

Philippines

Southeast Asia's emerging market with strategic location and young workforce -- gateway to ASEAN and the Pacific

Investment Cooperation Guide -- Philippines (2026 Edition) | Published by AERI

Introduction

The Philippines is one of the most dynamic emerging markets in Southeast Asia and an important destination for Chinese enterprises expanding overseas. AERI's research reveals that the Philippines, supported by its strategic location at the crossroads of the Pacific and Southeast Asia, a young and English-proficient workforce, and an increasingly open investment regime, is emerging as a significant investment destination in the region.

In 2024, the Philippines' GDP reached approximately USD 460 billion, with year-on-year growth of 5.8%. Per capita GDP stood at approximately USD 4,000. The national population is approximately 112.7 million, with a median age of around 25, providing an abundant labour force. The Philippines is one of the youngest populations in Southeast Asia, with a labour force of approximately 70 million.

China-Philippines bilateral trade reached USD 71.6 billion in 2024. China has been the Philippines' largest trading partner for nine consecutive years and its largest source of imports. Chinese cumulative investment in the Philippines exceeds USD 8.9 billion, with over 420 Chinese-invested enterprises operating in the Greater Manila area.

AERI believes that the Philippines' core investment value manifests at three levels: first, outstanding demographic advantage, with a young population and English proficiency making it a premier destination for business process outsourcing and digital services; second, strategic location as a gateway to both the ASEAN market and the Pacific; third, improving business environment, with the CREATE MORE Act reducing the corporate income tax rate from 25% to 20% and further liberalising foreign investment restrictions.

This guide provides a systematic introduction to the Philippines' political and economic overview, investment policies and regulations, China-Philippines economic and trade cooperation, corporate financing channels, compliance and dispute resolution, and essential information on living and working in the Philippines, serving as a decision-making reference for Chinese enterprises investing in the country.

Preface

The Asia Economic Research Institute (AERI) is a professional institution dedicated to regional economic research in Asia, committed to providing authoritative and professional investment environment information and advisory services for Chinese and foreign enterprises. To thoroughly implement the Belt and Road Initiative and help Chinese enterprises better understand the investment environment and opportunities in the Philippines, we have compiled this guide.

This guide follows the editorial framework of the China Council for the Promotion of International Trade's "Guide on the Business Environment for Outward Investment by Country (Region)," systematically introducing the Philippines' political and economic overview, investment policies and regulations, China-Philippines economic and trade cooperation, corporate financing channels, compliance operations essentials, and basic information on living and working in the Philippines.

Contents

Part I: Philippines Overview- 1. Country Profile- 2. Economic Overview

Part II: Investment Environment and Policies- 1. Business Environment- 2. Foreign Direct Investment- 3. Factors of Production- 4. Investment Policies and Regulations

Part III: Chinese Enterprise Investment in the Philippines- 1. China-Philippines Economic and Trade Cooperation- 2. Investment Forms- 3. Key Investment Sectors- 4. Representative Cases

Part IV: Corporate Financing- 1. Financial Market Overview- 2. Financing Channels

Part V: Compliance and Dispute Resolution- 1. Domestic Compliance- 2. Compliance Operations in the Philippines- 3. Trade Dispute Resolution

Part VI: Living and Working in the Philippines

Part I: Philippines Overview

AERI Assessment

AERI notes that the Philippines presents significant investment potential as one of the fastest-growing economies in Southeast Asia. The country's young demographic structure, English language proficiency, and strategic geographic position provide a solid foundation for sustained economic growth. The Marcos administration's economic reform agenda, including the CREATE MORE Act and amendments to the Foreign Investments Act, signals a clear commitment to improving the investment climate.

For Chinese enterprises, the Philippines offers particular opportunities in infrastructure development, digital economy, and mining. The country's extensive infrastructure gap creates substantial demand for Chinese construction expertise and equipment. The Philippines' large and growing digital consumer base presents opportunities in e-commerce, fintech, and digital infrastructure.

1. Country Profile

The Philippines is located in Southeast Asia, separated from Taiwan by the Bashi Channel to the north, facing Indonesia and Malaysia across the Sulawesi Sea and Balabac Strait to the south and southwest, bordered by the South China Sea to the west, and the Pacific Ocean to the east. It shares the UTC+8 time zone with Beijing, with no time difference and no daylight saving time. The total land area is approximately 299,700 km², with a coastline of approximately 18,533 km. The archipelago comprises over 7,000 islands, of which 11 major islands -- including Luzon, Mindanao, Palawan, and Samar -- account for 96% of the total area.

The Philippines has a tropical maritime climate characterised by high temperatures, abundant rainfall,

and high humidity. Typhoons are frequent, particularly from June to November. The annual average temperature is approximately 27degC, with annual rainfall of 2,000-3,000 mm and average humidity of 78%. The western regions experience distinct dry (November-April) and wet (May-October) seasons.

According to the Philippine Statistics Authority's 2024 census, the total population stands at 112.7 million, making it the 13th most populous country globally. Luzon accounts for over half the population (56.9%), followed by Mindanao (23.9%) and the Visayas (19.2%). The labour force is approximately 70 million, representing 63.9% of the total population. The urban population constitutes 51.2%.

The capital is Metro Manila (National Capital Region), comprising 17 cities and municipalities with an area of 638 km². It serves as the political and economic centre of the Philippines. According to the 2020 census, Metro Manila has a population of approximately 13.48 million.

Administrative Divisions

The country is divided into three major island groups -- Luzon, Visayas, and Mindanao -- with 18 regions including the National Capital Region, Cordillera Administrative Region, and Bangsamoro Autonomous Region in Muslim Mindanao, comprising 82 provinces and 149 cities.

Form of Government

The Philippines operates under a presidential system with separation of executive, legislative, and judicial powers, as established by the 1987 Constitution. The President serves as both head of state and head of government, directly elected for a single six-year term. The Philippine Congress is bicameral, consisting of the Senate and the House of Representatives.

In May 2022, Ferdinand Romualdez Marcos Jr. was elected as the 17th President of the Philippines and was inaugurated on 30 June 2022.

Foreign Relations

The Philippines is a member of the United Nations (UN), World Trade Organization (WTO), Association of Southeast Asian Nations (ASEAN), and the Regional Comprehensive Economic Partnership (RCEP).

Ethnic Groups

The Philippines is a multi-ethnic nation with over 90 ethnic groups. The four largest -- Visayans, Tagalogs, Ilocanos, and Bicolanos -- account for approximately 80% of the population. The ethnic Chinese community is estimated at approximately 1.62 million.

Filipino (based on Tagalog) is the national language, and English is the official language. English is widely spoken and serves as the primary language of business, government, and education. The Philippines is one of the largest English-speaking nations globally.

Approximately 85% of the population is Roman Catholic, 5% Muslim, with smaller communities of independent church adherents and Protestant Christians. The Chinese community predominantly practices Buddhism.

2. Economic Overview

In 2024, the Philippines' GDP grew by 5.8%, making it one of the fastest-growing economies in Southeast Asia. GDP reached approximately USD 460 billion, with per capita GDP of approximately USD 4,000.

Labour productivity stood at approximately USD 10,800 per worker.

The Philippine economy is driven by robust domestic consumption, a thriving services sector (particularly business process outsourcing), and remittances from overseas Filipino workers, which exceeded USD 33 billion in 2024.

- Agriculture, forestry, and fisheries: Accounts for approximately 9% of GDP, employing about 22% of the workforce
- Industry (mining, manufacturing, construction): Accounts for approximately 30% of GDP, with electronics and semiconductors as the dominant manufacturing subsector
- Services: Accounts for approximately 61% of GDP, led by BPO, retail, finance, and real estate

Total trade in 2024 reached approximately USD 200 billion. Major exports include electronics and semiconductors, agricultural products, and mineral resources. Major imports include electronics, petroleum products, and industrial machinery. Key trading partners include China, Japan, the United States, and South Korea.

Part II: Investment Environment and Policies

AERI Assessment

AERI observes that the Philippines has made significant strides in improving its investment climate. The enactment of the CREATE MORE Act, which reduces the corporate income tax rate to 20%, and amendments to the Foreign Investments Act represent meaningful reforms. However, challenges remain, including bureaucratic inefficiency, infrastructure deficits, and regulatory uncertainty in certain sectors.

1. Business Environment

According to the IMD World Competitiveness Ranking 2024, the Philippines ranks 52nd among 67 economies. In economic performance, the Philippines maintained its 40th position, while government efficiency ranked 49th.

In 2024, President Marcos signed into law the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act, reducing the corporate income tax rate from 25% to 20%. Additionally, the Philippines amended its Foreign Investments Act to further liberalise foreign investment access.

2. Foreign Direct Investment

Net FDI inflows to the Philippines reached approximately USD 9 billion in 2024. Major sources include Japan, the United States, Singapore, and South Korea. Key sectors attracting FDI include manufacturing (particularly electronics and semiconductors), BPO, energy, and infrastructure.

3. Factors of Production

The Philippines possesses a large, cost-effective, educated, and English-proficient workforce. Approximately 80% of the population is proficient in English, and the literacy rate for those aged 15 and above approaches 98%. The labour force numbers approximately 70 million as of 2024.

Minimum wage rates vary by region (effective July 2024):- National Capital Region (NCR): PHP 645/day (approximately RMB 82)- Visayas Region: PHP 460-540/day- Mindanao: PHP 433-486/day

Under the Philippine Constitution, foreign investors generally cannot own land outright but may lease land for up to 50 years, or partner with Philippine citizens through joint ventures. Foreign nationals may, however, own condominium units.

Under the CREATE MORE Act, the standard corporate income tax rate has been reduced from 25% to 20%, one of the lowest rates in Southeast Asia. The value-added tax (VAT) rate is 12%.

4. Investment Policies and Regulations

The Philippines maintains a generally open investment regime. Foreign investors may hold 100% equity in most sectors, with restrictions limited to sectors listed on the Foreign Investment Negative List (FINL), including mass media, certain types of retail trade, and private security.

Key investment promotion agencies include the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA), both offering tax holidays, duty-free importation of capital equipment, and other incentives to qualified investors.

Special economic zones include the Clark Freeport Zone, Subic Bay Freeport Zone, and numerous PEZA-registered IT parks and manufacturing zones throughout the country.

Part III: Chinese Enterprise Investment in the Philippines

AERI Assessment

AERI notes that while China-Philippines economic cooperation has deepened significantly in recent years, geopolitical factors -- particularly South China Sea disputes -- may periodically affect bilateral relations. Chinese enterprises are advised to conduct thorough risk assessments and maintain compliance with both Chinese and Philippine regulations.

1. China-Philippines Economic and Trade Cooperation

China and the Philippines established diplomatic relations on 9 June 1975. In November 2018, President Xi Jinping paid a state visit to the Philippines, and the two nations agreed to establish a comprehensive strategic cooperation relationship. However, South China Sea disputes have periodically impacted bilateral relations in recent years.

In 2024, China-Philippines bilateral trade reached USD 71.6 billion, representing a slight decrease of 0.4% year-on-year. Chinese exports to the Philippines totalled USD 52.28 billion, while imports from the Philippines reached USD 19.32 billion. China has been the Philippines' largest trading partner and largest source of imports for nine consecutive years.

Major Chinese exports to the Philippines: Refined petroleum products (USD 2.84 billion), integrated circuits (USD 1.87 billion), telecommunications equipment (USD 1.38 billion), iron and steel (USD 890 million), footwear (USD 870 million), furniture (USD 820 million).

Major Chinese imports from the Philippines: Integrated circuits (USD 6.28 billion), nickel ore (USD 1.60

billion), automatic data processing equipment parts (USD 1.38 billion).

According to Chinese statistics, China's direct investment in the Philippines across all sectors reached USD 200 billion in 2024. As of 2024, over 420 Chinese-invested enterprises operate in the Greater Manila area, with cumulative actual investment reaching USD 8.94 billion.

2. Investment Forms

Chinese enterprises may invest in the Philippines through several forms:

- Wholly foreign-owned enterprise: 100% foreign equity permitted in sectors not on the FINL
- Joint venture: Required in sectors with foreign equity restrictions
- Branch office: Suitable for project-based or contractual activities
- Representative office: For market research and liaison purposes
- Regional headquarters: For managing Asia-Pacific operations

3. Key Investment Sectors

- Electronics and semiconductors: Chip packaging and testing, electronic component manufacturing
- Automotive parts: Leveraging the Philippines' location to access ASEAN markets
- Food processing: Utilising local agricultural resources for processing industries
- Transport: Roads, railways, ports, airports
- Energy: Power generation, transmission, grid infrastructure
- Water: Water supply, wastewater treatment
- Telecommunications: Broadband networks, 5G base stations
- Solar: Distributed solar, large-scale solar farms
- Wind: Onshore and offshore wind power
- Energy storage: Battery energy storage systems
- Power grid: Transmission, distribution, smart grid
- Nickel: Laterite nickel mining and ore processing
- Copper: Copper mining and smelting
- Gold: Gold mining and refining
- E-commerce: E-commerce platforms, cross-border e-commerce
- Mobile payments: Digital wallets, cross-border payments
- Digital infrastructure: Data centres, cloud computing

4. Representative Cases

- Infrastructure: China Communications Construction has participated in major infrastructure projects in the Philippines
- Telecommunications: Huawei and ZTE have contributed to Philippine telecommunications network development
- Energy: Chinese enterprises have invested in renewable energy projects including solar and wind

- Mining: Chinese nickel processing companies have established operations in Mindanao

Part IV: Corporate Financing

AERI Assessment

AERI observes that the Philippines' financial sector, while smaller than those of Singapore or Malaysia, offers adequate financing options for foreign investors. The banking system is well-regulated by the Bangko Sentral ng Pilipinas (BSP), and capital market access is available through the Philippine Stock Exchange.

1. Financial Market Overview

The Philippine banking system is regulated by the Bangko Sentral ng Pilipinas (BSP) and comprises commercial banks, thrift banks, and rural banks. Major foreign banks include Citibank, HSBC, and Standard Chartered. Leading local banks include Bank of the Philippine Islands (BPI), Metropolitan Bank & Trust Company (Metrobank), and Philippine National Bank (PNB).

The Philippine Stock Exchange (PSE) is the principal securities exchange, with approximately 300 listed companies. The PSE Composite Index (PSEi) tracks the performance of the top 30 listed companies.

The Philippine Peso (PHP) is the official currency, operating under a floating exchange rate system. In 2024, the PHP/USD exchange rate ranged from approximately 55-57, while the PHP/RMB rate was approximately 7.8:1.

2. Financing Channels

- Commercial bank loans: Available for corporate, project, and trade financing
- Capital market: Equity and debt offerings through the PSE
 - Government financing: Development Bank of the Philippines (DBP) and Land Bank for priority sectors
- Foreign currency loans: Available through offshore banking units

Part V: Compliance and Dispute Resolution

AERI Assessment

AERI advises Chinese enterprises to pay particular attention to compliance requirements in the Philippines, including anti-corruption laws, labour regulations, and environmental standards. The Philippines has strict anti-graft legislation, and foreign companies must ensure full compliance with local laws.

1. Domestic Compliance

Prior to investing in the Philippines, Chinese enterprises must complete outbound investment registration or approval procedures with the Ministry of Commerce and local commerce authorities in China.

Enterprises must comply with Chinese foreign exchange management regulations, completing foreign

exchange registration and fund transfer procedures.

Enterprises importing and exporting goods must comply with Chinese customs regulations, completing declaration and tax payment procedures.

2. Compliance Operations in the Philippines

- Company registration: Through the Securities and Exchange Commission (SEC) for corporations or the Department of Trade and Industry (DTI) for sole proprietorships
- Tax compliance: Registration with the Bureau of Internal Revenue (BIR) is mandatory; annual and quarterly tax filings required
- Labour compliance: Compliance with the Labour Code of the Philippines, including minimum wage, benefits, and termination rules
 - Environmental compliance: Environmental Compliance Certificate (ECC) required for environmentally critical projects
 - Anti-corruption: Strict compliance with the Anti-Graft and Corrupt Practices Act (Republic Act No. 3019)

3. Trade Dispute Resolution

Enterprises may file lawsuits in Philippine courts, but should fully assess litigation costs, timelines, and uncertainties.

The Philippines is a signatory to the New York Convention and the UNCITRAL Arbitration Rules. The Philippine Dispute Resolution Centre provides professional arbitration services.

Mediation offers a faster and lower-cost alternative for dispute resolution.

The China Council for the Promotion of International Trade provides dispute resolution services for Chinese-invested enterprises in the Philippines.

Part VI: Living and Working in the Philippines

AERI Assessment

AERI considers that the Philippines offers a relatively expat-friendly living environment, though adaptation to local culture and social customs is necessary. English is an official language, enabling smooth communication for foreign nationals.

1. Visa

Chinese citizens require a visa to enter the Philippines. Common visa types include:

- Tourist visa: Valid for up to 30 days, extendable
- 9(g) Pre-arranged Employee Commercial Visa: For foreign employees
- 9(d) Treaty Trader Visa: For investors from treaty countries
- Special Resident Retiree's Visa (SRRV): For qualified retirees

2. Housing

The Philippine housing market is relatively developed, with Metro Manila offering diverse housing options from budget apartments to luxury condominiums.

Metro Manila rental levels are relatively high. A one-bedroom apartment in Metro Manila rents for approximately PHP 15,000-30,000/month (approximately RMB 1,900-3,800).

3. Medical Insurance

The Philippines has both public (PhilHealth) and private health insurance systems. Major private hospitals include St. Luke's Medical Center, Makati Medical Center, and The Medical City. Foreign employees are advised to obtain comprehensive private health insurance.

4. Banking

Foreign nationals need to provide passport, visa, work permit, proof of address, and Tax Identification Number (TIN).

BPI, Metrobank, PNB, Citibank, HSBC, Standard Chartered, and others.

The Philippine Peso operates under a floating exchange rate and is freely convertible.

5. Contact Information

- Chinese Embassy in the Philippines: 2nd & 3rd Floor, the World Center, 330 Sen. Gil J. Puyat Ave., Makati City
- AERI Southeast Asia Office (Kuala Lumpur): Menara Binjai, No. 11 Jalan Binjai, 50450 Kuala Lumpur, Malaysia

Appendix: Data Sources and Disclaimer

Data Sources

This guide draws on data from the Philippine Statistics Authority, the Bangko Sentral ng Pilipinas, the Department of Trade and Industry, the Board of Investments, the Ministry of Commerce of China, and the China Council for the Promotion of International Trade.

Disclaimer

The information provided in this guide is for reference only and does not constitute any form of investment advice. AERI endeavours to ensure data accuracy and content reliability but does not guarantee the completeness and timeliness of the information. Readers should independently verify relevant information and consult professional advisors before making any decisions based on this guide.

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