JRH
ojs.uid.ac.id

Reformasi Hukum
ISSN 1693-9336 | e-ISSN 2686-1598
Vol.29 No.3 December 2025 (page. 288-298)
doi.org/10.46257/jrh.v29i3.1328

Legal Perspective on Foreign Direct Investment and Economic Growth in Phillipines

Rizha Claudilla Putri [1*], Adila Azani [2]

[1] Faculty of Law, Universitas Sriwijaya, Palembang, Indonesia
[2] Faculty of Law, Universitas Sriwijaya, Palembang, Indonesia

***Corresponding author email**: rizhaclaudillaputri@fh.unsri.ac.id

Paper
Submitted
03-09-2025
Accepted
31-12-2025

Abstract
Foreign direct investment (FDI) plays a pivotal role in fostering economic growth, particularly in developing economies such as the Philippines. While much of the literature emphasizes economic determinants of FDI, limited research has examined the interaction between law and economics in shaping investment sustainability. This study adopts a descriptive qualitative approach, combining doctrinal legal research with economic analysis, to investigate how regulatory certainty, institutional frameworks, and dispute settlement mechanisms influence FDI inflows. Drawing on primary sources such as the Foreign Investments Act of 1991, bilateral investment treaties, and international arbitral decisions, as well as secondary data from UNCTAD, the World Bank, and the Bangko Sentral ng Pilipinas, the research explores the legal and economic dynamics of FDI from 2000 to 2025. Findings reveal that while economic reforms and comparative advantages have driven FDI growth in the Philippines, legal certainty and compliance with international investment norms remain critical in sustaining investor confidence. This dual analysis underscores that inclusive and sustainable growth can only be achieved when foreign investment is supported by transparent legal frameworks, effective dispute resolution, and alignment with international obligations. The article contributes to bridging the gap between economic studies and legal discourse on FDI, offering recommendations for strengthening regulatory mechanisms to enhance the Philippines' long-term investment climate.

Keywords: ASEAN; Economic Law; Foreign Direct Investment; Legal Certainty; Philippines.

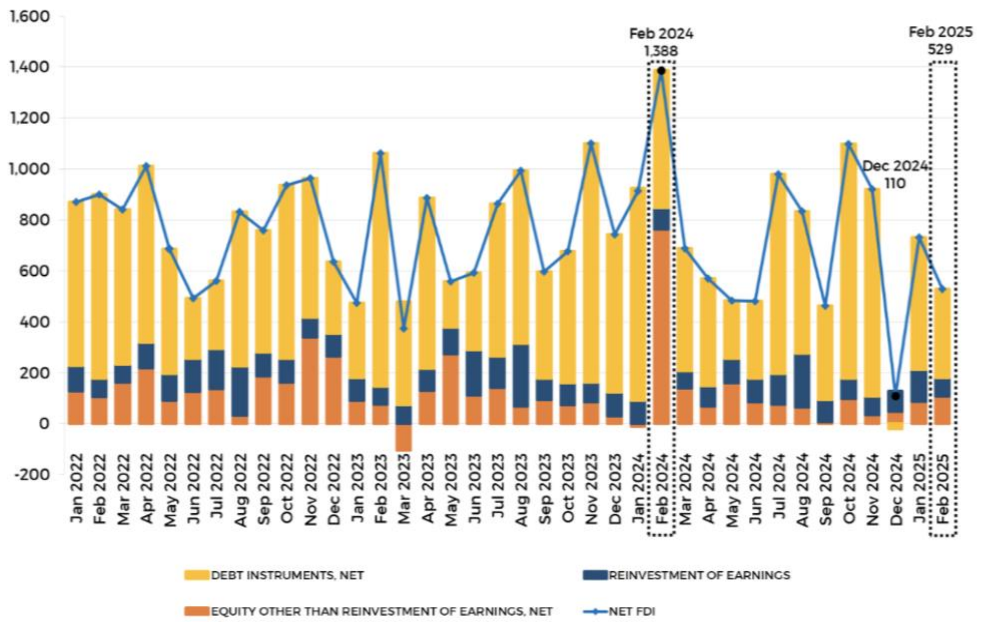
1. Introduction

Each country will always strives to increase its country's economic growth and determine these growth targets for the long-term success of a country's economy. Economic growth is considered as an indicator to assess whether the economy is doing well or not and to look at the total income earned in their economy. Economic growth also describes the real increase in the production of goods and services produced by a country in a given year. Therefore, one of the important conditions to realize the good economic development is the percentage of economic growth which must be higher than the rate of population growth. [1]

Many countries, especially countries in ASEAN are involved economically. From the trading and the investment with all the major economies in the world. The most visible involvement of ASEAN at the global level is the fact that there are 55 countries around the world that have cooperated with ASEAN. From all the developing countries in ASEAN such as Malaysia, Thailand, Indonesia and the Philippines are countries with the number and flow of Foreign Direct Investment (FDI) that have grown and increased rapidly in recent decades. FDI is one of the most important things in investment, especially for developing countries. [2]

FDI is an investment that made with the aim of building a long-term profits made by residents in the Home Country in a business field of residents in the Host Country.[3] Most of the developing countries in the ASEAN region, need considerable funds to realize their national development. The government have to manage financing sources from the available alternatives, both domestically and abroad. If the supply is insufficient, the only way to obtain capital injections is to attract FDI. As a long-term capital flow and relatively invulnerable to economic turmoil, this FDI flow is expected to help encourage sustainable investment growth in a country. The development of FDI has an important role in overall investment, especially to increase economic growth in the ASEAN region, especially in Philipines.[4]

Figure 1. Philippines' Net Foreign Direct Investments 2022 – February 2025



	Feb 2024	Feb 2025	Percent Change
Net FDI	1,388	529	-61.9
Equity other than reinvestment of earnings, net	764	108	-85.9
Reinvestment of earnings	84	73	-13.1
Debt instruments, net	540	348	-35.4

Source: Bangko Sentral ng Pilipinas/Bank Sentral Pilipinas

In figure 1.2, Philiphines' FDI recorded 498 Million USD in March 2025, which is 27.8% lower than the inflow of 689 Million USD recorded in March 2024. Most of the equity capital placements in February 2025 will come from Japan, the United States, Ireland and Malaysia. These investments are directed mostly at the manufacturing, finance and insurance, real estate and information and communications industries.

Furthermore, in terms *of comparative advantages*, it is an advantage or advantage obtained by a country by specializing in the production of an item that has a relatively lower price than the production of other countries. Or in other words, a country will only export goods that have high comparative advantages and import goods that have low comparative advantages. Comparative advantages will be achieved if a country is able to produce more goods and services at a lower cost compared to other countries. The various comparative advantages of the Philippines such as automotive products, electronics, woodcrafts and furniture, connecting cables and other cables, aircraft and marine vessels, chemicals, metal components, machinery and means of transportation, clothing materials and accessories, electronic equipment and spare parts, and other mineral products. Where the automotive industry is recorded as the top import of the Philippines with a value of 691,670,000 USD or reaching 12% of total imports.[5]

Therefore, from various previous explanations, the development of the Philippines over the last 2 (two) decades can be characterized as a tidal wave where this development path is greatly influenced by the policies of the Philippines government. The reforms that occurred attracted a large flow in terms of foreign direct investment into the Philippines' economy, making the Philippines one of the new FDI destinations. FDI is expected to introduce many beneficial productivity overflows and also drive growth and improve well-being. Because of these expected benefits, there have been strong efforts by developing countries, including the Philippines to attract FDI.[6]

These studies generally adopt a narrow economic perspective and rarely address the legal frameworks that govern FDI. The limitation of existing research lies in its insufficient attention to legal certainty and the policy regarding the investment. While economic factors remain critical, the absence of a comprehensive discussion on the role of national laws, bilateral investment treaties, and international arbitration leaves a gap in understanding how the legal environment influences FDI sustainability in the Philippines. Furthermore, the interplay between law and economics, particularly in the enforcement of contracts and dispute resolution mechanisms, is underexplored. This article seeks to address this gap by analyzing FDI in the Philippines through both economic and legal perspectives, emphasizing how regulatory certainty and the rule of law contribute to investment confidence [7, 8]

This research rests on its integration of law and economics in evaluating the role of FDI in Philippine development. By highlighting the importance of legal protection and compliance with international obligations, the study moves beyond short-term economic outcomes to assess how FDI can support inclusive and sustainable growth. In doing so, the research contributes to the discourse on how a stable and transparent legal framework is not only essential for attracting foreign capital but also for ensuring that FDI fosters long-term economic resilience and aligns with sustainable development goals [9].

2. Methods

This paper applies a descriptive qualitative approach that integrates both legal and economic analysis in assessing the dynamics of Foreign Direct Investment (FDI) in the Philippines. The study is categorized as doctrinal legal research with a complementary empirical perspective, allowing for a comprehensive exploration of the regulatory frameworks, economic trends, and policy implications surrounding FDI. By combining these two dimensions, the research seeks to examine not only the economic inflows and sectoral distribution of FDI but also the legal certainty, institutional frameworks, and dispute resolution mechanisms that shape investment sustainability. [10]

The data sources in this study consist of both primary and secondary materials. Primary legal sources include national legislation such as the Foreign Investments Act of 1991 (as amended), bilateral investment treaties (BITs) entered into by the Philippines, and relevant international legal instruments governing investment. Judicial decisions and arbitral awards related to investment disputes involving the Philippines are also examined to understand the role of dispute settlement mechanisms. Secondary data encompass academic articles, policy reports, and publications from international institutions such as UNCTAD, the World Bank, and ASEAN, alongside statistical data from the Bangko Sentral ng Pilipinas regarding FDI flows. [11]

The analysis method used in this study is normative juridical analysis combined with qualitative content analysis of economic and policy documents. The normative juridical method enables an evaluation of the coherence between domestic laws, international obligations, and investment practices, while qualitative content analysis helps interpret statistical trends and policy outcomes. [12] Furthermore, the research focuses on the interaction between law and economics by assessing how regulatory certainty, enforcement of contracts, and investment protection influence investor confidence and long-term capital inflows. [13] This dual approach ensures that the findings not only explain the economic trajectory of FDI in the Philippines but also highlight the legal conditions necessary for sustaining inclusive and resilient economic growth.

3. Results and Discussion

3.1 Philippines Foreign Investment Regulations and Policies

Foreign Direct Investment (FDI) is often analyzed primarily from an economic perspective, focusing on determinants such as market size, comparative advantage, and sectoral competitiveness. However, this economic view is incomplete without considering the legal dimension that underpins investment flows. The law and economics approach highlights that the sustainability of FDI is not solely determined by macroeconomic indicators but also by the strength of the legal and institutional frameworks that regulate investment. [14] In this sense, FDI decisions by multinational corporations are shaped both by potential economic returns and by the degree of legal certainty provided by the host country.

The Philippines has laws or rules that regulate foreign investment specifically. The rule was formed because it can be seen that foreign investors have grown a lot of their money in the country and made the Philippines an economic advantage. Therefore, with this development, Republic Act 7042 (RA 7042) emerged as amended and amended by RA 8179, hereinafter known as the Foreign Investments Act of 1991 (FIA 1991) as a law regulating foreign investment in the Philippines.[15]

The Foreign Investment Act of 1991 was passed by President Corazon C. Aquino on June 13, 1991 to promote foreign investment and specify procedures for registering companies that will do business in the Philippines. The enactment of the Foreign Investment Act of 1991 as well as repealing Articles 44 to 56 of Book II concerning Foreign Investment Without Incentives which was previously regulated in the Omnibus Investment Code of 1987. In 1996, several provisions in the Foreign Investment Act of 1991 such as the section on the national definition of the Philippines, foreign investment in domestic market companies, the list of investment areas reserved for Philippine citizens Foreign Investments Negative List (FINL), investment rights for former Filipino citizens who were born naturally in the country and the rights of other natural-born citizens were amended after its signing Republic Act 8179.[16] This aims to further liberalize the entry of foreign investment into the Philippines.

These laws were created to attract, promote, and welcome productive investment from foreigners, alliances, corporations and governments, as well as their political subdivisions. Such activities significantly contribute to national industrialization and socio-economic development in the Philippines, insofar as such foreign investment is permitted in accordance with applicable law. Foreign investment will be accepted as a complement to capital and technology in the Philippines, especially in its domestic market. Under this law, foreign investors are 100% allowed to invest in companies within the domestic market, except in fields or activities that are included in the Foreign Investments Negative List (FINL). The FINL is a list of any investment fields or activities that can be opened to foreign investors and/or reserved for Filipino citizens where foreign ownership is limited to a maximum of 40% of the equity capital of the company involved in it. [16]

The 1991 FIA covers matters concerning foreign investment and foreign companies. Foreign investment according to FIA 1991 is an equity investment made by a Non-Filipino citizen in the form of foreign exchange and/or other assets that are actually transferred to the country and have been registered with the Central Bank which will subsequently assess the value of the asset outside of foreign exchange. This law does not apply in the case of banking and other financial institutions, which are further regulated by the Philippine Banking Act and other laws under the supervision of the Central Bank. Under the FIA 1991, also all foreign nationals who wish to invest or do business in the Philippines must register with the Securities and Exchange Commission (SEC) or with the Department of Trade and Industry (DTI) if the ownership is sole.

As stated in this law earlier, Foreign Nationals can own up to 100% of domestic market companies except those listed in the list of fields or investment activities that can be opened to foreign investors or referred to as the Foreign Investments Negative List (FINL). The following is a list of investment areas reserved for Filipino Citizens (FINL), where the FINL has 2 component lists.

Furthermore, to reiterate, any Foreign Citizen or Non-Filipino Citizen who wishes to do business or invest in the Philippines should not violate any applicable provisions and laws or those that have previously been restricted by the Constitution, FINL, or other laws. If a person violates the provisions of this FIA 1991 in particular, or assists or conspires in any way, he shall be subject to a fine not exceeding one hundred thousand pesos (P100,000). If the violation is committed by a legal entity, he will be subject to a fine in an amount not exceeding 1/2 of 1% of the total paid-up capital but not more than Five Million Pesos (P5,000,000). Therefore, the President and/or the responsible official will also be subject to a fine not exceeding Two hundred thousand pesos (P200,000). Violators will be subject to sanctions and fines based on applicable law, where the SEC has the power to impose such administrative sanctions.

Policies regarding foreign investment entering the Philippines are actively driven by central and local government policy considerations. FDI is available as many incentives for its investment activities in the Philippines. Foreign ownership is allowed in many areas of investment and companies involved in such activities must be subject to the FINL. As written in the *Foreign Investment Act of 1991 section 8*, the Philippines as a *host country* adheres to the *Negative List system.* The Philippines has a *Foreign Investments Negative List* where the FINL is a list of investment fields or activities that can be opened to foreign investors and/or reserved for Philippine citizens where foreign ownership is limited to a maximum of 40% of the equity capital of the company involved in it. The FINL contains two lists , namely, list A and list B.

Here are other important laws or rules for foreign investments operating in the Philippines:[17]

1) The Corporation Code of the Philippines, is a law that regulates domestic companies where domestic and foreign companies are granted licenses to do business in the Philippines.
2) The Omnibus Investments Code of 1987, was established to realize and harmonize basic incentive laws. This incentive is open to Filipino companies owned by foreign and local investors.
3) The Special Economic Zone Act of 1995, was established to establish a framework and mechanism for the creation, administration, and coordination of special economic zones (ecozones), and created PEZA.
4) The New Central Bank Act of 1993, the Banking Liberalization Act of 1994, and the General Banking Law of 2000, are the laws on which the BSP operates. This law, along with the relevant BSP circular, regulates the country's foreign exchange rules and regulations.

Beyond the statutory framework, the effectiveness of the Philippine foreign investment regime depends significantly on the coherence and predictability of its institutional implementation. While the Negative List system provides formal clarity regarding sectors open or restricted to foreign participation, the periodic revision of the FINL, overlapping regulatory mandates, and administrative discretion in licensing procedures may affect investor perceptions of stability. In practice, the interaction between the Securities and Exchange Commission (SEC), the Board of Investments (BOI), the Philippine Economic Zone Authority (PEZA), and the Bangko Sentral ng Pilipinas (BSP) requires strong inter-agency coordination to ensure regulatory consistency. From a law and economics perspective, fragmented or inconsistent enforcement may generate transaction costs and legal uncertainty, which can influence long-term investment decisions.

Moreover, the Philippines' investment framework must be viewed in conjunction with its bilateral investment treaties (BITs) and commitments under international economic agreements. These instruments provide additional guarantees, including standards of fair and equitable treatment, protection against unlawful expropriation, and access to international arbitration. However, the domestic incorporation and practical enforcement of these obligations remain critical to sustaining investor confidence. Therefore, the sustainability of foreign direct investment in the Philippines is not determined solely by statutory openness, but also by the reliability of enforcement mechanisms, transparency in regulatory processes, and alignment between domestic investment policy and international commitments.

3.2 Institutions or Partners for Philippines FDI

Here are some of the institutions or partners related to Foreign Direct Investment in the Philippines to give the protection for the investors:[18]

1) *Securities and Exchange Commission* (SEC), is a national government regulatory body tasked with overseeing the corporate sector, capital market participants, securities markets and investment instruments, as well as public protection for investors. Created on October 26, 1936 by Commonwealth Act (CA) 83 also known as The

Securities Act, the Commission is tasked with regulating the sale and registration of securities, exchanges, brokers, dealers and sellers. The SEC is the registrar and supervisor of the Philippine corporate sector. The SEC also develops and regulates the capital market, an essential component of the Philippine financial system and economy. When carrying out its mandate, the SEC makes a significant contribution to government revenue. The SEC is a gateway to doing business in the Philippines by providing a competitive and secure environment for easy company registration, efficient capital formation, and broad investor participation. And most importantly, the SEC is responsible for protecting investors, maintaining the fair and orderly functioning of the securities market, and facilitating capital formation.

2) *Board Of Investment* (BOI)*, is* an agency under the command of *the Department of Trade and Industry* (DTI). The BOI is the main investment promotion agency in the Philippines that provides tax incentive packages to both local and foreign businesses operating in the country. As such, he is at the forefront of the government's efforts to attract direct investment to the country to contribute to economic growth and job creation, to help lift the general economic well-being of Filipinos. The agency is designed to promote investment in and assist local and foreign investors in their ventures in the desired business area, defined in the *Investment Priorities Plan* (IPP) prepared annually. The BOI is mandated through *the Omnibus Investments Code (Executive Order No. 226)* to encourage investment through tax exemptions and other benefits in the field of selected economic activities determined by the BOI in IPPs. The IPP, which is formulated annually by the BOI through an inter-agency committee, with the approval of the President, lists priority activities for investment, which contain specific activities that may qualify for incentives.

Philippines Economic Zone Authority (PEZA which is also under the *Department of Trade and Industry* (DTI), is a Philippine government agency tasked with promoting investment, providing assistance, registering, incentivizing and facilitating investors' business operations in export-oriented manufacturing and service facilities within certain areas throughout the country. PEZA also serves to monitor and evaluate the development and requirements of ecozones and recommend to local government units or other appropriate authorities the location, incentives, basic services, utilities and infrastructure required or provided for such entities

3.3 Procedures to Invest in Philippines

In addition to substantive regulatory requirements under the Foreign Investments Act and related statutes, foreign investment in the Philippines is also governed by a structured administrative process that ensures compliance with corporate, taxation, and sectoral regulations. The procedural dimension of investment law serves as an operational mechanism through which statutory provisions are translated into legally recognized business entities. Consequently, an assessment of the Philippine investment regime must consider not only the scope of permitted foreign participation but also the procedural safeguards and institutional processes that condition market entry.

Before investing in the Philippines, investors must register and get approved by the *Securities and Exchange Commission* (SEC). The need to register with the SEC is because the SEC is the government body responsible for the registration, licensing, regulation, and supervision of all companies and partnerships organized in the Philippines, including foreign companies licensed to engage in business or establish branch offices in the Philippines. Registration with the SEC gives entities with *corporate franchise* or juridical personality to operate and conduct transactions in the Philippines. Files for registration can be filed simultaneously with the BOI, PEZA and IPA but are subject to affirmative completion of the SEC process. Furthermore, the processing and approval of the required documents takes approximately 15 business days from the official receipt of the documents. Regarding the directors in the company, the majority must be Filipino residents. The number of directors must be at least 5 but no more than 15.[19] Therefore, if there are 5 directors then at least 3 people must be Filipino natives. The business must also be registered with several other government agencies including *the Bureau of Internal Revenue.*

The following are the requirements for registration applications and the institutions responsible for processing them**:**

Tabel 1. Requirements for FDI Registration

Agency	Type Of Business	Requirements
Securities And Exchange Commission (SEC)	Domestic Enterprises or Partnerships that are not Citizens of the Philippines	In the case of a new domestic company or partnership: 1. Application form. 2. Policy or federal estimates. 3. Name verification slip. 4. Bank deposit certificate 5. ACR (Alien Certificate of Registration), ICR (Immigrant Certificate of Registration), SIRV (Special Investors Resident Visa), Visa 13 of the alien subscriber. 6. Proof of remittance in such as bank certificates remittance in or credit advices. 7. Registration data sheet. 8. Treasurer's affidavit.
	Foreign Companies	For Foreign Companies: 1. Application form. 2. Name verification slip. 3. A certified copy of the Board authorizing the establishment of an office in the Philippines, appointing a resident agent who can be summoned and other legal proceedings may be served on behalf of the foreign corporation; and stipulates that in the absence of such agent or after the cessation of its business in the Philippines, the SEC will accept subpoenas or legal process as if the same were done against the company at its headquarters. 4. The financial statements for the previous year immediately at the time of application submission, are certified by an independent Certified Public Accountant from the home country. 5. Official copy of the Articles of Association / Partnership with English translation if in a foreign language. 6. Proof of remittance in such as bank certificates remittance in or credit advices. 7. Registration data sheet. 8. Acceptance of the appointment of agent residents. For representative offices, the initial amount to be sent must be at least US$30,000.

Source: Omnibus Investment Code of 1987 and Foreign Investment Act of 1991

All documents executed abroad must be legalized by the Philippine Embassy. Pre-processing of all applications is considered officially accepted only after the submission of complete and appropriate documents to the appropriate government agency.

3.4 Philippines Bilateral Investment Treaty

The Bilateral *Investment Treaty* (BIT) is an agreement between two countries regarding the promotion and protection of investments made by investors from each country in their respective regions. The majority of *International Investment Agreements*

(IIAs) are BITs. The desire of each country, especially developing countries, to attract foreign investors to invest their capital, allows the creation of the BIT. This agreement is basically an effort taken by both *the home country* and *the host country* to provide protection to each country.[14]

The Philippines also has bilateral investment agreements with other countries. The implementation of the BIT or agreement is to protect investment by investors from both countries, encourage investment between the two countries and to promote investment.[20] This is an effort to promote investment opportunities from both countries which is expected to encourage investment and economic cooperation from both countries. The Philippines has cooperated and entered into investment agreements with many countries as presented in the table below:

Tabel 2. Philippines Investment Agreement Between Countries

No.	Short Title	Status	Parties	Date Of Signature	Date Of Entry Into Force
1	Philippines - United Arab Emirates BIT (2022)	Signed (not in forced)	United Arab Emirates	09/06/2022	
2	Israel - Philippines BIT (2022)	In force	Israel	07/06/2022	12/03/2024
3	Philippines - Syrian Arab Republic BIT (2009)	In force	Syrian Arab Republic	25/11/2009	04/05/2010
4	Philippines - Saudi Arabia BIT (2005)	Signed (not in force)	Saudi Arabia	02/10/2005	
5	Philippines - Portugal BIT (2002)	In force	Portugal	08/11/2002	14/08/2003
6	Austria - Philippines BIT (2002)	In force	Austria	11/04/2002	01/12/2003
7	Indonesia - Philippines BIT (2001)	Signed (not in force)	Indonesia	12/11/2001	
8	Bahrain - Philippines BIT (2001)	In force	Bahrain	07/11/2001	01/04/2002
9	Mongolia - Philippines BIT (2000)	In force	Mongolia	01/09/2000	01/11/2001
10	Cambodia - Philippines BIT (2000)	Signed (not in force)	Cambodia	16/08/2000	
11	Kuwait - Philippines BIT (2000)	In force	Kuwait	12/03/2000	04/05/2002
12	India - Philippines BIT (2000)	In force	India	28/01/2000	29/01/2001
13	Argentina - Philippines BIT (1999)	In force	Argentina	20/09/1999	01/01/2002
14	Philippines - Sweden BIT (1999)	Signed (not in force)	Sweden	17/08/1999	
15	Pakistan - Philippines BIT (1999)	Signed (not in force)	Pakistan	23/04/1999	
16	Philippines - Turkey BIT (1999)	In force	Turkey	22/02/1999	17/02/2006
17	Finland - Philippines BIT (1998)	In force	Finland	25/03/1998	16/04/1999
18	Myanmar - Philippines BIT (1998)	In force	Myanmar	17/02/1998	11/09/1998
19	BLEU (Belgium-Luxembourg Economic Union) - Philippines BIT (1998)	In force	BLEU (Belgium-Luxembourg Economic Union)	14/01/1998	19/12/2003
20	Denmark - Philippines BIT (1997)	In force	Denmark	25/09/1997	19/04/1998
21	Philippines - Russian Federation BIT (1997)	In force	Russian Federation	12/09/1997	29/11/1998

22	Bangladesh - Philippines BIT (1997)	In force	Bangladesh	08/09/1997	01/08/1998
23	Germany - Philippines BIT (1997)	In force	Germany	18/04/1997	01/02/2000
24	Philippines - Switzerland BIT (1997)	In force	Switzerland	31/03/1997	23/04/1999
25	Chile - Philippines BIT (1995)	In force	Chile	20/11/1995	06/08/1997
26	Canada - Philippines BIT (1995)	In force	Canada	10/11/1995	01/11/1996
27	Iran, Islamic Republic of - Philippines BIT (1995)	Signed (not in force)	Iran, Islamic Republic of	08/10/1995	
28	Philippines - Thailand BIT (1995)	In force	Thailand	30/09/1995	06/09/1996
29	Czech Republic - Philippines BIT (1995)	In force	Czechia	05/04/1995	04/04/1996
30	Australia - Philippines BIT (1995)	In force	Australia	25/01/1995	08/12/1995
31	Philippines - Saudi Arabia BIT (1994)	In force	Saudi Arabia	17/10/1994	11/11/1996
32	France - Philippines BIT (1994)	In force	France	13/09/1994	13/06/1996
33	Philippines - Romania BIT (1994)	In force	Romania	18/05/1994	14/06/1998
34	Korea, Republic of - Philippines BIT (1994)	In force	Korea, Republic of	07/04/1994	25/09/1996
35	Philippines - Spain BIT (1993)	In force	Spain	19/10/1993	21/09/1994
36	China - Philippines BIT (1992)	In force	China	20/07/1992	08/09/1995
37	Philippines - Taiwan Province of China BIT (1992)	In force	Taiwan Province of China	28/02/1992	28/02/1992
38	Philippines - Viet Nam BIT (1992)	In force	Viet Nam	27/02/1992	29/01/1993
39	Italy - Philippines BIT (1988)	In force	Italy	17/06/1988	04/11/1993
40	Netherlands - Philippines BIT (1985)	In force	Netherlands	27/02/1985	01/10/1987
41	Philippines - United Kingdom BIT (1980)	In force	United Kingdom	03/12/1980	02/01/1981
42	France - Philippines BIT (1976)	Terminated	France	14/06/1976	01/07/1976 13/06/1996 (Termination Date)

Source: Investment Policy Hub UNCTAD

These treaties essentially provide mutual promotion and protection regarding investments in the territory of the contracting countries. They ensure fair and equitable investment by investors in the country, as well as provide *unrestricted transfer of investment* and *investment returns*, establish procedures and resolve disputes between contracted countries.

The breadth of the Philippines' bilateral investment treaty network reflects a long-standing strategy to signal openness and credibility to the international investment community. From a legal perspective, BITs function not merely as diplomatic instruments, but as binding commitments that elevate investor protection standards beyond domestic legislation. Provisions on fair and equitable treatment, full protection and security, most-favored-nation treatment, and investor–state dispute settlement (ISDS) mechanisms create an additional layer of legal assurance that may reduce perceived political and regulatory risks. Consequently, BITs operate as external constraints on domestic regulatory discretion, reinforcing predictability in the investment climate.

However, the effectiveness of these treaties ultimately depends on their interaction with domestic law and institutional practice. While BITs offer formal guarantees, inconsistencies in regulatory enforcement, administrative delays, or shifts in policy orientation may affect their practical impact. Moreover, the coexistence of older-generation treaties with varying substantive standards may generate interpretative complexities in arbitration proceedings. Therefore, sustaining investor confidence requires not only maintaining an extensive treaty network, but also ensuring coherence between treaty obligations, national legislation such as the Foreign Investments Act, and administrative implementation. In this regard, BITs should be understood as complementary instruments that strengthen, rather than substitute for, a reliable domestic legal framework.

4. Conclusion

This study confirms that foreign direct investment (FDI) in the Philippines is shaped not only by economic determinants such as comparative advantage and sectoral competitiveness, but also by the structure and implementation of its legal and institutional framework. The analysis demonstrates that the Foreign Investments Act of 1991, the Foreign Investments Negative List (FINL), and related regulatory instruments have significantly liberalized market entry while simultaneously maintaining strategic sectoral restrictions. Institutional mechanisms, including the Securities and Exchange Commission (SEC), Board of Investments (BOI), and Philippine Economic Zone Authority (PEZA), play a central role in facilitating and supervising foreign investment activities.

Furthermore, the Philippines' extensive network of bilateral investment treaties (BITs) reflects its commitment to providing investment protection and dispute resolution mechanisms consistent with international standards. However, regulatory limitations, procedural requirements, and enforcement challenges continue to influence investor perceptions of legal certainty. The findings indicate that sustainable FDI inflows depend not only on economic incentives but also on coherent regulatory implementation, transparency in administrative processes, and alignment between domestic law and international investment obligations. Strengthening institutional coordination and ensuring consistent enforcement of investment regulations are therefore essential to maintaining investor confidence and supporting long-term economic resilience.

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