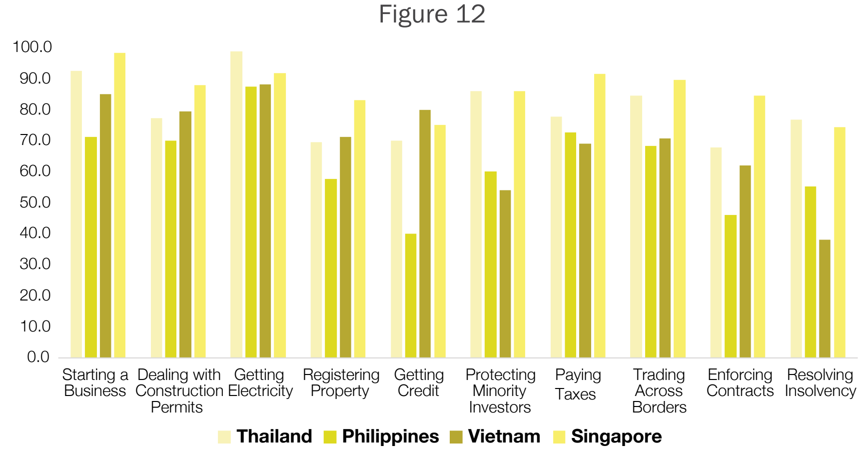
Table 5

Indicator	Singapore	Thailand	Vietnam	Philippines
EODB Rank	**2**	**21**	**70**	**95**
Starting a business	4	7	14	22
Dealing with construction permits	5	8	5	13
Getting electricity	19	3	7	9
Registering property	21	10	9	15
Getting credit	37	9	2	21
Protecting minority investors	3	2	11	9
Paying taxes	7	6	18	13
Trading across borders	47	6	12	14
Enforcing contracts	1	6	8	18
Resolving inefficiency	27	2	13	9

Source: World Bank (2020)

2020 Ease of Doing Business Scores: Philippines, Singapore, Thailand, Vietnam

Figure 12



Source: The World Bank (2020)

rank with a score of 416 ("Very Low Proficiency"). The global average score in the 2023 Index was 493.

Ease of Doing Business Index

The latest Doing Business[65] report of the World Bank in 2020 revealed that Singapore ranked 2nd, Thailand 21st, Vietnam 70th, and the Philippines 95th in terms of ease of doing business (Table 5).

Singapore, obtaining a score of 86.2 out of 100 – trailing behind New Zealand – performed well across most indicators (Figure 12), especially in enforcing contracts, wherein it ranked first among other countries. It also fared among the top 10 in terms of starting a business, dealing with construction permits, protecting minority investors, and paying taxes. Notably, Singapore only takes 10 hours to complete export border requirementsfor maritime transport.

Given its business environment, the Philippines has performed well in providing reliable electricity for businesses, indicating positive developments in infrastructure. However, the Philippines has yet to improve in certain areas. The process of facilitating businesses in setting up operations in the country is one such area, suggesting potential bureaucratic challenges that might hinder the ease of doing business. The accessibility of credit for businesses is another possible growth area for enabling entrepreneurial growth and the proper enforcement of contracts.

Thailand excels in areas such as the ease of setting up a business, getting electricity, obtaining construction permits, accessing credit, protecting minority investors, paying taxes, facilitating international trade, enforcing contracts, and handling insolvency cases. These reflect a supportive business environment in Thailand, even as it still faces a challenge in property registration. Meanwhile, Vietnam achieved high ranks in assisting businesses to access credit, register properties, get electricity, and acquire construction permits. On the other hand, Vietnam ranked low in tax payments, suggesting that their tax administration and payment processes have yet to be improved.

Logistics Performance Index

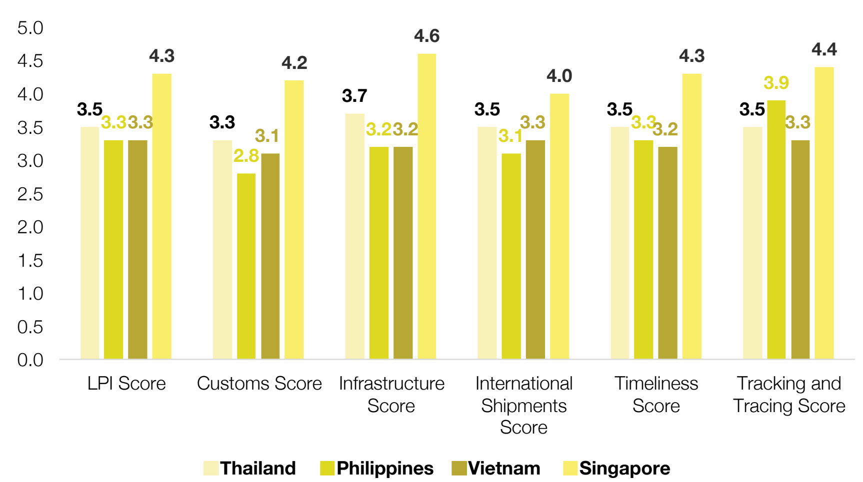
The World Bank's 2023 Logistics Performance Index[66] (LPI) provides insights into the logistics capabilities of countries worldwide, including the Philippines, Singapore, Thailand, and Vietnam. The LPI scores consider a country's trade- and transport-related infrastructure, customs and border management, logistics services quality, timeliness of shipments, ability to track and trace, and the availability of competitively priced international shipments. Singapore secured the top spot among 139 countries, securing the highest LPI score of 4.3. Thailand scored 3.5, ranking 34th, while the Philippines and Vietnam ranked 43rd, with LPI scores of 3.3 (Figure 13).

Singapore ranked first in customs, infrastructure, logistics competence and equality, timeliness, and tracking and tracing and second in international shipments. Singapore's dominance in these indicators underscores its strategic advantage as a global logistics hub. As Singapore continues to lead in global logistics, it sets a benchmark for other countries striving to enhance their logistical capabilities and improve trade facilitation measures.

Thailand consistently outperformed the other two in all six factors, while the Philippines and Vietnam showed varying strengths and weaknesses in customs, infrastructure, international shipments, timeliness, and tracking and tracing. The Philippines' performance in 2023 declined from its score in 2018, yet it demonstrated strong performance

2023 Logistics Performance Index Scores: Philippines, Singapore, Thailand, Vietnam

Figure 13



Source: The World Bank (2023)

in timeliness and tracking and tracing capabilities. Thailand maintained its 2018 LPI score and excelled in infrastructure. Vietnam had an unchanged LPI score from 2018 and did well in infrastructure, international shipments, and tracking and tracing.

The decline in the Philippines' LPI score can be attributed to several potential reasons. Geopolitical tensions and sudden disruptions caused by the pandemic likely played a significant role. The quality of the country's infrastructure may also be struggling to keep pace with the growth in demand, especially with traffic congestion in urban areas leading to delays. Despite trade reforms, inefficiencies persist in customs and border procedures, highlighting the need for digitization. Policy uncertainty and governance issues might also influence private sector planning and investment.

Index of Economic Freedom

The Heritage Foundation's Index of Economic Freedom[67] measures the impact of liberty and free markets globally, evaluating economic freedom based on four broad pillars: rule of law, government size, regulatory efficiency, and open markets. Economic freedom is linked to healthier societies, cleaner environments, greater per capita wealth, human development, democracy, and poverty reduction.

In comparing the economic freedom of the Philippines, Singapore, Thailand, and Vietnam in the 2023 Index, distinct patterns and challenges emerge (Table 6). The Philippines grapples with institutional shortcomings, Thailand faces political instability, and Vietnam confronts regulatory inefficiencies. Despite being the top performer, Singapore experiences restrictions on certain civil liberties.

Singapore's economy ranked as the world's freest in 2023, as its overall score of 83.9 remains significantly higher than the world and regional averages. Singapore's economic freedom is grounded on its strong protection of property rights and effective enforcement of anti-corruption laws. Competitive tax rates, a transparent regulatory environment, and an openness to global commerce enhance productivity and facilitate a dynamic and competitive financial sector.[68]

The Philippines[69] ranked as the 89th freest country in the world, holding an economic freedom score of 59.3, a 1.8-point decrease from the previous year. The overall rule of law is weak, with judicial effectiveness and government integrity scores below the world average. While the business regulatory environment has improved, the labor market remains structurally rigid. FDI is generally welcome, with equal treatment for domestic and foreign investors under the investment code. The financial sector is stable, but capital markets are underdeveloped. The Philippine economy has been expanding, with the government pursuing reforms to enhance the business environment. However, overall progress has been gradual, institutional challenges remain, and corruption continues, undermining long-term development.

Meanwhile, Thailand[70] holds an economic freedom score of 60.6 – higher than the world average – ranking 80th in the 2023 Index. The overall rule of law is also weak, with scores in property rights, judicial effectiveness, and government integrity below the world average. However, starting a business is streamlined, with no minimum capital requirement. FDI is officially welcome, but investment frameworks lack efficiency and transparency. The financial system is relatively well-developed and dynamic. Challenges persist in boosting investor confidence, advancing institutional reforms, and addressing issues

2023 Index of Economic Freedom Scores: Philippines, Singapore, Thailand, Vietnam

Table 6

Indicator	Philippines	Singapore	Thailand	Vietnam
Overall Score	**59.3**	**83.9**	**60.6**	**61.8**
World Rank	89	1	80	72
Rule of Law				
Property Rights	46.4 (↓)	94.0 (↓)	44.2 (-)	48.7 (↓)
Judicial Effectiveness	25.8 (↑)	58.3 (-)	35.1 (↓)	35.1 (↑)
Government Integrity	34.4 (↓)	91.2 (↓)	37.7 (↓)	36.4 (↑)
Government Size				
Tax Burden	78.3 (↑)	90.6 (↑)	81.0 (↓)	78.6 (↓)
Government Spending	81.3 (↓)	89.0 (↓)	81.5 (↓)	86.5 (↑)
Fiscal Health	59.4 (↓)	78.0 (↓)	65.2 (↓)	88.7 (↑)
Regulatory Efficiency				
Business Freedom	66.1 (↑)	86.9 (↑)	66.6 (↑)	73.4 (↓)
Labor Freedom	57.5 (↓)	77.3 (↑)	56.6 (↓)	54.1 (↑)
Monetary Freedom	68.3 (↓)	81.9 (↓)	73.4 (↓)	70.5 (↑)
Open Markets				
Trade Freedom	74.4 (↑)	95.0 (-)	70.8 (↓)	79.4 (↑)
Investment Freedom	60.0 (-)	85.0 (-)	55.0 (-)	40.0 (-)
Financial Freedom	60.0 (-)	80.0 (-)	60.0 (-)	50.0 (-)

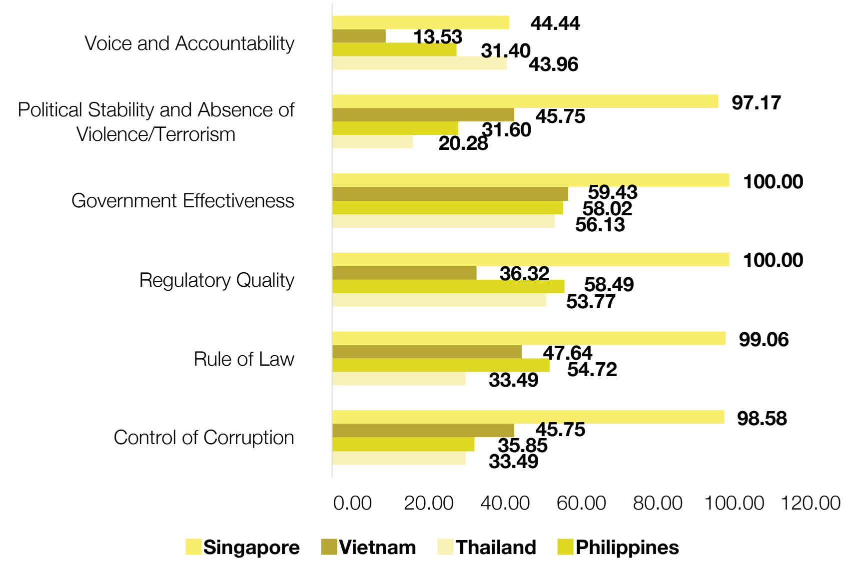
Source: The Heritage Foundation (2023)

of political instability that affect the investment climate and economic potential. The judicial system's inefficiency, susceptibility to political interference, and corruption remain concerns. Nonetheless, Thailand's free-market economy benefits from well-developed infrastructure.

Vietnam's[71] economic freedom score of 61.8 is above the world average and 1.2 points higher than the previous year's. The overall rule of law is weak, with scores in property rights, judicial effectiveness, and government integrity below the world average. Despite reform efforts, the regulatory framework is inefficient, starting a business is costly even with no minimum capital requirement, and the labor market remains rigid and controlled. Non-tariff barriers prevent gains from trade. Despite some progress, the overall investment regime lacks efficiency. The financial sector continues to evolve, but directed lending by state-owned commercial banks has been scaled back. The economy is shifting toward a more market-oriented approach, with reforms such as partial privatization of state-owned enterprises, trade regime liberalization, and increased recognition of private property rights. However, institutional shortcomings hinder sustained long-term development.

2022 Worldwide Governance Indicators:
Philippines, Singapore, Thailand, Vietnam

Figure 14



Source: The World Bank (2022)

2023 Rule of Law Index Scores:
Philippines, Singapore, Thailand, Vietnam

Table 7

Factors	Philippines	Singapore	Thailand	Vietnam
Overall Score	**0.46 (↓)**	**0.78 (↓)**	**0.49 (↓)**	**0.49 (↓)**
Constraints on Government Powers	0.47	0.67	0.45	0.45
Absence of Corruption	0.43	0.91	0.45	0.42
Open Government	0.47	0.61	0.48	0.45
Fundamental Rights	0.40	0.67	0.46	0.45
Order and Security	0.67	0.93	0.74	0.78
Regulatory Enforcement	0.47	0.86	0.44	0.44
Civil Justice	0.45	0.79	0.49	0.45
Criminal Justice	0.31	0.77	0.41	0.46

Note: The scores represent the country's adherence to the rule of law, where 0 means weaker while 1 means stronger

Source: World Justice Project (2023)

Worldwide Governance Indicators

Based on the 2022 Worldwide Governance Indicators of the World Bank, Singapore stood out as the best performer across all indicators. Notably, the only indicator where the Philippines ranks higher than Thailand and Vietnam is Voice and Accountability (Figure 14). Thailand and Vietnam are perceived to be more politically stable and exhibit better control over corruption within their institutions, consistently adhering to the rule of law. Both their governments are also considered more effective than that of the Philippines. Examining historical data, the Philippines held a higher rank than Thailand and Vietnam in Government Effectiveness in 2012, but this declined over time and became more pronounced in 2017. Meanwhile, Vietnam has demonstrated improvements in this indicator.[72]

Rule of Law Index

The World Justice Project's Rule of Law Index presents how the rule of law is experienced and perceived in each country based on governance, human rights, and justice factors. In 2023, the scores for the Philippines, Singapore, Thailand, and Vietnam declined. Thailand and Vietnam scored 0.49, while the Philippines lagged slightly behind by 0.3 points. Singapore obtained a score of 0.78 (Table 7).

Despite their decline, the comparative analysis revealed each country's strengths and weaknesses in their adherence to the rule of law. The Philippines[73] performed better in constraining government powers, practicing open governance, and enforcing regulations, which suggests the country's commitment to transparent and accountable practices. On the other hand, Thailand[74] and Vietnam[75] performed well in aspects such as the absence of corruption, respecting fundamental human rights, ensuring order and security, implementing civil justice, and carrying out criminal justice. Thailand's and Vietnam's strengths in handling corruption signify that their systems combat corrupt practices within their jurisdictions. While the Philippines demonstrated its strengths in certain areas, the lower overall score suggests a need for improvement.

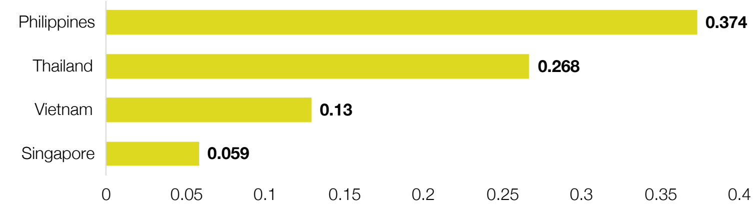
FDI Regulatory Restrictiveness Index

Based on the latest FDI Regulatory Restrictiveness Index[76] of the Organisation for Economic Co-operation and Development (OECD), in 2020, the Philippines was ranked as the third most restrictive out of 83 economies, with a score of 0.374 (Figure 15), just behind Palestine (0.388) and Libya (0.713). Most FDI restrictions in the Philippines in the 2020 index were found in the primary sector (i.e., involved in extracting natural resources), telecommunications, media, business services, and transport. Thailand was found to be the 5th most restrictive economy, obtaining a score of 0.268. Meanwhile, Vietnam ranked 24th, with a score of 0.130, and Singapore took the 44th position, receiving a score of 0.059. Notably, the global average stood at 0.063.

This index, which uses a scale of 0 (open) to 1 (closed), measures the restrictiveness of a country's FDI rules regarding foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel, and operational restrictions. It is important to note that a series of laws easing foreign ownership restrictions in the Philippines were passed between late 2021 and 2022.

2020 FDI Regulatory Restrictiveness Scores: Philippines, Singapore, Thailand, Vietnam

Figure 15

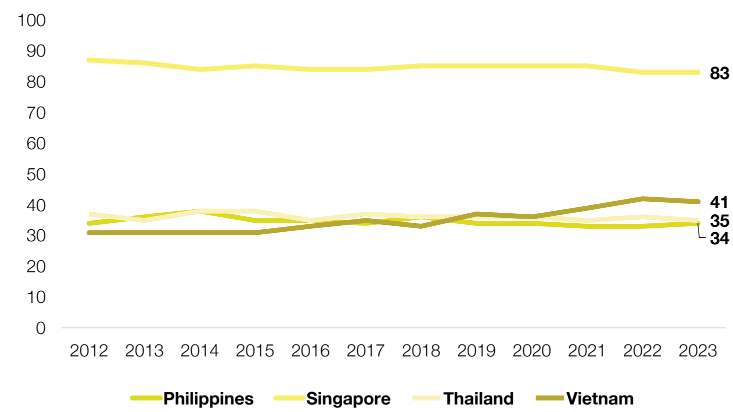


Note: A score of 0 means open, while 1 means closed

Source: Organisation for Economic Co-operation and Development (2024)

Corruption Perceptions Index Scores: Philippines, Singapore, Thailand, Vietnam (2012 – 2022)

Figure 16



Note: A country's score is the perceived level of public sector corruption on a scale of 0-100, where 0 means highly corrupt and 100 means very clean

Source: Transparency International (2023)

Corruption Perceptions Index

The Corruption Perceptions Index[77] of Transparency International in 2023 revealed varying perceptions of corruption in the public sectors of the Philippines, Singapore, Thailand, and Vietnam. The Philippines received the lowest score of 33 among the four countries, indicating a higher perception of corruption. Meanwhile, Thailand and Vietnam obtained scores of 36 and 42, respectively, while Singapore scored 83, placing it in 5th position (Figure 16). Corruption and extortion increase the cost of doing business.

Top Performers in Indicators

Table 8

Indicator	1	2	3	4
World Competitiveness Ranking (2023)	**SG**	**TH**	**PH**	-
FDI Confidence Index (2022) (Emerging Markets)	**TH**	**PH**	**VN**	-
English Proficiency Index (2023)	**SG**	**PH**	**VN**	**TH**
Ease of Doing Business Index (2020)	**SG**	**TH**	**VN**	**PH**
Starting a Business	SG	TH	VN	PH
Dealing with Construction Permits	SG, VN		TH	PH
Getting Electricity	TH	VN	PH	SG
Registering Property	VN	TH	PH	SG
Getting Credit	VN	TH	PH	SG
Protecting Minority Investors	TH	SG	PH	VN
Paying Taxes	TH	SG	PH	VN
Trading Across Borders	TH	VN	PH	SG
Enforcing Contracts	SG	TH	VN	PH
Resolving Inefficiency	TH	PH	VN	SG
Logistics Performance Index (2023)	**SG**	**TH**	**PH, VN**	
Customs	SG	TH	VN	PH
Infrastructure	SG	TH	PH, VN	
International Shipments	SG	TH	VN	PH
Timeliness	SG	TH	PH	VN
Tracking and Tracing	SG	PH	TH	VN
Index of Economic Freedom (2023)	**SG**	**VN**	**TH**	PH
Property Rights	SG	VN	PH	TH
Judicial Effectiveness	SG	TH, VN		PH
Government Integrity	SG	TH	VN	PH
Tax Burden	SG	TH	VN	PH
Government Spending	SG	VN	TH	PH
Fiscal Health	VN	SG	TH	PH
Business Freedom	SG	VN	TH	PH
Labor Freedom	SG	PH	TH	VN
Monetary Freedom	SG	TH	VN	PH
Trade Freedom	SG	VN	PH	TH
Investment Freedom	SG	PH	TH	VN
Financial Freedom	SG	PH, TH		VN
Worldwide Governance Indicators (2022)				
Voice and Accountability	SG	PH	TH	VN
Political Stability and Absence of Violence/Terrorism	SG	VN	TH	PH
Government Effectiveness	SG	VN	TH	PH
Regulatory Quality	SG	TH	PH	VN
Rule of Law	SG	TH	VN	PH
Control of Corruption	SG	VN	TH	PH
Rule of Law Index (2023)	**SG**	**VN, TH**		**PH**
Constraints on Government Powers	SG	PH	TH, VN	
Absence of Corruption	SG	TH	PH	VN
Open Government	SG	TH	PH	VN
Fundamental Rights	SG	TH	VN	PH
Order and Security	SG	VN	TH	PH
Regulatory Enforcement	SG	PH	TH, VN	
Civil Justice	SG	TH	PH, VN	
Criminal Justice	SG	VN	TH	PH
FDI Regulatory Restrictiveness (2020) (Less Restrictive Economies)	**SG**	**VN**	**TH**	**PH**
Corruption Perceptions Index (2023)	**SG**	**VN**	**TH**	**PH**

Analysis

Generally speaking, investors prioritize their financial interests to secure optimal investment returns. Corollary to this, their primary commitment lies in maximizing profitability and minimizing risks. For this reason, they adapt their strategies based on evolving economic scenarios and emerging opportunities in various regions.

We are seeing an epoch in history where investment patterns in the region are shifting and pointing towards diversification and expansion. In the past, the Philippines was often unnoticed and overlooked as a viable investment destination. While government leaders concede that the Philippines has missed many chances in the past, they now profess seriousness to prime the country and pounce on looming opportunities.

The government's approach to increasing the country's attractiveness as an investment destination appears skewed towards amending restrictive economic provisions of the 1987 Constitution. In particular, relaxing foreign ownership rules enshrined in the charter is seen as a necessary step towards stronger economic liberalization. The oft-cited rationale for this is the greater prospect of FDIs making a beeline for the Philippines based on the success stories of other countries.

These stories, however, may have been told only partially or selectively. China, for instance, was a preferred investment destination among foreign investors for more than 40 years. However, foreigners are merely permitted long-term leases through land rights instead of land ownership. The argument that land ownership leads to foreign investments does not apply in this case. In China, all lands are owned by the state. Similarly, Thailand and Vietnam prohibit non-citizens from owning land. While Singapore, in principle, is open to minimal residential land ownership by foreigners, the privilege is on a case-to-case basis and subject to stringent requirements and regulations and needs the approval of state authorities. Yet, Thailand, Vietnam, and Singapore can attract FDIs more successfully than the Philippines.

Moreover, it stands to reason that investors look at a country's comparative advantage—a constellation of factors that lead to sustainable profitability—rather than rely on a model anchored on land ownership.

Data from various global rankings and indices presented above highlight varying strengths and weaknesses among the Philippines, Singapore, Thailand, and Vietnam. Table 8 summarizes the standing of the four countries covered in this study in the various indicators.

That Singapore would dominate the top spot in the indicators is almost a foregone conclusion. However, looking closely, it would appear that there are chinks in the armor of Singapore, where other countries have bested the nation-state in Ease of Doing Business sub-areas, such as in getting electricity, registering property, getting credit, trading across borders, and resolving inefficiency. Ironically, Singapore still leads the four countries in the Ease of Doing Business Index. Also, under the Index of Economic Freedom, Singapore was only second to Vietnam in fiscal health.

A glance at Table 8 shows tight competition between Thailand and Vietnam for the second spot in most indicators outside of Singapore.

In what could be the definitive indicator of the attractiveness of countries as an investment destination, the Kearney FDI Confidence Index 2023 for emerging markets ranked Thailand first and the Philippines second among the four countries. For all the countries listed as emerging markets, Thailand was ranked number 5, while the Philippines placed 12th. Vietnam is behind the Philippines at rank 13. These rankings suggest a more intense rivalry between Vietnam and the Philippines than between Thailand and Vietnam or the Philippines. Strategically, both the Philippines and Vietnam should aim to dislodge Thailand from its position.

In the dynamic panorama of Southeast Asia, the Philippines finds itself at a juncture, contending with the intricate task of enticing foreign investors compared to its regional counterparts such as Singapore, Thailand, and Vietnam. Despite abundant natural resources, a youthful workforce, and a burgeoning consumer market, the nation faces impediments in attracting international capital.

Effectively, investors' top concerns in considering where to make their foreign investments are governance and regulatory issues. In particular, transparency and accountability in government systems, technological capabilities, political instability, and tax rates remain important considerations among investors.

The following list scrutinizes the reasons behind the Philippines' struggle to captivate foreign investors on par with its neighboring nations.

1. *Bureaucratic Complexities*
Investors are confronted with a

bureaucracy that has cumbersome permit requirements, bureaucratic entanglements, and administrative delays. In contrast, Singapore, Thailand, and Vietnam have streamlined their bureaucratic mechanisms, presenting a more welcoming appeal to investors.

2. *Policy Ambiguities*
Investors look for stability and predictability, two elements lacking in the policy landscape of the Philippines.

Frequent policy changes and ambiguous regulations create an environment that lacks stability and predictability. The Philippines needs to articulate clear and consistent policies to foster a climate conducive to investment.

For instance, the rules on incentives in the Philippines are broad compared to Thailand's, which are more comprehensive and specific. When rules are general, there is much room for interpretation, leading to opportunities for extortion and corruption.

3. *Infrastructure Shortfall*
The Philippines has lagged in infrastructure development compared to Singapore's world-class infrastructure, Thailand's continuous investment in transportation networks, and Vietnam's commitment to infrastructure upgrades. This gap constrains the ease of doing business, making the Philippines less enticing to foreign investors seeking efficient logistics and connectivity.

4. *Perception of Political Unrest*
The Philippines suffers from an image of political instability. Political turbulence and concerns about governance have raised concerns among potential investors. A former president's recent talk about secession does not help project a politically stable country.

5. *Skills Alignment Challenge*
A noticeable disparity exists between the skills sought by investors and those currently held by the labor force. Thus, a critical examination of the country's educational system is necessary, focusing on realignment to meet industry requirements and cultivate a skilled workforce capable of navigating the complexities of a globalized economy.

6. *Strategic Branding and Advocacy*
While the Philippines diligently promotes its tourism potential, a departure is evident compared to Singapore, Thailand, and Vietnam, which not only tout their tourist appeal but actively position themselves as premier investment destinations. The Philippines should seriously contemplate a holistic marketing strategy to assert its position as a formidable contender in the global investment arena.

Most indicators do not look rosy for the Philippines, placing either third or fourth among the four countries. However, the Philippines ranked second in some areas, suggesting better performance than Vietnam and Thailand. One of these is in English Proficiency

English is the primary language of international business and diplomacy. A high level of English proficiency enables effective communication with global partners, investors, and clients. The Philippines ranks second to Singapore in this area. Thus, the Philippines tends to attract investments in the IT-BPO sector instead of manufacturing due to its large pool of young, English-speaking workforce, which compete favorably with other countries' human resources. In particular, Filipinos' English language competency revolves around International English, which makes them the right fit for the business process outsourcing (BPO) services sector. Additionally, some BPOs employ workers who speak other foreign languages. This advantage in the services sector is not available in other ASEAN countries.

Although Singapore beats the Philippines in the English Proficiency Index, the pool of workers in Singapore is smaller and limited to specific work areas. With English being an official language of the Philippines, effective communication in the world's *de facto* business language provides an added advantage in establishing quick connections with sources of capital and technology and reaching global markets. This helps the Philippines take on an important role in global diversified supply chains. In the Philippines, English is the language of instruction and the official language used in employment contracts, business agreements, legal documents, and courts of law. With this advantage, the government has been actively promoting the growth of the IT-BPO sector in the country.

Among the four countries, Thailand ranks last in the English Proficiency Index. As no Western power ever colonized

Thailand, the country managed to keep its native language and traditional culture. While not necessarily harmful, it could be a disadvantage as their people encounter a language barrier when communicating with foreigners. Vietnam, on the other hand, was a French colony for over 80 years. Despite this, however, foreign culture and language were not heavily absorbed into the mainstream national culture. Investors also evaluate the cultural context alongside other economic and business factors when considering investment destinations. Spanish and American legacies and other Asian cultures have strongly influenced the Filipino culture. As such, people from Western countries may need relatively minor adjustments to adapt to the Philippine way of life, beginning with the mode of communication. This language advantage also explains, in part, the sustained recruitment of Filipino workers by companies that cannot relocate to the Philippines. Given the number of Filipinos working abroad, it would appear logical that they are internationally competitive and even preferred. Again, given this positive outlook for Filipino workers, the explanation for the glaring difficulty of the Philippines in attracting foreign investments into the country lies elsewhere.

Regarding ease of doing business, the Philippines ranked 95th in the 2020 index, contrasting Singapore's 2nd, Thailand's 21st, and Vietnam's 70th rankings. A similar trend is observed in economic freedom, where the Philippines scored lower than Singapore, Thailand, and Vietnam, especially in rule of law, government size, and regulatory efficiency. Additionally, in the Worldwide Governance Indicators, the Philippines trails behind in political stability, absence of violence and terrorism, government effectiveness, rule of law, and control of corruption. Apart from having a higher perception of corruption in the public sector compared to the three countries, the Philippines is also perceived as being among the countries most restrictive to FDI globally as of 2020.

While reforms have been undertaken to promote a business-friendly environment, implementation of national policies and ease of doing business practices need improvement. This explains why foreign investors choose to relocate to Singapore, Vietnam, and Thailand instead.

Other areas where the Philippines performed better than Thailand and Vietnam include the following:

- Resolving inefficiency sub-area of the Ease of Doing Business Index
- Tracking and tracing sub-area of the Logistics Performance Index
- Labor freedom sub-area of the Index of Economic Freedom
- Investment freedom sub-area of the Index of Economic Freedom
- Financial freedom sub-area of the Index of Economic Freedom (tied with Thailand)
- Voice and accountability sub-area of the Worldwide Governance Indicators
- Constraints on government power sub-area of the Rule of Law Index
- Regulatory enforcement sub-area of the Rule of Law Index

Despite the many advantages of the Philippines on different fronts, the persistent issues could all add up to the collective hindrances towards business growth in the Philippines, making it a second or third choice among the popular investment destinations in Southeast Asia.

Conclusions and Recommendations

The Philippines' vast potential still awaits full realization. The nation must address bureaucratic complexities, clarify policies, invest in infrastructure, project political stability, bridge the skills gap, and embark on robust marketing efforts to narrow the gap with its more successful neighbors. Only through a concerted effort to address these challenges can the Philippines fully harness its economic potential and become a magnet for foreign investors in the competitive Southeast Asian landscape.

To enhance the attractiveness of the Philippines as an investment destination and foster increased foreign investor engagement, the government should prioritize strategic initiatives in the following key domains:

1. *Optimization of Administrative Processes and Facilitation of Business Operations*
   The simplification of bureaucratic procedures and reduced administrative impediments are imperative for enhancing ease of business in the Philippines. Implementing streamlined online systems, processing of permit applications in an expeditious manner and facilitating swift approval processes will cultivate a more conducive and efficient business environment, thereby incentivizing heightened interest from foreign investors.

   Policymakers in government need to address these bottlenecks to make it easier for foreign investors to relocate to the

Philippines based on a sustainable, longer-term plan. This should enable the government to favorably position the Philippines from the vantage point of strength on the matter of securing more foreign investments that can be retained over extended periods.

2. *Adoption of Investment-Friendly Policies and Incentives*
The government should formulate and execute policies and incentives tailored to attract foreign capital. These include tax exemptions, financial inducements, and other favorable conditions. Consistency in policy frameworks and transparent communication regarding incentives will engender investor confidence, fostering enduring commitments.

3. *Strategic Infrastructure Development*
Prioritizing infrastructure development is of paramount importance in the pursuit of foreign investor attraction. Strategic investments in transportation, energy, and digital infrastructure facilitate seamless business operations and contribute substantively to the overall economic advancement of the nation. Enhanced connectivity and sophisticated infrastructure position the Philippines as an appealing destination for international enterprises.

4. *Education and Workforce Augmentation*
Ensuring a skilled and competitive workforce is a cornerstone of enticing foreign investments. The government should invest substantially in education and vocational training programs aligned with industry requisites. Collaborative efforts with the private sector are instrumental in addressing skill gaps, engendering a workforce attuned to the demands of a globalized economy.

5. *Preservation of Political Stability and Policy Uniformity*
Upholding political stability and ensuring policy consistency are pivotal factors in cultivating investor confidence. A politically stable environment reduces uncertainty, conveying the government's unwavering commitment to fostering a conducive milieu for business. Avoiding abrupt policy shifts and assuring investors of regulatory predictability instill trust among foreign investors.

6. *Advocacy for Innovation and Technology Assimilation*
The embrace of innovation and technology assumes paramount significance in sustaining competitiveness on the global stage. The government should actively endorse research and development endeavors, facilitate the assimilation of cutting-edge technologies, and cultivate an innovative environment. Such endeavors hold the potential to attract technology-driven industries and position the Philippines as a hub for groundbreaking technologies.

7. *Adherence to Environmental and Social Responsibility*
The contemporary investor prioritizes environmental and social responsibility. The government should highlight sustainable practices, advocate for eco-friendly initiatives, and ensure social inclusivity. A demonstrable commitment to corporate social responsibility and sustainability enhances the country's image, appealing to socially conscious investors.

8. *Identification and Promotion of Key Industries*
Strategic identification and promotion of industries with robust growth potential serve as a magnet for targeted foreign investments. Comprehensive market research must be conducted to comprehend global trends that position the Philippines as competitive in renewable energy, technology, and manufacturing.

9. *Effective Marketing and Promotion*
Active marketing of the Philippines as a premier investment destination is of paramount importance. The government should orchestrate targeted promotional campaigns, participate in international trade fairs, and collaborate with industry associations to showcase the country's strengths and opportunities. Constructing a positive and compelling narrative is instrumental in capturing the attention of foreign investors.

10. *Ensuring Investor Protection and Implementing Legal Reforms*
Strengthening measures for investor protection and instituting legal reforms contribute substantively to creating a secure business environment. The elucidation of legal frameworks, safeguarding of intellectual property rights, and establishment of a fair and transparent legal system collectively

augment investor confidence, rendering the Philippines an appealing destination for businesses seeking a secure investment milieu.

By diligently addressing these priorities, the Philippine government can significantly elevate its attractiveness and competitiveness for foreign investors, stimulating economic growth and advancing sustainable development objectives.

While studying examples of prosperous countries in the realm of FDIs can provide valuable insights into effective strategies and practices that have worked for those countries, one of the dangers of subscribing to this mindset is that it opens itself to the logical flaw known as survivorship bias. This bias typically occurs when only successful cases are considered, leading to an incomplete understanding of the landscape.

It is therefore crucial to also examine the factors that led to failure, or the challenges faced by countries that were less successful in attracting foreign investors. A comprehensive analysis considering successful and unsuccessful cases provides a more balanced and realistic perspective, helping policymakers and investors make informed decisions.

In wrapping up our exploration into the investment landscapes of Singapore, Thailand, Vietnam, and the Philippines, we find nuances and intricacies within Southeast Asia. Singapore is an epitome of stability and innovation, attracting global investors with its cutting-edge infrastructure and business-friendly policies. Thailand's strategic investments in a diverse economic portfolio and infrastructure development contribute to its attractiveness. In contrast, Vietnam's rapid economic growth and pro-business reforms position it as an ascending star in the region. Amid its neighbors' success stories, the Philippines grapples with challenges, from bureaucratic complexities to infrastructure gaps, impeding its seamless integration into the global investment stage.

In acknowledging these distinctive trajectories, each nation unfolds a unique story, weaving together its strengths, weaknesses, and the dynamics that shape the investment terrain in this vibrant corner of the world.

As we traverse this comparative odyssey, the complexity of the journey toward becoming a coveted investment hub becomes apparent. Each country contends its unique challenges, but a shared opportunity exists for growth and refinement. For the Philippines, this juncture represents a crucial crossroad where targeted reforms addressing bureaucratic hurdles, policy ambiguities, and infrastructure shortfalls can sculpt a narrative that underscores its potential and propel it into the echelons of formidable players in the global investment arena. The bottom line is not simply to achieve high investment-led economic growth *per se* but to strengthen the growth equation through sustainable self-sufficiency that will, ultimately, improve the quality of life of the people over the long term.

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ALBERT DEL ROSARIO INSTITUTE
FOR STRATEGIC AND INTERNATIONAL STUDIES

SPARK

The key link to idea and action – is the on-line newsletter of ADRi (Albert Del Rosario Institute) that covers socio-political, economic and security analysis of timely issues that affect the direction of the economy and political landscape governing the Philippines.

STRATBASE ADR INSTITUTE

Stratbase ADR Institute is an independent, international and strategic research organization with the principal goal of addressing the issues affecting the Philippines and East Asia through:

1) effecting national, regional and international policy change or support;

2) fostering strategic ideas based on cooperation and innovative thinking;

3) providing a regional venue for collaboration and cooperation in dealing with critical issues in East Asia; and

4) actively participating in regional debates and global conversations.