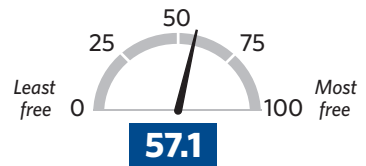


THE PHILIPPINES

Economic Freedom Score



World Rank: **107** Regional Rank: **19**

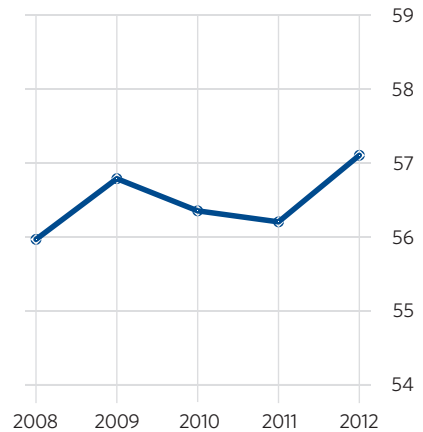
The Philippines' economic freedom score is 57.1, making its economy the 107th freest in the 2012 *Index*. Its score is 0.9 point higher than last year, with a significant improvement in business freedom. The Philippines ranks 19th out of 41 countries in the Asia-Pacific region, and its overall score is slightly below the world and regional averages.

Despite the challenging global economic environment, the Philippine economy has been on a steady path of economic expansion. The government has pursued a series of legislative reforms to enhance the entrepreneurial environment and develop a stronger private sector to generate broader-based job growth. Overall progress has been gradual, but regulatory efficiency has been notably enhanced. The economy has expanded at an average annual rate of close to 5 percent over the past five years.

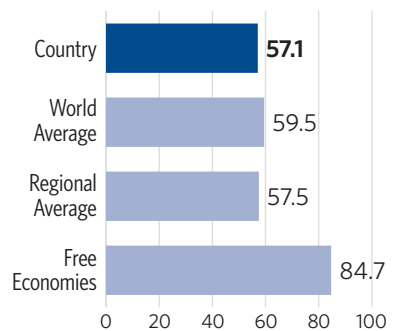
There are lingering institutional challenges that will require deeper commitment to reform. Despite some progress, corruption continues to undermine prospects for long-term economic development. The inefficient judiciary, which remains susceptible to political interference, does not provide effective protection for property rights or strong and transparent enforcement of the law.

BACKGROUND: The Philippines' diverse population, which speaks more than 80 languages and dialects, is spread over 7,000 islands in the Western Pacific Ocean. The country returned to democracy in 1986 after two decades of autocratic rule. President Benigno Aquino III took office in 2010 with a mandate to address pervasive government corruption. Although the previous government's failure to do anything substantial to liberalize the economy set back efforts to attract much-needed foreign investment in basic industries and infrastructure, and also saw the Philippines continue its long slide from being one of Asia's richest economies to being one of its poorest, economic growth has accelerated. The economy relies heavily on emigrants' remittances, which are equivalent to more than 10 percent of GDP.

Freedom Trend



Country Comparisons



Quick Facts

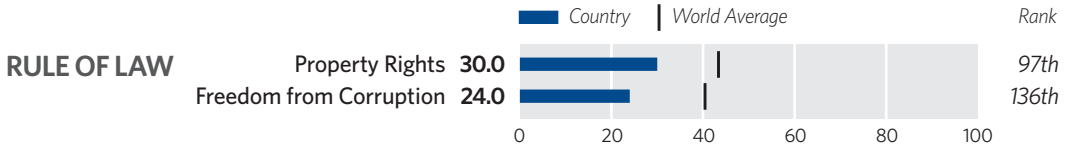
- Population:** 94.0 million
- GDP (PPP):** \$351.4 billion
- 7.3% growth in 2010
- 5-year compound annual growth 4.9%
- \$3,737 per capita
- Unemployment:** 7.3%
- Inflation (CPI):** 3.8%
- FDI Inflow:** \$1.7 billion
- Public Debt:** 44.7% of GDP

How Do We Measure Economic Freedom?

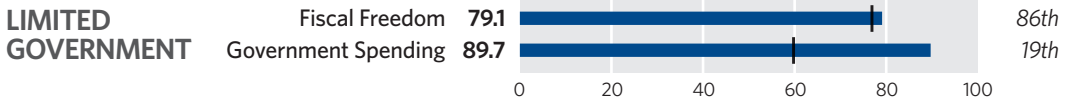
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

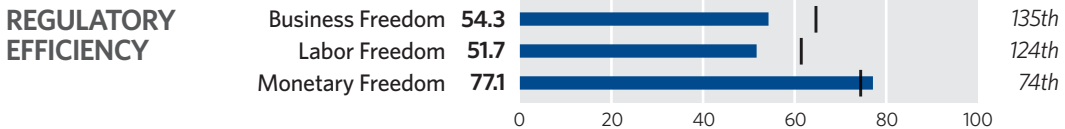
THE TEN ECONOMIC FREEDOMS



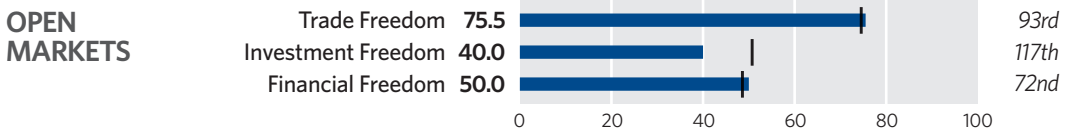
The rule of law remains uneven, and the legal framework is deficient in independence and efficiency. The cumbersome court system and loose regard for contracts continue to be causes for concern. The judiciary is nominally independent but susceptible to political interference. Despite some progress, government anti-corruption efforts have been too inconsistent to eradicate bribery and graft effectively.



The top income tax rate is 32 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax (VAT) and an environmental tax, with the overall tax burden amounting to 12.8 percent of total domestic income. Government spending is equivalent to 18.5 percent of GDP. The deficit has been over 3 percent of GDP, and public debt has hovered at around 45 percent of total domestic output.



The business regulatory environment has improved considerably. Although launching a business still takes more than the world averages of seven procedures and 30 days, the overall process has become less costly. The time and cost involved in dealing with licensing requirements have been notably reduced. The labor market remains structurally rigid, but existing regulations are not particularly burdensome. Inflation is modest.



The trade weighted average tariff rate is 4.8 percent, and layers of non-tariff barriers further inhibit more dynamic gains in trade. Despite a strong desire to attract longer-term foreign investment, systemic inefficiency exacerbated by heavy bureaucracy discourages dynamic growth in investment. The financial sector, which is gradually modernizing, remains relatively stable and sound.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
		Monetary Freedom	Financial Freedom
0	+0.3	+10.9	-2.3
0	-1.3	+1.0	0
		+0.8	0