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# The Philippines

## Ready for any challenge

Having weathered the recession better than most, the Philippines has renewed confidence in its economy, its government, and itself

Voters in the birthplace of “People power” united at the ballot boxes in May 2010 to overwhelmingly back a new government for the Philippines. The “No corruption, no poverty” campaign led by Benigno Aquino III clearly struck a chord with the electorate, and the new administration has held firm to its pledge to encourage socio-economic growth through accountability, as the president believes greater transparency goes hand-in-hand with poverty alleviation.

The new administration immediately took steps to demonstrate the courage of its convictions to increase institutional transparency by introducing “zero-waste budgeting”, obliging all government agencies to justify their projected expenses, thereby reducing the potential for overspending or corruption.

New investment laws have been designed to provide better guarantees for investors and President Aquino has highlighted key areas with prime investment potential: logistics, mining, shipbuilding, tourism, agro-industry, business process outsourcing (BPO) and information technology (IT), electronics and semiconductors, and energy and electricity.

“We have streamlined business registration, improved power supply, instituted reforms and issued policies to fight corruption, and established closer coordination between the national and local governments to improve the investment climate, even in the countryside,” says President Aquino.

With regard to the private sector, many of Aquino’s ministers have orchestrated a more enterprise-friendly and results-based edge to government policy. ▶

Philippine President Benigno Aquino III

► “In the private sector, if you do not produce, you do not eat. We are focused on making things happen and letting our actions speak for themselves,” says Secretary of Finance, Mr Cesar V. Purisima. “The work style of President Aquino is designed for action, not for show. He is really focusing on making sure we are able to execute our programs and ensure optimum performance of cabinet members. Those who do not perform are asked to move on.”

Mr Purisima recently won the 2011 *Emerging Markets* Finance Minister of the Year Award for Asia in recognition of his “strong policy track record and steadfast commitment to maintaining economic stability over the past 12 months.” *Emerging Markets*’ editor Taimur Ahmad said: “Secretary Purisima’s decisive action upon taking office to enforce greater fiscal discipline allowed the economy to grow strongly last year and to insulate it from heightened market sensitivity to sovereign indebtedness.”

President Aquino’s plan, which is often referred to as “Aquinomomics”, is underpinned by four pillars: fiscal sustainability, infrastructure, investing in people, and improving the way business is done in the Philippines.

“On the fiscal and the macroeconomic side we are doing very well,” says Mr Purisima. “We are a net creditor country; our reserves are greater than our debt. We are a BOP (Balance of Payments) surplus country: we make more dollars than we spend.

**“We have streamlined business registration, improved power supply, instituted reforms and issued policies to fight corruption, and established closer coordination between the national and local governments”**

**President Benigno Aquino III**

Our reserves are on a historical high and the increase in reserves, which has proven to be sustainable, is structural rather than hot money inflows driven by the BPO industry and overseas remittances.”

Investing in its people is of paramount importance: better educated individuals have higher employment rates and earnings, and produce more relative to those with less education. Therefore, governments have to invest substantial portions of their resources in education with the expectation that benefits will accrue over time, and the Philippines’ government is very anxious to pursue this track – to have a highly educated workforce going forward.



To improve the country’s infrastructure, the government is targeting public-private partnerships (PPPs) in its bid to become a regional logistics hub. An improved transport network and energy provision would also spur growth in the tourism sector, which has ample room for development given the country’s spectacular natural blessings, and the fact that China’s burgeoning tourist market is virtually next door.

“We have an ambitious PPP program,” says the finance secretary, “but we are making sure we are doing it properly. We have launched the first project already – a toll road called Daang Hari.”

Continued on page 4 ►

## Leading figures in business and politics in the Philippines



**Paquito ‘Jojo’ Ochoa**

The Executive Secretary is the highest-ranking official in the current government. The former city administrator of Quezon City, and Aquino family friend, has served as Noynoy’s legal counsel since 1998.



**Roberto V. Ongpin**

The President and CEO of ISM Communications is a former Minister of Trade and Industry. Ongpin also partly owns holding company Top Frontier which controls a large stake in the San Miguel Corporation.



**Cesar V. Purisima**

The current Philippine Secretary of Finance held the same position under the Macapagal-Arroyo government. He also represents the Philippines as a governor in the Asian Development Bank.



**Albert Ferreros del Rosario**

The Foreign Affairs Secretary secured US\$1.2 billion in U.S. funding in his former role as ambassador. He also has vast business experience, ranging from insurance and banking to telecoms and pharmaceuticals.

## Buried Treasure

**Philex Mining Corporation profits from a modern approach to the ancient business of digging for gold**

In recent years the Philippine mining industry has achieved remarkable growth, as gold and copper prices have reached all-time highs. Correspondingly, large-scale mining companies have increased investment, production and tax payments to the Philippine Government – up by 296% to PhP1.8 billion (US \$41.4 million) in 2010.

Philex Mining Corporation strives for excellence in mineral resource development while taking its social and environmental responsibilities seriously. It is committed to the continual improvement of its operations in order to minimize adverse environmental impacts, to comply with applicable legislation and other requirements, and to promote environmental awareness among its workers at all levels.

By adhering to the philosophy of doing business the right way, Philex earned US \$89.7 million in 2010, the second highest income in its 53 years of operation. And it mined the highest annual ore tonnage since 1987 - 9.4 million tones in 2010, equivalent to an increase of 14 per cent on 2009.

Continued growth and expansion are on the agenda. Philex has a number of new projects in the pipeline, such as extending the mine life in Padcal and advancing the Silangan Project in Surigao del Norte. It is also looking to consolidate and further develop its coal operations, and oil and gas prospects. It plans to spin-off all the energy assets into a subsidiary company, Philex Petroleum, to be listed on the Philippine Stock Exchange.

Philex has also made strong commitments to the communi-

ties it works with. Its operations at the Padcal mine site have delivered around US\$ 850,000 of value in health, education, livelihood and infrastructure projects, under the Social Development and Management Program (SDMP). In 2010 alone, Philex's SDMP

delivered better healthcare to 7,144 people, afforded quality education to 611 students, and improved 2,300 meters of roads. And on top of this, Philex is helping to support developing communities' survival long after any given mine ceases operation.



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**PHILEX MINING  
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There's life in mining

► Continued from page 2

Additionally, the Philippines is geographically located at the heart of what is expected to be one of the fastest growing regions of the next 20 to 30 years. It is on track to be a part of the ASEAN alliance by 2015, an integrated community of more than 600 million people, boasting a GDP in excess of \$1.7 trillion. “We will be the northern and Pacific gateway to ASEAN,” adds Mr. Purisma.

Billionaire Roberto V. Ongpin, president and CEO of ISM Communications and a former Minister of Trade and Industry, has vowed to attract more foreign investment into the country. “I have brought in so much investment into this country, and I will keep doing it,” said Ongpin, who heads five publicly-listed companies.

Meanwhile, the Philippines’ long-standing relationship with the United States was strengthened in June this year, when Secretary of Foreign Affairs Albert Ferreros del Rosario met with Secretary of State Hillary Clinton.

Mrs Clinton opened the meeting, affirming: “Whether we are working together to combat extremism, help victims of natural disaster, or stand up for human rights, the people of our countries share a vision of a better world and a mutual desire to

# A steady ship

Careful work by the Central Bank has helped the Philippines make progress through stormy waters

The Philippines continues to be a growth economy as investments in good governance and infrastructure continue to gain momentum.

While growth is predominantly below-par in most advanced countries, growth prospects in emerging economies like the Philippines are getting brighter and are attracting more foreign investments.

In the first six months of 2011, net foreign direct investments rose 16.4% to US\$779 million. Net foreign portfolio investments, on the other hand, grew by 230.2% to US\$3.1 billion from January-August this year.

Fifty consecutive quarters of positive growth and the focus of President Benigno S. Aquino on transparency and accountability draw much interest from investors to invest in the Philippines.

“First and foremost, the Philippine economy has stable macroeconomic conditions. There is a solid fundamental base supportive of sustained

economic growth.” says Amando M. Tetangco Jr., Governor of the Bangko Sentral ng Pilipinas (BSP), formerly known as Central Bank of the Philippines.

“Second, the Philippine banking system remains sound and stable. This has been brought about by the series of financial sector reforms that we have implemented over the years. Most of these reforms seek to improve risk management practices of banks (e.g. increased capitalization of banks, adoption of international accounting standards for financial reporting, enhanced corporate governance and bank supervision, etc.)”

According to Mr. Tetangco, most foreign direct investments came from the U.S., Japan, Hong Kong, Singapore, and the Netherlands, and were largely placed in real estate, manufacturing, mining and quarrying, financial and insurance services, utilities, and wholesale and retail trade sectors.

In recent years, the skills of central bankers around the world have been strenuously



**Amando Tetangco, Governor of the Central Bank of the Philippines**

tested. Nevertheless, for the third time in six years Governor Tetangco was lauded as one of the world’s top six central bankers earlier in 2011 in the annual survey by New York-based *Global Finance* on the performance of central bank heads. During the global economic slowdown, the BSP, under the guidance of the Governor, ensured that credit con-

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**1861**

Jose Rizal Birthday



A Philippine national hero is born. His literary works denounced the conditions of the local population under Spanish rule, inciting revolt against the authorities.

**1898**

Independence Day



The independence of the Philippine Islands from rule by Spain is declared by revolutionary forces under General Emilio Aguinaldo from his home



**The Philippines has reported healthy increases in both GDP and FDI**

continued to flow within the economy while keeping inflation under control. The BSP has also encouraged greater participation by banks in microfinance and micro-insurance sectors. "In the early 2000s, there were only a handful of banks involved in microfinance; now there are more than 200, which have benefitted close to a million microentrepreneurs," says Mr. Tetangco.

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THE PHILIPPINES TEAM:  
Mario Berta, Isabel Perez, Rafaella Villacieros and Scott

**1986**

People Power Revolution



The People Power Revolution led by Ninoy and Corazon Aquino triumphs after three years of demonstra-

**2010**

Benigno Aquino III



Benigno Simeon 'Noynoy' Cojuangco Aquino III became the 15th and current President of the

**Insurance – just in case**

In 2010, the Philippine economy grew by over 7%, blessing the country's burgeoning middle class with increased disposable income. This happy state of affairs is predicted to stimulate a rise in life insurance take-ups in 2011/12 – possibly upwards of 23%. However, there is still vast potential for growth: life insurance premiums accounted for only 0.75% of the country's GDP in 2010.

The Philippine Prudential Life Insurance Company, Inc. (PPLIC) is a Philippine life insurer with over 1.5 million policyholders. Founded in 1963, it provides a range of products including endowments, healthcare, education and pension plans, and is among the top 15 Philippine life insurance companies.

Mr. Gregorio D. Mercado, President and CEO of PPLIC says: "The Philippines' insurance penetration rate is 15%. Therefore there is ample room for expansion in the sector. We're doing much to educate people about the benefits of insurance, and as the economy improves the opportunities for growth in the sector will just get better."

**Reading, writing and... financial literacy**

According to Amando M. Tetangco Jr., Governor of the Central Bank of the Philippines (BSP), over the past decade the total portfolio of microfinancing activities by the country's banks has reached PhP 7 billion (\$161 million). However, the involvement of NGOs, cooperatives and other organizations not under the central bank's supervision could well take this figure up to PhP 20 billion. As such, the BSP has gone to great lengths to educate the nation's budding entrepreneurs in the services banks can offer.

"We have set-up an Economic and Financial Learning Center here in the BSP main office that is open to the public," he says. "So anyone can go there free of charge, do research, use the facilities, the Internet, database, etc. We have replicated this Economic Financial Learning Center in 21 other locations across the country. We have also been working with the Department of Education to teach basic financial concepts as early as elementary grade in public schools. So now we have money management and savings as part of the curriculum."

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## A clean profit

By adhering to a triple bottom-line policy – financial and operating performance, environmental stewardship and empowerment of communities – Philex Mining Corporation has prospered financially, yet not lost sight of its role as a social and environmental steward.

In fact, principles of sustainability have long guided Philex’s operations: its first tailings pond was constructed in 1967, long before the Pollution Control Law of 1976 required it. Philex was also the first mining company in the country to have achieved ISO 14001 certification for environmental management.

Government agencies and industry associations have commended the company’s activities. Philex’s reforestation programs at the Padcal mine site and at the Silangan Project were placed in the 2010 Best Mining Forest Awards of the DENR - Mines and Geosciences Bureau. In November, the Silangan Project received a citation from the Philippine Mine Safety and Environment Association for overall excellence in environmental, safety, and health management.

## The safety net

Social welfare and insurance can help alleviate the worst effects of natural disasters and poverty

As food and fuel prices rise, the global economy falters, and typhoon devastation increases, more Filipinos are being pushed close to the poverty line.

The Department of Social Welfare and Development (DSWD), is tasked with reversing this trend. Hon. Corazon Juliano-Soliman, Secretary of DSWD, explains: “We’re committed to addressing inter-generational poverty by ensuring children go to school 85 per cent of the time, families go to health centers once a month; and the poorest get fuel and rice subsidies. We’ve already reached a million families and aim to increase this to 1.3 million in 2011. But to go further, we need foreign investment in the country and economic growth to lift Filipinos out of poverty.”

Hon. Vida T. Chiong, Deputy Commissioner of the Philippine Insurance Commission (IC) believes all Filipino’s should have the opportunity to secure insurance protection by 2020. However, key challenges include lack of affordability,



and a lack of awareness of insurance amongst Filipinos. Ms Chiong continues: “We focus on educating Filipinos about the value of insurance and promoting microinsurance for the poor. We aim to foster an environment of increased insurance penetration and robust insurance industry growth.”

**Vida T. Chiong, Deputy Commissioner of the Philippine Insurance Commission**

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# Corporate responsibility, Philippines style

## ■ Big companies spreading the wealth

Both public and private sectors are pulling together to raise living standards for Filipinos through several projects designed to support marginalized sectors of society. Corporate social responsibility (CSR) initiatives from the 100% government-owned and controlled gaming firm, the Philippine Amusement and Gaming Corporation (PAGCOR), address education, nutrition, health, humanitarian and environmental issues.

PAGCOR has earmarked P1 billion (\$23 million) for the Matuwid na Daan sa Silid-Aralan Project to construct 1,000 new classrooms nationwide in partnership with the Department of Education. It has also allocated Php100 million for the P-Noy Bayanihan Project, which will fast-track the production of school furniture made from confiscated, illegally-harvested logs. "We fund the conversion of these logs into chairs and tables for donation to public schools nationwide," says PAGCOR Chairman and CEO Cristino L. Naguiat Jr. The company also ingeniously converts old slot machine stands from its Casino Filipino branches into school desks. PAGCOR's feeding program for undernourished children, health service missions, Christmas gift giving project and disaster relief efforts are other valued CSR acts up the company's sleeve.

Elsewhere, one of the world's largest providers of customer care outsourcing services is also playing a role in raising living standards. Sitel has a network of over 120 customer contact centers in 26 countries, and in the Philippines seven call centers make up its largest offshore contact center operation. Clearly it has an important role in the region's prosperity. Steve Barker, Sitel's General Manager for Asia and the Pacific says: "We are the largest employer in Baguio. We have comprehensive medical insurance coverage for employees and their dependents." At many of its operations in the Philippines, Sitel provides 'Baby's Haven' facilities where working mothers can nurse their infants, or spend time with them during breaks.

Petron Corporation has been governed by CSR commitment since its inception nearly 80 years ago. Chairman and CEO Mr. Ramon S. Ang feels these policies are essential. "In carrying out its CSR



mission Petron counts on strategic partnerships with government institutions, businesses, international agencies and civil society groups, as well as its employees, who regularly use their time and talents to help make a difference in the lives of others."

Finally, Sagittarius Mines Inc. (SMI) is developing one of the world's largest copper-gold deposits at Tampakan, and its General Manager Mark Williams is aware of his company's responsibilities. "We believe that it will make a significant difference to our communities, well beyond the life of the project. SMI has been chosen to provide finance and technical assistance to the country to research and explore the country's mineral wealth. However, the minerals belong to the people and the country. It is important to stress that this is actually the country's project. We are spearheading the project, but the project is the country's, and we are a contractor."

## A history of helping the people

Philippine Prudential Life Insurance Company, Inc. (PPLIC) has a long history of developing low-cost products and CSR initiatives which benefit Philippine society. Gregorio D. Mercado, President and CEO of PPLIC, explains: "As far back as the 1980s we were providing micro-insurance. Back then, we were the only provider to offer cooperative members policies with affordable premiums. And in the early 1990s we formed a pool of insurance companies so we could secure the life insurance coverage of overseas Filipino workers."

The company has also been involved in CSR programs that include building homes for the poor. Mr. Mercado says: "We recently launched the PPLIC – AMPAP Village and we're doing our share. All insurance companies should do this because the biggest expense in one's household is rent. If that is covered then you have a little money left for other necessities like insurance."



## POWERING THE PHILIPPINES

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Developed by Cristino L. Naguiat Jr., Chairman and CEO of Pagcor, the complex will feature more than 10,000,000 sq. ft. of leisure space

## Entertainment City

### ■ A spectacular investment in leisure and gaming

A massive fully integrated leisure and entertainment complex is set to take tourism to a whole new level in the Philippines. The \$4 billion brainchild of the Philippine Amusement and Gaming Corporation (Pagcor), Entertainment City Manila will be developed over the next five years on a 254 acre plot of reclaimed land along the coast of Manila Bay.

Four licensees – Travellers International Hotel Group Inc., SM Group, Bloomberg and Aruze – will each build a total of 250,000 square meters of mixed leisure spaces. A maximum of 7.5 per cent of the floor area at the site will be dedicated to gaming, opening up the vast majority of the estate to a variety of resort amenities and family-friendly attractions, such as shopping, dining and entertainment venues.

“Pagcor is committed to creating a multifaceted leisure and entertainment center that is internationally benchmarked. We will also continue to emphasize the strength of our human resources,” says Cristino L. Naguiat Jr., Chairman and CEO of Pagcor.

Pagcor expects to transform the Philippines into one of the premier tourist destinations in the world. “A 10 per cent share in the \$115 billion global gaming pie will give the Philippines \$11.5 billion in revenue, making the country an even bigger destination than Las Vegas in terms of earnings,” says Mr. Naguiat. “If we succeed, we will generate an additional one million jobs and bring in a million more tourists.”

*“I am not just promoting the Casino, I am promoting the whole of the Philippines. It’s not just about the gaming – it’s the scenery, and all the natural wonders you can see in these islands.”*

**Cristino L. Naguiat Jr.**  
Chairman and CEO of Pagcor





# Winds of change blow through the islands

Already the world's second largest producer of power from geo-thermal sources, the Philippines is taking renewable energy seriously



Increased 'green' power generation from geothermal, wind and hydro sources can reduce dependency on costly imported fossil fuels – thereby making the benefits financial as well as environmental.

Currently, the Philippines relies heavily on foreign energy sources: imported coal and crude oil accounted for 50 per cent of the total energy supply in 2007. Yet the country has rich renewable energy potential, including robust wind energy sites, ideal solar conditions, and many geothermal and biomass resources. In fact, it is already second only to the U.S. in terms of geothermal energy production.

The country wants to further reduce air pollution, with Ramon

Paje, Secretary of Department of Environment and Natural Resources (DENR) aiming to popularize the use of electric tricycles. "The ultimate aim is for our country's five million tricycles, of which 2.8 million are in Metro Manila, to become zero-emission vehicles," he said.

Another plan is to convert current diesel-run 'jeepneys' – a major public vehicle in the Philippines – into electric vehicles.

This, Paje said, would keep the cultural identity of the jeepney as uniquely Filipino, while at the same time increasing reducing emissions.

Prompted into action by the 2008 fuel crisis, the Department of Energy created the Renewable Energy Act. Its aim is to pro-

mote the development and commercialisation of renewable energy resources to achieve national energy security, reduce greenhouse emissions, be of better value to the consumer, and reduce energy imports. Fiscal and non-fiscal incentives to private sector investors, equipment manufacturers and suppliers are being offered to help reach these targets.

The National Renewable Energy Program, launched in June this year, aims to triple renewable energy capacity to 15,400 megawatts by 2030.

"Renewable energy resources are expensive because it's emerging technology, but in the long term the price come down, making it cheaper than traditional sources," Layug said.

**Ramon J.P. Paje, Secretary of the Department of Environment and Natural Resources (DENR)**

The Philippines is set to host a bio-energy conference dubbed "Be Independent, Go Green Energy," on January 12-13 next year, to help develop a robust and profitable sector in the country

It hopes to encourage more investors to become involved in biofuel feedstock production and processing, and renewable energy production including biomass feedstock production and biopower generation.

President Aquino is expected to grace the event, along with Mr. Paje and Energy Secretary Jose Rene Almendras.

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## Leading from the front

**Petron Corporation's profits have helped the whole country – but there's more work to be done**

Philippine GDP grew 7.3 per cent in 2010 to US \$188.7 billion, and Petron Corporation (Petron), the largest oil refining and marketing company in the Philippines, believes it has played a key role in boosting the country's economic progress.

Ramon S. Ang, Petron Chairman and CEO explains: "Supplying nearly 40 per cent of the country's oil requirements, Petron posted a US \$78 million net income for the first quarter of 2011, generating income and tax revenue for the Philippine economy as well as creating more jobs through the establishment of more service stations nationwide. Also, the local production of oil

and petrochemicals is essential to the country's growth, fueling vital sectors such as transport, manufacturing, and power generation. We also provide raw materials used in everyday products such as food packaging, home appliances and car parts, among others."

Petron, a long-standing business in the Philippines established in 1933, is a major player in the local downstream market. Petron's Integrated Management Systems-certified refinery in Limay, Bataan, has a rated capacity of 180,000 barrels a day. It processes crude oil into a full range of petroleum products including LPG, gasoline,



**Ramon S. Ang, Chairman and CEO, Petron Corporation**

diesel, jet fuel, kerosene, industrial fuel oil and solvents, which are distributed through its nationwide network of 32

depots. Furthermore, through over 1,700 service stations, it retails gasoline, diesel, and kerosene to motorists and public transport operators, and has also established its convenience store brand "Treats" at its service stations.

Despite the strength and growth of the Philippine oil industry, however, Mr. Ang believes there is much work to be done. "The petrochemical industry here in the Philippines is very underdeveloped. We believe that the local market is big enough to warrant the establishment of a more developed petrochemical industry similar to that of Thailand. Thailand is now self-sufficient and in fact exports petrochemicals. It is a model that we would should take a serious look at and emulate."

## A success story in the Philippine construction industry



**Mr. Dinalo Tamayo and Mrs. Cynthia Tamayo, the President and Vice President of DDT Konstruct, Inc. with daughter Andrea Marie, the first of a new generation of Tamayos to take the company to new heights**

DDT Konstruct was launched in 1998 with capital of just a few thousand dollars, made up of the Tamayo's life savings and loans from family. Today, DDT Konstruct has a turnover of over 5 billion pesos (US \$10 million).

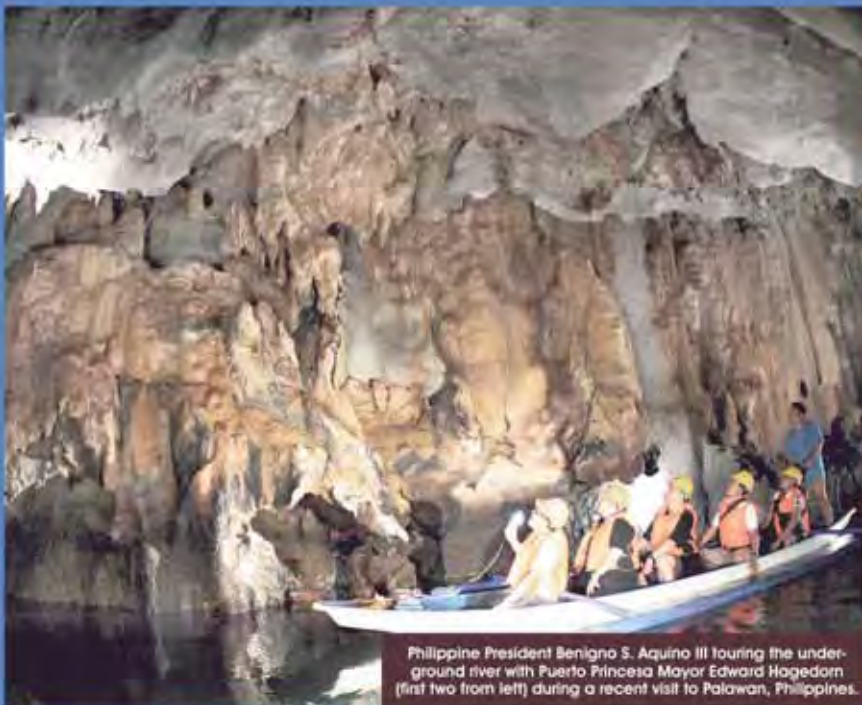
The company's success has been built on word-of-mouth recommendations, and a reputation for always completing jobs to perfection. Central to this was the use of the world-class technology and quality materials from Sweden and the UK.

Certification as a registered U.S. contractor has helped the company expand, via Guam and Hawaii, into mainland America: DDT now have offices in San Francisco and Las Vegas. The Tamayo's efforts have created a true Filipino success story.

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# Philippines' PRIDE



Philippine President Benigno S. Aquino III touring the underground river with Puerto Princesa Mayor Edward Hagedorn (first two from left) during a recent visit to Palawan, Philippines.

The beautiful islands of the Philippines are home to one of the world's breathtaking natural wonders – Palawan's Puerto Princesa Underground River.

The site features a spectacular limestone landscape and the world's longest navigable underground river that flows directly to the sea. The area contains a full mountain-to-sea ecosystem and has been declared a UNESCO Natural World Heritage site in 1999.

Out of 441 entries, the Puerto Princesa Underground River was declared as one of the 28 finalists vying for the distinction of being one of the New 7 Wonders of Nature.

Apart from the picture-perfect Underground River, the Philippines is also home to Asia's friendliest, most hospitable people and 13 winning destinations of Casino Filipino.

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