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**INDUSTRIAL DEVELOPMENT REVIEW
SERIES**

THE PHILIPPINES

**Sustaining industrial recovery
through privatization and foreign investment**

Prepared by the
Regional and Country Studies Branch

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PREFACE

This Industrial Development Review is one of a series of country studies prepared by the Regional and Country Studies Branch of the United Nations Industrial Development Organization (UNIDO).

The Reviews present brief factual and analytical surveys of industrial development in developing countries. Such industry-specific Reviews are in demand for a variety of purposes: to provide an information service to relevant sections within UNIDO and other international organizations and aid agencies concerned with technical assistance to industry; to be used as a reference source for financial organizations, public and private industrial enterprises, and economic research institutes in developed and developing countries; and to serve as a handy, useful information source for policy-makers in developing countries. The Reviews do not represent in-depth industrial surveys. With an exclusive focus on industry they present information and analyses on the broad spectrum of the industrial development process in the countries concerned in a condensed form.

The presentation of information and analyses contained in the Reviews draw primarily on information and material available at UNIDO headquarters from national and international sources as well as data contained in the UNIDO data base. Generally, specific field surveys are not undertaken. Up-to-date information on sub-sectoral manufacturing trends is usually constrained by incomplete national data on the industrial sector. To supplement efforts under way in UNIDO to improve the data base and to monitor industrial progress and changes on a regular basis, it is hoped that the relevant national authorities and institutions and other readers will provide comments and further information. Such response will greatly assist in updating the Reviews.

This Country Review was prepared on the basis of information available at UNIDO Headquarters by the third quarter of 1988. It is divided into two rather distinct parts. Chapters 1 and 2 are analytical in character, giving first a brief overview of the country's economy and its manufacturing sector and then a more detailed overview of the structure and performance of its manufacturing industries. Chapter 3 examines selected sub-sectoral trends, with a focus on problems and prospects. Chapter 4 reviews policy measures relevant to industrial development and presents information on the institutional framework, the resource endowment and the role of technical co-operation for industrial development. Information on investment regulations, investment priorities, and investment programmes and projects are presented in the Annexes.

The preparation of the Review was undertaken in the form of a desk study with an extraordinary limited time frame. Due to budgetary constraints no field mission to the Philippines could be undertaken. In particular, the analyses of sub-sectoral manufacturing trends in Chapter 3 were constrained both by the limited time available for preparing the Review and the limited branch-specific data available at UNIDO Headquarters and from international and national sources. An in-depth analysis of sub-sectoral manufacturing trends would indeed need to be undertaken as a follow-up of this Review so as to cover disaggregated analyses in close co-operation with national authorities and relevant organizations.

The present Review was prepared in collaboration with Dr. Rolf J. Langhammer, Mr. Torsten Amelung and Dr. Ulrich Hiemenz of The Kiel Institute of World Economics.

It should be noted that the Reviews are not official statements of intention or policy by governments nor do the views and comments contained therein necessarily reflect those of the respective governments.

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Basic indicators | viii |
| Summary | xiv |
| 1. THE ECONOMY OF THE PHILIPPINES | 1 |
| 1.1 Recent economic trends | 1 |
| 1.2 Economic structure | 2 |
| 1.3 An overview of the manufacturing sector | 5 |
| 2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR | 13 |
| 2.1 Growth and structural change | 13 |
| 2.2 Manufacturing employment and performance | 15 |
| 2.3 Trade in manufactures | 20 |
| 2.4 Size, regional distribution and the role of small-scale industries | 25 |
| 2.5 Ownership and foreign direct investment | 27 |
| 3. SUB-SECTORAL MANUFACTURING TRENDS | 31 |
| 3.1 Food manufacturing | 31 |
| 3.2 The garment industry | 35 |
| 3.3 The electronics industry | 40 |
| 3.4 The cement industry | 41 |
| 3.5 Other manufacturing industries | 42 |
| 4. POLICIES, PLANS AND INSTITUTIONS FOR INDUSTRIAL DEVELOPMENT | 45 |
| 4.1 Plan priorities and targets | 45 |
| 4.2 Changing industrial policy environment | 48 |
| 4.3 The privatization programme | 51 |
| 4.4 Investment incentives | 52 |
| 4.5 Institutional framework for industrial development | 56 |
| 4.6 Resources for industrial development | 60 |
| 4.7 The role of technical co-operation in industrial development | 66 |
| ANNEXES | |
| Annex A Statistical Tables | 69 |
| Annex B The Omnibus Investment Code of 1987 | 95 |
| Annex C Investment incentive schemes | 101 |
| Annex D 1988 Investment Priorities Plan | 123 |
| Annex E Route to privatization in the Philippines | 136 |
| Annex F Programmes and Projects for Industrial Development in the Medium-Term Philippine Development Plan, 1987-1992 | 137 |
| Annex G Manufacturing projects seeking external assistance | 145 |
| Annex H The completed, operational and/or approved technical co-operation projects of UNIDO | 155 |
| Selected References | 166 |

LIST OF TABLES

| | <u>Page</u> | |
|-----------|---|----|
| Table 1.1 | Distribution of GDP by sector of origin, 1974-1987 | 4 |
| Table 2.1 | Growth and structural changes in manufacturing, 1967-1987 | 14 |
| Table 2.2 | Indices of manufacturing employment, 1978-1986 | 17 |
| Table 2.3 | Annual growth rate in total factor productivity, 1956-1983 | 18 |
| Table 2.4 | Indices of sales turnover estimates, 1980-1984 | 19 |
| Table 2.5 | Philippine export profile, 1982-1986 | 21 |
| Table 2.6 | Non-traditional manufactured exports (NTME) and exports from export processing zones (EPZ), 1981-1985 | 23 |
| Table 2.7 | US imports from ASEAN countries under tariff item 806.30 and 807.00 of the Tariff Schedules of the United States, 1977, 1980 and 1985 | 24 |
| Table 2.8 | Concentration of large manufacturing activity, in Metro-Manila, 1983 | 26 |
| Table 2.9 | US and Japanese foreign direct investment in ASEAN manufacturing, 1976, 1980 and 1986 | 29 |
| Table 3.1 | Japan's imports of fresh and processed foods from the Philippines, January-June, 1985-1986 | 34 |
| Table 3.2 | Philippine garment exports, 1985-1987 (January-October) | 36 |
| Table 3.3 | Apparel industry wage rates in selected countries, 1975 and 1982 | 38 |
| Table 3.4 | Total value of quotas negotiated by the Philippines in selected market destinations, 1987-1991 | 38 |
| Table 4.1 | Sectoral plan targets, 1987-1992 | 46 |
| Table 4.2 | Average effective rates of tariff protection (ERP) in the Philippines, 1979 and 1985 | 49 |
| Table 4.3 | Index of real effective exchange rates (REER) in the Philippines, 1980-1986 | 51 |
| Table 4.4 | Philippine assets slated for privatization, 1987 | 53 |
| Table 4.5 | Progress on divestiture of Government-owned and -Controlled Corporations (GOCC), as of 1 June 1988 | 54 |
| Table 4.6 | Comparison of key fiscal incentives under the Old and New Omnibus Investments Codes, 1987 | 55 |

| | <u>Page</u> | |
|-----------|---|----|
| Table 4.7 | BOI-approved equity investments by country and sector, 1986 and 1987 | 57 |
| Table 4.8 | Agricultural production, actual volumes and plan targets, 1986 and 1987 | 62 |
| Table 4.9 | Production of major mineral commodities, Plan projections, 1987-1992 | 65 |

LIST OF ANNEX TABLES

| | <u>Page</u> | |
|------------|---|----|
| Table A-1 | Gross domestic product by industrial origin, 1974-1987 | 70 |
| Table A-2 | Budget revenues and expenditures, 1974-1987 | 71 |
| Table A-3 | Size and structure of Philippine foreign external debt, 1974-1986 | 72 |
| Table A-4 | Philippine balance of payments, 1974-1987 | 73 |
| Table A-5 | Value of gross manufacturing output, 1957-1983 | 74 |
| Table A-6 | Sectoral employment growth rate and structure, 1956-1985 | 75 |
| Table A-7 | Changing structure of manufacturing employment, 1956-1986 | 76 |
| Table A-8 | Partial and total factor productivity in Philippine manufacturing, 1956-1983 | 77 |
| Table A-9 | Value added per employee in selected sub-sectors of manufacturing, 1956-1980 | 78 |
| Table A-10 | Philippine trade indices, 1972-1985 | 79 |
| Table A-11 | Average annual export value by product group and type of trading and manufacturing company, 1980 and 1983 | 80 |
| Table A-12 | Trade matrix by region, 1965-1985 (selected years) | 81 |
| Table A-13 | Direction of exports by type of trading and manufacturing companies, 1980 and 1983 | 87 |
| Table A-14 | Philippine exports by nationality of traders and type of ownership, 1980-1984 | 88 |
| Table A-15 | EEC imports from the Philippines under preferential and non-preferential treatment, 1980, 1983 and 1986 | 89 |
| Table A-16 | Manufacturing establishments by size of employment, 1983 | 90 |
| Table A-17 | US imports of semiconductors, 1982-1985 | 92 |
| Table A-18 | Gross manufacturing value added by region, 1983-1985 | 93 |

EXPLANATORY NOTE

Regional classifications, industrial classifications, trade classifications, and symbols used in the statistical tables of this report, unless otherwise indicated, follow those adopted in the United Nations Statistical Yearbook.

Dates divided by a slash (1987/88) indicate a crop year or a financial year. Dates divided by a hyphen (1987-1988) indicate the full period, including the beginning and end years.

References to dollars (\$) are to United States dollars, unless otherwise stated.

Totals may not add precisely due to rounding.

In Tables:

Three dots (...) indicate that data are not available or not separately reported;

Two dashes (--) indicate that the amount is nil or negligible;

A hyphen (-) indicates that the item is not applicable.

Basic indicators and graphical illustrations of manufacturing trends contained in this Review are based on data sourced from the UNIDO data base, international organizations, commercial and national sources.

The following abbreviations are used in this document:

| | |
|-------|--|
| ADB | Asian Development Bank |
| APT | Asset Privatization Trust |
| ASEAN | Association of Southeast Asian Nations |
| BOI | Board of Investments |
| BSMBD | Bureau of Small and Medium Business Development |
| CB | Central Bank of the Philippines |
| CHEI | Commission for Heavy Engineering Industry |
| CIAP | Construction Industry Authority of the Philippines |
| CLARA | Center for Labour Relations Assistance |
| DBP | Development Bank of the Philippines |
| DFST | Department for Food Science and Technology |
| DOLE | Department of Labour and Employment |
| DOST | Department of Science and Technology |
| DTI | Department of Trade and Industry |
| EC | European Community |
| EPZ | Export Processing Zone |
| EPZA | Export Processing Zone Authority |
| GATT | General Agreement on Tariff and Trade |
| GDP | Gross Domestic Product |
| GFI | Government Financial Institutions |
| GFSME | Guarantee Fund for Small and Medium Enterprises |
| GOCC | Government-Owned or -Controlled Corporations |
| GSP | Generalized System of Preferences |
| IGLF | Industrial Guarantee and Loan Fund |
| IGF | Invention Guarantee Fund |

| | |
|-------|--|
| IMF | International Monetary Fund |
| IPP | Investment Priorities Plan |
| ISA | Iron and Steel Authority |
| ISIC | International Standard Industrial Classification |
| JETRO | Japan External Trade Organization |
| MRR | Manila Reference Rate |
| MIRDC | Metals Industry Research and Development Center |
| NCSO | National Census and Statistics Office |
| NDC | National Development Corporation |
| NEDA | National Economic and Development Authority |
| NICs | Newly Industrializing Countries |
| NIST | National Institute for Science and Technology |
| NMYC | National Manpower and Youth Council |
| NSTA | National Science and Technology Authority |
| NTB | Non-Tariff Barriers |
| OECD | Organization for Economic Co-operation and Development |
| PACCI | Presidential Advisory Committee on the Copper Industry |
| PCIA | Philippine Cement Industry Authority |
| PDCP | Private Development Corporation of the Philippines |
| PIDI | Philippine Investors Development Institute |
| PNB | Philippine National Bank |
| PSCC | Philippine Standard Commodity Classification |
| PTRI | Philippine Textile Research Institute |
| RCITC | Regional Cottage Industry Technology Center |
| SME | Small- and Medium-sized Enterprises |
| SITC | Standard International Trade Classification |
| TRC | Technology Resource Center |
| TTB | Technology Transfer Board |

BASIC INDICATORS I

The economy

| | | | | | | | |
|--|---|---|------------------|------------------|--------------------------|--------------------------|-------------|
| GDP (1987) | : | P95,948.0 million (at constant 1972 prices) | | | | | |
| GDP (1986) | : | \$30,540.0 million | | | | | |
| Population (mid 1986): | : | 56.0 million | | | | | |
| Labour force (1986): | : | 21.5 million | | | | | |
| GDP per capita (1986): | : | \$ 546 | | | | | |
| Annual growth rate of GDP: | : | <u>1960-1970</u> | <u>1970-1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>1984</u> |
| | | 5.6 | 6.2 | 3.0 | 2.9 | 1.1 | -6.0 |
| | | | | | | First half ^{a/} | |
| | | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988^{a/}</u> | <u>1988</u> | |
| | | -4.3 | 1.6 | 5.7 | 6.4 | 5.7 | |
| GDP by sector of origin (per cent) | : | <u>1960</u> | <u>1972</u> | <u>1982</u> | <u>1986</u> | <u>1987</u> | |
| Agriculture | | 34.4 | 28.5 | 22.5 | 26.0 | 28.5 | |
| Industry | | 23.4 | 32.0 | 36.0 | 32.0 | 32.0 | |
| Manufacturing | | 17.5 | 24.8 | 24.4 | 25.0 | 24.3 | |
| Services | | 42.2 | 39.5 | 41.5 | 42.0 | 39.5 | |
| Inflation rate (per cent per year) | : | <u>1960-1970</u> | <u>1970-1981</u> | <u>1984</u> | <u>1986</u> | <u>1987</u> | |
| | | 5.8 | 12.8 | 41.0 | 0.7 | 3.8 | |
| Currency exchange rate (Peso equivalent to \$1) | : | | Jan.- June | June- Oct. | Oct.- Nov. | Jan. | |
| | | <u>1976</u> | <u>1983</u> | <u>1984</u> | <u>1984</u> | <u>1985</u> | |
| | | 7.5 | 9.4 | 18.0 | 20.0 | 19.7 | |
| | | | First quarter | First quarter | | | |
| | | | <u>1986</u> | <u>1988</u> | | | |
| | | | 20.6 | 21.0 | | | |

a/ Forecast.

b/ Estimate.

BASIC INDICATORS 2

Resources and transport infrastructure

Resources

| | | |
|---|---|--|
| Cash crops (leading products by value) | : | Rice, maize, (nearly self-sufficient) coconuts, sugar, bananas, abaca, copra |
| Livestock (total numbers in millions, 1986) | : | 1.8 million cattle, 2.98 million buffaloes, 7.3 million pigs, 53 million chicken |
| Fisheries (total catch, 1985) | : | 2,135 million tons |
| Forestry | : | Lumber output 1.06 million cu m (1985) Logs output 3.6 million cu m (1985) |
| Mining (1985) | : | ('000 kg), gold 33.1, silver 52.4, nickel, copper |
| Energy production (1986) major source: | : | Oil, coal, geothermal (6.3 million tons of coal equivalent) |

Transport

| | | |
|----------|---|---|
| Roads | : | 26,260 km national, 45,200 km provincial and city/municipal |
| Railways | : | 740 km |
| Shipping | : | 4,200 inter-island vessels |
| Ports | : | 19 base ports, 75 subports |
| Airports | : | 2 international airports, four alternate international and 81 other airports throughout the country |

BASIC INDICATORS 3

Foreign trade and balance of payments

In 1987:

| | | |
|--|---|--|
| Exports - total value | : | \$5,720 million |
| main goods | : | Electrical and electronical equipment, garments, coconuts, wood, fish, sugar |
| main destinations | : | USA, Japan, Netherlands, F.R.Germany |
| Imports - total value | : | \$6,737 million |
| main goods | : | Mineral fuels, non-electric machinery, electric machinery, and base metals |
| main origins | : | USA, Japan, F.R.Germany, Saudi Arabia, Kuwait |
| Balance of payments (current account): | : | \$539 million deficit |
| Gross reserves | : | \$2,014 million |
| Foreign debt (1986) total | : | \$28.2 billion |
| percentage of GNP | : | 88 per cent |
| Total interest payments on long-term debt (1986) | : | \$1,092 million |
| percentage of GNP | : | 6.1 per cent |
| percentage of total exports of goods and services | : | 21.3 per cent |

BASIC INDICATORS 4

The manufacturing sector

| | | | | | |
|--|------------------------|---------------------------|-------------------------------|--------------------------|-------------|
| Manufacturing value added (in current prices): | \$8.460 billion (1987) | | | | |
| MVA per capita | : \$147 (1987) | | | | |
| Gross value added | : | <u>1967-1971</u> | <u>1972-1980</u> | <u>1981</u> | <u>1982</u> |
| (annual average growth rate) | : | 6.4 | 6.5 | 3.4 | 2.1 |
| | | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> |
| | | 2.4 | -7.2 | -7.7 | 0.9 |
| | | <u>1987</u> | <u>1988^{b/}</u> | First half | |
| | | 7.1 | 11.0 | <u>1988^{c/}</u> | |
| | | | | 8.5 | |
| Employment in manufacturing | : | 1,858 (in thousands 1985) | | | |
| as percentage of total labour force | : | 8.6 per cent | | | |
| Sectoral composition of MVA (per cent) | : | <u>1967-1971</u> | <u>1981-1986^{e/}</u> | | |
| Mainly consumer goods | | 58.3 | 59.2 | | |
| Mainly intermediate goods | | 24.5 | 25.2 | | |
| Mainly durable and capital goods | | 17.2 | 15.6 | | |
| Trade in manufactures ^{a/} (1987) | | | | | |
| total value - exports | : | \$3,642 million | | | |
| - imports: | : | \$3,163 million | | | |
| Share of manufactures ^{a/} (1987) | | | | | |
| in total exports: | : | 63.7 per cent | | | |
| in total imports: | : | 47.0 per cent | | | |

a/ SITC 5-8, preliminary.

b/ Forecast.

c/ Estimate.

BASIC INDICATORS 5

Trade in manufactures

Manufactured exports:

| Principal manufactured exports 1985 | In million US\$ ^{a/} | Share of total exports (per cent) | Destination (per cent) | | | | Centrally planned economies |
|---|----------------------------------|--|-------------------------|-------------------------------|------|-------|-----------------------------------|
| | | | Developing countries | Developed market economies | | | |
| | | | | EC | USA | Japan | |
| Electrical machinery | 275.7 | 22.4 | 26.0 | 20.5 | 46.5 | 6.2 | 0.0 |
| Clothing | 264.2 | 21.5 | 9.4 | 25.6 | 54.1 | 2.4 | 0.8 |
| Fruits, preserved | 130.6 | 10.6 | 2.3 | 17.4 | 56.8 | 4.8 | 0.0 |
| Wood, shaped | 71.0 | 5.8 | 20.4 | 30.3 | 38.8 | 6.8 | 0.0 |
| Wood manufactures | 41.0 | 3.3 | 13.0 | 34.5 | 27.3 | 18.3 | 0.0 |

Manufactured imports:

| Principal manufactured imports 1985 | In million US\$ ^{b/} | Share of total imports (per cent) | Origin (per cent) | | | | Centrally planned economies |
|---|----------------------------------|--|-------------------------|-------------------------------|------|-------|-----------------------------------|
| | | | Developing countries | Developed market economies | | | |
| | | | | EC | USA | Japan | |
| Electric machinery | 362.9 | 18.3 | 8.9 | 13.0 | 40.5 | 33.2 | 0.02 |
| Non-electrical machinery | 335.3 | 16.6 | 13.0 | 14.3 | 40.1 | 26.9 | 0.04 |
| Chemical elements and compounds | 244.6 | 12.1 | 24.1 | 18.2 | 26.0 | 22.3 | 3.64 |
| Iron and steel | 146.0 | 7.2 | 33.4 | 4.6 | 1.9 | 56.9 | 0.66 |
| Transport equipment | 72.6 | 3.6 | 6.5 | 15.6 | 22.3 | 53.7 | 0.00 |

a/ Domestic exports (re-exports excluded).

b/ World imports.

BASIC INDICATORS 6

Inter-country comparison of selected indicators*

| | Unit | Indonesia | Malaysia | Philippines | Singapore | Thailand | Middle income countries Upper | Lower |
|--|---|-----------|---------------------|--------------|-----------|----------|----------------------------------|-------|
| I. Demographic Indicators | | | | | | | | |
| Population (1986) | million | 166.4 | 16.1 | <u>57.3</u> | 2.6 | 52.6 | | |
| Population growth (1970-86) | per cent per annum | 2.3 | 2.6 | <u>2.7</u> | 1.4 | 2.4 | 2.3 | 2.5 |
| Infant mortality (1985) | per 1000 | 96 | 28 | <u>48</u> | 9 | 43 | 52 | 82 |
| Area | '000 sq km | 1,919 | 330 | <u>300</u> | 1 | 514 | | |
| Density (1986) | persons per sq km | 86.7 | 83.9 | <u>191.0</u> | 2,600 | 102.3 | | |
| II. Economic Indicators | | | | | | | | |
| GDP (1986) | \$ billion | 75.2 | 27.6 | <u>30.5</u> | 17.4 | 41.8 | | |
| GNP (1986) <u>per capita</u> | \$ | 450 | 1710 | <u>546</u> | 6670 | 790 | 2140 | 730 |
| GDP growth (1970-86) | per cent per annum | 6.2 | 6.4 | <u>3.3</u> | 8.5 | 6.4 | 5.1 | 4.7 |
| Agriculture (1986) | per cent of GDP | 26 | 21 ^{a/} | <u>26</u> | 1 | 17 | 11 | 23 |
| Industry (1986) | per cent of GDP | 32 | 31 ^{a/} | <u>32</u> | 38 | 30 | 41 | 35 |
| Manufacturing (1986) | per cent of GDP | 14 | 18 ^{a/} | <u>25</u> | 27 | 21 | 22 | 17 |
| Services (1986) | per cent of GDP | 42 | 48 ^{a/} | <u>42</u> | 62 | 53 | 48 | 42 |
| Exports (goods)(1986) | per cent of GDP | 19.7 | 50.3 | <u>15.6</u> | 129.7 | 21.0 | | |
| Gross domestic in- vestment (1986) | per cent of GDP | 26 | 25 | 13 | 40 | 21 | 24 | 19 |
| External public debt | per cent of GNP | 44.4 | 65.7 | <u>66.2</u> | 11.8 | 27.4 | 37.9 | 51.9 |
| III. Industrial Indicators | | | | | | | | |
| MVA (1985) | million \$ at con- stant 1980 prices | 11,990 | 2,617 ^{b/} | 8,171 | 3,501 | 8,805 | | |
| Growth of MVA (1975-85) | Average annual per cent | 11.0 | 9.3 ^{c/} | 2.4 | 6.4 | 8.2 | | |
| Share in world manu- facturing value added (1985) | per cent | 0.45 | 0.13 ^{d/} | <u>0.32</u> | 0.17 | 0.30 | | |
| Share of manufactured ^{d/} exports in total mer- chandise exports (1986) | per cent | 22.1 | 35.9 | <u>58.9</u> | 65.2 | 44.8 | | |

* Based on the World Bank data presented in the World Development Report. It should be noted that the UNIDO data base, United Nations statistics, national statistics and World Bank data base do not always tally precisely and, therefore, discrepancies may be found between Basic Indicators 6, and the text and Tables.

a/ 1984.

b/ 1984 at constant 1970 prices.

c/ 1975-84.

d/ SITC 5-8 less 68.

SUMMARY

The Philippine economy is poised for a healthy pace of economic recovery. Prospects for sustained industrial growth in the 1980s have never been as promising as in 1988. A 6.4 per cent rate of growth of real GDP is forecast for 1988, compared with 5.7 per cent in 1987 and a sluggish growth rate of 1.6 per cent in 1986. The impetus stemming from medium-term reforms of the new government is ushering in an era of sustained recovery from sharp set-backs suffered during the stabilization period, 1983-1985.

Against a critical economic and political background, which exposed the Philippines to "country risk" in international lending following the political crisis, a Stabilization Programme was initiated in 1983. The core elements of the Programme were focussed on restrictive monetary policy and intensified import controls. As imports were curtailed through output contraction, exports dropped sharply. However, measures supported by the IMF stand-by agreement succeeded in reducing current account deficit and even created a surplus in 1985. GDP in real terms suffered negative growth rates of 6.0 per cent and 4.3 per cent in 1984 and 1985, respectively, due largely to declining private and public investments although private consumption levels rose in relative terms.

The current phase of consumer demand-led industrial recovery is buoyed by the new government's expansionary policy, import liberalization and privatization initiatives. These policies are primarily intended to raise the internal efficiency and international competitiveness of the manufacturing sector.

The manufacturing sector grew faster than the overall economy during the 1960s and 1970s. Manufacturing growth, however, faltered to negative growth in the first half of the 1980s. Since 1986, an industrial recovery is under way. The outlook for sustained industrial growth is favourable under the changing industrial policy environment and improved investment climate.

Almost no industry could escape the effects of economic recession during the first half of the 1980s. Sugar, textiles, wood and wood products, pulp and paper, cement, metal products (including automobiles) reported large idle capacities. The automotive industry came to a virtual standstill, while other industries were struggling to thrive. Twelve sub-sectors of manufacturing suffered negative growth rates during 1981-1986; a marked decline of -4.5 per cent was suffered by transport equipment, followed by wood and cork products (-7.7 per cent), non-metallic mineral products (-6.3 per cent), machinery excluding electrical (-6.2 per cent), chemical and chemical products (-5.8 per cent). While the relatively labour-intensive light manufacturing industries oriented towards the world markets boosted their sales by almost 50 per cent, domestic sales of capital goods declined by 50 per cent in the first half of the 1980s. The performance of heavy industries in the 1980s does not augur well for the nine ambitious projects which were directly initiated by the government in the early 1970s in order to spur import substitution of intermediate products.

The degree of vulnerability of specific industries to fluctuations in growth rates can be linked to the type of orientation these industries have developed over the years. Industries with solid export base, such as food manufactures, garments, basic metals, and electrical machinery, performed much better than domestic market-oriented industries in the 1980s. Food manufacturing plays an increasingly important role. Its share of gross value added rose from 27 per cent in 1972 to 41 per cent in 1987. The industry continues to be the backbone of traditional processed exports comprising processed sugar and coconuts. Footwear, garments and electrical machinery have emerged as rapidly growing export-oriented industries.

Differences in factor intensities between industries reveal that the largest increase in capital-intensities occurred in a typical large-scale industry, industrial chemicals. Massive inflows of subsidized capital coupled with high protection have biased structural change in the Philippine manufacturing sector towards larger firms and capital deepening in the 1970s. The tide was turned in the 1980s in favour of industries with better capacity utilization, high productivity increases and high absorptive capacity of labour instead of capital.

Estimates of total factor productivity in manufacturing reveal that the main source of declining total factor productivity was the flow of labour and capital from relatively labour-intensive and export-oriented industries to large-scale relatively inefficient industries. Within industries a slight increase in productivity could be experienced which, however, failed to outweigh productivity losses resulting from shifts of resources between industries.

The Philippines has been successful in diversifying its export profile. The share of non-traditional exports in total exports stood at 73.4 per cent in 1987. Principal export products include electronics, garments, fresh and processed food, footwear, leather goods and construction materials. Main market destinations continue to be the United States and Japan which together absorbed 53.2 per cent of the country's exports in 1987.

The decline in traditional exports was arrested in 1987 as sales recorded a 23.6 per cent increase over the 1986 level. The revival in the international prices of coconut, forest and other traditional exports offset the declines in the exports of sugar and mineral products. Manufactured exports comprise mainly electrical components and micro-components, garments, processed food and wood manufactures. An outstanding feature is the high share of foreign equity capital participation in the ownership origin of manufactured exports. Only 8.5 per cent of the total manufactured exports originated from the three export processing zones. The extent to which the export processing zones are linked to the rest of the economy as purchaser of intermediates has been found to vary among industries. In garments, wood and food processing, linkages were greater than in typical offshore assembly activities like semi-conductors and other electrical components.

Firm size and factor absorption differ between various food industries as do market orientation and policy treatment. The share of exports in apparent consumption ranged between 0.3 per cent for processed animal feed, 17.9 per cent for chocolate and chocolate products, 18.3 per cent for refined sugar, 116.5 per cent for cocoa powder, and 461.1 per cent for cocoa butter in the

early 1980s. In terms of policy treatment effective rates of protection vary from -3.9 per cent for coconut products to 872.6 per cent for processed fish and seafood. As far as export demand is concerned, important destinations like Japan and the United States are growing markets for processed food, especially seafood. Shrimps, prawns, cuttlefish, squid, shellfish meat, shirasu-boshi, seaweeds, sea urchins, tuna, octopus, dried small sardines, lobster, squilla, and mantis shrimps continue to enjoy strong demand in Japan. The country's processing potential and resource abundance augur well for increased export opportunities in processed fruits and vegetables.

Non-traditional exports provided more than \$1 billion foreign exchange earnings in 1987. The garment industry in the Philippines has emerged as the largest foreign exchange earner. The major export market for garments is still the United States, but the United Kingdom and the Federal Republic of Germany are rapidly expanding markets. Re-exports of garments made of imported raw materials constitute the bulk of garment exports. There is a considerable dependence on imported fibres and fabrics. Only 12 per cent of the domestic cotton consumption could be satisfied from local production in 1986. Intensive competition exist with traditional suppliers from neighbouring Asian countries and newcomers from other developing regions, for example, from the Caribbean (for the United States market) and from the Mediterranean countries (for the EC market). Comparative studies of labour costs in garment industry suggest that the Philippines enjoys cost advantage over East Asian NICs and some Caribbean countries. It appears that the Philippines has never exhausted its Multifibre Agreement quota in the 1980s. Greater utilization of its quota seems possible in the face of the current industrial recovery. Export sales are expected to record an average annual growth rate of 10 per cent until 1996. This optimistic assumption basically hinges on access to the Japanese market, which is a non-quota market.

The Philippine electronics industry has proved to be one of the most dynamic contributors to the growth of non-traditional exports. The most important segment of the industry is the semi-conductor branch which encompasses a wide range of labour-intensive circuit production activities. Advantages of the Philippines over competing Asian countries are reported to lie in cheap labour costs. The high speed of technological progress in the semi-conductor industry requires considerable new investment in automated equipment. The country's relatively cheap labour and the changing industrial policy environment are main attractions to potential investors.

A major thrust of the new policy reforms points to a shift in emphasis from: inward-looking to export-oriented industrialization; large-scale projects to small- and medium-scale industries; government-controlled to private sector initiatives; and urban-biased to regionally balanced industrial development. Import liberalization initiatives aim at removing all quantitative restrictions on imports as to enhance production levels and the competitiveness of products. Under the privatization programme, which is scheduled for completion in 1991, 103 government-owned and controlled corporations are offered for immediate sale. Of the 390 non-performing assets, 130 have already been sold.

The newly enacted Omnibus Investment Code of 1987 offers a wide range of investment incentives. These are tailored to attract investors to priority areas where the country's need is greatest and areas that offer the maximum potential to make use of local resources.

The government of the Philippines endeavours to translate the current consumer demand-led industrial recovery into investment-led growth. Investors seem to bestow their confidence on the political stability of the country. Labour-intensive products could be an attraction to potential investors. The 1988 Investment Priority Plan lists areas that could be economically feasible and internationally competitive.

Technical assistance in support of fostering the industrialization process in the Philippines can be focussed on greater market access for exports and increased flow of investment. International co-operation is sought in strengthening existing industrial capacities directly or by means of institutional support in technology adaptation, standardization, quality control, research and development. Special attention could be paid to the development of supporting industries that strengthen linkages between the formal and informal sectors. Technical co-operation projects of UNIDO encompass, among others, development of entrepreneurs for cottage, small- and medium-scale industries, investment opportunity studies and programmes for formulation and promotion of industrial projects in selected industries. Greater access to multilateral and bilateral technical assistance could add strength to the pace of sustained industrial recovery in the Philippines.

1. THE ECONOMY OF THE PHILIPPINES

1.1 Recent economic trends

The economy of the Philippines is poised for sustained economic growth and recovery under an impetus stemming from medium-term economic reform measures. GDP in real terms grew by 5.7 per cent in 1987, compared with a 1.6 per cent increase in 1986. Forecast for 1988 signals an accelerated pace of economic growth with real GDP growing at 6.4 per cent. Improvements in infrastructural facilities and support services are expected to spur agricultural production, while an expansionary public investment programme contributes to a rapid rise in construction activity. Strong consumer demand is a major stimulant to the recovery phase of the country's manufacturing sector. Thus, the basic framework for a sound economic recovery from nearly two and half years of economic crisis appears to be in place.

The roots of the economic crisis during 1983-1985 could be traced to the policies followed in the preceding decade. In the 1970s massive public investment in infrastructure and energy, as well as private industrial investment aiming at import substitution were launched. Both relied heavily on foreign financing guaranteed by public financial institutions, but proved increasingly unable to generate adequate returns to service the ensuing external debt. Some projects were ill-conceived; others became unprofitable when international market conditions changed. By 1983 the current account deficit peaked at over 8 per cent of GNP while the debt service ratio climbed to well above 30 per cent.

In the second half of 1983, the Philippines was exposed to the state of "country risk" in international lending. Capital flight followed the political crisis in late 1983, and contributed to worsen the balance of payments position. Against this critical background the Philippines started a drastic stabilization programme. Its core elements were sharp cuts in public expenditures and restrictive monetary policies. As a result, imports were lowered through output contraction, but as a consequence exports dropped too. The currency was depreciated in various steps but the net effect on the real exchange rate was partly eroded by intensified import controls and surging inflation. However, the stabilization measures, supported by an IMF standby agreement, succeeded in reducing the current account deficit and even created a small surplus in 1985. The decline in real GDP in 1984 and 1985 was mainly due to cuts in private and public investment, while private consumption levels were safeguarded and even increased in relative terms.

Following the change in government in February 1986, medium-term economic reform measures have gained priority over ad-hoc stabilization schemes. Key elements of reform have been import liberalization schemes - aimed at completing the tariff reform and removing import restrictions - as well as performance-oriented investment incentives, liberalized interest rates, a floating exchange rate, privatization of public industrial assets, and liberalized foreign exchange allocation. In general, the new government has faced a great challenge to manage a policy switch towards a private sector-led development relatively open to world markets.

To expedite the privatization programme related to a large number of government-owned and controlled corporations (GOCCs) and non-performing assets (NPAs), the Committee on Privatization (COP) and the Asset Privatization Trust (APT) were created in 1987. One hundred and three GOCC projects are offered for immediate sale. The list encompasses enterprises with combined assets of more than P70 billion. Of the 390 non-performing assets, 130 have been sold. The APT expects to realize P4 billion on the sale of cement firms, sugar mills, mining concerns, and agribusiness companies in 1988. A schedule for privatization and the newly enacted Omnibus Investment Code of 1987 constitute an important segment of the current reform programmes.

In the face of the reviving Philippine economy and the government's pump-priming efforts the rate of inflation peaked to 9 per cent in 1988 and is likely to reach a double-digit figure in 1989. However, falling oil prices tend to remove an important stimulus to cost-push inflation. Given the surge in imports and a Central Bank announcement that it will limit intervention, the par value of the peso is expected to fall further.^{1/} It is a direct reflection of a widening current account deficit of around \$539 million. As international reserves dipped to \$1.8 billion in mid-1988, a foreign exchange pressure is in the offing. The country's accelerated export-drive in response to a healthy demand for manufactured goods could ease balance-of-payment pressure to some extent. Electronics, textiles, garments, furniture, machinery, and transport equipment made significant gains in 1987. The country's relatively enhanced international price competitiveness seems to attract new investors.

The government of the Philippines is forced to compete with the private sector for funds to finance its 1988 budget deficit which is estimated at P22.5 billion. As a result interest rates tend to rise. If multilateral funds become available interest rates could ease in 1989. The country has to meet payments on its \$29 billion of debt. Agreement has already been reached on the rescheduling of \$1.07 billion official debt to 14 countries; around \$560 million to Japanese agencies - the Overseas Economic Co-operation Fund (OECF), the Export Import Bank, and private financial institutions. Payment schedules originally due in June 1988, would commence in April 1993. Japan formally signed an agreement for granting a concessional loan of Yen 14 billion and grants of Yen 4.35 billion in April 1988, which will be used mainly for highway improvement and rehabilitation in order to enhance the infrastructural base of the economy.

1.2. Economic structure

With a GNP per capita of \$546 in 1986 the Philippines is classified as a lower middle-income country. The country's population was estimated at 56 million in mid-1986, which is growing at 2.5 per cent per annum. This high rate of population growth coupled with a rapidly rising labour force adds to

1/ The peso dollar exchange rate settled at P20.8 to US\$1 by the end of 1987, which represented a depreciation of 1.4 per cent in a year when most other currencies made significant gains against the weak US dollar. Despite the Central Bank's periodic selling of US dollars, the peso stays on its downward path. Its par value against US\$ is expected to fall to P21.50 by end-1988.

the country's high open unemployment and disguised under-employment. Rural-urban migration has been considerable. By 1985 the share of the urban population in total population stood at 39 per cent - the highest in countries of the Association of Southeast Asian Nations (ASEAN), excepting Singapore.

Time-series data pertaining to the distribution of GDP by sector of origin as presented in Table 1.1 suggest that structural change between sectors has been relatively small. There has been a marginal rise in the share of agriculture after several consecutive years of decline and almost constant shares of the manufacturing and service sector over the period 1974-1987.

The agricultural sector contributes about one-third of GDP, generates more than 60 per cent of total export earnings from raw and processed agricultural exports and employs about half of the country's labour force. The generally depressed economic conditions and the adverse effects of an eight-month drought were the major factors which contributed to the low growth of agriculture in the early 1980s. As a result, production of major agricultural crops, particularly palay (rough rice), sugar and coconut stagnated, and the agricultural terms of trade declined rapidly. The moderate agricultural growth in the recent economic recovery phase has been the outcome of more recent growth initiatives undertaken to correct the bias that worked against agriculture. Policy reforms include lifting of price controls on basic food commodities, the deregulation of trading in key commodities and agricultural inputs and the adjustment in support prices. Institutional reforms, such as the dismantling of monopolies of the coconut and sugar industries, also provide an impetus to the growth of the agricultural sector in recent years.

Although manufacturing output grew by an average annual rate of 6.5 per cent in the 1970s, its contribution to GDP never recorded significant increases above 26 per cent of GDP at any time. During the period of severe economic crisis, 1983-1985, manufacturing output declined by 7.2 per cent and 7.7 per cent in 1984 and 1985, respectively. Its share of GDP fell from 25.1 per cent in 1983 to 24.8 per cent and 23.9 per cent in 1984 and 1985 respectively. Having registered a further fall to 23.7 per cent in 1986, its share of GDP rose to 24.3 per cent in 1987. The contribution of industry to total employment fell from an annual average of 15.4 per cent in the 1970s to 14.6 per cent in the first half of the 1980s. The contribution of mining to GDP is of marginal significance. It accounted for a constant share of 2 per cent in GDP over a decade ending in 1985 and fell to 1.6 per cent in the year 1987.

The share of construction activity in GDP rose from 4.2 per cent in 1974 to 8.1 per cent in 1982, and fell continuously during four consecutive years to reach 3.7 per cent of GDP in 1986. Its share of GDP rose to 4.3 per cent in 1987. Construction activities are expected to record a substantial growth of 16.5 per cent during 1988-1992 in view of the expected increase in private construction expenditures starting in 1988. Priority is being accorded to small-scale, community-based infrastructure programmes.

The decline in exports of traditional goods was arrested in 1987 when sales recorded a 23.6 per cent increase over the 1986 level. The revival in the international prices of coconut, forest and other traditional products offset the decline in the exports of sugar and mineral products. Gold producers were unable to benefit from an improvement in world prices in 1987

Table 1.1: Distribution of GDP by sector of origin, 1974-1987
(percentage shares at constant 1972 prices)

| Sector | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Agriculture | 27.3 | 26.7 | 26.7 | 26.5 | 26.1 | 25.6 | 25.5 | 25.5 | 25.6 | 24.8 | 27.0 | 29.3 | 29.7 | 28.5 |
| Mining | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.9 |
| Manufacturing | 25.9 | 25.3 | 24.8 | 25.1 | 25.4 | 25.2 | 25.0 | 24.9 | 24.7 | 25.1 | 24.8 | 23.9 | 23.7 | 24.3 |
| Construction | 4.2 | 5.8 | 7.1 | 7.3 | 7.1 | 7.7 | 7.6 | 8.0 | 8.1 | 7.7 | 6.2 | 4.7 | 3.7 | 4.3 |
| Other | 40.6 | 40.2 | 39.4 | 39.1 | 39.4 | 39.5 | 39.9 | 39.6 | 39.6 | 40.4 | 40.0 | 40.1 | 41.9 | 41.0 |

Source: Asian Development Bank, Key Indicators, 1988.

due to a 46.3 per cent decline in volume shipments. The country has been successful in diversifying its exports. The share of non-traditional exports in total exports rose from 71.2 per cent in 1986 to 73.4 per cent in 1987. Principal export products include fresh and processed food, garments, electronics, footwear, leather goods and construction materials. Main market destinations continue to be the United States and Japan which together absorbed 53.2 per cent of Philippine exports in 1987.

Imports rose by 33.6 per cent in 1987, which was partly indicative of an expansion in domestic production and investment. Raw materials and intermediate goods account for the bulk of imports. Capital goods imports rose by more than 40 per cent in 1987 which was largely attributed to the increased purchases of electrical and non-electrical machinery for repairing and retooling activities. Imports of consumer goods totalled \$547 million in 1987, of which food and live animals accounted for 67.3 per cent. Industrial units engaged in export processing zones imported \$376 million worth of goods in 1987. Financing of economic development relied largely on external sources, i.e. aid, loans and to a lesser extent foreign direct investment. This has been due to relatively very low tax revenues in relation to GDP. Several socio-economic factors have impeded the mobilization of domestic resources which would have been necessary to contain the process of accumulating external debts in the late 1970s when real interest rates on international capital markets rose fast. Unlike other Asian countries, however, the Philippines continued foreign borrowing (Annex Table A-3). Import demand remained at a high level during the period of the two oil price hikes while export growth could not be sufficiently fuelled. As a result, the current account deficit continued to rise up to a peak in 1982 (Annex Table A-4). By this time, the Philippines passed through a serious political and economic crisis which was followed by stabilization policies aimed at suppressing domestic absorption through deep cuts in public investment and imports. Since 1986 a process of recovery and the return to sound economic policy initiatives are under way.

In the face of the government's expansionary activities a major portion of the budgetary funds are channelled to agriculture and social services, with a view to alleviating poverty and unemployment especially in the rural sector. Disbursements of capital outlays declined in 1987. A series of financial restructuring initiatives focuses on the gradual withdrawal of the government's involvement in business-like activities and on a more intensive mobilization of public resources through improvements in tax administration and rationalization of fiscal incentives to investors. In the sphere of industrialization the government reiterates the role of the private sector as the main engine of growth.

1.3 An overview of the manufacturing sector

An increasingly important role in the Philippine manufacturing sector is played by the food industry which in early-1987 accounted for 41 per cent of gross value added in manufacturing compared to 27 per cent in 1972. This industry is the backbone of traditional processed exports comprising processed sugar and coconuts. Footwear and garments as well as electrical machinery are the two other industries which have proven to be the expanding export industries in Philippine manufacturing. Over 60 per cent of manufactured exports are accounted for by electronics and garments (13 per cent of gross value added). Though they are vulnerable to the vagaries of rapid technological change (semi-conductors) and the Multifibre Agreement

(garments), they seem to have survived the period of crisis after 1982 relatively well compared to the capital-intensive inward-looking chemical and petroleum industries.

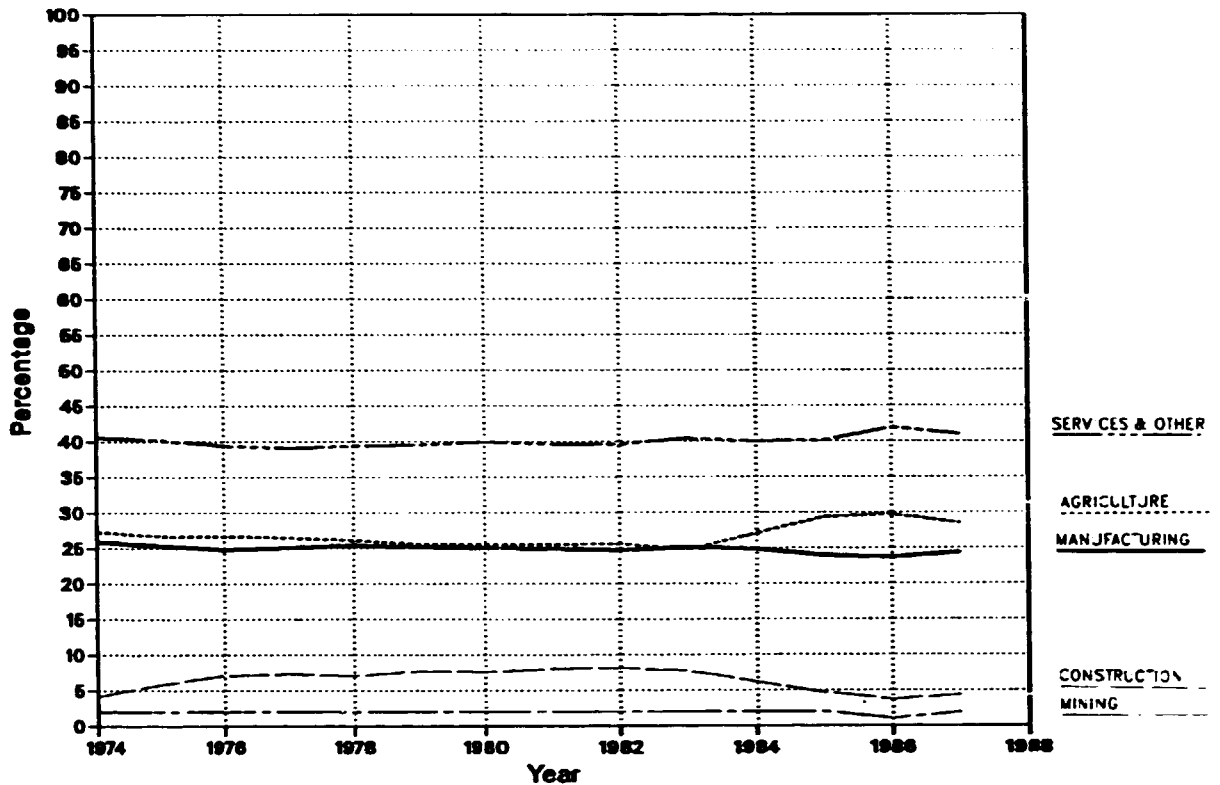
Since 1949 import restrictions, initially designed to conserve foreign exchange, were transformed into instruments of fostering industrialization through import substitution. The categorization of products into essential, semi-essential, non-essential, and unclassified ones as well as into producer and consumer goods, created a very complex set of incentives giving rise to investment in industries which would not have been competitive in the Philippines under conditions of open markets.

The protectionist system tended to favour the manufacturing sector over agriculture, and within manufacturing consumer goods industries were privileged as against capital goods industries, as were domestically-oriented industries against export-oriented industries. While massive import substitution efforts may have had some benefits in the formation of a Philippine entrepreneurial class, the costs of import substitution soon proved to be high when growth of domestic demand slowed down in the 1960s.

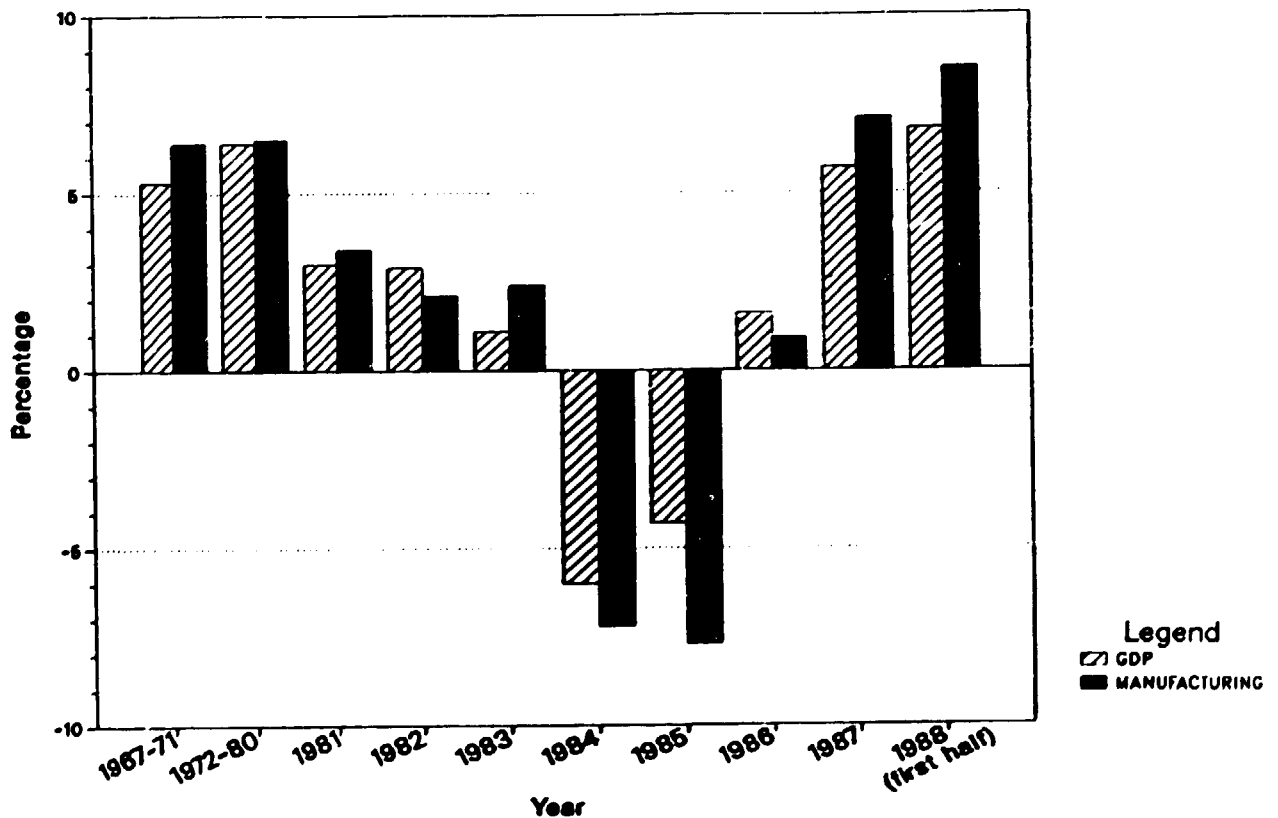
Multinational corporations account for the largest part of Philippine manufactured exports (more than 60 per cent in 1983). Therefore, the volume of foreign direct investment in the Philippines is expected to have an important influence on the growth of manufactured exports. The Philippines might compete with other resource-rich ASEAN countries for foreign risk capital. United States investment in manufacturing has decreased relative to Indonesia, Malaysia and Thailand during 1976 and 1986 (from 55 per cent to 37 per cent of total United States manufacturing investment in the four ASEAN countries), but the share of Japanese investment remained almost constant (8.1 per cent to 8.8 per cent). There is much scope for improving the locational attractiveness of the Philippines.

Following the initial boost to the current phase of industrial recovery stemming from consumer demand-led growth, the new government of the Philippines endeavours to stimulate investment-led growth. Investors seem to bestow their confidence on the political stability of the country. Given a weakening peso, labour-intensive products for exports could be an attraction to multinational corporations. Multinational corporations could also find acquisition opportunities among the government industrial assets earmarked for privatization.

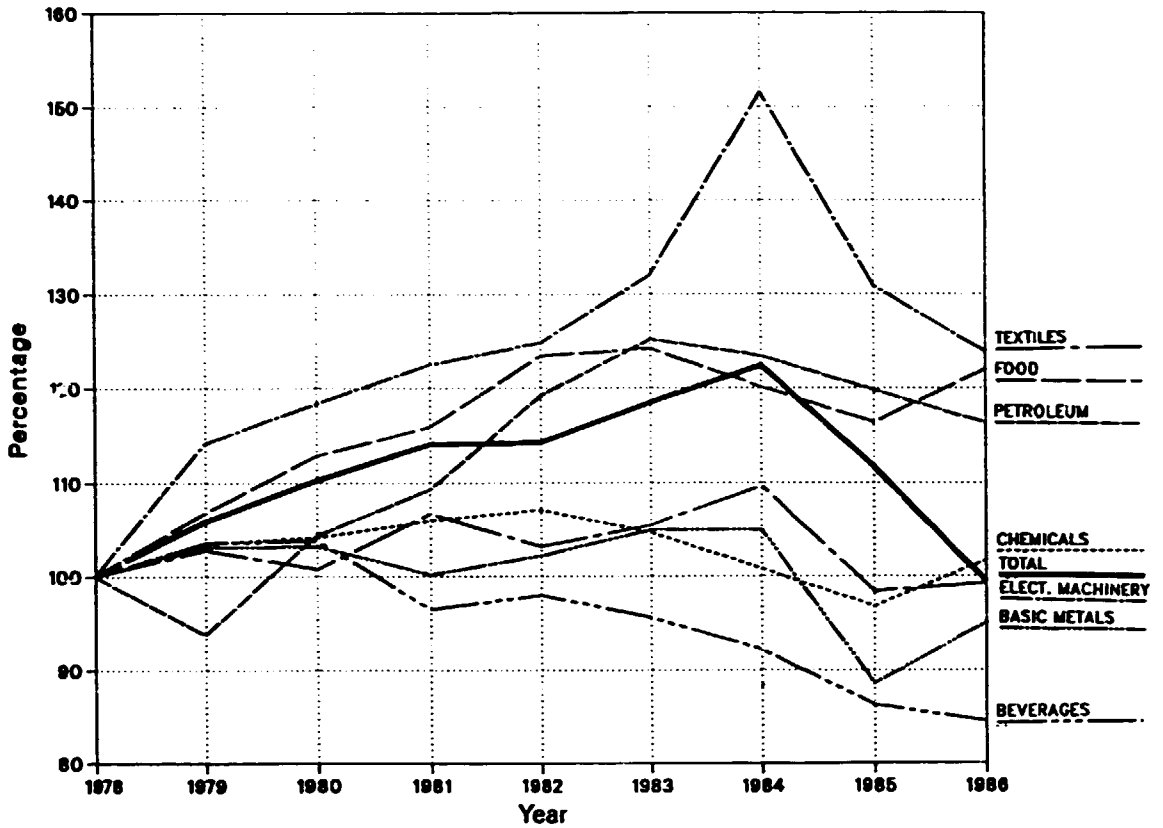
DISTRIBUTION OF GDP BY SECTOR OF ORIGIN, 1974-1987 (at constant 1972 prices)



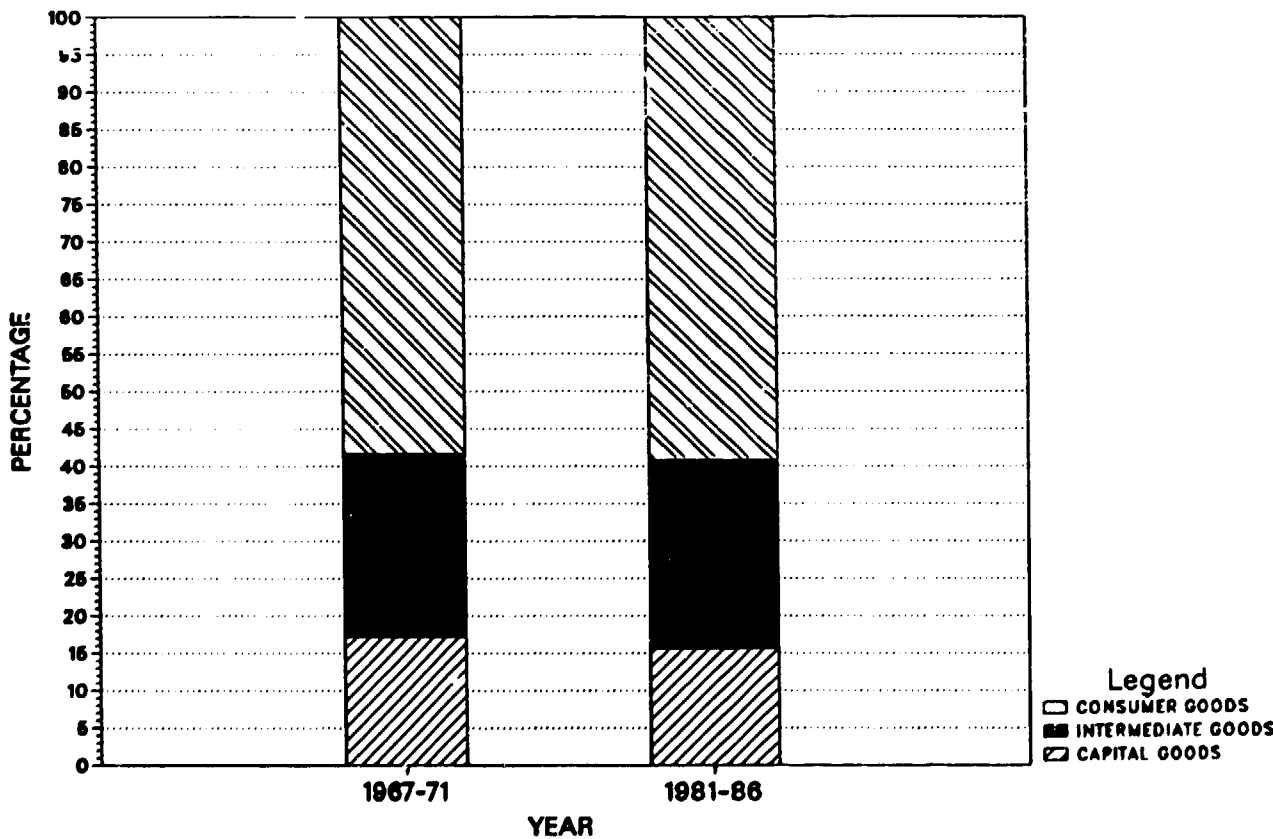
REAL GROWTH RATES OF GDP AND MANUFACTURING OUTPUT 1967-1988 (first half)



**INDICES OF EMPLOYMENT FOR SELECTED MANUFACTURING SUB-SECTORS
1978-1986 (1978=100)**

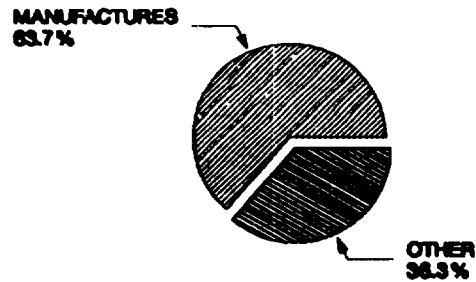


**GROSS VALUE ADDED IN MANUFACTURING
1967-71 AND 1981-86 (AVERAGE SHARE)**

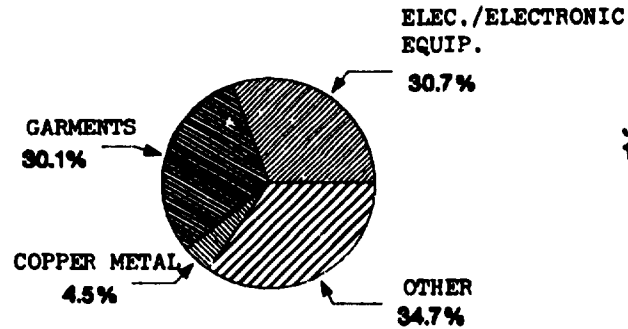


EXPORTS AND IMPORTS, 1987

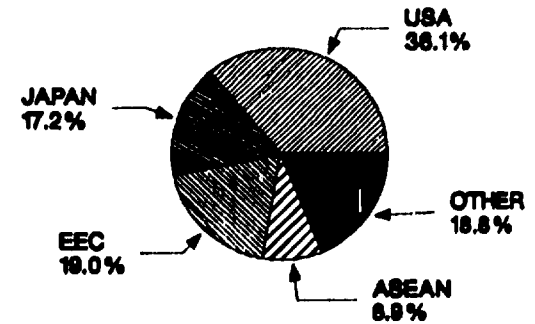
SHARE OF MANUFACTURES
IN TOTAL EXPORTS



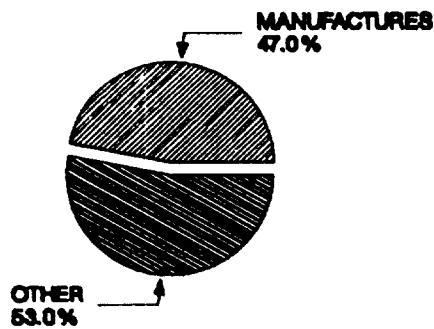
COMPOSITION OF MANUFACTURED
EXPORTS



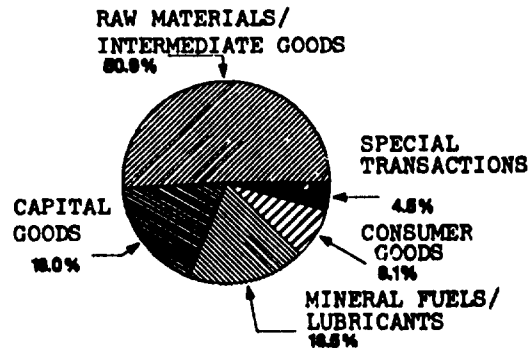
DESTINATION OF EXPORTS



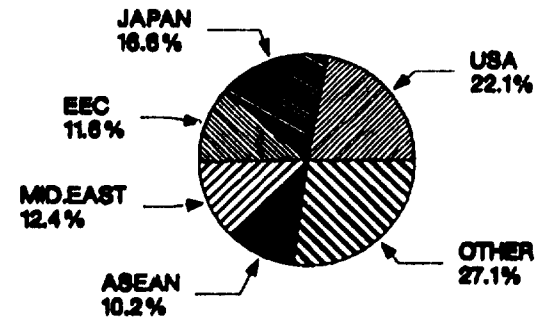
SHARE OF MANUFACTURES
IN TOTAL IMPORTS



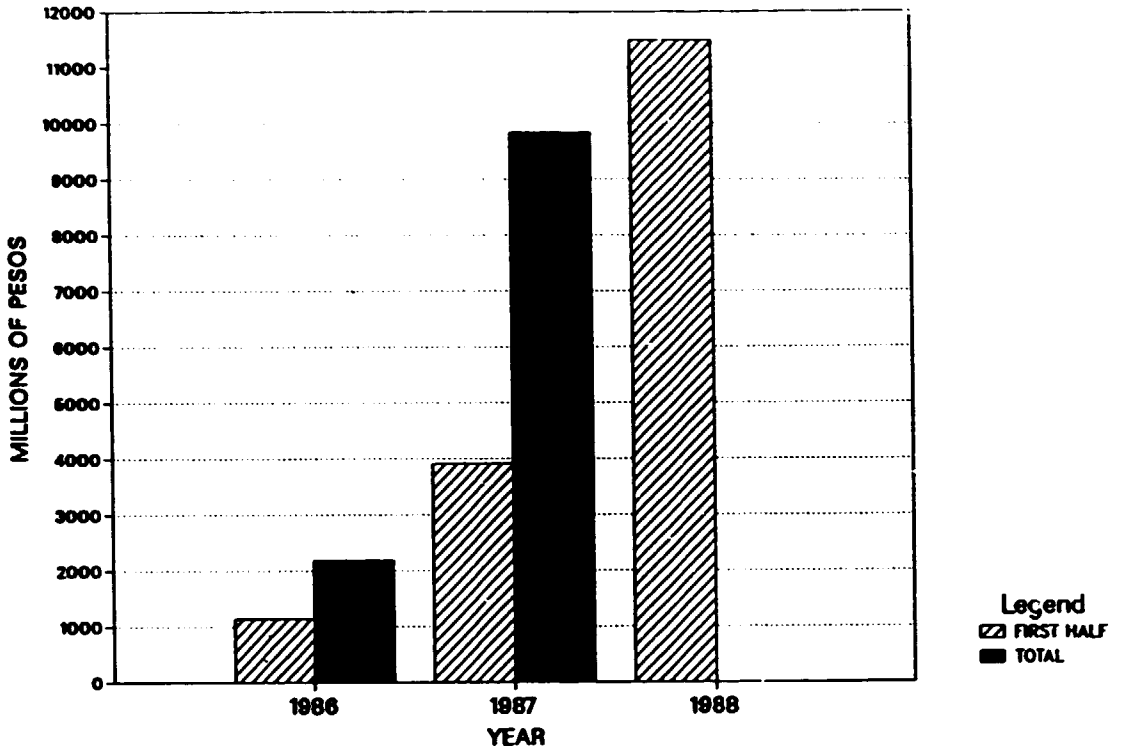
COMPOSITION OF IMPORTS



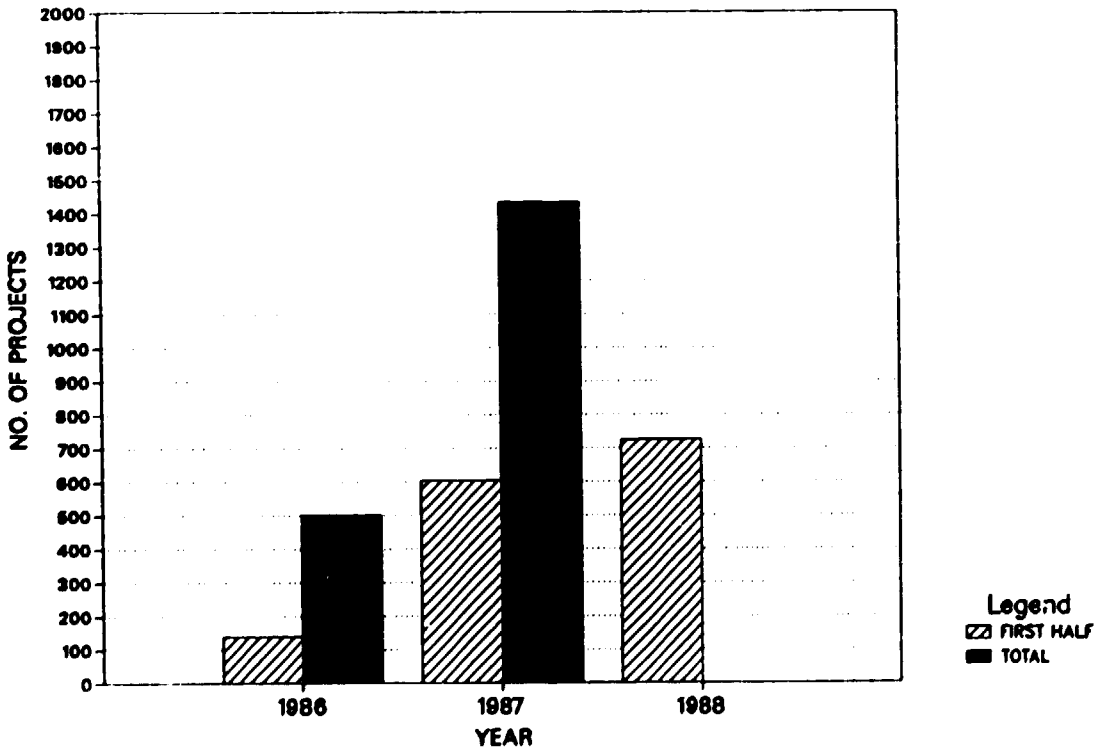
ORIGIN OF IMPORTS



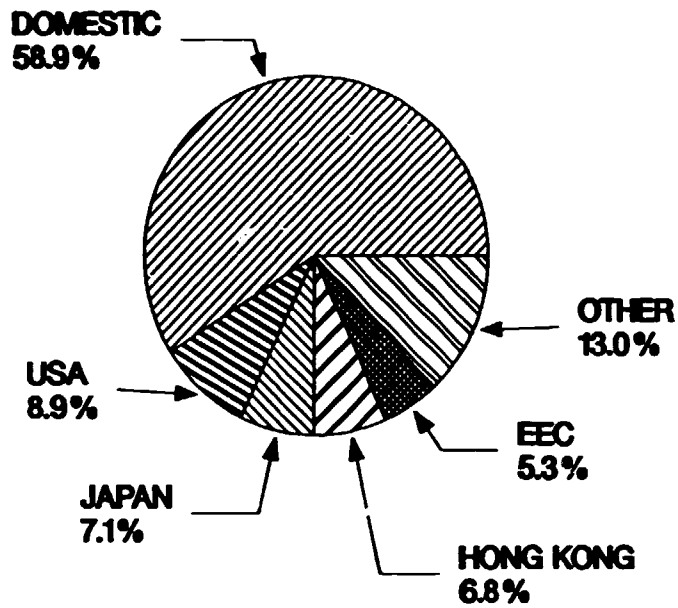
BOI-APPROVED INVESTMENTS, 1986, 1987 AND 1988(FIRST HALF) (MILLIONS OF PESOS)



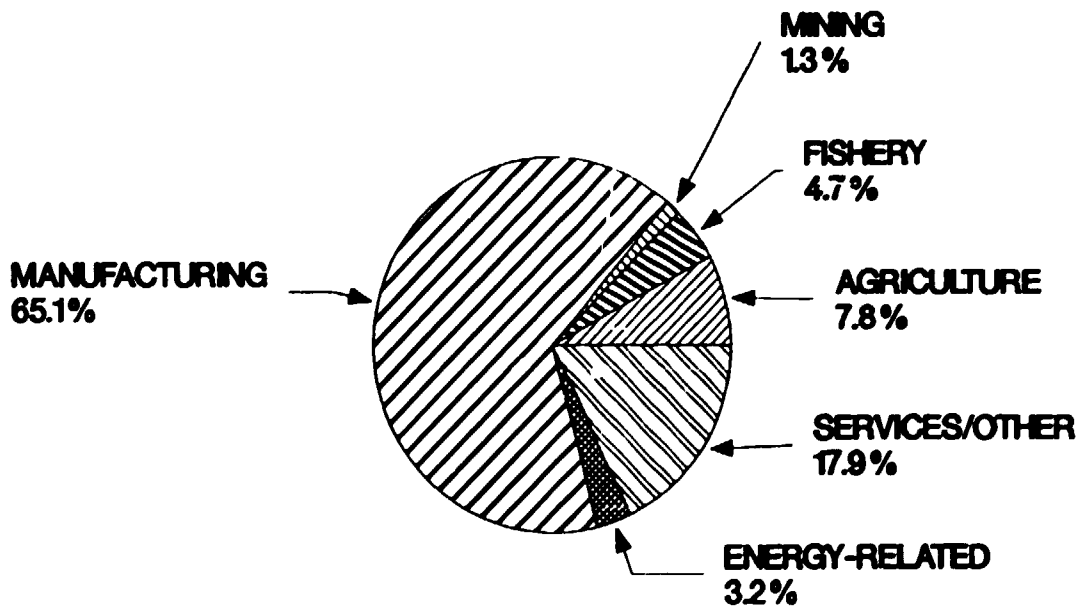
NUMBER OF PROJECTS



BOI-APPROVED EQUITY INVESTMENTS, 1987 BY COUNTRY



BY SECTOR



2. STRUCTURE AND PERFORMANCE OF THE MANUFACTURING SECTOR

2.1 Growth and structural change

The manufacturing sector in the Philippines grew faster than the overall economy in the 1960s and 1970s. During 1967-1980, the manufacturing sector recorded a 6.5 per cent annual average growth rate, while GDP grew by 5.8 per cent. In striking contrast to the robust pace of industrial expansion in the preceding two decades gross value added plunged to a negative growth rate of -0.9 per cent during 1981-1986 (see Table 2.1). Since 1986 a recovery is under way which, however, is not felt evenly across the entire spectrum of manufacturing activities.

The vulnerability of specific industries to drastic shifts in growth rates can be linked to the type of orientation these industries have developed over the years. Industries with a solid export base, such as food manufactures, garments, basic metals, and electrical machinery, performed much better than domestic market-oriented industries in the 1980s. Industries which heavily depended on public expenditures such as construction industries (non-metallic minerals) faced serious constraints in the wake of declining public investments. The same holds true for the recipients of subsidies, for instance, the transport equipment industry, when subsidies ceased to exist.

In general, however, almost no industry could escape the effects of economic recession. Sugar, textiles, wood and wood products, pulp and paper, cement, metal products (including automotives) exhibited large excess capacities in the 1980s. Some industries such as the automotive industry collapsed in 1984, while a few other industries were struggling to survive. Of the 20 sub-sectors of manufacturing reported in Table 2.1, 12 sub-sectors registered negative growth rates during 1981-1986. A marked decline of -14.5 per cent was suffered by transport equipment, followed by wood and cork products (-7.7 per cent), non-metallic mineral products (-6.3 per cent), machinery excluding electrical (-6.2 per cent), chemical and chemical products (-5.8 per cent), etc.

While the relatively labour-intensive light manufacturing industries oriented towards world markets experienced rise in sales by almost 50 per cent, domestic sales of capital goods were reduced by almost the same rate in the first half of the 1980s. The poor performance of heavy industries in the 1980s does not augur well for the nine ambitious projects which were directly initiated by the government in the early 1970s in order to spur import substitution of intermediate products. The projects comprised petrochemicals, diesel engines, fertilizers, copper smelter, steel mill, pulp, and paper, aluminium smelter, heavy engineering industry, and an alcogas programme. Only three of them, the copper smelter, the diesel engine factory and the fertilizer plant have commenced operation, whereas resource bottlenecks prevented the other projects from being realized. Privatization of non-performing large industrial projects owned by the government through the National Development Corporation has been scheduled by the government with the exception of common ASEAN industrial projects (ASEAN copper holding, ASEAN soda ash, ASEAN fertilizer) where commitments towards regional industrial co-operation were made years ago.

Table 2.1: Growth and structural changes in manufacturing, 1967-1987
(percentage at constant 1972 prices)

| | Growth rates | | | | | (Jan-Sept) 1986-87 | Per cent distribution | | | (Jan-Sept) 1987 |
|----------------------------|--------------|---------|---------|---------|---------|-----------------------|-----------------------|---------|---------|--------------------|
| | 1967-71 | 1972-80 | 1981-86 | 1983-84 | 1984-85 | | 1967-71 | 1972-80 | 1981-86 | |
| Manufacturing | 6.4 | 6.5 | -0.9 | -7.1 | -7.6 | 7.5 | 100.0 | 100.0 | 100.0 | 100.0 |
| Food manufactures | 6.0 | 6.2 | 0.9 | 1.1 | -7.5 | 9.3 | 39.0 | 36.1 | 38.5 | 41.0 |
| Beverage industries | 10.7 | 6.3 | 0.3 | 5.5 | -1.1 | 19.2 | 2.9 | 3.1 | 3.3 | 3.5 |
| Tobacco manufactures | 4.7 | 7.8 | -4.4 | -20.3 | 9.0 | -17.1 | 3.7 | 4.8 | 4.2 | 2.7 |
| Textile manufactures | 7.9 | 3.7 | -1.7 | -9.6 | -22.7 | 14.0 | 5.4 | 5.2 | 4.1 | 4.4 |
| Footwear/wearing apparel | 2.8 | 9.0 | 5.0 | 4.2 | -0.2 | 10.2 | 4.2 | 4.1 | 5.4 | 6.5 |
| Wood & cork products | 2.5 | 4.7 | -7.7 | -17.9 | -8.8 | 4.2 | 3.4 | 3.0 | 2.6 | 1.7 |
| Furniture & fixtures | 7.7 | 3.0 | -3.1 | 0 | -23.2 | 18.8 | 0.8 | 0.6 | 0.6 | 0.6 |
| Paper & paper products | 5.4 | 7.5 | -1.1 | -7.1 | -13.2 | 5.3 | 0.7 | 0.9 | 0.8 | 0.8 |
| Publishing & printing | 4.9 | 9.1 | 4.2 | 0.5 | 5.1 | 7.6 | 1.3 | 1.4 | 1.6 | 2.0 |
| Leather & leather products | -1.2 | 0.2 | -1.3 | -4.6 | 9.5 | 4.3 | 0.4 | 0.3 | 0.3 | 0.3 |
| Rubber products | 13.2 | 0.4 | 0.6 | 5.7 | -15.9 | 1.8 | 1.5 | 1.6 | 1.3 | 1.3 |
| Chemical & chem products | 16.7 | 8.2 | -5.8 | -22.4 | -5.2 | -3.2 | 5.7 | 9.4 | 8.5 | 6.9 |
| Petroleum & coal products | 6.0 | 3.3 | -2.7 | -6.0 | -8.4 | 9.1 | 7.2 | 7.2 | 5.4 | 5.3 |
| Non-metallic products | 1.9 | 7.2 | -6.3 | -18.1 | -22.0 | 7.3 | 2.8 | 2.5 | 2.1 | 1.7 |
| Basic metal industries | 12.8 | 10.7 | 3.6 | 18.4 | -4.6 | 9.1 | 2.8 | 3.4 | 4.2 | 4.9 |
| Metal industries | 4.1 | 4.8 | -4.7 | -32.2 | -0.8 | 15.6 | 5.4 | 4.5 | 3.8 | 3.3 |
| Machinery except elec | 5.3 | 4.8 | -6.2 | -44.5 | -7.5 | 14.2 | 3.7 | 3.1 | 2.6 | 2.0 |
| Electrical machinery | 9.3 | 10.0 | 9.6 | 14.4 | 18.3 | 9.6 | 4.1 | 4.0 | 7.2 | 8.7 |
| Transport equipment | 1.7 | 8.6 | -14.5 | -83.3 | 9.7 | 1.0 | 4.0 | 3.7 | 2.0 | 0.6 |
| Miscellaneous manufactures | 9.7 | 5.9 | 10.0 | 27.3 | 5.2 | -3.2 | 1.2 | 1.1 | 1.6 | 1.9 |

Source: Wilfredo G. Nuqui, The Philippine Adjustment Program and Economic Co-operation with the Federal Republic of Germany: Prospects and Opportunities. Berlin: German Development Institute, 1987.

With its increasing contribution to MVA food manufacturing continues to dominate the industrial structure. Its share of MVA stood at 39 per cent in the early 1970s, and rose, though marginally, in successive periods. During the first half of the 1980s food manufactures accounted for 41 per cent of MVA. There has been a significant increase in the contribution of electrical machinery to MVA from 4.1 per cent in 1967-1971 to 8.7 per cent in 1987 (January-September). The share of footwear/wearing apparel in MVA rose from 4.2 per cent to 6.5 per cent during the same period. Wood and wood products, including furniture and fixtures suffered marked declines in their respective shares of MVA during 1967-1987.

Comparisons between structural changes in the distribution of value added (Table 2.1) and gross output (Annex Table A-5) show that unlike in value added the contribution of the relatively labour-intensive industries to manufacturing gross output remained constant or even declined (food industries) during the last decade. This suggests the possibility of such industries raising their local value added content whereas other more capital-intensive industries continued to rely on imported intermediates and capital goods.

It is in the latter industries, such as chemicals, fertilizers, petroleum, non-metallic minerals, cement refractories, and basic metals (copper) where public involvement either through direct ownership or government financial assistance, joint ventures and other "indirect" forms has been prominent. Estimates suggest that the share of government in non-financial manufacturing corporations increased from about 15 per cent in the 1960s to almost 30 per cent by 1980-1982.^{1/}

The private organized sector, which produces over 90 per cent of manufacturing value added, is concentrated in the light consumer goods industries and in some capital goods components. Informal household manufacturing activities retain a small share in MVA. As far as world market orientation of specific industries is concerned, two industry groups almost completely relied on export demand in 1983, i.e., furniture (95 per cent export share) and electrical equipment (95 per cent). Clothing and footwear (44 per cent) and wood (35 per cent) are the two other export industries worth mentioning whereas the relatively heterogeneous food sector (including beverages) suffered a declining export share from one-fourth in 1979 to one-tenth in 1983.

2.2 Manufacturing employment and performance

As in many developing countries the contribution of the Philippine manufacturing sector to total employment has been moderate. By the mid-1980s, about 9.0 per cent of the country's labour force was employed in the formal manufacturing sector. The contrast between the manufacturing sector's contribution to employment (9 per cent) and GDP (25 per cent) is primarily indicative of the high capital-intensity of the Philippine manufacturing sector. The trend in employment share of manufacturing over the last decade has been declining mainly for two reasons. First, labour force grew rather rapidly due to increasing participation rates (Annex Table A-6). Secondly, employment in the organized private manufacturing sector decreased in the 1980s as a result of the economic crisis and the subsequent contraction of output.

1/ Richard Hooley, Productivity Growth in Philippine Manufacturing: Retrospect and Future Prospects, Manila: Philippine Institute for Development, Manila 1985.

Yet, the unorganized household sector comprising small informal manufacturing units typically located within a household proved to be a rather stabilizing factor for employment since the rate of labour absorption in the sector exceeded the growth of labour force in the 1980s. In 1985, households had almost reached the same share in total manufacturing employment as in 1970 before the shift towards large-scale industrial projects became relevant, i.e., is about two-thirds (Annex Table A-7).

The inference deduced from the diverging trends in employment between the organized factory sector and unorganized households is that the Philippine household firms are not linked to the factories, for instance, as producers of intermediates or components. Instead, they compete with them for production and employment. Thus, important effects of stabilization could be achieved due to the flexibility and absorptive capacity of households.

Within the manufacturing sector trends in employment between 1978 and 1986 have been very uneven as far as individual industries are concerned. As in their contribution to value added, export-oriented industries like food, wearing apparel and particularly electrical machinery and microcircuits raised their demand for labour while other industries had to reduce employment significantly because of lack of domestic demand. In general, the contraction in employment seems to have lagged behind the contraction of output since it was not until the end of the stabilization period that total employment in manufacturing fell below the 1978 reference level (Table 2.2). Well-established labour legislation and a relatively high degree of unionization may have contributed to protect workers against early dismissals. But the main reasons for keeping unemployment under control have been the absorptive capacity of unorganized household manufacturing firms and relatively stable export demand.

Elastic supply of labour is supposed to have had a mitigating effect on real wages due to the existence of the household sector. Yet, low real wage growth also coincided with low growth of productivity in Philippine manufacturing. During 1971 and 1983 labour productivity has been estimated to decline by more than 2 per cent annually (Annex Table A-8).

Though capital productivity slightly increased the effect of falling labour productivity remained dominant so that total factor productivity declined by more than 1 per cent annually in the 1970s (Table 2.3). The 1980s showed a recovery which can be explained basically by fast rising capital productivity after excess capacities were reduced.

Hooley's estimates^{1/} indicate that the main source of falling total factor productivity was the flow of labour and subsidized capital from relatively labour-intensive and export-oriented industries to large-scale relatively inefficient industries. Within industries a slight increase in productivity could be experienced which, however, failed to outweigh productivity losses resulting from shifts of resources between industries.

1/ Ibid.

Table 2.2: Indices of manufacturing employment, 1978-1986
(1978=100)

| Sub-sector of manufacturing | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Food | 100.00 | 106.83 | 112.90 | 115.90 | 123.40 | 124.18 | 120.08 | 116.38 | 121.98 |
| Beverage | 100.00 | 103.63 | 103.75 | 96.53 | 98.00 | 95.55 | 92.23 | 86.30 | 84.47 |
| Tobacco | 100.00 | 109.05 | 112.65 | 107.78 | 107.73 | 110.98 | 106.00 | 105.35 | 97.16 |
| Textile | 100.00 | 102.80 | 100.78 | 106.65 | 103.18 | 105.45 | 109.68 | 98.35 | 99.27 |
| Wearing Apparel | 100.00 | 110.25 | 124.03 | 136.30 | 130.48 | 145.58 | 169.03 | 153.43 | 104.47 |
| Wood | 100.00 | 104.98 | 105.43 | 104.20 | 102.00 | 112.33 | 116.20 | 91.78 | 58.30 |
| Furniture | 100.00 | 102.83 | 100.50 | 101.98 | 105.50 | 109.68 | 113.83 | 84.90 | 80.73 |
| Paper | 100.00 | 99.00 | 98.83 | 97.83 | 96.75 | 96.03 | 110.60 | 110.58 | 101.75 |
| Publishing | 100.00 | 101.20 | 101.80 | 102.48 | 101.80 | 98.10 | 90.00 | 94.00 | 91.51 |
| Leather | 100.00 | 105.38 | 105.75 | 115.10 | 117.93 | 113.25 | 104.80 | 102.10 | 99.23 |
| Rubber | 100.00 | 99.65 | 100.15 | 99.73 | 102.03 | 99.13 | 99.45 | 114.15 | 113.23 |
| Chemical | 100.00 | 103.50 | 104.15 | 105.95 | 107.05 | 104.65 | 100.75 | 96.76 | 101.74 |
| Petroleum | 100.00 | 93.83 | 104.38 | 109.28 | 119.15 | 125.23 | 123.40 | 119.83 | 116.27 |
| Non-Metal | 100.00 | 102.45 | 103.65 | 107.43 | 111.60 | 103.98 | 77.65 | 56.81 | 59.58 |
| Ferrous Metals | 100.00 | 102.76 | 102.93 | 99.92 | 100.19 | 100.85 | 98.95 | 82.79 | 86.33 |
| Basic Metals | 100.00 | 103.10 | 103.18 | 100.15 | 102.15 | 105.03 | 105.03 | 88.60 | 95.11 |
| Non-Ferrous Metals | 100.00 | 101.48 | 102.00 | 99.08 | 93.20 | 85.15 | 76.13 | 60.95 | 53.35 |
| Fabricated Metals | 100.00 | 98.75 | 100.03 | 94.88 | 98.53 | 94.63 | 93.00 | 85.18 | 81.47 |
| Machinery, not Elec. | 100.00 | 104.30 | 106.23 | 107.55 | 103.70 | 103.73 | 100.43 | 96.50 | 86.37 |
| Elec. Machinery | 100.00 | 114.20 | 118.44 | 122.53 | 124.78 | 132.07 | 151.57 | 130.89 | 123.76 |
| Microcircuits | 100.00 | 119.45 | 125.33 | 129.05 | 131.23 | 145.48 | 184.33 | 157.35 | 143.72 |
| Households | | | | | | | | | |
| Appliances | 100.00 | 103.65 | 105.50 | 109.50 | 110.35 | 105.88 | 93.33 | 84.95 | 96.73 |
| Batteries | 100.00 | 105.28 | 112.68 | 113.23 | 107.95 | 82.45 | 94.30 | 81.23 | 76.29 |
| Lamps | 100.00 | 111.03 | 110.60 | 117.08 | 122.73 | 129.48 | 121.63 | 105.63 | 94.94 |
| Wires | 100.00 | 104.65 | 107.98 | 114.25 | 122.25 | 109.40 | 81.50 | 74.30 | 77.28 |
| Transport Equipmt. | 100.00 | 102.73 | 106.85 | 104.10 | 105.68 | 105.48 | 82.58 | 79.68 | 88.57 |
| Miscellaneous | 100.00 | 101.55 | 106.83 | 110.38 | 108.58 | 110.43 | 105.40 | 95.58 | 88.83 |
| Total | 100.00 | 105.87 | 110.34 | 114.11 | 114.26 | 118.46 | 122.43 | 111.67 | 99.43 |

Source: Quarterly Survey of Establishments (QSE), NCSO, cited in Wilfredo G. Nuqui, The Philippine Adjustment Program and Economic Co-operation with the Federal Republic of Germany: Prospects and Opportunities, Berlin: German Development Institute, 1987.

Table 2.3: Annual growth rate in total factor productivity,^{a/} 1956-1983
(percentage)

| | 1956-1970 | 1971-1980 | 1981-1983 |
|----------------------|-----------|--------------|------------|
| Within manufacturing | 0.77 | 0.34 | 3.0 |
| Between industries | -0.21 | -1.57 | 0.2 |
| Overall productivity | 0.56 | <u>-1.23</u> | <u>3.2</u> |

Source: Richard Hooley, Productivity Growth in Philippine Manufacturing: Retrospect and Future Prospects, Manila: Philippine Institute for Development, Manila 1985; 1981-83 new estimates provided by the World Bank.

a/ The Table decomposes sectoral productivity growth into that accounted for by the shift in activity from one industry to another, and that due to advances within manufacturing industries. The Table compares observed productivity growth of the manufacturing sector with that which could have occurred if the industry structure remained unchanged.

Differences in capital intensities between industries can be derived from sectoral figures for value added per employee (Annex Table A-9). They reveal that the largest increase in capital intensities occurred in a typical large-scale industry, i.e., industrial chemicals. Massive inflows of subsidized capital together with high protection have biased structural change in the Philippine manufacturing sector during the 1970s towards larger firms and capital deepening. Fortunately, in the 1980s, the tide has been turned to the benefit of industries with a better capacity utilization, higher productivity increases and more absorption of labour instead of capital.

Indices of sales turnover estimates presented in Table 2.4 reveal mixed trends across sub-sectors of manufacturing. Remarkable differences between industries emerge amidst a 13 per cent fall in the total sales of the manufacturing sector during 1980-1984. While the relatively labour-intensive light manufacturing industries oriented towards world market experienced a rise in sales by almost 50 per cent, domestic sales of capital goods declined by almost the same rate.

Sales indices of individual products under different product categories reveal strikingly different trends. While sales indices (1980=100) of intermediate goods were far below the base year index, that of rubber rose from 95.7 in 1981 to 120.2 in 1983. Other exceptions to the downward slide among intermediate products were pharmaceuticals in 1983, and cement in 1981 and 1983. A marked decline in the sales of capital goods has largely been caused by the drastic fall in the sales of transport equipment. The sharp fall in the sale of transport equipment for four consecutive years could not be offset by gains achieved in the sales of fabricated metals and electrical machinery during 1980-1984.

The overall picture that emerges from Table 2.4 is that industrial units engaged in the production of light manufactured exports have achieved a relatively higher degree of industrial efficiency. Non-traditional export-oriented activities, especially electronics, recorded significant gains in total sales.

Table 2.4: Indices of sales turnover estimates, 1980-1984
(1980=100)

| Sector | 1980 | 1981 | 1982 | 1983 | 1984 |
|------------------------------------|-------|--------|--------|--------|--------|
| Primary Export-Oriented | 100.0 | 97.80 | 91.99 | 100.24 | 74.80 |
| Coconut | 100.0 | 91.64 | 70.81 | 100.24 | 99.09 |
| Banana | 100.0 | 105.60 | 148.51 | 122.85 | 132.84 |
| Mining & smelting | 100.0 | 102.09 | 101.78 | 97.68 | 42.91 |
| Primary Import-Oriented | 100.0 | 82.74 | 109.28 | 95.71 | 87.43 |
| Livestock & poultry | 100.0 | 88.76 | 132.60 | 115.36 | 100.79 |
| Marine | 100.0 | 70.07 | 60.12 | 54.29 | 59.28 |
| Light Manuf Import-Oriented | 100.0 | 92.04 | 97.19 | 105.48 | 90.68 |
| Food processing | 100.0 | 95.66 | 105.41 | 109.84 | 96.91 |
| Tobacco, cigars, cigarettes | 100.0 | 105.46 | 103.79 | 123.80 | 114.61 |
| Textiles | 100.0 | 74.14 | 68.90 | 80.17 | 59.45 |
| Light Manuf Export-Oriented | 100.0 | 135.30 | 124.21 | 159.70 | 148.78 |
| Wearing apparel | 100.0 | 165.48 | 145.28 | 175.68 | 133.03 |
| Footwear | 100.0 | 136.55 | 115.61 | 119.45 | 97.68 |
| Logs, lumber, plywood | 100.0 | 121.96 | 96.54 | 115.42 | 89.14 |
| Furniture | 100.0 | 105.86 | 130.47 | 177.31 | 181.79 |
| Electronics | 100.0 | 118.13 | 131.35 | 195.53 | 241.51 |
| Intermediate Goods | 100.0 | 75.19 | 71.89 | 78.37 | 72.21 |
| Paper | 100.0 | 62.89 | 54.96 | 63.27 | 67.20 |
| Leather | 100.0 | 87.42 | 62.51 | 56.31 | 50.49 |
| Rubber | 100.0 | 95.66 | 106.50 | 120.23 | 102.00 |
| Pharmaceuticals | 100.0 | 94.78 | 97.16 | 101.42 | 88.91 |
| Chemicals | 100.0 | 66.81 | 65.62 | 72.11 | 70.42 |
| Cement | 100.0 | 112.78 | 98.75 | 102.73 | 61.10 |
| Nonmet minerals | 100.0 | 75.98 | 71.44 | 77.53 | 74.75 |
| Basic metals | 100.0 | 45.07 | 10.81 | 75.95 | 67.88 |
| Capital Goods | 100.0 | 76.41 | 71.96 | 72.81 | 43.97 |
| Fabricated metals | 100.0 | 109.43 | 100.82 | 111.36 | 106.27 |
| Transport equipment | 100.0 | 57.58 | 53.34 | 51.48 | 17.51 |
| Electric machinery | 100.0 | 127.00 | 130.61 | 127.46 | 78.75 |
| TOTAL | 100.0 | 92.60 | 92.02 | 102.21 | 87.48 |

Source: Ministry of Trade and Industry.

2.3 Trade in manufactures

Compared with its neighbouring ASEAN member countries, the Philippine export/GDP ratio is low. In 1986 the Philippine merchandise export/GDP ratio amounted to 0.16 (Thailand 0.21, Malaysia 0.50, and Indonesia 0.20) and was only slightly higher than five years ago (0.15). Yet, the Philippines enjoys the advantage of being less dependent on mineral commodity exports than their neighbours and of facing a higher income elasticity of export demand for their goods. Manufactured exports comprise mainly electrical components and micro-components, garments, processed food and wood manufactures (Table 2.5).

Given the fall of non-oil commodity prices in the late 1970s and early 1980s export prices have tended to decline relative to import prices since 1974 (Annex Table A-10). Thus, the net barter terms of trade deteriorated till 1985 but not the income terms of trade as import volumes were sharply reduced and export quantities increased. Unrealistic exchange rate and the failure to eliminate the constraints impeding the growth of exports have been the main reason for the existence of unutilized export potential of the Philippines for a long time.

The three export processing zones (EPZ) of Bataan, Baguio City and Mactan have not yet played a decisive role in promoting manufactured exports. On average only 8.5 per cent of total Philippine manufactured export originated from the EPZs during 1981-1985 (Table 2.6). The extent to which EPZs are linked to the rest of the economy as purchaser of intermediates has been found to vary among different industries. In garments, wool and food processing, linkages were greater than in typical offshore assembly activities like semi-conductors and other electrical components.

An outstanding feature of Philippine manufactured exports is the role of firms with foreign equity capital participation. How dominant foreign companies and joint ventures are over local companies as promoters of manufactured exports can be documented by an export channel analysis.^{1/} In 1983 foreign companies and joint ventures comprised more than 60 per cent of the total average manufactured export value^{2/} in the SITC categories 5-8. A detailed breakdown of Philippine manufactured export channels by major markets and types of ownership is provided in Annex Tables A-11 to A-14.

By far the largest share of Philippine exports is handled by the producers themselves, i.e., about 80 per cent in 1983. Trading companies played an insignificant role compared to other developing countries. About three quarters of total exports came under incentives from the Board of Investment and/or the EPZs. Companies receiving incentives proved to be most dynamic in those sectors which succeeded in withstanding the early economic crisis during 1980 and 1983. A striking example is exports of garments and electronics for which materials have been imported on consignment basis, which raised their share in Philippine exports from 15.6 to 25.4 per cent between 1980 and 1983.

1/ von Kirchbach, Friedrich, Export Channels in the Philippines: An Analysis of Characteristics and Performance of Different Types of Exporters, International Trade Centre, Geneva 1987, pp.55-57.

2/ The sum of foreign, local and joint venture companies under the heading "all companies" in Annex Table A-11.

3/ Philippine Standard Commodity Classification (PSCC) category 9.

Table 2.5: Philippine export profile, 1982-1986
(\$'000)

| Commodity group | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|------------------|------------------|------------------|------------------|------------------|
| Total | 3,025,030 | 3,111,833 | 3,650,850 | 3,315,309 | 3,542,491 |
| Manufactured | 2,460,692 | 2,537,193 | 2,991,264 | 2,564,520 | 2,684,898 |
| Electrical & electronic equipment and components | 1,000,083 | 1,053,765 | 1,273,585 | 992,663 | 903,492 |
| Telecommunication and sound recording and reproducing apparatus and equipment | 14,482 | 26,608 | 12,106 | 9,994 | 11,111 |
| Electrical machinery, apparatus and appliances | 117,474 | 126,045 | 351,178 | 271,701 | 368,495 |
| Semi-conductors and other micro-components | 868,127 | 901,112 | 910,301 | 710,968 | 523,886 |
| Garments | 539,335 | 542,412 | 599,686 | 621,712 | 749,794 |
| Food products and beverages | 214,469 | 175,471 | 133,915 | 157,141 | 135,577 |
| Meat and meat preparation | 1,298 | 528 | 631 | 259 | 485 |
| Dairy products & bird's eggs | 2,050 | 2,738 | 437 | 361 | 3,043 |
| Fish, crustaceans and mollusks, preserved or prepared, n.e.s. | 48,618 | 55,010 | 47,277 | 49,239 | 52,947 |
| Cereals and cereal preparations | 5,246 | 5,164 | 5,168 | 5,594 | 5,677 |
| Vegetables, roots and tubers prepared or preserved, n.e.s. | 3,461 | 1,350 | 1,670 | 1,282 | 1,281 |
| Fruit preserved and fruit preparations (excluding pineapple in syrup) | 39,381 | 30,903 | 40,585 | 49,421 | 41,764 |
| Sugar and honey | 45,279 | 34,799 | 7,346 | 23,908 | 815 |
| Sugar confectionary and other sugar preparations | 3,667 | 4,410 | 3,757 | 3,953 | 5,073 |
| Coffee, tea, cocoa and manufactures thereof (excluding coffee, not roasted) | 51,931 | 26,399 | 11,198 | 11,740 | 12,645 |
| Feeding stuff for animals | 3,538 | 3,653 | 4,377 | 2,320 | 1,520 |
| Miscellaneous edible products and preparations | 6,308 | 7,754 | 8,676 | 6,781 | 7,846 |
| Beverages | 3,691 | 2,762 | 2,794 | 2,283 | 3,215 |
| Handicrafts | 121,600 | 127,909 | 133,024 | 122,381 | 145,791 |
| Chemicals and chemical products | 96,767 | 87,849 | 106,133 | 151,591 | 243,480 |
| Organic chemicals | 54,449 | 48,315 | 64,176 | 55,787 | 63,749 |
| Inorganic chemicals | 5,608 | 3,305 | 3,328 | 15,237 | 15,646 |
| Dyeing, tanning & coloring material | 809 | 2,532 | 452 | 427 | 306 |
| Medicinal & pharmaceutical products | 7,954 | 7,558 | 7,176 | 6,754 | 5,988 |
| Essential oils & perfume materials | 2,151 | 2,492 | 4,070 | 5,480 | 6,740 |
| Fertilizers, manufactured | * | 31 | 1,086 | 33,416 | 113,458 |
| Explosives & pyrotechnic products | 1,037 | 621 | 530 | 958 | 1,557 |
| Artificial resins and plastic materials and cellulose esters and others | 12,276 | 11,434 | 11,216 | 17,199 | 20,395 |
| Chemical materials and products, n.e.s. | 12,483 | 11,561 | 14,099 | 16,333 | 15,639 |

Table 2.5 (continued)

| Commodity group | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|----------------|----------------|----------------|----------------|----------------|
| Furniture and parts | 71,598 | 83,556 | 88,298 | 83,719 | 89,353 |
| Footwear | 61,986 | 54,956 | 46,382 | 38,641 | 30,837 |
| Machinery and transport equipment | 50,561 | 39,316 | 42,895 | 37,081 | 53,826 |
| Non-metallic mineral manufactures, particularly cement | 39,549 | 25,718 | 20,587 | 22,758 | 16,790 |
| Textile, yarns, fabrics and products | 38,917 | 28,468 | 25,447 | 25,154 | 34,455 |
| Builder's woodworks | 30,873 | 40,140 | 40,353 | 26,241 | 28,349 |
| Toys and sporting goods | 30,327 | 18,993 | 16,474 | 11,365 | 10,866 |
| Watches and clocks | 11,653 | 8,187 | 247 | 190 | 139 |
| Cordage, cable, ropes, and twines | 13,864 | 12,026 | 11,149 | 10,123 | 7,750 |
| Fuel wood, woodcharcoal, pulpwood | 6,364 | 7,732 | 12,036 | 15,759 | 10,738 |
| Pulp and waste paper | 10,612 | 9,960 | 12,403 | 13,235 | 11,409 |
| Mineral fuels, lubricants and related materials | 33,304 | 115,664 | 86,643 | 71,765 | 65,768 |
| Animal and vegetables oils, fats and waxes (excluding coconut oil) | 29,561 | 47,884 | 63,821 | 42,955 | 19,853 |
| Manufactures of metal, n.e.s. | 19,415 | 10,938 | 9,915 | 7,930 | 9,522 |
| Sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s. | 2,006 | 1,354 | 1,933 | 1,806 | 2,063 |
| Others | 37,849 | 44,394 | 266,339 | 110,310 | 115,046 |
| Unmanufactured | 563,953 | 573,821 | 657,860 | 748,596 | 856,615 |
| Bananas | 147,362 | 106,058 | 122,996 | 114,292 | 130,507 |
| Nickel and nickel ores | 61,446 | 63,313 | 25,257 | 14,219 | 9,297 |
| Iron ore agglomerates | 105,622 | 114,377 | 105,024 | 94,982 | 85,151 |
| Nickel concentrates | 9,176 | 7,815 | 2,539 | 18,692 | 11,058 |
| Fish: fresh or simply preserved | 70,665 | 76,685 | 68,208 | 99,295 | 143,611 |
| Coffee not roasted | 49,429 | 46,687 | 76,154 | 69,542 | 118,756 |
| Rice | 201 | 9,386 | 796 | 27 | 11 |
| Iron and steel | 21,933 | 27,856 | 36,384 | 40,130 | 33,365 |
| Vegetables and fruits, fresh or dried | 27,490 | 26,804 | 34,180 | 32,468 | 36,733 |
| Oil seeds and oleaginous fruit | 8,521 | 5,277 | 10,091 | 6,907 | 2,353 |
| Crude rubber | 6,379 | 5,071 | 5,630 | 9,917 | 10,123 |
| Crude fertilizers and crude minerals | 4,760 | 5,519 | 5,015 | 4,677 | 5,168 |
| Crude animals and vegetable materials, n.e.s. | 20,403 | 20,189 | 16,516 | 24,583 | 28,565 |
| Textile fibers and their waste (not manufactured into yarn and fabric) | 6,059 | 6,718 | 7,461 | 14,595 | 22,453 |
| Metalliferous ores and metal scrap | 13,758 | 9,091 | 12,760 | 13,997 | 17,204 |
| Non-ferrous metals | 10,505 | 40,847 | 126,936 | 189,731 | 202,094 |
| Others | 245 | 2,127 | 1,914 | 542 | 166 |
| Special transactions | 385 | 820 | 1,726 | 2,193 | 978 |

Source: National Census and Statistics Office.

Table 2.6: Non-traditional manufactured exports (NTME) and exports from export processing zones (EPZ), 1981-1985
(\$ million)

| Year | Non-traditional manufactured exports | Growth rate | EPZ exports | | Share of EPZ/NTME |
|------------|--------------------------------------|-------------|-------------|-------|-------------------|
| 1981 | 2,566 | ... | 241 | ... | 9.4 |
| 1982 | 2,456 | -4.3 | 251 | 4.1 | 10.2 |
| 1983 | 2,588 | 5.4 | 237 | -5.6 | 9.2 |
| 1984 | 3,136 | 21.2 | 246 | 3.7 | 7.8 |
| 1985 | 2,857 | -8.9 | 178 | -27.6 | 6.2 |
| 1981- 1985 | 13,603 | | 1,153 | | 8.5 |

Source: UNIDO.

Between 1980 and 1983, the balance between exports originating from foreign-owned companies and joint ventures changed visibly in favour of the former. Thus, foreign-owned companies proved to be less susceptible to the economic crisis and to the contraction of foreign trade in the early 1980s than local companies and joint ventures. Local manufacturing companies while contributing modestly to exports during the crisis nevertheless had a good record in product and market diversification. They obviously faced more difficulties in penetrating the Japanese market than the United States and EC markets. Fully foreign-owned companies were particularly active in exports to the US. This reflects the operations of US companies in EPZs. In contrast, exports to Japan were shipped more by joint ventures than by fully-owned affiliates.

About two thirds of Philippine exports to ASEAN countries were handled by fully foreign-owned companies. Malaysia and Singapore advanced to important export markets, mainly in electronics. Between 1980 and 1983, concentration among Philippine exporters increased. Seemingly, small and medium-size exporters suffered more from the crisis than did larger firms.^{1/}

^{1/} von Kirchbach, Friedrich, op.cit.

Apart from Philippine export incentives, tariff treatment of developing countries' manufactured exports entering the major industrialized countries' markets are frequently looked upon as important incentives for local and foreign investors. There are basically two provisions which have proved to be relevant, the outward processing rules and the Generalized System of Preferences (GSP). The former gained importance especially in the US under the so-called 806.30 and 807.00 items which are defined as goods processed abroad and made from US components. As only the foreign value added content is submitted for duty payments, incentives to shift parts of the production process abroad exist. With respect to the Philippines, more than 40 per cent of US manufactured imports from the Philippines in 1980 came under these rules (Table 2.7). In other ASEAN countries, Malaysia and Singapore, this share was even higher. Micro-electronics have been the most important item, with an average value added content in the Philippines ranging between 38 and 53 per cent.

Table 2.7: US imports from ASEAN countries under tariff item 806.30 and 807.00 of the Tariff Schedules of the United States, 1977, 1980 and 1985

| | | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN |
|-------------------------------------|------|-----------|----------|-------------|-----------|----------|-------|
| Total import value | 1977 | - | 309 | 89 | 344 | - | 742 |
| | 1980 | 50 | 820 | 413 | 773 | 82 | 2138 |
| | 1985 | - | 433 | 299 | 1001 | 63 | 1796 |
| of which ASEAN country value added | 1977 | - | 140 | 40 | 190 | - | 370 |
| | 1980 | 31 | 340 | 159 | 364 | 15 | 909 |
| | 1985 | - | 213 | 157 | 805 | 39 | 1214 |
| Share in total manufactured imports | 1977 | - | 76.7 | 25.5 | 53.4 | - | 53.1 |
| | 1980 | 47.6 | 75.5 | 41.5 | 47.4 | 23.5 | 51.3 |
| | 1985 | - | 23.2 | 19.1 | 27.2 | 7.2 | 22.5 |

Source: United States International Trade Commission, Imports under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1977-1980 (USITC Publ.1170, July 1981), 1980-83 (USITC Publ. 1688, April 1985), 1982-85 (USITC Publ.1920, December 1986; UN Commodity Trade Statistics, various issues.

The importance of the outward processing rules has markedly declined for all ASEAN countries during 1980 and 1985. This has been - among other factors - mainly due to improvements in the United States GSP scheme which made outward processing provisions partly redundant. As, however, GSP rules differ widely among OECD countries, a positive assessment of the GSP cannot be generalized.

Recent data on GSP treatment of Philippine exports to the EC suggest that GSP played a minor role. In 1986 only 32 per cent of total Philippine exports to the EC and only 51 per cent of exports eligible for preferential access actually entered the EC market duty-free or - in the case of some processed agricultural goods - duty-reduced (Annex Table A-15). The latter share has only slightly increased in the 1980s starting from 44 per cent. The main reasons for the relatively low utilization of GSP options is a very complex system of tariff ceilings and tariff quotas for processed agricultural goods (principally canned food and fruit) but also failures to meet administrative requirements (rules of origin, direct shipping requirements a.o.).

2.4 Size, regional distribution and the role of small-scale industries

The pattern of industrialization in the 1970s was characterized by shifts of resources from small- to large-scale industries. In the 1980s, many large-scale industries happened to be non-performing and had to redress their activities markedly in terms of employment and output. Unfortunately, this process cannot be documented satisfactorily as bench-mark surveys on manufacturing establishments are not frequently made. The latest one available covers the year of crisis, 1983. It reveals a clear dualistic structure of a manufacturing sector typical of a developing country, with few large enterprises in each industry contributing much more to value added than to employment. In detail, 717 firms - each with more than 200 employees - accounted for 57 per cent of total employment but for 79 per cent of total value added (Annex Table A-16).

Sectorally, large differences emerge between industries like petroleum and coal, professional and scientific equipment and glass where few big firms dominate and food, wearing apparel and wooden furniture where the "size mix" appears to be more balanced. Informal manufacturing activities are not covered by the census data. Actual employment in manufacturing is likely to exceed the one million level considerably. As a result of serious economic disturbances during the early 1980s the number of establishments decreased affecting mainly small-scale industries in the organized part of the manufacturing sector.

There is a clear-cut concentration of manufacturing establishments in Metro-Manila. In 1983, 48 per cent of all establishments, 55 per cent of employment and 49 per cent of value-added agglomerated in Metro-Manila (Table 2.8). Bigger firms were overproportionately represented than smaller firms and so were "engineering" industries compared to light labour-intensive industries. Resource-based industries like food, wood and cork and oil depart from this concentration. For both employment targets and regional equilibrium objectives, the food sector appears to be an essential industry in the Philippines. Next to Metro-Manila the neighbouring province of Southern Tagalog hosts an important part of manufacturing activities about 16 per cent of gross value added at constant prices in 1985 (Annex Table A-18). Together with the other neighbouring province, Central Luzon, the three areas account for almost three quarters of all manufacturing activities in the Philippines.

Table 2.8: Concentration of large^{a/} manufacturing activity, in Metro-Manila, 1983

| SIC code | Sector | Percent establishments | Percent employment | Percent value added | Percent output |
|--|-----------------------------|------------------------|--------------------|---------------------|----------------|
| 311/312 | Food | 24 | 32 | 49 | 51 |
| 313 | Beverages | 20 | 32 | 35 | 34 |
| 314 | Tobacco | 59 | 82 | 97 | 97 |
| 321 | Textiles | 69 | 69 | 61 | 64 |
| 322 | Wearing apparel | 53 | 67 | 74 | 74 |
| 323 | Leather products | 47 | 53 | 57 | 64 |
| 324 | Footwear | 65 | 51 | 23 | 36 |
| 331 | Wood and cork | 19 | 10 | 18 | 18 |
| 332 | Furniture | 35 | 27 | 42 | 39 |
| 341 | Paper | 72 | 51 | 31 | 36 |
| 342 | Printing | 63 | 81 | 93 | 94 |
| 351 | Industrial chemicals | 54 | 54 | 42 | 46 |
| 352 | Other chemicals | 81 | 86 | 90 | 90 |
| 353 | Petroleum refineries | ... | ... | ... | ... |
| 354 | Oil and coal products | 38 | 35 | 59 | 56 |
| 355 | Rubber | 55 | 85 | 90 | 89 |
| 356 | Plastics | 87 | 64 | 61 | 72 |
| 361 | Pottery, china, earthenware | 58 | 72 | 91 | 86 |
| 362 | Glass | 74 | 82 | 87 | 83 |
| 363 | Cement | ... | ... | ... | ... |
| 369 | Other nonmetallic minerals | 40 | 66 | 58 | 67 |
| 371 | Iron and steel | 76 | 67 | 32 | 52 |
| 372 | Nonferrous metal | 73 | 59 | 60 | 56 |
| 381 | Fabricated metals | 74 | 77 | 66 | 67 |
| 382 | Machinery | 56 | 69 | 73 | 77 |
| 383 | Electrical machinery | 84 | 89 | 85 | 86 |
| 384 | Transport equipment | 60 | 61 | 66 | 75 |
| <u>All Industries: Employment Size</u> | | | | | |
| | 10-99 | 46 | 55 | 65 | 70 |
| | 100-199 | 65 | 64 | 62 | 63 |
| | 200+ | 53 | 55 | 45 | 45 |
| | <u>All Industries</u> | <u>48</u> | <u>55</u> | <u>49</u> | <u>49</u> |

Source: NCSO, Census of Establishments, Large Manufacturing, 1983.

a/ Covers all establishments with employment of ten persons and over.

Resource-rich areas in the Southern provinces have remained underutilized, partly due to natural barriers like poor infrastructure, and partly remoteness, and insurgency problems as well as a result of deliberate policies in the past to concentrate public expenditures on Luzon and discrimination against rural activities. Whether tendencies towards regional concentration can be reversed in future is difficult to assess. The big resource-based industry projects which were intended to stop the agglomeration trend, were mostly abandoned so that there is only little assistance to be expected from regional policies. Instead, there is more room for achieving regional balance in industrial location, if greater attention could be paid to rural areas with attractive incentives to emerging entrepreneurs.

Small-scale industries in the Philippines did play an important role as absorber of labour when the organized sector faced the crisis. They also contributed to foreign exchange earnings by exporting handicraft. Between 1980 and 1985 the share of handicraft exports (mainly woodcraft, shellcraft, plaits and plaiting materials and textile materials) in total manufactured exports ranged between 5 and 6 per cent of total exports. Due to low utilization of imported intermediates, their net effect on the trade balance can be expected to be more prominent.

2.5 Ownership and foreign direct investment

Foreign capital in equity investments in Philippine manufacturing projects has played an important role during the 1980s. Thus, almost 25 per cent of all equity investments in manufacturing with foreign participation approved by the Board of Investments between 1981 and 1983 was fully foreign-owned and 14 per cent was approved in joint ventures. With respect to investments with local participation only 43 per cent of the total investments were fully-owned and 18 per cent came under joint ventures with other local institutions/persons. The manufacturing sector accounted for about 52 per cent of total foreign investments in the Philippine economy and six industries - chemicals, food, basic metals, textiles, transport equipment, petroleum and coal - accounted for 77 per cent of foreign investments in manufacturing in the 1980s.

However, data on approved investments are usually seriously defective as they document intentions rather than actions. Discrepancies between realized and approved investments may be large especially if the policy framework is changing rapidly as in the case of the Philippines. Host country data on paid-up capital are more informative. They suggest a significant increase of foreign paid-up capital in 1985 compared to 1984 ending with a share of foreign paid-up capital in total investments of 35 per cent. Yet, paid-up investment data are not sufficiently disaggregated and - as all host country data - they did not illustrate to what extent the Philippines succeeded in attracting foreign direct investment in manufacturing in competition with other developing countries.

In this respect, detailed home country data of the US and Japan on the stock of manufacturing investment in ASEAN countries including the Philippines are illustrative (Table 2.9). Although the Philippines lost a large part of its position as the leading host country for US investments in ASEAN countries (excluding Singapore) the country remained attractive to Japanese investors. In the US case, despite a decline in absolute terms in 1986 the Philippines still hosted the largest amount of US investments in ASEAN with the chemical sector as the leading industry followed by electrical and electronic equipment. As far as Japanese investments are concerned, the automotive industry took the lion's share followed by metal products and chemicals. Given the problems in the Philippine automotive industry during the early 1980s there is not much economic meaning in the observation that the Philippines could slightly raise its share in Japanese manufacturing investments in the four ASEAN countries from 8.0 per cent 1976 to 9.4 per cent in 1980 and still 8.8 per cent in 1986.

In interpreting these figures, attention may be paid to the fact that the observation period covers the years of crisis and stabilization only. This period of uncertainty about the success of stabilization may have tempted foreign investors to be reluctant and to wait until clear policy signals towards less discretion and more flexibility vis-à-vis investments became visible. The 1987 Omnibus Investment Code together with a new Investment Priorities Plan (IPP) and the continued removal of trade barriers could give such encouraging signals provided that the implementation of the policies is ruled by confidence and understanding rather than by administrative controls. In view of the essential role of foreign investors as export channels discussed above, such implementation practice would be very instrumental in enhancing the Philippine position as a promising host country for foreign investors.

Table 2.9: US and Japanese foreign direct investment in ASEAN manufacturing, 1976, 1980 and 1986
(\$ million)

| Regions/Countries by year | Total | Food & kindred products | Chemicals & allied products | Primary & fabricated metals | Machinery except electrical | Electric & electronic equipment | Transportation equipment | Other |
|---|-------|-------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|--------------------------|-------|
| <u>US Foreign Direct Investment</u> | | | | | | | | |
| ASEAN (excl. Singapore) | | | | | | | | |
| 1976 | 500 | 102 | 120 | 18 | 4 | 86 | 2 | 35 |
| 1980 | 922 | 161 | 229 | 5 | 10 | 210 | 10 | 22 |
| 1986 | 1181 | 63 | 426 | 28 | 1 | 481 | - | 101 |
| Malaysia | | | | | | | | |
| 1976 | 76 | 3 | 11 | 2 | 3 | 38 | 1 | 18 |
| 1980 | 164 | 4 | 27 | 5 | 5 | 99 | 2 | 22 |
| 1986 | 291 | 8 | 19 | 6 | 0 | 210 | 0 | 0 |
| Thailand | | | | | | | | |
| 1976 | 47 | 9 | 7 | 4 | 0 | 11 | 1 | 17 |
| 1980 | 87 | 13 | 30 | 0 | 0 | 20 | - | 0 |
| 1986 | 221 | 6 | 40 | 2 | -2 | 150 | 0 | 24 |
| Philippines | | | | | | | | |
| 1976 | 274 | 88 | 75 | 12 | 1 | 25 | 0 | 0 |
| 1980 | 531 | 137 | 149 | 0 | 4 | 91 | 8 | 0 |
| 1986 | 434 | 43 | 185 | 13 | - | 121 | -4 | 77 |
| Indonesia | | | | | | | | |
| 1976 | 103 | 2 | 27 | 0 | - | 12 | - | 0 |
| 1980 | 146 | 7 | 23 | 0 | 1 | 0 | - | 0 |
| 1986 | 235 | 6 | 182 | 7 | 3 | 0 | 0 | 0 |
| <u>Japanese Foreign Direct Investment</u> | | | | | | | | |
| ASEAN (excl. Singapore) | | | | | | | | |
| 1976 | 1151 | 22 | 99 | 171 | 13 | 52 | 36 | 164 |
| 1980 | 2511 | 106 | 334 | 677 | 35 | 105 | 126 | 211 |
| 1986 | 4207 | 165 | 438 | 1494 | 133 | 245 | 392 | 352 |
| Malaysia | | | | | | | | |
| 1976 | 205 | 12 | 12 | 24 | 3 | 31 | 4 | 15 |
| 1980 | 456 | 17 | 167 | 30 | 9 | 52 | 8 | 23 |
| 1986 | 856 | 33 | 189 | 154 | 15 | 127 | 95 | 55 |
| Thailand | | | | | | | | |
| 1976 | 172 | 36 | 17 | 11 | 3 | 3 | 9 | 10 |
| 1980 | 292 | 46 | 29 | 20 | 11 | 7 | 30 | 18 |
| 1986 | 620 | 71 | 45 | 46 | 88 | 52 | 43 | 84 |
| Philippines | | | | | | | | |
| 1976 | 92 | 13 | 19 | 21 | 2 | 5 | 4 | 4 |
| 1980 | 236 | 14 | 65 | 74 | 4 | 7 | 27 | 16 |
| 1986 | 369 | 26 | 72 | 81 | 5 | 12 | 119 | 24 |
| Indonesia | | | | | | | | |
| 1976 | 682 | 21 | 51 | 115 | 5 | 13 | 19 | 135 |
| 1980 | 1527 | 29 | 73 | 753 | 15 | 39 | 61 | 154 |
| 1986 | 2362 | 35 | 132 | 1213 | 25 | 54 | 135 | 189 |

Source: US Department of Commerce, US Direct Investment Abroad, Benchmark Survey 1977, Washington, D.C., 1981; Survey of current Business, August 1981 and August 1987. Japan, Ministry of Finance, Zaisei Kingu Kokei Geppo, Monetary and Financial Statistics Monthly, Tokyo, December 1977, December 1981, December 1987.

3. SUB-SECTORAL MANUFACTURING TRENDS

3.1 Food manufacturing

Food manufacturing in the Philippines continues to retain a strikingly higher share of manufacturing value added and employment than in any of the other three reference ASEAN countries (Indonesia, Malaysia, Thailand). Next to the garment industry, the food manufacturing sector hosts the largest number of small-size establishments as well as a number of large-scale establishments which determine the overall (overproportionate) capital intensity of the sector (Annex Table A-16). Yet, the importance of food manufacturing in the Philippines does not only emerge from its employment and export potential but equally from its possible contribution to balanced industrial development. Agricultural resources are abundant in Philippine rural areas, and given the availability of infrastructural services and policies attracting private investments in food processing, the sector could be one of the driving forces towards achieving regional balance in industrial development. Accepting the pivotal role played by food manufacturing, the new government has classified it as one of five target industries. During the first half of 1988 about one quarter of total new investment approvals was in food production, including aquaculture, crop production and livestock/poultry. Given the average income level of Philippine households, food products account for an important part of private consumption.

A wide range of activities in food manufacturing is characterized by heterogenous features. Firm size and factor absorption differ between various food industries as do market orientation and policy treatment. Export-apparent consumption ratios were estimated to range between 0.3 per cent for prepared animal feed, 17.9 per cent for chocolate and chocolate products, 18.3 per cent for refined sugar, 63.2 per cent for raw sugar, 116.5 per cent for cocoa powder, and 461.1 per cent for cocoa butter during 1981-1983.^{1/}

In terms of policy treatment, effective rates of tariff protection were found to fluctuate between -3.9 per cent for coconut products, 1.1 per cent for sugar milling and refining, 62.3 per cent for dairy products, 97.8 per cent for rice milling, 127.1 per cent for bakery products, 232.0 per cent for processed fruit and vegetables, 809.6 per cent for meat products, and 872.6 per cent for processed fish and seafood.^{2/} On average, effective protection of food production was higher than for the rest of the manufacturing sector in the 1970s and the variation coefficient of protection rates between products was larger.

Export performance has been uneven as well, especially in the 1980s. Drastically declining exports of the two traditional crops, sugar and coconut, have sharply contrasted with positive export growth rates for processed fish and fruit.

As far as export demand is concerned, important trading countries like Japan and the US are growing markets for processed food, especially seafood. In the medium-run export prospects could arise from multilateral approaches

1/ UNIDO Data base.

2/ Bautista, Roman M., "The 1981-85 Tariff Changes and Effective Protection of Manufacturing Industries", Journal of Philippine Development, Vol. 8, 1981 (1 & 2), pp. 1-20.

towards liberalizing agricultural trade within the framework of the Uruguay Round of the GATT. However, it would be unduly optimistic to expect a dramatic move towards freeing world trade in agricultural products, but prospects for liberalization remain promising. Trade liberalization in world agricultural trade may have positive repercussions for the Philippines, as its export potential in processed food also depends on the economic viability of two traditional export crops, coconuts and sugar cane, which are highly regulated in international trade. Since the mid-1970s, when the guaranteed access to the protected US market for both products came to an end and when world prices began to drop, the two crops have faced declining markets. Inefficiencies due to the existence of large regulatory bodies with monopoly power were large as were other disincentives for small farmers. The complete abolition of the state monopolies in these industries under the new government has become a major political issue. This reform has been necessary but not sufficient to restore medium-term profitability to producers. The steady recovery of world prices, especially for sugar, is indispensable and will become a reality only if OECD countries relax their trade interventions and domestic subsidies in the agricultural sector. The Philippines may be better prepared to exploit the export potential arising from trade liberalization, the more its own policies succeed in giving small farmers new supply incentives. Such success will be instrumental in improving the viability of forward-linkage food processing industries. Indeed, the economic recovery of the agricultural sector is imperative if growth is to be attained in the food processing industry.^{1/}

Food processing in the Philippines falls under four major categories: dairy products comprising evaporation, condensation and pasteurization of milk, butter, cheese, and ice cream; seafoods comprising dried, cured and smoked fish, salted fish, canned fish, fish sauces, shrimps and cuttlefish; meat products; and canned and preserved fruit and vegetables (jams, jellies, fruit juices, and others). While the Philippine food processing industry has been classified as a small- or medium-scale industry, its nature as a major agri-business activity is recognized.

With respect to livestock-based food processing industries, there were a dozen major firms on the listings of the Board of Investments (BOI) by the end of the 1970s. Together with non-BOI-listed and those licensed by the National Meat Inspection Commission, the number of large-scale firms has been estimated to be 50 by the mid-1980s.^{2/} They are mostly located in Metro-Manila near the main sales markets rather than in livestock production areas. With improved infrastructure and communications, new investment in storage of raw materials, in packaging of the final product, and with timely supply of inputs at competitive prices, a better performance of the existing industry can be achieved. A large number of smaller firms are reported to suffer from inadequate supply of raw materials, skilled manpower and of more advanced technology. Technical assistance may contribute to ease such problems.

1/ Balbin, Clemente, Agribusiness: Philippine Experience, Legal and Policy Notes, Manila, National Book Store, 1986, Chapter 15.

2/ Ibid.

In contrast to livestock-based food products processing of fish, crustaceans and molluss including tuna canning is an industry mainly oriented towards exports. The export potential is large as can be witnessed by growing demand for fish and shrimp products in Japan - the most important Philippine export market (Table 3.1). In 1986, Japan absorbed 50 per cent of the Philippine export products of this industry followed by the US (25 per cent) and the Federal Republic of Germany (8 per cent). Problems to meet rising demand can be exemplified in the tuna industry which is relatively highly concentrated. A basic challenge, for instance, is the shift from an unprocessed to a processed product form in order to take advantage of changing consumer tastes in the export markets and to raise the local content. In the tuna industry, for instance, canning and other product refinements made in the Philippines still lag behind the exports of raw frozen tuna. Upgrading would require considerable investments in new technology (i.e. aseptic processing, health controls) in order to comply with food standards in the importing countries (i.e. histamine content tests) which tend to be stricter the higher the degree of processing in the exporting country is.

A fact-finding study (under the JETRO-ASEAN Co-operative Programme) has cited shrimps, prawns, cuttlefish, squid, shellfish meat, shirasu-boshi, seaweeds, sea urchins, tuna, octopus, dried small sardines, lobster, squilla, and mantis shrimps as marine products with strong demand in Japan. Updated techniques for culturing, processing and packaging were suggested to improve exports of existing species, that is cuttlefish, squid, tuna, and lobsters. In general, changes in consumption patterns in Japan have been observed towards a larger variety and towards instant processed food prepared for fast-food chains. Finally, there is not only a problem of quality and punctuality to be solved but also that of price competition especially with Thailand tapping the same markets.

Export prospects may be even larger in fruit and vegetable processing due to the processing potential and the resource abundance. Again, Japan is the largest export market (57 per cent in 1986) and export prospects mainly exist in processing and de-hydrating fruit (like mangos, pineapples, papayas, santols, bananas, jackfruit, guyabanos, condols, breadfruit, tomatoes, avocados, citrus fruit, and camotes), nuts like cashews and pilis, and vegetables including ginger, onion, and garlic.

In 1977, the Philippine Fruit Processors Association was founded consisting of about fifteen large food manufacturers.¹ The group has launched a number of market analyses and pilot studies geared at safeguarding and expanding export markets. In addition, JETRO has identified processed food like canned soups, powdered soups, health drinks (i.e. sport drinks), vitamin preparations, non-animal-fat cheese, take-away lunches and other goods as possible export products of the Philippines.

Obstacles for local food exporters are reported to exist in terms of high tax burden, high costs of communication, clearance requirements of some government agencies for exports, "unreasonable" shipping rates for exports to potential markets, bureaucratic red-tape, financing problems and insufficient government assistance to lower costs of promoting Philippine products abroad, i.e. travel tax exemption.²

1/ Balbin, Remedios C. and Dominador A. Clemente (jun.), op.cit., p.370.

2/ Private Development Corporation, Industry Digest Philippine Priority Exports to Japan, January-February 1987, p. 6.

Table 3.1: Japan's imports of fresh and processed foods from the Philippines, January-June 1985-1986
(\$'000)

| | Jan.-June 1986 | Jan.-June 1985 | Growth rate | Philippine's % share, 1st Sem. 1986 |
|--|-----------------------|-----------------------|----------------|---|
| Foodstuff | 289,593 ^{a/} | 237,542 ^{a/} | 21.9 | 3.3 |
| Meat | 71 | 271 | (73.8) | - |
| Fish and shellfish | 54,582 | 35,478 | 53.8 | 2.3 |
| Fish & shellfish (fresh, chilled or frozen) | 53,407 | 33,850 | 57.8 | 2.6 |
| Tuna | 6,048 | 7,450 | (18.8) | 3.3 |
| Skip-jack | - | 655 | (100.0) | - |
| Crustaceans and mollusks | 47,305 | 25,714 | 84.0 | 3.6 |
| Shrimps | 45,689 | 23,154 | 97.3 | 5.6 |
| Cuttle fish | 1,338 | 2,278 | (41.3) | 0.8 |
| Crab | 20 | 2 | 900.0 | - |
| Fish (dried, salted, smoked) | 290 | 879 | (67.0) | 0.3 |
| Prepared fish and shellfish | 885 | 681 | 29.9 | 0.5 |
| Fish and shellfish in can | 0 | 18 | (100.0) | - |
| Fruits and vegetables | 215,368 | 170,494 | 26.3 | 18.7 |
| Fruits | 208,353 | 163,853 | 27.2 | 35.3 |
| Bananas | 168,316 | 133,135 | 26.4 | 80.2 |
| Edible nuts | 440 | 1,368 | (67.8) | 0.8 |
| Pineapples | 34,052 | 24,111 | 41.2 | 83.7 |
| Mangoes | 5,507 | 4,590 | 20.0 | 88.4 |
| Avocados and mangosteens | 0 | 15 | (100.0) | - |
| Vegetables | 1,022 | 1,732 | (41.0) | 0.3 |
| Beans (dried) | 94 | / | 100.0 | 0.2 |
| Vegetables (fresh or chilled) | 843 | 1,490 | (43.4) | 1.1 |
| Onions | 374 | 582 | (35.7) | 4.7 |
| Vegetables (frozen) | 12 | 0 | 100.0 | - |
| Edible seaweeds | 21 | 4 | 425.0 | - |
| Prepared fruits & vegetables | 5,993 | 5,530 | 8.4 | 3.2 |
| Prepared vegetables | 53 | 67 | (20.9) | 0.1 |
| Prepared fruits | 5,930 | 5,456 | 8.7 | 5.2 |
| Jams, fruits, jellies | 10 | 0 | 100.0 | - |
| Fruit juices | 122 | 114 | 7.0 | 0.3 |
| Fruits, otherwise prepared | 5,791 | 5,342 | 8.4 | 8.7 |
| Pineapples prepared | 3,145 | 2,805 | 12.1 | 35.1 |
| Sugar, of which: | 12,576 | 25,436 | (50.6) | 6.2 |
| Beet sugar and cane sugar | 0 | 11,136 | (100.0) | - |
| Sugar, centrifugal | 0 | 11,046 | (100.0) | - |
| Molasses (excl. for feeding) | 12,197 | 13,942 | (12.5) | 43.2 |
| Coffee beans | 3,897 | 1,411 | 176.2 | 0.6 |
| Beverages | 209 | 89 | 134.8 | 0.1 |
| Alcoholic beverages | 92 | 79 | 16.4 | 0.1 |
| Beer | 78 | 78 | 0.0 | 1.2 |
| Rum | 14 | 1 | 1,300.0 | 2.0 |

Source: JETRO, Japan Foreign Trade Statistics, various issues.

* Includes other foodstuff (e.g., tobacco, feeding stuff for animals, "uni", "Kusage", yeasts, baking powder) amounting to \$2,890,000 in 1986 (1st half) and \$4,363,000 in 1985 (1st half).

As in fish processing, the Philippine fruit processors face an intensive competition with suppliers from other Southeast- and East Asian countries with a similar natural resource endowment. This competition is a challenge to both macroeconomic policies which bear responsibility for international prices of Philippine products and microeconomic innovation to meet quality standards. Both levels are closely interconnected through the incentive system offered to investors.

The 1988 investment priorities plan accords priority to meat products, including processing of by-products in selected regions, leguminous and other vegetable-based protein (texturized, pelletized, powdered or liquid), spices and vegetable oils.

The investment priority areas in food processing attempt to direct investment into those areas which offer the maximum potential to make use of local resources for generating jobs, accelerating growth and achieving competitiveness in the international market.

3.2 The garment industry

The garment industry is the second most important manufacturing industry in the Philippines in terms of employment and number of establishments. The 1983 Census data show that the garment industry accounted for 15 per cent of total manufacturing employment and 34 per cent of establishments. About 80 firms each with more than 200 employees produced more than two thirds of value added and employed more than half of the total workforce. These firms are the backbone of the export-oriented Philippine garment manufacturing industry, whereas the large number of more than 18,000 small firms with less than ten employees (half of which are unpaid family members) mostly supply the local market. This dualistic structure of the garment industry has enjoyed much attention under the new government. Together with its input segments of the textiles industry, the garment industry has been placed on the list of five targeted industries and has also accounted for more than 10 per cent of newly approved (planned) investments during the first half of 1988.

Total foreign exchange earnings in the garment industry almost surpassed the \$1 billion level in 1987, making the industry the biggest earner among non-traditional exports. Exports recorded a 43 per cent increase in 1987. Though this extraordinary growth rate has to be evaluated against the background of the recession years, the general inference still holds that it was mainly the garment industry which profited from the new export environment after 1985. In 1987, 18.4 per cent of total Philippine export revenues stemmed from garment exports. The major export market is still the US (61.2 per cent of total garment exports) but the UK and the Federal Republic of Germany have proved to be more rapidly expanding markets between 1985 and 1987 than the US.

Re-exports of garments processed from raw materials which are imported by the Philippine garment manufacturers on a consignment basis are more important than domestic exports. Re-exports mainly consist of children's and infant's wear, women's wear, men's wear, gloves and mittens, whereas in domestic exports outer garments like trousers, breeches, jackets, suits, blazers, skirts, blouses, jerseys, and pullovers are important items (Table 3.2).

In spite of the recent export success, the Philippine garment industry faces a number of problems. There is a considerable dependence on imported fibres and fabrics. Production of cotton in the country is very limited. In 1986 only 12 per cent of the domestic cotton consumption could be satisfied from local production. Efforts are being made to increase local cotton production,^{1/} but limits to further significant expansion of cotton cultivation exist with respect to land and climatic conditions. R & D in another indigenous cellulosic fibre, that is ramie, has resulted in some encouraging findings and will be extended. Apart from problems of natural resource endowment, import restrictions on both synthetic and cotton fibres have raised the costs of existing mills to uncompetitive levels so that local plants failed to compete with foreign fabrics which were imported duty-free under consignment arrangements. With overcapacities in spinning removed, additional incentives available for local suppliers to deliver inputs to Bonded Manufacturing Warehouses or EPZs may help to link garments and domestic textiles more closely in the future.

Table 3.2: Philippine garment exports, 1985-1987 (January-October)
(\$ million)

| | 1985 | 1986 | 1987 |
|-----------------------------|-------------------------|----------|--------------|
| | <u>Re-exports</u> | | |
| Brassieres | 29.5 | 35.3 | 43.0 |
| Women's wear | 51.8 | 73.9 | 142.8 |
| Men's wear | 52.9 | 66.0 | 140.2 |
| Children's and infants wear | 82.8 | 97.8 | 153.4 |
| Other embroideries | 2.7 | 3.5 | 4.6 |
| Gloves, mittens | 72.4 | 72.7 | 78.8 |
| Handkerchiefs | 0.7 | 0.8 | 1.3 |
| Sub-total | 292.8 | 350.0 | 564.1 |
| | <u>Domestic exports</u> | | |
| Undergarments | 47.7 | - | 91.5 |
| Outergarments | 142.5 | - | 177.9 |
| Accessories | 11.7 | - | 13.7 |
| Sub-total | 201.9 | - | 283.1 |
| TOTAL | 494.7 | - | 847.2 |

Source: National Statistics Office, Foreign Trade Statistics, various issues.

^{1/} The World Bank recommended a target of 10,000 tons per year compared to 3,000 tons in 1986.

Intensive competition exists with traditional suppliers from neighbouring Asian countries and newcomers from other developing regions, for instance, from the Caribbean (for the US market) and from the Mediterranean countries (for the EC market). Comparative studies on labour costs in the garment industry of the Philippines and other competing countries indicate that in 1982 the Philippines enjoyed an advantage vis-à-vis the Asian NICs and some Caribbean countries, but not vis-à-vis China (Table 3.3). From the same source^{1/} it can be concluded that due to high automation costs production in the Philippines and China, based on low wage labour cost, seems to retain a substantial cost advantage. As to the role of the Philippine vis-à-vis China, it is important to note that China would be in a position to swamp most markets if quotas were lifted, under the assumption of continued Chinese outward-orientation.^{2/} Thus, quotas may have been instrumental in shifting economic rents to the Philippine garment industry which could have been even larger if the Philippines had exhausted its quotas. Until 1982 it did not, as can be witnessed by a GATT analysis, showing that in 1982 the Philippines utilized its quotas in textiles and clothing only by two thirds.^{3/} Given the economic crisis after 1982 and the lifting of quotas against non-dominant suppliers as the Philippines, it seems very likely that the Philippines has never exhausted its Multi-Fibre Agreement (MFA) quotas in the 1980s.

In spite of the relatively small role of the Philippines as an exporter of garments compared to countries such as the Republic of Korea, Taiwan Province of China and China, protectionist measures still threaten exports. In 1987, a trade bill designed to curb US imports of garments and textiles was introduced in the US Congress amidst the lobbying of US garment producers for stronger protective measures. According to the bill, imports can be limited in quota and non-quota terms if it can be proven that imports have an undue advantage over US-made garments. The discretionary element of such provisions is high thus causing much uncertainty among producers and delaying investments. EC measures applied under Article 115 EC Treaty are in the same direction. They make national quotas of individual EC members effective by controlling and eventually preventing indirect imports via other EC member states. Philippine garment exports have been frequently affected by Article 115 measures which were mainly applied by Ireland and France with the permission of the EC.

A summary of garment export quotas negotiated for the period 1987-1991 with selected market destinations is provided in Table 3.4. The quotas cover the most popular manufacturing lines to the major trading partners. In the past, the penetration of these markets, especially the US, fell short of the quota. Only 73 per cent of the total quota was taken up in 1986. A greater utilization of total quota should be possible in the face of the current industrial recovery.

1/ Mody, Ashoka and David Wheeler, "Towards a Vanishing Middle: Competition in the World Garment Industry", World Bank, World Development, Vol. 15, 1987, No. 10/11, pp. 1269-1284.

2/ Ibid., p.1281.

3/ GATT, Textiles and Clothing in the World Economy, Geneva, July 1984.

Table 3.3: Apparel industry wage rates in selected countries, 1975 and 1982
(US\$)

| Country | 1975 | | | 1982 | | | Productivity index | Labor cost index |
|---------------------------|--------------|-----------------|-------|--------------|-----------------|-------|--------------------|------------------|
| | Hourly wages | Wage and fringe | Index | Hourly wages | Wage and fringe | Index | | |
| U.S. | 3.20 | 4.00 | 100 | 5.20 | 6.50 | 100 | 100 | 6.50 |
| <u>Far East Countries</u> | | | | | | | | |
| Hong Kong | 0.80 | 0.95 | 24 | 1.80 | 2.05 | 32 | 80 | 2.56 |
| Taiwan | 0.50 | 0.60 | 15 | 1.50 | 1.75 | 27 | 75 | 2.33 |
| Korea | 0.35 | 0.45 | 11 | 1.00 | 1.25 | 19 | 75 | 1.67 |
| Singapore | 0.45 | 0.65 | 16 | 0.90 | 1.35 | 21 | | |
| Philippines | 0.20 | 0.25 | 6 | 0.40 | 0.50 | 8 | 50 | 1.00 |
| China | 0.12 | 0.16 | 4 | 0.20 | 0.30 | 5 | 40 | 0.75 |
| <u>Latin America</u> | | | | | | | | |
| Jamaica | | | | 0.75 | 0.95 | 15 | 70 | 1.36 |
| Costa Rica | 0.30 | 0.40 | 10 | 0.60 | 0.80 | 12 | 60 | 1.33 |
| Haiti | 0.15 | 0.20 | 5 | 0.30 | 0.40 | 6 | 50 | 0.80 |
| <u>Other Countries</u> | | | | | | | | |
| Portugal | 0.95 | 1.20 | 30 | 1.20 | 1.50 | 23 | | |
| Egypt | 0.20 | 0.35 | 9 | 0.40 | 0.55 | 8 | 50 | 1.10 |

Source: American Apparel Manufacturers Association, "Apparel Manufacturing Strategies, 1984", cited in A. Mody, Ashoka and D. Wheeler, "Towards a Vanishing Middle: Competition in the World Garment Industry", World Bank, World Development, Vol.15, 1987, No.11/11, p.1281.

Table 3.4: Total value of quotas negotiated by the Philippines
in selected market destinations, 1987-1991
(\$ million)

| Export destination | 1987 | 1988 | 1989 | 1990 | 1991 |
|--------------------|------|------|------|------|------|
| USA | 536 | 566 | 517 | 630 | 665 |
| EC | 159 | 167 | 176 | 185 | 194 |
| Canada | 23 | 24 | 26 | 27 | 29 |
| Norway | 3 | 3 | 3 | 4 | 4 |
| Sweden | 5 | 5 | 5 | 6 | 6 |
| Total | 726 | 765 | 807 | 852 | 898 |

Source: Government of The Philippines, Government Industry Sectoral Report: A Review of the Export and Domestic Industry with Proposed Strategies and Plans, 1987-1996, September 1987.

The Japanese market is a non-quota market, where penetration to a large extent depends on complying with high quality standard norms stipulated by Japanese customers. Such consumer attitude together with frequent seasonal and fashion changes call for high flexibility of raw material procurement and a high degree of efficiency in production. Delays in customs clearance and other legal requirements for imported inputs as well as labour disputes can easily destroy the Philippine advantage of low labour costs. With respect to labour disputes, questionnaires circulated in 1987 via the Garment Industry Trade Associations in conjunction with the Garment and Textile Export Board, gave labour relations the first rank among problem areas affecting the industry. Lack of raw materials, poor productivity, shortage of accessories and unavailability of spare parts figured next on the list.

Future export sales volumes of the Philippine garment industry are assessed to grow annually by 10 per cent until 1996. This optimistic assumption basically hinges on access to the Japanese market and requires a substantial modernization of plant equipment with an estimated total investment figure of \$470 million over a ten-year period.

Next to quota availability and government interference, high costs of finance take the third rank of problem areas mentioned by the entrepreneurs outside the control of industry. While entrepreneurs may be able to cope with transitorily high costs of capital if the stability of the Philippine economy can be sustained and the risk premia be reduced, the problem of inadequate access to credits may be more difficult to solve. In attending to this, The Philippine Export and Foreign Loan Guarantee (Philguarantee) assists the garment industry in securing loans of commercial banks up to the 70 per cent level. Several financial institutions are accredited to relend money from the Industrial Guarantee and Loan Fund with adequate guarantee in case of defaults. Assistance given to garment firms is intended not to discriminate against newcomers in the markets even if collaterals are inadequate and past performance is unimpressive. The same rule could be applied to quota allocation as the allocation practice according to past performance provides few incentives for exporters to move up the value added scale.

The Philippine garment industry can remain one of the major export earners even if the vagaries of rapid technological innovation, changing consumer habits and protectionism of the most important export markets (USA, Japan, EC) are taken into account. Any promising approach to assist the garment industry will have to rely on liberalizing the access to inputs. This holds true for the textile industry as well since in the past many of the inputs into textiles were affected by import restrictions. Such restrictions raised the costs of the employment-intensive downstream industries and gave few incentives to modernize. The government is to implement a policy of dismantling the cost-intensive NTBs and leaving tariffs as the only protection instrument.

Further assistance to the Philippine garment industry to become more competitive in international trade can be expected from mutual bargaining with labour unions and from a non-discretionary implementation of the government industrial policies in general.

3.3 The electronics industry

The Philippine electronics industry has proved to be one of the most dynamic contributors to growth of non-traditional exports during the last decade. The most important segment of the industry is the semiconductor branch which accounted for about 96 per cent of electronics exports in 1986. Other activities in the electronics industry comprise assembly activities and other electronics manufacturing including consumer electronics, such as computer power supply, fish sonar, floppy disk drives, meter reader terminals, telecommunication, sound recording apparatus and equipment.

The core of the semiconductor branch in the Philippines is the labour-intensive part of integrated circuits production (IC), i.e., is cutting of silicon wafers into separate dice and their individual encapsulation using plastic, ceramic and metal cans as casing materials. Philippine exports based on this part of the IC value added process began with a value of \$77 million in 1976. They rose to \$1,020 million in 1985 but declined to \$909 million in 1986. The largest part - 60 per cent of total Philippine electronics exports - and 70 per cent of semiconductor exports came under outward processing in the US (item 807.00 regime) and the EC, implying that semiconductor devices are manufactured from materials imported on a consignment basis.^{1/}

The major actors in the semiconductor industry are either third party subcontractors which are mainly Filipino-owned, or subsidiaries of multinationals which cater to the requirements of their parent companies. In 1986, seventeen companies belonged to the first category with the five biggest companies accounting for 75 per cent of sales, whereas thirteen companies can be classified under the second category. The largest supplier in this category had sales figures which were 6.6 times higher than those of the first group. In general, the second group is the dominating one and accounted for more than 80 per cent of total Philippine exports of semiconductors in 1986. The Semiconductor Electronics Industry Foundation Inc. (SEIFI) serves as the industry association.

Advantages of the Philippines over competing Asian supplier countries are reported to lie in cheap labour costs, though labour costs represent less than 10 per cent of manufacturing costs. With an hourly wage rate for operators of US\$0.60 the Philippines ranged at the lower end of the pay scale which was headed by Singapore (US\$3.0). Additional locational advantages for foreign investors are prompt delivery, the availability of skilled engineers and technicians, well-established multinationals with an intimate knowledge of supply conditions in the Philippines, and minimization of price undercutting and personnel piracy as a result of growing co-operation among subsidiaries and subcontractors. However, weaknesses do exist in the relatively high power and communication costs, lack of ancillary industries, and in import regulations.

^{1/} US imports of semiconductors under the item 807.00 tariff provision shows that in 1985 the Philippines kept the fourth rank as exporter behind Malaysia, Canada, and the Republic of Korea and that it lost the second rank after 1984 (see Annex Table A-17 and Table 3.4). For all semiconductor imports the ratio between the duty-free value (the value of US originating materials imported by the host countries) and the dutiable value (the value-added part in the host countries) was assessed to be 59:41. Individual data for the Philippine value-added percentage in semiconductors were not available.

Growth rates of demand for semiconductors are hypothesized to be about 15 per cent, with higher rates in the vicinity of the Philippines than in the US or Europe. Threats mainly come from technological innovation and automation which may erode the advantage of offshore assembly. The high speed of technological progress in the semiconductor industry requires considerable new investment in automated equipment and cleaner production environment. Closer links to specific consumers may be instrumental for small local investors to spread risks and costs of expanded and diversified capacity and to save costs of information about future needs of important customers.

As in garments, the success of developing a local production centre of electronic equipment beyond semiconductors seems to depend on liberalized access to imported electronic components and on the simplification of customs clearance procedures. The provisions of the 1987 Omnibus Investments Code can help address this objective provided that they are made operational in business-like measures.

3.4 The cement industry

The cement industry has a long tradition in the Philippines as one of the oldest manufacturing sectors in the country. With initially high protection against imports because of transportation costs, the industry soon faced problems of excess capacities. Dependence on the publicly-dominated construction sector was strong, and thus business cycles in the cement industry ran parallel to expansion and contraction of public expenditures. Government regulations were tightened as far as price setting, production quotas among operating mills, and regulation of cement imports were concerned. The contraction of public expenditures and the high interest rate induced decline in private construction during the years of stabilization 1983-1985 hit the cement industry severely. Production fell from 4.3 million tons on average in 1980-83 to about 3 million tons in 1985. In 1986, production slightly recovered to about 3.3 million tons but capacity utilization did not exceed 55 per cent in operating plants by the end of 1986.

One of the outstanding problems of the cement industry has been its high energy intensity. In 1979, the energy share in total costs amounted to 55 per cent which was the highest share among in all Philippine manufacturing industries. Consequently, economizing on energy consumption was the main target for the BOI and the Development Bank of the Philippines in the early 1980s when they initiated rehabilitation programmes and sponsored expensive energy conversion programmes with preferred DBP loans. However, the loans became non-performing when the stabilization programme forced the cement industry to reduce production and effective capacity drastically. What remained as a mortgage for future prospects was governmental interference in price and quantities supplied. This became evident very soon when domestic demand was revitalized after the end of the stabilization period. Domestic supply response to rising demand fell short of expectations, and as cement imports continued to be regulated, short-term supply shortages emerged. The necessary restructuring and modernization of the Philippine cement industry will be facilitated by a stage-wise pre-announced liberalization of imports. The success of this gradual opening of the cement market will be very much influenced by the binding character of the liberalization schedule.

3.5 Other manufacturing industries

The pulp and paper industry

The pulp and paper industry employs about 13,000 people working in twenty-three paper and board mills and three pulp mills. After years of depression, 1987 was a good year as domestic demand for paper and board products rose by 22 per cent over 1986. Capacity utilization improved from 58 per cent in 1986 to 71 per cent in 1987. The recovery was facilitated by liberalization of most paper and board products by the end of 1987. High prices in the international market and the tight supply situation in many paper and board exporting countries have helped keep the local industry in good shape when imports were liberalized. In 1987, the import to apparent consumption ratio in paper and board products was about 47 per cent compared with 36 per cent in 1983. This rise reflects both a larger increase of imports than of domestic production. In the pulp industry, the situation was slightly different. The 1987 production level reached that of 1983, imports declined and part of domestic production was again exported.

Major products in the paper and board sub-group are newsprint, woodfree paper, kraftliner, other wrapping papers and board, whereas in the pulp sub-group bleached and unbleached sulfate dominated. The largest part of consumption of wastepaper for which a growing demand can be observed in the Philippines is satisfied by imports (import apparent consumption ratio: 75 per cent in 1987).

A significant addition to capacity is a new mill being built in the province of Pampanga as a joint venture with foreign participation. The mill which will mostly use wastepaper for the production of 35,000 tons of printing/writing of various grades is expected to go on stream late in 1988.

The main problems of the industry remain outdated machinery and equipment, high fuel and energy costs, and high debt burden and financing costs. The latter problem is exemplified by the recent takeover of the country's largest paper manufacturer by the new government. Though this operation seemingly contrasts with the privatization plans, the takeover of the firm is not regarded as a repetition of policies popular under the previous government. Instead, the selling of the firm is envisaged, first after debts have been partly converted into equity with the help of the Asset Privatization Trust and partly rescheduled, and further after profitability has been regained which is expected for 1989 or 1990.

The pulp and paper industry does not figure on the 1988 Investment Priorities Plan of the Philippine Department of Trade and Industry but is placed on the list of industrial plants to be rationalized, rehabilitated and/or modernized. Furthermore, it is given priority by the Department of Trade and Industry as an industry for exports.

The plastics industry

By 1987, the plastics industry comprised about 400 companies ranging from relatively large to small, one-machine operations. Most companies employ 6-10 machines, i.e., medium to small converters. Some local firms manufacture resin raw material for plastic processing and fabrication. Polyvinyl chloride, polystyrene and polyamides are the polymeric resins produced locally

while phenolics, alkyds and polyester are the thermosetting resins which are locally available. All other plastic resins and compounds are imported from industrialized countries. The most common fabrication processes used are injection moulding, blow moulding, compression moulding, film blowing, film sheet extrusion, calendaring, coating, vacuum forming, and press forming.

Finished goods comprise pipes, fittings, toys, flowers, ballpens, and insulation materials. In the intermediate sector, industrial packaging for processed food has emerged as a promising market, as Philippine food processors, for instance, in Cagayan de Oro, have realized.^{1/}

Among consumer goods, plastic toys figure prominently.^{2/} The toy industry comprising stuffed and wooden toys as well has experienced a rapid increase of exports in 1987 and enjoys a number of price advantages over competing suppliers from other Asian countries, as for example, low labour costs (labour costs are estimated to account for 20-25 per cent of total costs in plastic toys). Furthermore, preferential treatment under the United States GSP scheme will be denied to the four Asian NICs from 1989 on, thus opening new market niches for Philippine exporters if they are able to fill the gap left by toy exporters, particularly from the Republic of Korea. Another advantage of the Philippines in price competition with the toy exporters from the Republic of Korea and Taiwan Province of China can be derived from exchange rate appreciation of the New Taiwan Dollar and the Won vis-à-vis the US dollar. Exchange rate realignments may enable Philippine exporters to compete successfully on third markets as well as on the NICs markets. Challenges for the Philippine toy production arises from the complexity of marketing (either through direct selling, wholesalers, retailers, or specialized trading companies), from more rigid quality and safety controls as well as health standards in major consumer countries. Well-known local bottlenecks such as communication, infrastructure, high power costs, inadequate supply of good quality raw materials, high taxation, and product design are further barriers to success. Some of the problems related to costs of information on fashion trends, safety standards, and marketing channels have been tackled by reactivating the umbrella organization of toy manufacturers, the Philippine Toy Manufacturers Association Inc, founded in 1975, which by mid-1987 had thirteen members.

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- 1/ The price of cellophane or polyethylene, the most commonly used packaging material was found to be higher by 30-50 per cent in Cagayan de Oro than in Cebu and Metro-Manila. As such price disadvantage impeded the penetration of food processors from this area into export markets, a common packaging facility was envisaged as a project to be sponsored through technical assistance.
 - 2/ Private Development Corporation of the Philippines, Industry Digest, A Situationer on the Philippine Toy Trade, Manila, July-August 1987.

4. POLICIES, PLANS AND INSTITUTIONS FOR INDUSTRIAL DEVELOPMENT

4.1 Plan priorities and targets

A Ten-Year Development Plan for the Philippines covering the period 1978-1987 as well as a long-term Plan for the year 2000 were framed in 1978. A Five-Year Plan was again created for the period 1983-1987, and it was just beginning to take effect when development in the domestic and external environments rendered its targets quite unrealistic. Following an appraisal of the Plan performance a new updated Philippines Development Plan was launched for 1984-1987. The Medium-Term Philippine Development Plan, 1987-1992, formulated by the new government, serves as the framework of development policy-making until 1992. The Plan envisages an annual average growth rate of 8.8 per cent for GDP. The manufacturing sector is targeted to grow at an annual average rate of 7.6 per cent during the Plan period (Table 4.1). The Plan aims at raising the contribution of manufacturing to total employment from 10 per cent in 1987 to 12 per cent in 1992. Its share of GDP is expected to reach 24.5 per cent in 1992, compared with 23.9 per cent in 1988. A 16.5 per cent annual average increase in manufactured exports is also envisaged for the Plan period. This is in excess of the target of 15.2 per cent set for total exports.

To comply with the overall objectives of employment generation, poverty alleviation, and an equitable distribution of the benefits of development, specific objectives of industrial development are focussed on the revitalization of existing industries that are economically viable and on the development of internationally competitive industries which are capable of complementing growth in agricultural output and rural income.

Industrial revitalization process is also expected to accelerate the pace of the export-drive to enable the Philippines finance the import requirements of industrial expansion as well as meet the foreign debt obligations. An annual average growth rate of 8.8 per cent targeted for the industrial sector during 1987-1992 is attuned to the emphasis on labour-intensive industries in order to generate a 8.3 per cent growth in manufacturing employment. The Plan priorities and objectives are being translated into the following policy thrusts:

- (a) Improving linkages of trade and industry with the agricultural and natural resources sectors in order to enhance their contribution to national development and increase domestic value added;
- (b) Promoting rural-based and labour-intensive micro, cottage, small and medium enterprises;
- (c) Pursuing a more co-ordinated regional and sectoral planning;
- (d) Facilitating the flow of goods and services between production and market centres, and between producers and consumers;
- (e) Accelerating the achievement of national self-sufficiency in essential consumer and industrial goods, without undue burden to end-users;
- (f) Developing and promoting world-competitive products that optimize the country's abundant indigenous materials and skilled manpower;

Table 4.1: Sectoral plan targets, 1987-1992

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1987-1992 Average |
|--|-------|------|------|------|------|--------|--------------------------------------|
| Real growth rates of gross value added (in per cent) | | | | | | | |
| Industry | 9.1 | 8.9 | 8.2 | 8.3 | 8.5 | 9.7 | 8.8 |
| Mining | 3.0 | 3.5 | 4.0 | 4.6 | 4.9 | 5.0 | 4.2 |
| Manufacturing | 7.0 | 7.0 | 7.5 | 7.8 | 8.0 | 8.4 | 7.6 |
| Construction | 25.5 | 20.9 | 12.7 | 11.7 | 12.0 | 16.1 | 16.5 |
| Electricity, gas, water | 6.5 | 8.0 | 8.0 | 9.0 | 9.0 | 10.0 | 8.4 |
| Sectoral contribution to GDP (in per cent) | | | | | | | |
| Industry | 32.0 | 32.5 | 32.9 | 33.3 | 33.8 | 34.7 | |
| Mining | 1.9 | 1.9 | 1.8 | 1.8 | 1.7 | 1.7 | |
| Manufacturing | 23.9 | 23.9 | 24.1 | 24.3 | 24.5 | 24.9 | |
| Construction | 4.7 | 5.3 | 5.6 | 5.8 | 6.1 | 6.6 | |
| Electricity, gas, water | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 | |
| Sectoral contribution to total employment (in per cent of total employment) | | | | | | | |
| Industry | 15.1 | 15.8 | 16.3 | 16.7 | 17.1 | 17.8 | 16.4 |
| Mining | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Manufacturing | 10.0 | 10.3 | 10.7 | 11.1 | 11.5 | 12.0 | 10.9 |
| Construction | 4.2 | 4.6 | 4.7 | 4.7 | 4.7 | 4.9 | 4.6 |
| Electricity, gas, water | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Unemployment rate | 10.6 | 9.0 | 7.7 | 6.5 | 5.6 | 4.9 | 7.3 |
| | | | | | | | Average annual growth rate 1987-1992 |
| Exports (value in \$ million) | 4,985 | ... | ... | ... | ... | 10,122 | 15.2 |
| Traditional | 1,106 | ... | ... | ... | ... | 2,024 | 12.8 |
| Non-traditional | 3,815 | ... | ... | ... | ... | 7,971 | 15.9 |
| Manufactures | 3,116 | ... | ... | ... | ... | 6,767 | 16.5 |
| Electrical and electronic equipment | 1,010 | ... | ... | ... | ... | 1,820 | 12.5 |
| Garments | 784 | ... | ... | ... | ... | 1,428 | 12.7 |

Source: Medium-Term Philippine Development Plan, 1987-1992.

- (g) Granting investment incentives to make up for market distortions which cannot be immediately removed;
- (h) Advocating reduced government participation/intervention in business, in favour of a more promotional and information dissemination role;
- (i) Encouraging the inflow of foreign investments that assure the efficient transfer of technology into the country and access to foreign markets; and
- (j) Optimizing gains from international and regional co-operation agreements, as well as from assistance programmes.

Apart from overall plan targets, the Department of Trade and Industry has initiated the formulation of Ten-Year Industry Sector Plans for ten industry sector groups (agro-based industries, forest-based industries), chemical industries, wearing apparel (textiles, garments, leathersgoods, accessories), construction materials, mining/extraction/processing metals and engineering, electronics/telecommunications, service industries and gifts, toys and houseware.

In the sphere of developing new industries and revitalizing existing ones, industrial planning is pursued with maximum private sector participation. Concomitant with revitalization and rationalization programmes, trade liberalization and improved investment promotion measures are being actively pursued. The promotion of micro, cottage, small and medium enterprises is recognized as the centerpiece for achieving greater employment and industry dispersal. The Plan also endeavours to strengthen the linkage between small-scale and large enterprises through the promotion of common facilities services and the promotion of subcontracting arrangements.

Buoyed by renewed business confidence and improved consumer spending the industrial sector rebounded well in 1987 with a 8 per cent increase in gross value added. However, it fell short of a 9.1 per cent growth rate targeted for the Plan period. Much of the growth in industrial gross value added stemmed from manufacturing, electricity, gas and water sub-sectors, while the performance of construction activities, mining and quarrying sub-sectors fell short of expectations.

The manufacturing sector recorded a 7.1 per cent increase in gross value added in 1987 which was marginally in excess of a 7 per cent growth rate targeted in the Plan. The share of manufacturing in total employment stood at 9.5 per cent in 1987, compared to the Plan target of 10 per cent for the year.

A major thrust of the policy reforms directed towards sustaining industrial recovery is characterized by a shift in emphasis:

- from inward-looking to a more export-oriented industrialization;
- from large-scale industrial projects to small and medium-scale industries;
- from government financing to private sector financing in industrial capital formation; and
- from urban-biased industrialization to a more regionally balanced industrial development.

Non-traditional manufactured exports gained a 26.5 per cent increase in 1987 which exceeded the Plan target of \$3.16 billion. The major gainers were garments (46.2 per cent), electronics (21.8 per cent), furniture and fixtures (46.1 per cent), machinery and transport equipment (73.3 per cent) and textile yarn/fabrics (54.5 per cent). Thus, industry-related performance indicators lend credence to the fact that the tone is set for sustaining industrial recovery through the creation of a conducive industrial policy environment.

4.2 Changing industrial policy environment

The industrial policy environment in the Philippines has been biased towards import-substituting activities for decades. Under the pretext of "infant industry argument" government interventions protected certain domestic industries and encouraged the production of finished consumer goods. Import controls and high tariffs have tended to overvalue the peso, which led to market distortions.

Export orientation became a major issue during the period following the first oil shock in 1973/74 as greater efforts were needed to generate more foreign exchange earnings to keep pace with the external upward pressure of prices of the country's major imports. The second oil shock in 1979/80 called for a more determined national effort to accelerate the pace of the country's export-drive.

With a view to creating a more efficient and competitive industrial structure, the government in 1980 embarked on a medium-term structural adjustment programme which encompassed tariff reforms, import liberalization, realignment of indirect taxes, rationalization of the industrial incentives systems, sectoral development programmes and the implementation of major industrial projects.

The tariff reform initiated in 1980 was intended to reduce both the level and the variance of protection in four stages and within a five-year period. Major reductions in tariffs were implemented in 1981 and 1982 before the commencement of stabilization initiatives during 1983-1985. A temporary deviation from the schedule occurred when surcharges on imports (3 per cent in December 1983, 10 per cent in June 1984, 5 per cent in early 1985 before being phased out) were introduced. Yet, by and large, the tariff reform was completed on schedule. As a result, the average nominal tariff was reduced from 43 per cent in 1980 to 28 per cent in 1985. The variations in tariff on different items declined as the escalation in the tariff structure from low tariffs on intermediates to high tariffs on finished goods was moderated. Due to the de-escalation of tariffs the effective rate of tariff protection (ERP), also declined. On average, the ERP halved from 24 per cent in 1979 to 12 per cent in 1985 (Table 4.2).^{1/}

Manufactured imports which enjoyed the highest ERP before the reform, experienced the largest fall in protection rates. In contrast the average ERP for all exports as well as manufactured exports remained constant (-3 per cent and 1 per cent, respectively). Rather exports of manufactures remained discriminated against manufactured imports though the variation in protection between both became smaller. Apart from the tariff reductions, the curtailment of exemptions from duties, except for exports, has contributed to lessening the escalation effect of the tariff system.

1/ Power, John H. and Erlinda M. Medalla, Trade Liberalization in the Philippines: Assessment of Progress and Agenda for Future Reform, Tariff Commission - PIDS Joint Research Project Staff Paper Series, No. 86-03, Manila 1986.

Table 4.2: Average effective rates of tariff protection (ERP) in the Philippines, 1979 and 1985
(percentage)

| | 1979 | 1985 |
|-------------------------|------|------|
| All sectors | 24 | 12 |
| export products | -3 | -3 |
| import products | 44 | 25 |
| Primary and agriculture | 1 | -1 |
| Manufacturing | 40 | 23 |
| export products | 1 | 1 |
| import products | 58 | 33 |

Source: Power, John and Medalla, Erlinda, Trade Liberalization in the Philippines: Assessment of Progress and Agenda for Future Reform. Tariff Commission - PIDS Joint Research Project Staff Paper Series, No. 86-03, Manila, 1986.

Between 1981 and 1986 the number of "banned" items among imports was reduced from 1,038 to 193 items. Yet, with respect to "regulated" items, it was not until 1986 that the number of these items shrank sizeably (from 1,451 in 1983 to 675 in 1986) since the economic crisis of 1983 halted the liberalization process. After the change of government, this process was revitalized and by the end of 1986 only 296 items remained to be liberalized.

Import liberalization is at the heart of the new government's industrial policy which attempts to remove all quantitative restrictions on imports and gradually reduce import tariffs over the next few years so as to enable local producers to compete with imported products. Some 1,230 items were deregulated between 1986 and April 1988 under the import liberalization programme agreed with the IMF. Products mainly comprise raw materials and intermediate goods.^{1/} Various industries assessed the liberalization of these goods as essential for lowering the costs of product upgrading for exports. However, industrialists critical of the programme, argue that it could wipe out domestic producers, especially those operating at very low rates of capacity utilization, resulting in job losses. Domestic producers ask for higher tariffs, e.g., 50 per cent to 75 per cent for garments. The government has resisted this pressure and sticks to its programme of keeping tariffs in the 10-50 per cent range as it is convinced of its long-term contribution towards sharpening the competitive edge of the domestic production.

Apart from liberalizing "regulated" and "banned" items, there has been a lifting of restrictions on investment goods covering about 20 per cent of imports. Since August 1986 the import of machinery and equipment are fully liberalized. Though domestic pressure against further trade liberalization is strong, the government's target still remains directed towards abolishing quantitative restrictions and to make the trade regime fully transparent and less discretionary.

1/ Raul V. Fabella, Economic Liberalisation and the Small- and Medium-scale Establishments in the Philippines, International Labour Office, Asian Employment Programme Working Papers, New Delhi: ARTEP, April 1988, p.20.

The provisional results of the tariff reform suggest that the incentive system is still domestic market-biased but to a much lower degree than at the beginning of the 1980s. The positive effects will emerge more clearly if the protection of import products is reduced and the discrimination of export items is dismantled. It calls for the removal of remaining import barriers against raw materials and intermediate goods which are essential for exports.

Financial liberalization is an important component of the changing industrial policy environment in the Philippines. Basically, the malaise of non-performing assets in the portfolios of public financial institutions and the capital stock associated with preferential and targeted credits urgently called for a financial reform. In 1980, banking and financial reforms were initiated, with a focus on the progressive lifting of all interest rate ceilings. The so-called Manila Reference Rate (MRR) was introduced as the base for variable interest rate loans, and, as a result of lifting interest rate ceilings, real lending and deposit rates became positive except for 1984 when domestic inflation peaked. In early 1987, the government reduced reserve requirements in order to contribute to reducing lending rates. Another important step in the financial reform has been the restructuring of government banks which have virtually ceased lending in a discriminatory and non-market oriented way. More resource mobilization is expected to come from lifting the 17.5 per cent final tax on interest income and from freer entry into the banking sector.

As far as the exchange rate system under the new government is concerned, the floating system has become more genuine since October 1984 (under IMF conditionality). In the two following years the Philippines experienced large fluctuations in the real exchange rate, a significant appreciation in 1985 and a sharp depreciation in 1986 (Table 4.3). In 1987 and early 1988 the peso continued to depreciate in real terms. Yet, this depreciation was entirely due to the link of the Peso to the US\$ and the sharp devaluation of the dollar against the Yen and European currencies. Vis-à-vis the dollar, the devaluation rate in real terms was only 4 per cent since end 1984.

Another qualification of the exchange rate-induced improvement in international competitiveness of the Philippines economy has to be made with respect to East Asian competitors. Table 4.3 reveals that due to the dollar parity rates of most East Asian currencies the relative competitive position of the Philippines deteriorated during the 1980s (appreciation of peso in real terms). The depreciation in 1986 was not big enough to reverse the real exchange rate movements of the preceding two years. In future, the floating exchange rate will help correct external imbalances and stimulate the shift of resources towards exports and other tradeables.

An essential and internationally well-noticed step towards improving the attractiveness of the Philippines as host for foreign investors has been the change of labour laws under the new government in 1986. A new conciliation and mediation body has been established and has succeeded in settling almost two thirds of the cases presented to it during January and May 1988. In general, the government has taken steps towards ensuring durable industrial peace.

Table 4.3: Index^a of real effective exchange rates (REER) in the Philippines, 1980-1986
(1980 = 100)

| Year | World | vis-à-vis | East Asian Countries ^b |
|------|--------------------|-----------|-----------------------------------|
| 1980 | 100.0 | | 100.0 |
| 1981 | 100.9 | | 91.6 |
| 1982 | 98.5 | | 97.7 |
| 1983 | 124.4 | | 97.8 |
| 1984 | 135.7 | | 87.4 |
| 1985 | 104.1 | | 78.1 |
| 1986 | 127.6 ^c | | 83.7 |

Source: World Bank, The Philippines: Issues and Policies in the Industrial Sector, Report No. 6706-PH, 1987.

- a/ A rise in the index indicates a depreciation.
- b/ Wholesale Price Index-based. Weights are according to share of non-oil exports of competitors in major Philippine markets Hong Kong (15%), Indonesia (16%), Republic of Korea (20%), Malaysia (12%), Singapore (9%), Thailand (5%), Taiwan, Province of China (26%). WPIs are unavailable for Hong Kong and Malaysia; therefore, they are excluded and weights below are adjusted proportionally.
- c/ Figures of REER are for the first half of 1986.

Such remarkable achievement has favourably influenced investments. Approved investments rose significantly during the first half of 1988 an increase of 182 per cent over the same period in 1987, and foreign firms at least documented their intention to invest more in the Philippines by taking a share of 64 per cent in the total approvals compared to only 38 per cent in the first half of 1987. Though intended investments did not all come fully on stream, paid-up capital also rose by more than 100 per cent. The fact that 85 per cent of this increase in realized investments accrued to domestic investors still indicates that foreign investors are to be attracted through further improvements in the overall investment climate. Less labour unrest would be an important stimulant to foreign investment.

The key elements of the changing industrial strategy in the Philippines are centred on the twin objectives of privatization and foreign investment. The government endeavours to sustain industrial recovery through the progressive expansion of the private sector and effective implementation of a host of incentives offered to attract investors.

4.3 The privatization programme

The privatization programme has been tailored to attract both local and foreign investors. The Philippine Asset Privatization Trust (APT) has designed a special mode of payment for interested investors. Winning

bidders may use 10-year Land Bonds (government securities issued by the State-owned Land Bank of the Philippines) to pay for up to 90 per cent of their acquisition. The remaining 10 per cent is required as a deposit in cash. Potential investors stand to realize substantial savings by picking up the bonds on secondary market at a discount. The government's assets slated for privatization are listed in Table 4.4.

The privatization programme is scheduled for completion in 1991. The implementation as of 1 June 1988 suggests that the starting period has faced a number of constraints. One hundred and nine projects were cleared by the President. However, only few of them could be privatized so far (Table 4.5). Apart from the GOCCs, there were 390 non-performing assets held by the State-owned Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP) and transferred to the APT. By mid-1988, 130 non-performing assets (NPAs) were sold and the remaining NPAs, valued at P15.2 billion, were still available.

An interim assessment of the privatization programme suggests that numerous hurdles bloc the way to its implementation. There is little chance that the sale of GOCCs to private investors can be accelerated significantly in future since "easy" sales become rarer over time. An important barrier to speedy implementation has been the valuation of the assets.

The most important non-technical prerequisite for the effective implementation of the programme is the overall economic environment and the credibility of the government vis-à-vis potential foreign investors. Unless foreign investors can be attracted and capital flight prevented, privatization will have to cope with the serious problem of a weak local capital market. However, with a continuing and steady economic improvement of the business climate investors' confidence could be revived. Furthermore, this programme could help attract foreign capital, if the central bank's debt-equity programme allows for a discounted conversion of GOCC debt securities held by foreigners into Peso equity.

From its very beginning in February 1986, the new government has stressed the importance of creating a conducive business climate. Consistency of policy packages, reduced red-tape and less bureaucratic channelling of investment flows as well as more transparency of investment laws and procedures would tend to pave the way for the creation of an attractive climate for investment in general and foreign investment in particular in the Philippines.

4.4 Investment incentives

The change of investment incentives is exemplified in the new Omnibus Investment Code adopted by the Philippine government in July 1987. This code is a compilation of the foreign investment laws and various incentive systems administered by the Department of Trade and Industry through the Board of Investments or the Export Processing Zone Authority. Comparisons between the old and 1987 Codes can be glanced from Table 4.6. Details of the Code and the value-added tax introduced in July 1987 are presented in Annex B. In addition, Annex C offers an in-depth overview of all investment incentives under the new provisions of July 1987.

Table 4.4: Philippine assets slated for privatization, 1987

| <u>Approved for immediate sale</u> | <u>Approved for immediate sale</u> | <u>For sale subject to</u> |
|---|--|--|
| Agro-Livestock Commercial Development Corp | Mountain Springs Development Corp | Bancom Insurance Brokers, Inc. |
| Asia Goodwill Fishing Corp | Nadeco Realty Corp | Barcelon, Roxas Securities, Inc. |
| Basin Dredging and Development Corp | National Chemical Carriers, Inc | Century Holding Corp |
| Builder's Brick, Inc | National Marine Corp | Century Bank |
| Batangas Land Co. Inc | National Precision Cutting Tools, Inc | Coco-Chemical Philippines, Inc |
| Beta Electric Corp | National Shipping Corp of the Philippines | NIDC Oil Mills, Inc |
| Bislig Coal Corp | National Sllways Corp | Philippine Airlines, Inc |
| Carmona Woodworking Industries, Inc | National Stevedoring & Lighterage Corp | PNB Venture Capital Corp |
| Commercial Bank of Manila | National Sugar Refinery | Union Bank |
| Davao Agri-Business Development Corp | National Trucking & Forwarding Corp | Quedan Guarantee Fund Board |
| Davao Equipment Manufacturing Corp | NDC-Nacida Raw Materials Corp | |
| Eastern Visayas Agricultural Project, Inc | Negros Occidental Copperfield Mines, Inc | <u>Decision pending further study</u> |
| Energy Supply Base, Inc | Northern Foods, Inc | Luzon Integrated Services |
| Filoil Industrial Estates | Pagkakaisa Gas Storage Corp | National Steel Corp |
| Filoil Refinery Corp | Panaon Prawn Development Corp | NDC-Guthrie Estates, Inc |
| First Chicago Leasing & Equipment Credit Corp | Pinagkaisa Realty Corp | NDC-Guthrie Plantations, Inc |
| Food Terminal, Inc | Philippine Dairy Corp | NDC Plantations, Inc |
| Furniture Manufacturing Corp | Philippine Fruit & Vegetable Industries, Inc | Philippine Associated Smelting & Refining Corp |
| Gasifier Equipment Manufacturing Corp | Philippine Genetics, Inc | Refractories Corp of the Philippines |
| GY Real Estate, Inc | Philippine Phosphate & Fertilizer Corp | |
| Hotel Enterprises of the Philippines, Inc | Philippine Plate Mills Co | <u>No longer up for sale</u> |
| INCA Coffee Estate Corp | Philippine Pyrites Corp | Bataan Refinery Corp |
| Integrated Feed Mills Corp | Phividec Panay Agro-Industrial Corp | Energy Development Corp |
| Inter-Island Gas Service, Inc | PNOC Coat Corp | Energy Drilling, Inc |
| International Corp Bank, Inc | PNOC Marine Corp | National Coal Authority (abolished) |
| Kamayan Realty Corp | Primary Foods, Inc | National Realty Development Corp |
| Kaunlaran Food Corp | Prime Center Trade International System, Inc | National Service Cor |
| Leyte Park Hotels, Inc | Ridge Resort & Convention Center, Inc | National Warehousing Corp |
| Malangas Coal Corp | Republic Transport & Shipyard Corp | Petron TBA Corp |
| Manila Gas Corp | San Carlos Fruit Corp | Petron Tankers Corp |
| Marawi Resort Hotel | Semirara Coal Corp | Petrophil Corp |
| Maunlad Savings and Loan Association, Inc | Shoe Technology Corp | Petrophil Tankers Corp |
| Meat Packing Corp of the Philippines | Tacoma Bay Shipping Co | Philippine Exchange Co. Inc |
| Metro-Manila Transit Corp | The Energy Corp | Philippine National Lines |
| Mindanao Textile Corp | The Manila Hotel Corp | PNB International Finance Ltd |
| Mindava Coco-Coir Industries, Inc | Usiphil, Inc | PNOC Crude Oil Tankers, Inc |
| Minceva Refrigeration Industries, Inc | Woodkoal, Inc | PNOC Oil Carriers, Inc |
| Monte-Maria Poultry Farms, Inc | Woodwaste Utilization & Development Corp | PNOC Shipping & Transport Corp |
| | ZNAC Rubber Estate Corp | PNOC Tankers Corp |

153

Source: Business Asia, 24 August 1987.

Table 4.5: Progress on divestiture of Government-owned and -Controlled Corporations (GOCC), as of 1 June 1988

| | Already privatized | Pending with the President | Approved by the President | For Submission to the President | No need for Presidential approval | For further review | Total |
|-----------------------------|--------------------|----------------------------|---------------------------|---------------------------------|-----------------------------------|--------------------|------------|
| Privatization | 4 | 16 | 109 | 1 | - | 3 | 135 |
| Conversion | - | 2 | 5 | - | - | - | 7 |
| Regularisation ^a | - | - | 20 | - | - | 16 | 36 |
| Retention | - | - | 3 | - | 31 | 4 | 38 |
| Consolidation | - | - | 15 | - | - | - | 15 |
| Abolition | - | - | 49 | - | - | 16 | 65 |
| TOTAL | 4 | 20 | 201 | 1 | 31 | 39 | 296 |

Source: Department of Finance, cited in: Far Eastern Economic Review, 7 July 1988.

a/ Transformation into non-corporate government agencies.

The main thrust has been to reduce red-tape and make the incentives system more transparent. Performance-based incentives for net local content and net value earned have been removed and an income tax holiday has been introduced instead. It appears that the fiscal impact of the new code could be positive for new firms which are likely to receive greater incentives because of the income tax holiday provision.

The central criterion for assessing the investment stimulating effects of the Code is the degree of discretionary action which seemed to be rather high before 1987. There is still some complexity in the provision of incentives. The concepts of "measured capacity" and the Investment Priorities Plan (IPP) are remnants of the old Codes. Once the measured capacity of an industry was "filled" incentives would be denied to further entrants. The selection of industries on the IPP programmes was to be based on quantifiable assessments about the viability of the industries which in the past often failed to be effective as a result of distorted factor prices. Reports of some foreign investors have tended towards this assessment of the Code. Much depends on the administrative way of implementing the Code and on the general economic environment in which the Code operates. If the Code favours market orientation as is explicitly affirmed by the government, this would help underline the promotional and indicative character of Philippine investment authorities instead of the regulatory, imperative character of many investment provisions in the past.

Table 4.6: Comparison of key fiscal incentives under the Old and New Omnibus Investments Codes, 1987

| Fiscal incentives | New | Old |
|--|---|--|
| A. Tax Exemptions | | |
| Income tax | 4-6 years from commercial operation (non-pioneer/pioneer) | none |
| Tax/duty on imported equipment | 5 years from effectivity of Code | 50-100%; 5-year deferred payment |
| Tax/duty on imported spare parts | 5 years from effectivity of Code | none |
| Contractors tax | All BOI-registered firms | none |
| B. Tax Credits^{a/} | | |
| Domestic capital equipment | 100% of taxes/duties on import-substitute. 5 years from effectivity of Code | 50-100% deferred; 5 years from registration. ^{b/} |
| Imported raw materials | Direct/indirect exporter | Direct/indirect exporter |
| Net value earned and Net local content | none | 5-10%. 5 years commercial operation |
| C. Tax Deductions | | |
| Labour expense | 50-100% of incremental wage bill. Expansion projects. 5 years from registration | none |
| Net operating loss carryover | none | 6 years from year of loss |

Source: Board of Investments (BOI).

a/ Tax credits are valid for 10 years from date of issuance in both Codes.

b/ Deducted from credit on net value earned and net local content.

In line with the government's readiness to grant additional incentives to deserving firms to make up for market distortions, the Fiscal Incentives Review Board (FIRB) restored certain tax incentives in 1987 as requested by 26 entities, 12 of which are in the manufacturing sector. Investments registered a strong turnaround in 1987. The United States, Japan and Hong Kong accounted for 55 per cent of the total foreign investments in 1987. It can be gauged from Table 4.7 that on a sectoral basis the bulk of new investments remained in the manufacturing sector. The 1988 Investment Priorities Plan is presented in Annex D. Under the new mandate the government endeavours to restore the institutional soundness of the new reforms which are directed towards fostering investments in manufacturing.

4.5 Institutional framework for industrial development

The National Economic and Development Authority (NEDA) endorses the so-called Medium-Term Philippine Development Plans, together with the Cabinet Steering Committee on Development Plan Formulation.^{1/} The Plan is supposed to outline all development efforts in both public and private sectors for a period of six years. NEDA (founded in 1973) coordinates and monitors the implementation of the Plan by various government agencies with the participation of local governments and non-governmental organization. For this purpose, NEDA creates inter-agency committees in order to assess and update the implementation. In this respect, the NEDA serves as a consultant for all major projects and programmes of the Plan. Furthermore, NEDA is directly engaged as a lead agency in the Industrial Guarantee and Loan Fund (IGLF), which is a World Bank programme extending financial assistance to small and medium-sized industrial enterprises. The Central Bank of the Philippines (CB) supervises accredited financial institutions, which administer loans funded under this programme.

The Department of Trade and Industry (DTI) comprises several important institutions for industrial development. The DTI prepares 10-year sectoral plans for priority industries in order to encourage investments, review the present status of local industries and increase their competitiveness. One of the most important institutions subordinated to the DTI is the Board of Investments (BOI), which is responsible for investment promotion and evaluation. The BOI (founded 1967) prepares project feasibility studies and an annual investment plan reflecting the priorities of the DTI. Furthermore, the BOI promotes the authorization of foreign investment in industrial projects and administers the granting of incentives to firms that undertake projects in preferred areas. The BOI assists prospective investors and registered enterprises in the compliance of the requirements of government officials and financial institutions, thereby facilitating joint ventures between local and foreign firms, registration of foreign investment and subcontracting agreements. Finally, the BOI promotes exports through information services.

^{1/} Annex F gives a detailed overview on the programmes and projects, which have been assigned to the various institutions.

Table 4.7: BOI-approved equity investments by country and sector,
1986 and 1987
 (in million pesos)

| | 1986 | 1987 |
|--------------------------|---------|---------|
| Local | 1,552.5 | 4,932.9 |
| Foreign | 1,593.8 | 3,427.3 |
| By Country | | |
| China | 38.2 | 169.4 |
| Hongkong | 149.0 | 569.6 |
| India | 6.4 | 64.9 |
| Japan | 454.5 | 591.3 |
| Republic of Korea | 0.7 | 14.9 |
| Australia | 7.0 | 44.2 |
| Singapore | 5.4 | 18.4 |
| Taiwan Province of China | 7.2 | 186.0 |
| Vanuatu | 22.4 | 36.6 |
| United States | 457.5 | 740.0 |
| Canada | 3.3 | 60.5 |
| Bermuda | - | 352.0 |
| Austria | - | 26.7 |
| Luxembourg | - | 4.7 |
| France | 0.3 | 46.5 |
| United Kingdom | 133.2 | 210.4 |
| Netherlands | 2.4 | 164.9 |
| Portugal | 0.3 | 12.8 |
| Malaysia | 0.2 | 5.6 |
| Others | 305.85 | 107.9) |
| Total | 3,146.3 | 8,360.2 |
| By Sector | | |
| Agriculture | 133.8 | 650.9 |
| Fishery | 241.4 | 396.2 |
| Mining | 0.2 | 106.6 |
| Manufacturing | 1,775.8 | 5,441.7 |
| Energy-related | 61.0 | 266.4 |
| Commerce, Services | | |
| Real Estate and | | |
| Others | 913.0 | 1,461.9 |
| Construction | 21.1 | 36.5 |

Source: NEDA, Philippine Development Report, 1987, p. 145.

The investments undertaken in the Export Processing Zones (EPZs), however, fall under the supervision of the Export Processing Zone Authority (EPZA), which is also a sub-division of the DTI. Under P.D.66, the law creating the EPZA in 1969, only enterprises intending to produce goods for export markets may be registered, while enterprises registered with the BOI and availing themselves of BOI incentives may not simultaneously enjoy EPZA incentives.^{1/} The EPZA signs the lease contracts with investors in the EPZs and provides the planning as well as consulting with respect to the EPZs' development. In this respect, the EPZA is a lead agency in export promotion, since it identifies new markets and products for new EPZ enterprises as well as the respective resource requirements for its implementation. Thus, the EPZA is in charge of the development and maintenance of infrastructure services in the EPZs.

The Bureau of Small and Medium Business Development Board (BSMBD) in the DTI aims at supporting the improvement of technology for small- and medium-scale industries. It acts as a local partner for foreign institutions, such as USAID, the World Bank, small foreign enterprises and ASEAN-based agencies. The BSMBD facilitates technology transfer services, technology information dissemination, technology fairs and missions, subcontracting programmes and training programmes. The development of cottage, small and medium enterprise is promoted through a package of assistance programmes consisting of financing, entrepreneurial development, research and marketing, and technical assistance. Important among these programmes are the Industrial Guarantee and Loan Fund (IGLF), the Guarantee Fund for Small and Medium Enterprises (GFSME), the Export Industry Modernization Programme (EIMP) and the Agro-Industrial Technology Transfer Programme (AITTP).

In recognition of the important role of micro, cottage, small and medium enterprises in strengthening the economy and the need for effective co-ordination of the sector's development efforts, the government created in November 1987 the Micro, Cottage, Small and Medium Enterprise Council (MICSMEC). This body serves as an umbrella organization co-ordinating the activities of the different agencies concerned. It has working committees on policy, marketing, financing, production, management and R & D. Efforts to further harness the participation of the people in the economic development of their community are being channelled through People's Economic Councils (PEC).

The Bureau of Export Trade Promotion (BETP) in the DTI is responsible for export promotion and development. The BETP provides specialized consultancy services to exporters and prospective exporters in the fields of finance, marketing and production with respect to exports. In addition, the BETP identifies capable foreign distributors or distribution chains and provides regular updating of country/product profiles, thus, giving information for formulating export strategies.

In contrast, the Bureau of Domestic Trade Promotion (BDTP) in the DTI provides information about domestic retail trade and offers technical assistance for the development of domestic distribution services and marketing. The Center for Labour Relations Assistance (CLARA) in the DTI promotes industrial peace through the organization of management-labour councils.

1/ A detailed description of these incentive schemes is presented in Annex C.

The Development Bank of the Philippines (DBP) is a State-owned financial institution, which is engaged in project financing as well as acting as a trustee for funds, e.g. the Japan Overseas Economic Cooperation Fund (OECF). The DBP offers financial assistance to both private and State-owned industries in the form of loans, guarantees and equity. The project work of the DBP gives priority to the agro-industrial sector, export industry modernization, commercialization of technology inventions and development of small- and medium-scale industries. Many of these projects are run in co-operation with the Technology Resource Center (TRC), which combines financial and technical assistance. Furthermore, the DBP administers a so-called Invention Guarantee Fund (IGF), which is to support the commercialization of technology. This project is operated in co-operation with the Philippine Investors Development Institute (PIDI), which provides research, training and consultancy in R&D matters.

The Philippine National Bank (PNB) is also a State-owned bank, which is engaged in project financing. In contrast to the DBP the PNB is not a lead agency, which has been assigned particular projects or programmes in the current development plan.

The State-owned National Development Corporation (NDC), founded in 1919, provides equity for joint ventures with private and State companies including foreign investors. According to the current development plan priority of equity investments will be given to agriculture, food processing, forestry and fertilizer production. The NDC operates a newly founded joint venture with private commercial banks, the Venture Capital Corporation (VCC), which aims at infusing equity capital to small- and medium-sized firms. The NDC will also be the main equity arm of the government in the various major industrial projects in the 1980s, i.e., copper and aluminium smelter plants and the steel mill.

Another newly founded government corporation is the Philippine Export and Foreign Loan Guarantee (PHILGUARANTEE), which was previously known as the Guarantee Facility Fund. PHILGUARANTEE was created in order to provide guarantee coverage to small- and medium-sized exporters on their foreign or domestic borrowings.

The Private Development Corporation of the Philippines (PDCP) was founded in 1963 with the assistance of the World Bank. The PDCP provides small business term loans, equity investment and guarantees and engages in funds mobilization, underwriting and private placements, external fund management as well as business consultancy services.

The Department of Labour and Employment (DOLE) is in charge of programmes promoting self-employment and entrepreneurship development. Furthermore, DOLE has established a Public Employment Service Office (PESO), to facilitate job recruitments through services rendered to both employers and job-seekers.

The Technology Transfer Board (TTB) acts as an inter-agency body to implement an integrated approach towards the transfer of technology in the country. The TTB contributes to the formulation of industrial policies and issues rules and regulations. Furthermore, it co-ordinates programmes and provides information exchange.

The National Manpower and Youth Council (NMYC) is the lead agency for human resource development in the Philippines, as it is in charge of vocational training. The NMYC (founded in 1969) establishes training institutions, formulates plans and provides both technical training and technology transfer for firms, managers, workers, foremen and supervisors. The NMYC provides training centres and official development assistance through loans and grants.

The increased importance accorded to the science and technology sector has been manifested through the creation of a separate Department of Science and Technology (DOST) to replace the National Science and Technology Authority. The National Institute for Science and Technology (NIST) offers services in engineering research, testing and standardization as well as techno-economic evaluation. Furthermore, there are three industry-specific research institutions providing research, training and consultancy, namely the Department of Food Science and Technology (DFST), the Metals Industry Research and Development Center (MIRDC) and the Philippine Textile Research Institute (PTRI). Finally, there are five government authorities which implement programmes for specific industries: the Iron and Steel Authority (ISA), the Construction Industry Authority of the Philippines (CIAP), the Philippine Cement Industry Authority (PCIA), the Commission for Heavy Engineering Industry (CHEI) and the Presidential Advisory Committee on the Copper Industry (PACCI).

In strengthening the institutional framework for industrial development, the government attempts to direct new investments to priority areas where the country's need is greatest and areas that offer the maximum potential to make use of local resources.

4.6 Resources for industrial development

Human resources

Total labour forces in the Philippines stood at 21.5 million in 1986. The Medium-term Development Plan, 1987-1992, projects an increase of 8.5 per cent in the labour force during the Plan period. During the economic recovery phase since 1986, unemployment has declined to 9.2 per cent by the end of January 1988 against 11.2 per cent in January 1987. For the medium-run, the government has targeted an increase in employment by an average of 4.6 per cent per year until 1992, thus, bringing the unemployment rate down to 5 per cent.

The largest sources of employment for new entrants on the labour market between 1981-1986 have been the private and public services sectors. The current Plan projections indicate that the largest increase in productive employment opportunities is to stem from the manufacturing industry. It requires a strong commitment towards manpower planning.

The new government focusses on improving the means of education towards employment-oriented needs. In May 1988, free education was extended to secondary schools as part of the Secondary Education Development Programme in the Development Plan. The largest share of education expenditures is allocated to vocational and technical training projects, which encompass industrial priority sectors and agriculture. Top priority is now being accorded to entrepreneurial, non-farm and agri-based skills training in line with the employment oriented, rural-based overall development strategy. A total number of 1,362 students were enrolled in the seven Regional Institutes of Fishery Technology during 1987-1988. A Manpower Supply and Demand Matching Survey Project has been initiated with a view to systematizing and facilitating the collection of baseline data and information on higher education and labour market. Results of the Survey could assist in policy formulation towards rationalizing higher education.

In order to facilitate the supply response to the manpower needs of manufacturing activities, more disaggregated sub-sectoral occupational data are needed to help educators and trainers decide which skills courses are relevant.

The identified job vacancies stood at 25,339 in 1986, which was an improvement over the previous year's record of 24,659. Around 33 per cent of the total number of job vacancies was in production and related jobs in 1986, while sales positions accounted for 22 per cent. During the same year, 22,493 registered applicants were referred for employment to private companies.

Manpower planning in the Philippines would need to consistently respond to the issue of supply response to skill requirements and influence the country's labour profile to cope with emerging challenges. Access to employment opportunities in manufacturing could be facilitated through establishing linkages between industrial plants and educational institutions.

Agricultural resources

Agricultural crops account for 63 per cent of gross value added in agriculture in 1986. Other important sub-sectors are fishery (17 per cent of the sector's value added), poultry (9 per cent) and livestock (8 per cent). The total area for crop production has been steadily increasing. The area harvested in 1986 was 12.2 million ha as compared to 11.6 million ha in 1976. Except for coconuts and sugar, which are dominated by large monopolist producers, agricultural production is characterized by small family-operated farms. Among crops the government has accorded priority to the production of food crops in order to attain food sufficiency. Food crops cover mainly rice, corn, vegetables, sweet potatoes and cassava. In 1986, these crops represented 62 per cent of the entire crop production. The remainder comprises commercial crops such as coconuts, sugar, bananas, pineapples, mango, coffee and rubber. Self-sufficiency was achieved in 1977 in the production of a few food crops, namely rice and corn which are targeted to grow at average annual rates of 3.7 and 6.4 per cent respectively during the Plan period 1987-1992. Achievement of these targets is expected to improve the nutritional status of the population. The government provides guarantees for up to 85 per cent of loans advanced for the production of priority crops.

The production of major agricultural crops such as palay (rough rice), coconut, sugar cane, banana, coffee and abaca suffered negative growth rates, while that of livestock and poultry registered a 6.4 per cent increase in 1987 (Table 4.8). Fish production grew by 2.4 per cent in 1987, with the largest contribution stemming from aquaculture.

Table 4.8: Agricultural production, actual volumes and plan targets, 1986 and 1987
(tons '000)

| Commodity | Actual 1986 (1) | Actual 1987 (2) | Plan target 1987 (3) | Growth rate 1986-1987 (2/1) | Accomplish- ment % (2/3) |
|------------------------------------|-----------------------|-----------------------|----------------------------|-----------------------------------|--------------------------------|
| Food and feed crops | | | | | |
| Palay | 9,247 | 8,540 | 9,431 | -7.6 | 90.6 |
| Corn | 4,091 | 4,278 | 4,255 | 4.6 | 100.5 |
| Vegetable | 379 | 398 | 355 | 5.0 | 112.1 |
| Sweet potato | 826 | 869 | 792 | 5.2 | 109.7 |
| Cassava | 1,724 | 1,784 | 1,833 | 3.5 | 97.3 |
| Peanut | 46 | 48 | 47 | 4.4 | 102.1 |
| Mungbean | 26 | 26 | 29 | - | 89.7 |
| Industrial crops | | | | | |
| Coconut (Copra) | 2,650 | 2,623 | 1,940 | -1.0 | 135.2 |
| Sugarcane | 1,468 | 1,271 | 1,330 | -13.4 | 95.6 |
| Banana | 3,832 | 3,581 | 4,229 | -6.6 | 84.7 |
| Mango | 301 | 346 | 419 | 15.0 | 82.6 |
| Pineapple | 2,066 | 2,302 | 1,574 | 11.4 | 146.2 |
| Coffee | 140 | 132 | 154 | -5.7 | 85.7 |
| Cacao | 7 | 7 | 7 | 0.0 | 100.0 |
| Tobacco | 57 | 58 | 70 | 1.8 | 82.9 |
| Abaca | 58 | 73 | 72 | -17.0 | 101.4 |
| Ramie | 88 | 18 | - | 100.0 | - |
| Rubber | 135 | 137 | 152 | 1.5 | 90.1 |
| Total livestock and poultry | | | | | |
| Total livestock and poultry | 1,188 | 1,265 | 817 | 6.4 | 154.8 |
| Total livestock | 850 | 903 | 647 | 6.1 | 139.5 |
| Beef | 136 | 144 | 104 | 5.9 | 204.8 |
| Carabeef | 62 | 70 | - | 12.9 | - |
| Pork | 611 | 646 | 527 | 5.7 | 122.6 |
| Cheyon | 39 | 40 | 16 | 2.6 | 250.0 |
| Dairy | 2.5 | 2.6 | ... | 2.0 | - |
| Total poultry | 338 | 362 | 170 | 7.1 | 212.9 |
| Chicken | 203 | 213 | 157 | 4.9 | 135.7 |
| Duck | 203 | 213 | 157 | 4.9 | 135.7 |
| Chicken Egg | 112 | 126 | ... | 12.5 | - |
| Duck Egg | 18 | 17 | ... | -5.6 | - |
| Fish production | | | | | |
| Fish production | 2,089 | 2,140 | 2,282 | 2.4 | 93.8 |
| Aquaculture ^a | 471 | 500 | 553 | 6.2 | 90.4 |
| Municipal | 1,072 | 1,081 | 1,155 | 0.8 | 93.6 |
| Commercial | 546 | 559 | 574 | 2.4 | 97.4 |

Source: NEDA, Philippine Development Report, 1987.

a/ Including fishponds.

A radical land reform initiated by the new government goes far beyond earlier approaches. According to a legislation approved by the Congress in June 1988, the redistribution of land is to commence in 1989. The present land reform initiative is designed to upgrade tenants working on private lands of less than 7 ha to agricultural lessee. However, farms which are too small can in many cases not contribute adequately to productivity increase. The government has, therefore, projected an additional allocation of land to small farmers. The land reform is to be supported by ensuring credit availability, lower costs of inputs and improved farm technology, especially irrigation.

The government attempts to promote crop diversification. Of the total harvested area 85 per cent is devoted to rice, maize and coconut, which had a production value averaging P7,750, P2,280 and P3,860 per ha in 1983. In comparison, the average production value of mango was P68,490, that of pineapple P40,330, coffee P24,690 and banana P12,960 per ha. The government has provided incentives to substitute both traditional food crops as well as non-traditional export crops for the stagnant traditional export crops, i.e., coconuts and sugar, in order to minimize the country's dependence on these export commodities. As a result, pineapples have already emerged as an important export product. Furthermore, the government promotes crops, which are deemed vital for the conversion of primary commodities into high-value products (e.g., coffee, cocoa, rubber). This would improve the linkages between agriculture and industry.

The production of fish has risen strongly in recent decades. This sector now accounts for 5 per cent of GDP and serves as a major export revenue source. The country has extensive fishing resources, both marine and inland, with the largest area of developed estuarine fishponds in South East Asia. However, both fishponds and marine waters resources have not yet been fully exploited. Due to destructive methods of exploitation and overfishing, the output of some fish resources has been declining. In addition, there are deficiencies in infrastructure with inadequate landing facilities and no refrigeration network. The government envisages annual average growth rates of 4.8 and 6.1 per cent in aquaculture and commercial fishing, respectively, for 1987-1992. Government policy in this sector mainly emphasizes the development of regional fishing port complexes.

Philippine forest resources have been identified as one of the country's major resources forming the basis of local plywood and furniture industries. In 1986, 14.1 million ha were classified as forest land. However, these resources are being rapidly depleted due to shifts in cultivation, illegal cutting and inadequate afforestation programmes. Since 1978, the government implements afforestation programmes, which, however, have proven to keep well below their targets. The current development plan has a afforestation target of 100,000 ha a year covering a total area of 911,400 ha. The forest sector accounted for less than 1 per cent of GDP and only 5 per cent of export earnings in 1986. This sector exports mainly to Japan and the United States.

Energy resources

The contribution of domestic energy sources has risen substantially in recent years, mainly reflecting investment in hydroelectric and geothermal capacity. Imported oil, however, still accounts for the largest share of commercial energy supply. Due to the lack of domestic energy resources, indigenous production of oil is expected to decline in comparison with other energy sources. In contrast, the exploitation of coal reserves, estimated at

369 million tons of lignite, has risen sharply since 1980, mainly because of increased investment and rising domestic demand, notably from energy conversion in the cement industry and mining. Coal is planned to account for 11.5 per cent of energy supply in 1992, compared with 3.55 per cent in 1986.

Other energy sources include non-conventional energy resources such as bagasse and agriwaste, which are expected to maintain their share in the energy supply mix until 1992. In the face of the falling oil prices alternative energy programmes such as comodiesel and alcogas programmes have been suspended.

The largest growth in energy supply has been recorded in the power sector, which has increased its capacity by 520 per cent between 1975 and 1986. However, there is still evident shortfall of power supply on Luzon, which is expected to be covered by gas turbines and coal-fired plants as well as geothermal energy. The latter source offers the greatest potential for power generation.

In 1986, electricity production was primarily generated from oil-fired plants (31 per cent) and hydroelectricity (36 per cent). According to the current development Plan the use of geothermal and coal will be substituted for oil, especially in electricity production in order to achieve greater energy diversification and higher indigenous resource development. The rehabilitation of existing oil-fired plants is planned in order to improve reliability of the power system. It is also planned to lower power costs which are relatively high by ASEAN standards.

Mineral resources

The country's ailing mining industry receives maximum government support during the Development Plan, 1987-1992. Production of major mineral commodities is expected to generate an annual average value of P25.9 billion (measured in 1985 prices) during the six-year period ending in 1992.

Of the metallic minerals, gold, copper and chromite have been projected to grow at annual rates of 8.4 per cent, 3 per cent and 2.8 per cent, respectively (Table 4.9). Annual average rates of 22 per cent for coal and 19 per cent for marble are envisaged during the Plan period.

Six mineral commodity groups - gold, fertilizer materials, building stones, clay, silica sand and chromite - are planned for small-scale mining. Efforts are being intensified for conducting geological surveys, and plans are under way for the sale and rehabilitation of six out of eleven government-owned mining projects.

Judicious and efficient utilization of the country's resource endowment for industrial development depends on greater access to external technical assistance from bilateral and multilateral sources.

Table 4.9: Production of major mineral commodities, Plan projections, 1987-1992

('000)

| Mineral | Unit | Projection ^{a/} | | | | | | Average growth rate (%) 1987-1992 |
|-----------------|------|--------------------------|--------|--------|--------|--------|--------|--------------------------------------|
| | | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | |
| Gold | Kg | 44 | 46 | 49 | 62 | 53 | 54 | 8.4 |
| Silver | Kg | 56 | 58 | 60 | 62 | 65 | 68 | 3.9 |
| Copper (metal) | Tons | 178 | 180 | 182 | 184 | 185 | 208 | 3.0 |
| Nickel | Tons | 29 | 29 | 30 | 30 | 31 | 31 | 2.0 |
| Zinc (metal) | Tons | 2 | 2 | 2 | 2 | 2 | 2 | 1.0 |
| Chromite | Tons | 281 | 282 | 283 | 304 | 305 | 330 | 2.8 |
| Manganese | Tons | .3 | .4 | .4 | .4 | .5 | .5 | 9.0 |
| Cement | Bags | 69,454 | 70,844 | 72,260 | 73,706 | 75,706 | 76,683 | 2.0 |
| Sand and gravel | cu m | 17,299 | 17,808 | 18,311 | 18,826 | 19,372 | 19,934 | 2.9 |
| Silica sand | Tons | 418 | 426 | 435 | 444 | 453 | 462 | 2.0 |
| Marble | cu m | 5 | 5 | 5 | 6 | 6 | 10 | 19.0 |
| White clay | Tons | 9 | 9 | 9 | 9 | 10 | 10 | 2.2 |
| Coal | Tons | 2,212 | 2,770 | 3,062 | 3,399 | 4,004 | 4,004 | 22.0 |
| Guano | Tons | .6 | .6 | .7 | .9 | 1 | 2 | 25.0 |
| Adobe | cu m | 1 | 1 | 1 | 1 | 1 | 1 | 1.3 |
| Limestone | Tons | 13 | 14 | 14 | 14 | 14 | 14 | 2.0 |
| Perlite | Tons | 16 | 16 | 17 | 17 | 17 | 17 | 1.3 |
| Phosphate rock | Tons | 7 | 7 | 7 | 7 | 7 | 7 | 1.9 |

Source: Government of Philippines, "Medium-term Philippine Development Plan, 1987-1992."

a/ Projection scenario assumes optimum government support within budgetary resource limits.

4.7 The role of technical co-operation in industrial development

The Philippines is the largest recipient of international development assistance among the ASEAN countries. Total disbursements of official development assistance for technical and capital assistance exceeded \$1 billion in 1986. Technical assistance totalling \$59.3 million represented just 6 per cent of development assistance in 1986. Bilateral programmes accounted for more than 60 per cent of total technical assistance. The contribution of the United States for the fiscal year 1988/89 amounts to \$339 million under current programmes. The government endeavours to strengthen its multilateral, regional and bilateral relations.

The largest beneficiary under technical assistance has been the agricultural sector, followed by general development and population activities. The share of industry was limited to around 2 per cent in 1986. Information on completed and ongoing technical co-operation projects of UNIDO is presented in Annex H. The ongoing technical assistance projects of UNIDO include, among others, development of entrepreneurs for cottage, small- and medium-scale industries, investment opportunity studies, advisory services to the electronics and automotive industries, and programmes for the identification, formulation and promotion of industrial investment projects in selected industries. As an integral part of investment promotion services, the Industrial Investment Division of UNIDO organizes an Investment Promotion Meeting at Manila, in November 1988, to attract potential investors to promising product areas. Annex C presents a list of manufacturing projects seeking different types of external assistance.

The twin industry-specific focal points in the domain of multilateral and bilateral relations relate to negotiations for greater market access for exports and increased flow of foreign investment. A decision was made at the Uruguay Round of Multilateral Trade Negotiations (URMTN) for identifying industrial products facing stringent tariff and non-tariff barriers in developed countries. Studies were conducted on the implications of legal rights and obligations under GATT in order to strengthen the country's negotiating position in reducing trade barriers. Technical co-operation inputs could be directed to these areas so as to ensure the benefits accruing to the Philippines within the framework of certain GATT Articles. The country renegotiated bilateral textile trade agreements with the United States, EC, Canada, Norway and Sweden in 1987, which resulted in greater export quotas for textiles and garments.

Co-operation on investment was strengthened in 1987, as a result of a number of investment missions to the country. The RP-US Business Council, an association of 30 of the top businessmen in the country, was created in 1987 with a view to promoting US investments in the Philippines. Under the auspices of the EC, the Philippine-European Community Investment Committee was established in order to promote investment opportunities. The country's interest in participating in Japan's New Asian Industrial Development (AID) Plan could lead to the channelling of financing and marketing assistance to the Philippine export-oriented industries.

Technical assistance requirements for fostering the process of industrialization in the Philippines could be seen in the context of strengthening existing industrial capacities directly or by means of institutional support in technology adaptation, research and development, standardization and quality control. Scope for further market surveys and feasibility studies exist. Special attention could be paid to the strengthening of small- and medium-scale industries, especially supporting industries which play a significant role in enhancing linkages between the informal sector and formal manufacturing activities. A cohesive package of selective recommendations for specific industries, based on the principle of comparative advantage and industrial efficiency, could help those industries sharpen their competitive edge.

A joint UNIDO/ECFA study mission in late 1987, analyzed the present status of supporting industries within the macro-economic perspective, and identified bottlenecks that impede their expansion. Special recommendations were made on technological modernization and revitalization of supporting industries through facilitating financial arrangements and new investments.

Investors' reaction to the government's privatization programme was partly influenced by the need for proper assessment of assets slated for privatization. Technical co-operation initiatives could be directed to this crucial area which could help expedite the implementation of the Privatization Programme. Prospects for sustaining industrial recovery have never been as promising in recent years, as in 1988. Greater access to multilateral and bilateral assistance could play a significant role in strengthening the pace of industrial recovery.

ANNEX A
STATISTICAL TABLES

Table A-1: Gross domestic product by industrial origin, 1974-1987
(in billion pesos at constant 1972 prices)

| | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| GDP by Industrial Origin | 64.3 | 68.4 | 73.9 | 78.5 | 82.8 | 88.0 | 92.6 | 96.2 | 99.0 | 99.9 | 93.9 | 89.9 | 91.3 | 95.9 |
| Agriculture | 17.6 | 18.3 | 19.8 | 20.8 | 21.6 | 22.6 | 23.7 | 24.6 | 25.4 | 24.8 | 25.4 | 26.3 | 27.2 | 27.3 |
| Mining | 1.4 | 1.4 | 1.5 | 1.7 | 1.8 | 2.1 | 2.2 | 2.2 | 2.0 | 2.0 | 1.8 | 1.8 | 1.6 | 1.5 |
| Manufacturing | 16.7 | 17.3 | 18.3 | 19.7 | 21.1 | 22.2 | 23.2 | 24.0 | 24.5 | 25.1 | 23.3 | 21.5 | 21.7 | 23.3 |
| Electricity, gas & water | 0.6 | 0.6 | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 | 1.7 | 1.9 |
| Construction | 2.7 | 4.0 | 5.3 | 5.8 | 5.9 | 6.8 | 7.1 | 7.8 | 8.1 | 7.7 | 5.9 | 4.3 | 3.4 | 4.0 |
| Trade | 8.5 | 8.8 | 9.3 | 10.0 | 10.7 | 11.5 | 12.2 | 13.7 | 13.1 | 13.9 | 14.1 | 14.1 | 14.3 | 15.2 |
| Transport & communication | 3.3 | 3.6 | 4.0 | 4.2 | 4.5 | 4.6 | 4.8 | 5.0 | 5.2 | 5.3 | 5.0 | 5.0 | 5.1 | 5.3 |
| Finance) | | | | | | | | | | | | 4.3 | 4.3 | 5.8 |
| Public administration) | 13.6 | 14.4 | 15.1 | 15.6 | 16.4 | 17.4 | 18.4 | 18.9 | 19.7 | 19.9 | 17.1 | 5.2 | 5.4 | 5.7 |
| Others) | | | | | | | | | | | | 6.0 | 6.0 | 6.1 |
| Net factor income from abroad | 0.2 | -0.2 | -0.6 | -0.5 | -0.3 | 0.2 | 0.0 | -0.5 | -1.5 | -1.3 | -2.3 | -2.0 | -1.7 | -1.3 |
| GDP | 64.5 | 68.3 | 73.3 | 78.0 | 82.5 | 88.2 | 92.5 | 95.7 | 97.5 | 98.6 | 91.6 | 87.9 | 89.6 | 94.7 |

Source: Asian Development Bank, Key Indicators, 1988.

Table A-2: Budget revenues and expenditures, 1974-1987

(P million)

| | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>Fiscal year ending 30 June through 1975; year ending 31 December after 1975</i> | | | | | | | | | | | | | | |
| <i>Central Government</i> | | | | | | | | | | | | | | |
| Current revenue | 11913 | 16641 | 18089 | 19959 | 24073 | 29470 | 34731 | 35933 | 38205 | 45632 | 56861 | 68961 | 79245 | 109529 |
| Taxes | 10036 | 14282 | 15327 | 16955 | 20441 | 25956 | 30533 | 31423 | 33779 | 39524 | 50005 | 61190 | 65491 | 82322 |
| Non-taxes | 1877 | 2359 | 2762 | 3004 | 3632 | 3514 | 4198 | 4510 | 4426 | 6108 | 6856 | 7771 | 13754 | 27207 |
| Current expenditure | 8762 | 14651 | 15798 | 17719 | 19230 | 20608 | 21516 | 26390 | 31746 | 34522 | 42873 | 55275 | 70950 | 102413 |
| Current surplus/deficit | 3151 | 1990 | 2291 | 2240 | 4843 | 8862 | 10215 | 9513 | 6459 | 11110 | 13988 | 13686 | 8295 | 7116 |
| Capital receipts | 6 | 16 | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital expenditure | 1206 | 2625 | 4540 | 5047 | 6772 | 8351 | 12927 | 20760 | 18646 | 16148 | 19630 | 23149 | 22040 | 20353 |
| Capital account surplus/deficit | -1200 | -2609 | -4540 | -5047 | -6772 | -8351 | -12927 | -20760 | -18646 | -16148 | -19630 | -23149 | -22040 | -20353 |
| Net lending | 1744 | 922 | 100 | 45 | 238 | 853 | 675 | 979 | 2218 | 2393 | 4423 | 1678 | 17505 | 7470 |
| Overall surplus/deficit | 207 | -1541 | -2349 | -2852 | -2167 | -342 | -3387 | -12146 | -14405 | -7431 | -10065 | -11141 | -31250 | -20707 |
| Financing | | | | | | | | | | | | | | |
| Domestic borrowing | -631 | 1106 | 1396 | 2195 | 1619 | 662 | 2126 | 9516 | 8527 | 4632 | 16268 | 13252 | 34402 | 103591 |
| Foreign borrowing | 186 | 254 | 50 | 246 | 2452 | 3185 | 2404 | 5992 | 4597 | 5437 | 2004 | -340 | 9769 | 12449 |
| Foreign grants | 238 | 181 | - | - | - | - | - | - | - | - | - | - | - | - |
| Use of cash balances | - | - | 905 | 411 | -1904 | -3505 | -1143 | -3362 | 1281 | -2638 | -8207 | -1771 | -13321 | -95333 |
| <i>Expenditure by Function, Central Government</i> | | | | | | | | | | | | | | |
| Total | 12655 | 19049 | 21275 | 22596 | 26768 | 32640 | 37404 | 48154 | 48924 | 53418 | 68625 | 87390 | 114505 | 160416 |
| General public services | 2263 | 2796 | 4141 | 4049 | 4635 | 5924 | 6516 | 9301 | 9940 | 10707 | 10621 | 13590 | 14631 | 18182 |
| Defence | 1941 | 3542 | 4118 | 4325 | 4394 | 4738 | 4975 | 5447 | 5951 | 6526 | 5391 | 7132 | 7611 | 8222 |
| Education | 1711 | 2104 | 2459 | 2721 | 3064 | 3419 | 4762 | 5806 | 6413 | 6263 | 7988 | 11288 | 14838 | 18431 |
| Health | 473 | 712 | 927 | 1044 | 892 | 1172 | 1390 | 1734 | 2136 | 2485 | 2293 | 3113 | 3570 | 4951 |
| Social security & welfare | 290 | 322 | 514 | 414 | 427 | 465 | 721 | 1907 | 1238 | 1418 | 644 | 753 | 834 | 1443 |
| Housing & community amenities | 214 | 413 | 346 | 392 | 579 | 1364 | 974 | 1289 | 1373 | 1871 | 1177 | 672 | 1550 | 947 |
| Economic services | 5031 | 8206 | 7983 | 7240 | 10601 | 12565 | 14523 | 18773 | 16981 | 15700 | 20948 | 19377 | 28113 | 28660 |
| Agriculture | 2193 | 1840 | 2155 | 1522 | ... | ... | 2289 | 3241 | 3889 | 3534 | 3594 | 4804 | ... | ... |
| Industry | 350 | 1261 | 562 | 210 | ... | ... | 1305 | 2759 | 2275 | 1905 | 725 | 972 | ... | ... |
| Electricity, gas & water | 195 | 419 | 462 | 403 | ... | ... | 3637 | 4313 | 2798 | 1661 | 1675 | 2813 | ... | ... |
| Transport and communications | 1900 | 3608 | 3248 | 3399 | ... | ... | 4569 | 5762 | 5803 | 5859 | 6848 | 7541 | ... | ... |
| Other economic services | 393 | 1078 | 1556 | 1706 | ... | ... | 2723 | 2698 | 2216 | 2741 | 8106 | 3247 | ... | ... |
| Others | 732 | 954 | 787 | 2411 | 2176 | 2993 | 3583 | 3897 | 4892 | 8448 | 19563 | 31465 | 43358 | 79580 |

Source: Asian Development Bank, Key Indicators, 1988.

Table A-3: Size and structure of Philippine foreign external debt, 1974-1986
(\$ million)

| | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|--|--------|--------|--------|--------|---------|---------|---------|---------|---------------------|------------------------|---------|---------|---------|
| Total outstanding and disbursed | ... | ... | ... | 8173.5 | 10771.2 | 13262.4 | 17386.5 | 20752.4 | 24316.3 | 24057.6 | 24593.3 | 26207.2 | 28172.5 |
| Long-term | 2334.1 | 2859.7 | 4021.2 | 5197.2 | 6333.3 | 7279.8 | 8977.6 | 10373.4 | 12150.2 | 13711.5 | 14344.8 | 16582.2 | 21621.7 |
| Public | 1121.0 | 1448.5 | 2208.9 | 3032.4 | 4242.7 | 5208.5 | 6523.5 | 7612.7 | 8929.0 | 10588.1 | 11633.8 | 13584.2 | 19827.7 |
| Short-term | ... | ... | ... | 2478.0 | 3863.3 | 5315.0 | 7556.0 | 9421.0 | 11325.0 | 9404.0 | 9492.0 | 8573.0 | 5378.0 |
| Use of IMF credit | 83.0 | 192.8 | 404.8 | 508.3 | 574.9 | 667.6 | 852.9 | 958.0 | 833.1 | 941.5 | 756.5 | 1052.0 | 1172.7 |
| Debt service | | | | | | | | | <i>Transactions</i> | <i>during the year</i> | | | |
| Principal repayments on long-term debt | 329.1 | 298.7 | 343.3 | 368.8 | 948.9 | 960.5 | 532.0 | 724.0 | 955.8 | 925.8 | 587.8 | 577.4 | 744.8 |
| Interest on long-term debt | 109.6 | 117.9 | 167.1 | 222.7 | 308.9 | 489.7 | 571.2 | 819.4 | 916.0 | 939.9 | 912.3 | 976.7 | 1091.7 |
| Interest on short-term debt | ... | ... | ... | ... | ... | ... | ... | ... | 925.0 | 813.0 | 718.0 | 505.0 | ... |

Source: Asian Development Bank, Key Indicators, 1988.

Table A-4: Philippine balance of payments, 1974-1987

(\$ million)

| | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Merchandise exports, fob | 2725 | 2294 | 2574 | 3151 | 3425 | 4601 | 5788 | 5722 | 5021 | 5005 | 5391 | 4629 | 4842 | 5720 |
| Merchandise imports, fob | -3143 | -3459 | -3634 | -3915 | -4732 | -6142 | -7727 | -7946 | -7667 | -7487 | -6070 | -5111 | -5044 | -4737 |
| Trade balance | -418 | -1165 | -1060 | -764 | -1307 | -1541 | -1939 | -2224 | -2646 | -2482 | -679 | -482 | -202 | -1017 |
| Other goods, services and income | -34 | -45 | -259 | -248 | -107 | -311 | -399 | -309 | -1040 | -740 | -823 | - | 757 | 76 |
| Credit | 834 | 907 | 871 | 1085 | 1484 | 1655 | 2222 | 2896 | 2983 | 3127 | 2626 | 3288 | 3791 | 3497 |
| Debit | -868 | -952 | -1130 | -1333 | -1591 | -1966 | -2621 | -3205 | -4023 | -3867 | -3449 | -3288 | -3034 | -3573 |
| Unrequited transfer | 276 | 318 | 269 | 260 | 312 | 355 | 434 | 472 | 486 | 472 | 386 | 379 | 441 | 554 |
| Private | 123 | 167 | 149 | 148 | 197 | 229 | 300 | 325 | 322 | 237 | 118 | 172 | 235 | 357 |
| Official | 153 | 151 | 120 | 112 | 115 | 126 | 134 | 147 | 164 | 235 | 268 | 207 | 206 | 197 |
| Current balance | -176 | -892 | -1050 | -752 | -1102 | -1497 | -1904 | -2061 | -3200 | -2750 | -1116 | -103 | 996 | -538 |
| Direct investment | 4 | 97 | 128 | 210 | 101 | 7 | -106 | 172 | 16 | 105 | 20 | 12 | 127 | 186 |
| Portfolio investment | 24 | 28 | 16 | 6 | -1 | 13 | 4 | 3 | 1 | 7 | -3 | 5 | 13 | 19 |
| Other long-term capital ¹ | 145 | 357 | 1040 | 662 | 891 | 1151 | 1032 | 1332 | 1548 | 1392 | 463 | 3259 | 743 | 92 |
| Other short-term capital | 79 | 70 | -332 | -172 | -90 | -495 | 324 | -28 | 108 | -618 | 549 | -1731 | -814 | 52 |
| Net errors and omissions | 34 | -181 | 37 | 210 | 115 | 182 | 112 | -405 | -371 | -387 | 161 | 638 | -102 | 89 |
| Monetization of gold | - | - | - | - | 32 | 41 | 128 | 400 | 277 | 183 | 169 | 221 | 279 | 365 |
| Allocation of SDRs | - | - | - | - | - | 28 | 29 | 27 | - | - | - | - | - | - |
| Overall balance ¹ | 110 | -521 | -161 | 164 | -54 | -570 | -381 | -560 | -1621 | -2068 | 243 | 2301 | 1242 | 264 |
| Monetary movements | -110 | 521 | 161 | -164 | 54 | 570 | 381 | 560 | 1621 | 2068 | -243 | -2301 | -1242 | -264 |

- 73 -

Source: Asian Development Bank, Key Indicators, 1988.

Table A-5: Value of gross manufacturing output,^{a/} 1957-1983
(P million)

| Major group | 1957 | 1963 | 1966 | 1969 | 1970 | 1971 | 1973 | 1974 | 1976 ^{b/} | 1977 ^{b/} | 1979 ^{b/} | 1980 ^{b/} | 1981 ^{b/} | 1983 ^{b/} |
|------------------------------|-------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Food | 716 | 1,858 | 1,986 | 3,032 | 3,870 | 4,834 | 9,210 | 14,516 | 12,676 | 17,623 | 25,324 | 27,870 | 31,300 | 36,497 |
| Beverages | 162 | 336 | 499 | 690 | 845 | 1,017 | 1,250 | 1,762 | 2,440 | 3,925 | 3,826 | 3,363 | 7,208 | 7,571 |
| Tobacco | 172 | 253 | 382 | 734 | 884 | 995 | 1,506 | 2,149 | 2,254 | 3,190 | 4,448 | 3,987 | 5,829 | 7,289 |
| Textiles | 200 | 509 | 573 | 800 | 1,108 | 1,441 | 2,619 | 3,490 | 4,272 | 5,154 | 8,278 | 9,050 | 9,726 | 8,492 |
| Footwear, wearing apparel | 167 | 212 | 199 | 250 | 281 | 336 | 345 | 431 | 1,006 | 1,406 | 3,165 | 3,685 | 5,645 | 4,235 |
| Wood and cork | 176 | 338 | 411 | 560 | 660 | 796 | 1,227 | 1,281 | 1,875 | 1,742 | 4,424 | 4,999 | 5,188 | 5,467 |
| Furniture and fixtures | 30 ^{c/} | 47 | 62 | 66 | 56 | 67 | 141 | 194 | 293 | 410 | 906 | 1,246 | 1,116 | 848 |
| Paper | 58 | 177 | 242 | 319 | 509 | 607 | 1,064 | 1,578 | 2,002 | 2,498 | 4,356 | 3,670 | 3,513 | 3,998 |
| Printing | 91 | 157 | 200 | 266 | 307 | 355 | 505 | 667 | 624 | 1,003 | 1,863 | 1,926 | 1,855 | 1,719 |
| Leather | 9 | 29 | 23 | 29 | 33 | 37 | 56 | 60 | 84 | 94 | 240 | 190 | 168 | 206 |
| Rubber | 61 | 170 | 211 | 263 | 404 | 378 | 563 | 806 | 847 | 969 | 2,146 | 2,051 | 2,622 | 2,187 |
| Chemicals | 293 ^{c/} | 759 | 1,191 | 1,480 | 2,174 | 2,872 | 3,299 | 4,669 | 5,320 | 6,455 | 9,103 | 16,194 | 16,768 | 18,500 |
| Petroleum and coal | 8 ^{d/} | 507 | 505 | 930 | 1,374 | 1,758 | 2,520 | 6,315 | 8,720 | 8,274 | 11,577 | 19,938 | 23,073 | 29,041 |
| Nonmetallic mineral products | 88 ^{c/} | 184 | 287 | 425 | 468 | 697 | 1,102 | 1,657 | 1,642 | 3,567 | 5,686 | 5,381 | 6,159 | 5,421 |
| Basic metal | 24 | 98 | 217 | 509 | 901 | 781 | 1,923 | 2,276 | 2,828 | 2,748 | 4,278 | 4,891 | 4,741 | 10,480 |
| Metal products | 104 | 312 | 436 | 529 | 508 | 678 | 1,137 | 1,290 | 1,376 | 1,998 | 2,716 | 3,140 | 3,581 | 2,929 |
| Machinery except electrical | 48 | 48 | 41 | 73 | 114 | 130 | 333 | 628 | 534 | 643 | 1,476 | 1,639 | 1,644 | 1,066 |
| Electrical machinery | 51 | 271 | 306 | 359 | 517 | 636 | 818 | 1,215 | 1,422 | 2,477 | 4,206 | 5,043 | 4,725 | 8,653 |
| Transport equipment | 89 | 397 | 411 | 548 | 628 | 868 | 1,178 | 1,878 | 2,406 | 3,386 | 4,774 | 5,787 | 4,714 | 6,123 |
| Miscellaneous | 160 | 47 | 83 | 130 | 246 | 239 | 452 | 690 | 1,235 | 264 | 954 | 1,006 | 953 | 106 |
| Total | 2,699 | 6,709 | 8,265 | 11,992 | 15,887 | 19,522 | 31,248 | 47,552 | 53,859 | 67,826 | 103,744 | 125,056 | 140,529 | 161,428 |

Source: NCSO, Census of Establishments, 1983. Annual Surveys of Establishments.

a/ Establishments with five or more workers.

b/ Figures for 1976-1983 are for all manufacturing establishments.

c/ Combined with "miscellaneous" to avoid disclosure.

Table A-6: Sectoral employment growth rate and structure, 1956-1985

(Percentage)

| | 1956-1970 | 1970-1980 | 1980-1985 | |
|-------------------------------|-------------|-------------|-------------|-------------|
| Total manufacturing | 2.5 | 2.6 | 1.2 | |
| Factory | 4.6 | 7.8 | -5.7 | |
| Household | 2.0 | -0.3 | 6.0 | |
| All labour force | 2.4 | 4.3 | 4.3 | |
| | <u>1960</u> | <u>1970</u> | <u>1978</u> | <u>1985</u> |
| <u>Structure</u> | | | | |
| Manufacturing/labour force | | 12.1 | 10.6 | 9.0 |
| Household/total manufacturing | 76.0 | 71.1 | 41.9 | 66.9 |

Source: National Census and Statistics Office, Quarterly Survey of Establishments; World Bank, The Philippines: Issues and Policies in the Industrial Sector, Vol. I, 1987, p.8.

Table A-7: Changing structure of manufacturing employment, 1956-1986

| Year | House- hold/ unorga- nized | Factory | Total manufac- turing | House- hold/ unorga- nized | Factory | Total manufac- turing |
|------|-------------------------------------|---------|-----------------------------|-------------------------------------|---------|-----------------------------|
| | ('000) | | | (per cent) | | |
| 1956 | 756 | 206 | 962 | 78.6 | 21.4 | 100.0 |
| 1960 | 787 | 249 | 1,036 | 76.0 | 24.0 | 100.0 |
| 1965 | 777 | 324 | 1,101 | 70.6 | 29.4 | 100.0 |
| 1970 | 994 | 404 | 1,398 | 71.1 | 28.8 | 100.0 |
| 1976 | 1,049 | 631 | 1,680 | 62.5 | 37.5 | 100.0 |
| 1978 | 731 | 1,012 | 1,743 | 41.9 | 58.1 | 100.0 |
| 1979 | 1,075 | 805 | 1,880 | 57.2 | 42.8 | 100.0 |
| 1980 | 961 | 853 | 1,814 | 53.0 | 47.0 | 100.0 |
| 1981 | 1,068 | 739 | 1,807 | 59.1 | 40.9 | 100.0 |
| 1983 | 1,185 | 702 | 1,887 | 62.8 | 37.2 | 100.0 |
| 1984 | ... | ... | 1,931 | | | |
| 1985 | ... | ... | 1,922 | | | |
| 1986 | ... | ... | 1,939 | | | |

GROWTH RATES (percent per year)

| | <u>1956-1970</u> | <u>1971-1980</u> | <u>1970-1973</u> | <u>1973-1983</u> |
|---------|------------------|------------------|------------------|------------------|
| Total | 2.5 | 2.6 | 2.8 | 1.3 |
| Factory | 4.6 | 7.8 | 12.2 | -7.05 |

Source: NCSO, Integrated Surveys of Households; Annual Surveys of Establishments and Census of Establishments, Various issues.

- Notes: (1) Total Employment: Up to 1970, data are from October survey. 1976-85 data are from third-quarter survey.
 (2) Factory Employment: Up to 1976 the surveys cover establishments employing at least five workers. After 1970, the data are for establishments employing at least ten workers.

Table A-8: Partial and total factor productivity in Philippine manufacturing, 1956-1983

(percentage)

| Production per Unit of: | 1956-60 | 1961-65 | 1966-70 | 1971-75 | 1976-80 | 1981-83 | 1956-70 | 1971-80 | 1956-80 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Labor | 5.55 | 3.27 | 4.87 | 0.59 | -4.04 | -3.35 | 4.56 | -1.93 | 2.05 |
| Capital | 0.78 | 2.95 | 2.89 | 1.37 | 2.72 | ... | 2.21 | 2.04 | 2.15 |
| Intermediate goods | -0.51 | -2.58 | -0.26 | -1.50 | -1.86 | ... | -1.15 | -1.68 | -1.36 |
| TFP | 1.18 | -0.71 | 1.22 | -0.55 | -1.90 | -2.13 | 0.56 | -1.23 | -0.15 |
| Adjustments: labor hours & quality | | | | | | | | | |
| a. Hours | 0.0 | -0.81 | 0.54 | 0.92 | -1.01 | ... | -0.10 | -0.10 | -0.11 |
| b. Age/sex | 0.41 | 0.13 | 0.22 | 0.10 | 0.10 | ... | 0.36 | 0.10 | 0.21 |
| c. Education | 1.14 | 1.01 | 1.02 | 0.10 | 0.10 | ... | 1.01 | 1.00 | 1.01 |
| Total Adjustments | 1.55 | 0.32 | 1.78 | 2.03 | 0.09 | ... | 1.27 | 1.00 | 1.11 |
| TFP Adjusted (TFP less total adjustments) | -0.37 | -1.03 | -0.56 | -2.58 | -1.99 | ... | -0.71 | -2.23 | -1.26 |

Source: Hooley Richard, Productivity Growth in Philippine Manufacturing: Retrospect and Future Prospects, Philippine Institute of Research, Manila, 1985, p.24.

Table A-9: Value added per employee in selected sub-sectors of manufacturing, 1956-1980
(P '000 in 1972 prices)

| Year | All mfg. | Food | Sugar milling | Beverages | Tobacco | Textiles | Wearing apparel | Leather | Footwear | Wood prod. | Wood furniture & fixtures | Paper prod. | Printing & publishing | Industrial chemicals | Electrical machinery |
|------|----------|-------|---------------|-----------|---------|----------|-----------------|---------|----------|------------|---------------------------|-------------|-----------------------|----------------------|----------------------|
| 1956 | 12.55 | 26.53 | 35.01 | 18.49 | 1.14 | 26.31 | 3.26 | 9.63 | 3.33 | 5.63 | 4.14 | 12.55 | 7.41 | 13.63 | 15.00 |
| 1957 | 12.52 | 26.34 | 31.45 | 15.71 | 0.87 | 28.29 | 3.45 | 8.79 | 3.68 | 6.07 | 3.52 | 13.86 | 10.40 | 14.36 | 14.83 |
| 1958 | 14.44 | 29.60 | 39.15 | 15.14 | 0.77 | 30.45 | 3.32 | 6.75 | 4.19 | 5.70 | 3.96 | 18.18 | 10.44 | 15.02 | 15.87 |
| 1959 | 15.23 | 30.63 | 42.09 | 14.52 | 0.44 | 28.92 | 5.33 | 5.52 | 5.29 | 7.15 | 4.79 | 18.73 | 9.74 | 23.53 | 19.46 |
| 1960 | 15.30 | 33.58 | 49.97 | 13.36 | 0.31 | 22.48 | 3.92 | 7.32 | 4.77 | 7.26 | 4.67 | 16.98 | 10.41 | 13.64 | 14.77 |
| 1961 | 15.08 | 34.15 | 45.73 | 11.32 | 0.37 | 22.01 | 4.32 | 8.74 | 7.47 | 7.07 | 4.46 | 13.98 | 11.39 | 21.29 | 8.74 |
| 1962 | 14.92 | 43.96 | 46.79 | 10.95 | 0.31 | 26.76 | 4.56 | 5.70 | 3.53 | 6.82 | 4.43 | 15.25 | 7.71 | 19.74 | 13.93 |
| 1963 | 16.23 | 48.20 | 53.17 | 11.34 | 0.27 | 29.77 | 4.87 | 4.78 | 3.97 | 8.04 | 4.44 | 16.55 | 10.10 | 18.79 | 16.78 |
| 1964 | 15.21 | 49.30 | 49.53 | 12.67 | 0.22 | 24.08 | 4.75 | 4.42 | 4.56 | 7.26 | 5.47 | 14.08 | 7.76 | 21.02 | 14.28 |
| 1965 | 14.67 | 49.13 | 33.45 | 12.85 | 9.24 | 22.92 | 6.21 | 3.27 | 5.09 | 6.75 | 3.75 | 18.36 | 11.19 | 19.33 | 11.99 |
| 1966 | 15.20 | 46.78 | 29.70 | 13.78 | 0.23 | 23.45 | 7.29 | 3.00 | 6.17 | 7.55 | 5.03 | 19.35 | 10.99 | 19.75 | 13.75 |
| 1967 | 19.01 | 50.39 | 47.05 | 17.96 | 0.72 | 25.53 | 7.20 | 3.08 | 5.25 | 8.16 | 3.62 | 23.77 | 8.84 | 33.24 | 15.45 |
| 1968 | 18.44 | 50.12 | 51.25 | 13.34 | 0.33 | 25.74 | 7.09 | 3.43 | 4.04 | 8.07 | 4.50 | 27.15 | 13.24 | 29.94 | 15.91 |
| 1969 | 17.86 | 44.03 | 37.07 | 12.76 | 0.42 | 25.86 | 7.21 | 3.23 | 3.70 | 7.16 | 4.25 | 23.07 | 13.39 | 27.99 | 18.97 |
| 1970 | 18.58 | 38.49 | 41.74 | 15.05 | 0.36 | 27.09 | 7.16 | 4.86 | 3.24 | 6.98 | 4.94 | 21.86 | 13.32 | 34.62 | 20.60 |
| 1971 | 18.47 | 48.05 | 48.35 | 17.84 | 0.48 | 34.42 | 8.76 | 5.78 | 3.38 | 7.06 | 5.00 | 18.05 | 14.76 | 34.19 | 19.35 |
| 1972 | 16.44 | 40.07 | 48.28 | 13.98 | 0.45 | 21.50 | 10.16 | 7.06 | 6.64 | 13.64 | 8.66 | 30.56 | 13.92 | 30.09 | 16.38 |
| 1973 | 14.79 | 41.95 | 53.99 | 21.28 | 0.42 | 23.12 | 5.88 | 6.11 | 2.96 | 7.42 | 4.66 | 14.14 | 15.04 | 41.53 | 14.66 |
| 1974 | 13.66 | 50.42 | 91.94 | 29.20 | 0.59 | 20.79 | 5.40 | 5.03 | 2.40 | 4.03 | 3.94 | 15.45 | 14.40 | 22.54 | 14.69 |
| 1975 | 15.91 | 46.16 | 73.80 | 60.81 | 0.02 | 21.78 | 5.82 | 4.45 | 1.11 | 8.31 | 3.36 | 15.87 | 13.38 | 20.67 | 9.08 |
| 1976 | 7.76 | 49.30 | - | 37.52 | 0.40 | 26.54 | 3.63 | 2.22 | 1.39 | 3.26 | 2.25 | 20.56 | 6.15 | 11.62 | 8.27 |
| 1977 | 8.73 | 49.39 | - | 41.14 | 0.38 | 29.38 | 4.53 | 3.02 | 1.68 | 4.54 | 2.71 | 14.62 | 10.96 | 15.84 | 8.33 |
| 1978 | 10.33 | 47.95 | - | 33.87 | 0.97 | 30.56 | 6.88 | 4.46 | 2.74 | 7.17 | 3.34 | 23.23 | 15.72 | 45.94 | 12.18 |
| 1979 | 9.98 | 42.71 | 37.68 | 27.12 | 1.16 | 28.25 | 8.05 | 4.56 | 3.36 | 5.77 | 3.20 | 24.64 | 15.72 | 51.64 | 12.79 |
| 1980 | 9.86 | 37.95 | 41.53 | 27.04 | 1.29 | 28.10 | 6.24 | 3.70 | 3.12 | 15.18 | 2.65 | 19.25 | 10.17 | 49.92 | 13.16 |

Source: Hookey Richard, Productivity Growth in Philippine Manufacturing: Retrospect and Future Prospects, Philippine Institute of Research, Manila, 1985.

Table A-10: Philippine trade indices,^{a/} 1972-1985
(1972 = 100)

| Year | Quantity index | | Price index | | Value index | | Net terms of trade |
|------|----------------|---------|-------------|---------|-------------|---------|-----------------------|
| | Imports | Exports | Imports | Exports | Imports | Exports | |
| 1972 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1973 | 93.6 | 107.7 | 128.8 | 145.9 | 120.6 | 157.1 | 113.3 |
| 1974 | 110.3 | 96.2 | 211.5 | 242.3 | 233.4 | 233.1 | 114.5 |
| 1975 | 115.8 | 101.9 | 219.6 | 192.8 | 254.3 | 196.5 | 87.8 |
| 1976 | 122.6 | 130.5 | 217.2 | 168.8 | 266.3 | 220.3 | 77.7 |
| 1977 | 119.2 | 157.4 | 241.1 | 171.3 | 287.4 | 269.6 | 71.0 |
| 1978 | 140.9 | 152.6 | 245.8 | 192.1 | 346.3 | 293.1 | 76.2 |
| 1979 | 153.8 | 166.8 | 289.4 | 236.1 | 445.1 | 393.8 | 81.6 |
| 1980 | 155.8 | 201.3 | 358.6 | 246.0 | 558.7 | 495.2 | 68.6 |
| 1981 | 143.2 | 203.5 | 398.6 | 240.6 | 570.8 | 489.6 | 60.4 |
| 1982 | 163.4 | 215.0 | 340.5 | 199.9 | 556.4 | 429.8 | 58.7 |
| 1983 | 156.9 | 204.2 | 342.4 | 209.8 | 537.2 | 428.4 | 61.3 |
| 1984 | 112.0 | 199.4 | 386.8 | 231.4 | 433.2 | 461.4 | 59.8 |
| 1985 | 100.8 | 195.0 | 363.8 | 203.2 | 366.6 | 396.2 | 55.9 |

Source: Central Bank of the Philippines; National Census and Statistics Office.

Table A-11: Average annual export value by product group and type of trading and manufacturing company, 1980 and 1983

(\$ '000)

| PSCC PRODUCT GROUP | YEAR | TRADING COMPANIES | | | | MANUFACTURING COMPANIES | | | | A L L C O M P A N I E S | | | |
|---|------|-------------------|-------------------|--------|--------|-------------------------|-------------------|--------|-------|-------------------------|-------------------|--------|--------|
| | | Foreign | Joint- venture | Local | Total | Foreign | Joint- venture | Local | Total | Foreign | Joint- venture | Local | Total |
| 0 Food and live animals chiefly for food | 1980 | 32 | 154 | 2,593 | 1,106 | 3,126 | 610 | 320 | 823 | 2,905 | 444 | 814 | 897 |
| | 1983 | 8 | 139 | 3,226 | 2,093 | 2,198 | 533 | 184 | 569 | 2,145 | 367 | 1,445 | 1,153 |
| 1 Beverages and tobacco | 1980 | 1 | - | 1 | 1 | 1,087 | 917 | 193 | 827 | 966 | 917 | 155 | 740 |
| | 1983 | - | - | 0 | 0 | 1,651 | 1,025 | 724 | 1,188 | 1,651 | 1,005 | 603 | 1,122 |
| 2 Crude materials, inedible, except fuels | 1980 | - | 2,772 | 618 | 784 | 9,580 | 3,397 | 1,759 | 3,762 | 9,580 | 3,377 | 1,222 | 3,143 |
| | 1983 | 0 | 254 | 334 | 315 | 590 | 1,414 | 1,490 | 1,331 | 551 | 1,322 | 850 | 1,051 |
| 3 Mineral fuels, lubricants and rel. materials | 1980 | - | - | - | - | 1,239 | 10 | 11,118 | 4,945 | 1,239 | 10 | 11,118 | 4,945 |
| | 1983 | - | - | - | - | 7,217 | 9,122 | 6,598 | 7,721 | 7,217 | 9,122 | 6,598 | 7,721 |
| 4 Animal and vegetable oils, fats and waxes | 1980 | - | 10 | 98,865 | 65,913 | 1,514 | 13,978 | 7,198 | 4,107 | 1,514 | 9,322 | 53,032 | 15,014 |
| | 1983 | - | - | 93,866 | 93,866 | 2,841 | 6,684 | 11,536 | 6,054 | 2,841 | 6,684 | 66,423 | 33,074 |
| 5 Chemicals and rel. products | 1980 | 52 | 11 | - | 21 | 379 | 1,236 | 270 | 571 | 373 | 1,121 | 270 | 552 |
| | 1983 | 430 | 34 | 16 | 64 | 229 | 1,156 | 76 | 442 | 236 | 944 | 58 | 385 |
| 6 Manufac. goods classif. chiefly by material | 1980 | 1 | 0 | 1,497 | 1,372 | 211 | 1,769 | 474 | 1,015 | 207 | 1,753 | 719 | 1,048 |
| | 1983 | 0 | 285 | 61 | 134 | 280 | 946 | 184 | 560 | 276 | 879 | 148 | 503 |
| 7 Machinery and transport equip. | 1980 | 1,266 | - | 1 | 1,055 | 810 | 571 | 212 | 569 | 867 | 583 | 204 | 597 |
| | 1983 | 3,065 | 256 | 66 | 1,076 | 837 | 351 | 283 | 522 | 978 | 343 | 265 | 564 |
| 8 Miscell. manufac. articles | 1980 | 58 | 51 | 78 | 71 | 706 | 254 | 210 | 339 | 681 | 229 | 176 | 293 |
| | 1983 | 23 | 21 | 97 | 79 | 382 | 208 | 225 | 287 | 357 | 191 | 183 | 231 |
| 9 Commodities and transactions not classif. elsewhere | 1980 | 4,079 | 1 | 901 | 2,432 | 2,108 | 4,043 | 2,057 | 2,577 | 2,601 | 3,492 | 1,855 | 2,548 |
| | 1983 | 1,591 | 9 | 15 | 801 | 6,225 | 1,332 | 1,532 | 3,386 | 5,011 | 1,058 | 1,251 | 2,806 |

Source: Based on unpublished statistical data from NCSO, Manila, cited in: Von Kirchbach, Friedrich, Export Channels in the Philippines: An Analysis of Characteristics and Performance of Different Types of Exporters, International Trade Centre, Geneva, 1987.

Table A-12: Trade matrix by region, 1965-1985 (selected years)

A. The Philippines - World

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|---------|-----------|-----------|-----------|-----------|-----------|
| IMPORTS | | | | | | |
| Primary products | 318,383 | 622,826 | 1,838,866 | 3,431,839 | 3,206,328 | 2,299,989 |
| Food | 181,013 | 248,212 | 410,331 | 648,134 | 707,050 | 583,224 |
| Raw materials | 42,109 | 106,234 | 256,265 | 319,939 | 203,001 | 161,424 |
| Fuels | 80,347 | 231,181 | 1,087,965 | 2,354,822 | 2,193,689 | 1,508,017 |
| Non-ferrous metals | 14,915 | 37,200 | 84,305 | 108,944 | 102,588 | 47,324 |
| Manufactures | 545,055 | 1,104,016 | 2,802,305 | 3,941,661 | 3,636,821 | 2,018,034 |
| Chemicals | 82,209 | 250,222 | 578,672 | 814,177 | 858,164 | 645,191 |
| Chemical elements | 22,269 | 86,899 | 229,330 | 291,534 | 302,125 | 244,570 |
| Plastic materials | 8,244 | 51,247 | 107,574 | 133,736 | 192,857 | 102,669 |
| Basic manufactures | 151,616 | 300,570 | 675,919 | 958,571 | 902,936 | 498,928 |
| Textiles | 18,104 | 50,064 | 91,947 | 149,084 | 185,561 | 142,898 |
| Iron & steel | 69,364 | 123,884 | 329,435 | 428,836 | 393,889 | 146,001 |
| Machines, transport | 290,455 | 507,252 | 1,416,700 | 1,978,223 | 1,698,828 | 770,888 |
| Non-elec machinery | 145,458 | 310,590 | 724,600 | 1,017,910 | 901,259 | 335,349 |
| Electric machinery | 51,433 | 77,252 | 277,292 | 400,529 | 488,265 | 362,895 |
| Transport equipmnt | 93,564 | 119,411 | 414,808 | 559,784 | 309,303 | 72,643 |
| Motor vehicles | 68,529 | 102,328 | 287,136 | 283,525 | 219,819 | 46,868 |
| Ships & boats | 18,665 | 5,184 | 52,726 | 125,198 | 49,388 | 1,336 |
| Misc manufd articles | 20,775 | 45,972 | 131,014 | 190,690 | 170,893 | 103,028 |
| Clothing | 480 | 361 | 2,401 | 3,313 | 7,261 | 4,541 |
| Footwear | 75 | 38 | 72 | 197 | 1,000 | 230 |
| Instruments etc. | 8,090 | 23,186 | 62,006 | 106,940 | 90,633 | 51,715 |
| Total | 879,649 | 1,789,500 | 5,143,332 | 8,294,598 | 7,977,377 | 5,444,585 |
| EXPORTS | | | | | | |
| Primary products | 722,269 | 1,508,341 | 2,212,787 | 3,632,974 | 2,463,315 | 1,984,166 |
| Food | 452,000 | 782,846 | 1,467,532 | 2,062,207 | 1,525,442 | 1,234,342 |
| Raw materials | 264,536 | 705,314 | 677,350 | 1,390,471 | 736,533 | 473,172 |
| Fuels | 5,664 | 15,786 | 9,695 | 38,201 | 109,374 | 34,452 |
| Non-ferrous metals | 63 | 4,395 | 58,210 | 142,094 | 91,967 | 242,200 |
| Manufactures | 42,819 | 219,564 | 703,340 | 1,213,178 | 1,233,377 | 1,220,693 |
| Chemicals | 3,093 | 9,890 | 59,956 | 89,706 | 93,540 | 159,583 |
| Chemical elements | 2,039 | 2,055 | 38,686 | 51,726 | 50,848 | 69,736 |
| Plastic materials | - | 2,649 | 9,784 | 12,118 | 11,696 | 17,227 |
| Basic manufactures | 36,546 | 162,702 | 247,496 | 390,041 | 276,545 | 225,484 |
| Textiles | 4,438 | 24,102 | 43,702 | 74,398 | 43,947 | 38,550 |
| Iron & steel | 89 | 748 | 21,022 | 48,736 | 28,079 | 40,130 |
| Machines, transport | 61 | 4,372 | 67,130 | 123,696 | 251,320 | 303,620 |
| Non-elec machinery | 25 | 2,301 | 14,174 | 12,312 | 9,980 | 7,436 |
| Electric machinery | - | 940 | 30,244 | 77,171 | 217,101 | 275,652 |
| Transport equipmnt | 36 | 1,130 | 22,711 | 34,213 | 24,239 | 20,531 |
| Motor vehicles | 13 | 712 | 18,643 | 31,534 | 23,266 | 21,057 |
| Ships & boats | 23 | 418 | 2,360 | 1,947 | 610 | -725 |
| Misc manufd articles | 3,119 | 42,599 | 328,758 | 609,735 | 611,972 | 538,007 |
| Clothing | 710 | 11,369 | 160,115 | 278,896 | 317,734 | 264,158 |
| Footwear | 46 | 2,130 | 32,356 | 67,077 | 55,059 | 38,665 |
| Instruments etc. | - | 151 | 16,538 | 27,811 | 14,620 | 5,862 |
| Total | 765,561 | 1,795,678 | 3,327,298 | 5,750,882 | 4,966,677 | 4,587,037 |

Table A-12 (continued)

B. The Philippines - Industrial Countries

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|---------|-----------|-----------|-----------|-----------|-----------|
| IMPORTS | | | | | | |
| Primary products | 179,269 | 345,807 | 637,163 | 929,700 | 833,640 | 636,321 |
| Food | 118,138 | 197,047 | 335,906 | 529,075 | 559,735 | 411,199 |
| Raw materials | 33,839 | 100,073 | 198,763 | 244,195 | 144,596 | 99,461 |
| Fuels | 12,946 | 15,579 | 29,526 | 59,378 | 47,817 | 88,295 |
| Non-ferrous metals | 14,345 | 33,108 | 72,968 | 97,053 | 81,492 | 37,366 |
| Manufactures | 531,017 | 1,054,597 | 2,484,486 | 3,362,878 | 2,940,829 | 1,501,791 |
| Chemicals | 79,006 | 235,845 | 494,470 | 624,596 | 663,699 | 421,986 |
| Chemical elements | 21,255 | 81,840 | 212,288 | 259,002 | 252,526 | 176,768 |
| Plastic materials | 8,014 | 50,493 | 97,192 | 112,808 | 153,432 | 59,799 |
| Basic manufactures | 145,801 | 287,574 | 566,160 | 736,410 | 592,825 | 313,757 |
| Textiles | 16,827 | 45,732 | 43,197 | 59,150 | 59,790 | 36,989 |
| Iron & steel | 67,735 | 121,158 | 301,196 | 379,023 | 263,980 | 96,231 |
| Machines, transport | 286,618 | 490,032 | 1,317,885 | 1,844,405 | 1,543,490 | 690,240 |
| Non-elec machinery | 143,834 | 299,206 | 670,415 | 954,940 | 826,809 | 291,798 |
| Electric machinery | 50,217 | 74,375 | 250,555 | 355,187 | 416,803 | 330,500 |
| Transport equipmnt | 92,567 | 116,451 | 396,915 | 534,279 | 299,870 | 67,942 |
| Motor vehicles | 67,899 | 100,730 | 275,067 | 277,766 | 215,242 | 45,270 |
| Ships & boats | 18,397 | 4,491 | 52,439 | 115,329 | 48,379 | 1,149 |
| Misc manufd articles | 19,591 | 41,145 | 105,971 | 157,467 | 140,816 | 75,807 |
| Clothing | 420 | 320 | 1,251 | 1,127 | 3,291 | 1,134 |
| Footwear | 74 | 38 | 58 | 98 | 216 | 54 |
| Instruments etc. | 8,004 | 21,449 | 56,904 | 98,641 | 82,362 | 46,871 |
| Total | 724,503 | 1,455,135 | 3,546,770 | 5,045,827 | 4,651,596 | 2,965,937 |
| EXPORTS | | | | | | |
| Primary products | 691,807 | 1,388,435 | 1,841,752 | 2,752,527 | 1,968,729 | 1,614,276 |
| Food | 444,911 | 739,636 | 1,178,104 | 1,447,000 | 1,204,037 | 1,031,194 |
| Raw materials | 241,948 | 636,231 | 608,061 | 1,173,708 | 600,803 | 402,070 |
| Fuels | 4,873 | 10,694 | 763 | 4,175 | 87,373 | 15,206 |
| Non-ferrous metals | 68 | 1,874 | 54,825 | 127,644 | 76,516 | 165,806 |
| Manufactures | 40,072 | 155,254 | 531,339 | 890,851 | 999,818 | 978,055 |
| Chemicals | 2,305 | 2,802 | 42,482 | 66,549 | 62,823 | 82,469 |
| Chemical elements | 1,926 | 1,188 | 33,544 | 45,479 | 43,214 | 51,443 |
| Plastic materials | - | 1,082 | 2,826 | 5,494 | 2,675 | 3,902 |
| Basic manufactures | 34,807 | 113,753 | 164,765 | 230,645 | 207,508 | 173,727 |
| Textiles | 3,126 | 14,144 | 22,713 | 37,208 | 29,288 | 25,953 |
| Iron & steel | - | 49 | 11,720 | 22,594 | 22,917 | 37,845 |
| Machines, transport | 38 | 1,021 | 39,645 | 76,488 | 195,472 | 226,992 |
| Non-elec machinery | 2 | 354 | 10,044 | 6,586 | 3,061 | 1,956 |
| Electric machinery | - | 489 | 13,624 | 46,038 | 172,487 | 203,982 |
| Transport equipmnt | 36 | 178 | 15,977 | 23,864 | 19,924 | 21,054 |
| Motor vehicles | 13 | 178 | 14,703 | 22,535 | 19,075 | 20,732 |
| Ships & boats | 23 | 0 | 227 | 605 | 491 | 126 |
| Misc manufd articles | 2,921 | 37,678 | 284,448 | 517,169 | 534,015 | 494,866 |
| Clothing | 709 | 9,712 | 130,235 | 221,237 | 270,378 | 237,471 |
| Footwear | 38 | 1,907 | 31,382 | 63,957 | 48,443 | 36,496 |
| Instruments etc. | - | 18 | 11,513 | 16,189 | 5,080 | 3,644 |
| Total | 732,254 | 1,603,987 | 2,721,592 | 4,340,661 | 3,909,146 | 3,478,448 |

Table A-12 (continued)

C. The Philippines - USA

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|---------|---------|-----------|-----------|-----------|-----------|
| IMPORTS | | | | | | |
| Primary products | 89,041 | 147,144 | 259,883 | 425,735 | 403,107 | 320,269 |
| Food | 54,746 | 78,035 | 158,325 | 298,449 | 310,415 | 271,232 |
| Raw materials | 22,739 | 49,436 | 82,082 | 100,115 | 65,857 | 43,191 |
| Fuels | 8,680 | 7,468 | 12,495 | 13,677 | 21,472 | 2,726 |
| Non-ferrous metals | 2,875 | 12,205 | 6,980 | 13,495 | 5,362 | 3,140 |
| Manufactures | 206,347 | 326,835 | 621,792 | 1,070,242 | 837,394 | 532,118 |
| Chemicals | 28,872 | 76,357 | 135,687 | 219,219 | 225,534 | 151,288 |
| Chemical elements | 7,064 | 21,742 | 52,655 | 73,211 | 84,327 | 63,481 |
| Plastic materials | 4,040 | 13,534 | 23,821 | 47,685 | 52,457 | 22,367 |
| Basic manufactures | 42,387 | 59,614 | 93,323 | 149,274 | 91,548 | 60,108 |
| Textiles | 6,538 | 8,594 | 7,178 | 13,459 | 10,533 | 4,697 |
| Iron & steel | 7,047 | 6,864 | 12,019 | 17,444 | 10,400 | 2,704 |
| Machines, transport | 124,577 | 173,817 | 351,917 | 643,635 | 468,412 | 297,941 |
| Non-elec machinery | 68,358 | 104,552 | 201,121 | 353,245 | 252,022 | 134,572 |
| Electric machinery | 19,824 | 31,061 | 83,598 | 142,009 | 159,937 | 147,142 |
| Transport equipmnt | 36,394 | 38,203 | 67,199 | 148,380 | 56,452 | 16,227 |
| Motor vehicles | 31,393 | 31,529 | 39,388 | 54,874 | 40,166 | 6,744 |
| Ships & boats | 799 | 231 | 3,462 | 3,734 | 60 | 28 |
| Misc manufd articles | 10,511 | 17,047 | 40,864 | 58,114 | 51,901 | 22,781 |
| Clothing | 277 | 133 | 564 | 562 | 627 | 450 |
| Footwear | 27 | 5 | 26 | 44 | 106 | 17 |
| Instruments etc. | 3,852 | 9,149 | 22,397 | 33,766 | 27,896 | 13,612 |
| Total | 307,976 | 506,486 | 1,086,040 | 1,956,544 | 1,859,048 | 1,375,137 |
| EXPORTS | | | | | | |
| Primary products | 311,220 | 527,527 | 629,409 | 762,607 | 655,805 | 530,034 |
| Food | 278,817 | 470,194 | 543,543 | 600,081 | 536,491 | 496,207 |
| Raw materials | 28,395 | 50,659 | 52,667 | 93,943 | 66,964 | 24,871 |
| Fuels | 4,008 | 6,673 | 0 | - | 20,868 | 1 |
| Non-ferrous metals | - | 1 | 33,200 | 68,583 | 31,482 | 8,955 |
| Manufactures | 36,542 | 92,059 | 255,696 | 390,685 | 547,790 | 506,949 |
| Chemicals | 251 | 126 | 2,102 | 6,209 | 5,353 | 13,425 |
| Chemical elements | 202 | 35 | 414 | 18 | 1,125 | 5,833 |
| Plastic materials | - | - | 419 | 2,432 | 1,049 | 2,086 |
| Basic manufactures | 33,727 | 72,992 | 92,884 | 104,648 | 87,678 | 64,583 |
| Textiles | 2,801 | 4,530 | 13,328 | 20,111 | 17,827 | 16,560 |
| Iron & steel | - | 41 | 7,405 | 1,149 | 477 | 3,408 |
| Machines, transport | 37 | 443 | 9,494 | 43,184 | 151,804 | 139,679 |
| Non-elec machinery | 1 | 132 | 859 | 4,602 | 1,702 | 780 |
| Electric machinery | - | 211 | 7,983 | 37,948 | 142,033 | 128,263 |
| Transport equipmnt | 36 | 100 | 652 | 634 | 8,069 | 10,636 |
| Motor vehicles | 13 | 100 | 605 | 559 | 7,840 | 10,450 |
| Ships & boats | 23 | 0 | - | 45 | 222 | 82 |
| Misc manufd articles | 2,526 | 18,498 | 151,217 | 236,645 | 302,956 | 239,262 |
| Clothing | 708 | 7,316 | 65,181 | 82,151 | 153,966 | 142,970 |
| Footwear | 30 | 1,255 | 25,574 | 38,170 | 25,848 | 8,655 |
| Instruments etc. | - | 11 | 567 | 183 | 937 | 301 |
| Total | 347,990 | 670,889 | 1,144,033 | 1,589,595 | 1,793,522 | 1,647,120 |

Table A-12 (continued)

D. The Philippines - Japan

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|---------|---------|-----------|-----------|-----------|---------|
| IMPORTS | | | | | | |
| Primary products | 28,133 | 85,950 | 104,239 | 124,736 | 104,414 | 66,976 |
| Food | 12,386 | 36,905 | 23,115 | 31,311 | 11,972 | 10,750 |
| Raw materials | 7,308 | 33,681 | 44,381 | 38,075 | 40,280 | 29,806 |
| Fuels | 1,354 | 5,265 | 7,847 | 21,270 | 18,808 | 10,802 |
| Non-ferrous metals | 7,086 | 10,099 | 28,897 | 34,080 | 33,354 | 15,618 |
| Manufactures | 184,501 | 457,874 | 1,156,472 | 1,380,264 | 1,158,045 | 582,061 |
| Chemicals | 19,331 | 84,891 | 171,283 | 188,451 | 177,090 | 103,424 |
| Chemical elements | 6,573 | 35,644 | 91,095 | 109,750 | 81,448 | 54,648 |
| Plastic materials | 2,517 | 29,063 | 44,812 | 43,064 | 57,556 | 20,995 |
| Basic manufactures | 74,476 | 178,944 | 336,871 | 445,872 | 337,314 | 200,831 |
| Textiles | 9,321 | 30,344 | 30,187 | 33,640 | 38,767 | 25,092 |
| Iron & steel | 50,539 | 94,990 | 223,592 | 303,977 | 187,320 | 83,091 |
| Machines, transport | 83,574 | 180,721 | 615,955 | 685,501 | 586,238 | 249,627 |
| Non-elec machinery | 39,751 | 110,817 | 262,909 | 299,615 | 282,949 | 90,288 |
| Electric machinery | 15,076 | 26,631 | 120,837 | 111,294 | 124,133 | 120,303 |
| Transport equipmnt | 30,747 | 43,273 | 232,209 | 274,392 | 179,157 | 39,036 |
| Motor vehicles | 14,116 | 37,662 | 182,289 | 175,734 | 165,695 | 35,737 |
| Ships & boats | 15,290 | 4,022 | 42,109 | 77,350 | 8,775 | 1,053 |
| Misc manufd articles | 5,119 | 13,318 | 32,363 | 60,630 | 57,402 | 28,180 |
| Clothing | 63 | 31 | 136 | 125 | 1,650 | 224 |
| Footwear | 5 | 11 | 22 | 33 | 33 | 3 |
| Instruments etc. | 2,681 | 6,516 | 17,515 | 43,803 | 35,643 | 17,866 |
| Total | 212,913 | 561,105 | 1,412,928 | 1,651,304 | 1,370,114 | 782,822 |
| EXPORTS | | | | | | |
| Primary products | 215,139 | 629,169 | 667,880 | 1,286,723 | 754,306 | 616,213 |
| Food | 21,356 | 100,411 | 193,521 | 340,644 | 249,700 | 244,393 |
| Raw materials | 193,628 | 525,606 | 469,824 | 935,574 | 413,038 | 267,218 |
| Fuels | 90 | 1,398 | - | 962 | 66,505 | 15,205 |
| Non-ferrous metals | 65 | 1,754 | 4,536 | 9,543 | 25,064 | 89,397 |
| Manufactures | 1,520 | 29,765 | 72,120 | 130,450 | 134,367 | 150,756 |
| Chemicals | 1,319 | 1,863 | 37,827 | 54,344 | 50,965 | 52,185 |
| Chemical elements | - | 992 | 708 | 42,436 | 39,955 | 39,504 |
| Plastic materials | - | 925 | 2,036 | 2,178 | 530 | 111 |
| Basic manufactures | 141 | 19,792 | 13,089 | 27,509 | 36,451 | 46,146 |
| Textiles | 18 | 5,939 | 936 | 2,704 | 2,302 | 2,392 |
| Iron & steel | - | 3 | 3,615 | 13,026 | 21,567 | 29,476 |
| Machines, transport | - | 133 | 6,397 | 7,064 | 15,519 | 21,554 |
| Non-elec machinery | - | 31 | 4,005 | 294 | 41 | 75 |
| Electric machinery | - | 47 | 921 | 1,233 | 8,731 | 17,137 |
| Transport equipmnt | - | 54 | 1,471 | 5,536 | 6,747 | 4,342 |
| Motor vehicles | - | 54 | 1,004 | 4,910 | 6,336 | 4,327 |
| Ships & boats | - | - | 4 | 101 | 61 | 9 |
| Misc manufd articles | 60 | 7,976 | 14,807 | 41,532 | 31,432 | 30,870 |
| Clothing | 0 | 1,220 | 4,064 | 12,837 | 10,368 | 6,357 |
| Footwear | - | 16 | 184 | 2,385 | 3,779 | 5,533 |
| Instruments etc. | - | 1 | 2,193 | 9,450 | 564 | 33 |
| Total | 216,669 | 663,473 | 762,975 | 1,523,789 | 1,019,012 | 872,100 |

Table A-12 (continued)

E. The Philippines - EEC (10 Countries)

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| IMPORTS | | | | | | |
| Primary products | 24,343 | 27,553 | 70,479 | 99,876 | 125,570 | 69,519 |
| Food | 19,483 | 19,909 | 52,739 | 71,311 | 104,624 | 56,593 |
| Raw materials | 1,489 | 4,436 | 9,849 | 10,116 | 9,173 | 4,859 |
| Fuels | 1,909 | 1,355 | 2,312 | 9,660 | 2,189 | 2,584 |
| Non-ferrous metals | 1,462 | 1,853 | 5,580 | 8,789 | 9,585 | 5,483 |
| Manufactures | 106,427 | 195,560 | 517,784 | 654,012 | 724,542 | 275,178 |
| Chemicals | 25,371 | 55,725 | 139,792 | 148,744 | 179,949 | 121,969 |
| Chemical elements | 6,046 | 18,907 | 56,517 | 56,338 | 63,050 | 44,546 |
| Plastic materials | 1,287 | 6,581 | 17,136 | 14,137 | 26,967 | 9,991 |
| Basic manufactures | 17,028 | 21,566 | 65,422 | 71,573 | 108,684 | 28,482 |
| Textiles | 698 | 5,247 | 3,474 | 8,423 | 7,478 | 5,495 |
| Iron & steel | 7,579 | 3,719 | 19,529 | 16,732 | 38,189 | 6,778 |
| Machines, transport | 60,814 | 110,918 | 290,829 | 409,581 | 414,479 | 106,450 |
| Non-elec machinery | 30,028 | 70,751 | 172,208 | 241,735 | 235,413 | 48,073 |
| Electric machinery | 7,534 | 13,765 | 33,480 | 90,619 | 116,444 | 47,050 |
| Transport equipmnt | 23,252 | 26,401 | 85,142 | 77,226 | 62,621 | 11,327 |
| Motor vehicles | 20,993 | 23,358 | 48,751 | 44,240 | 9,348 | 2,228 |
| Ships & boats | 1,561 | 175 | 10 | 4,432 | 39,544 | 65 |
| Misc manufd articles | 3,213 | 7,351 | 21,742 | 24,114 | 21,431 | 18,277 |
| Clothing | 52 | 3 | 440 | 283 | 835 | 409 |
| Footwear | 20 | 21 | 10 | 20 | 51 | 34 |
| Instruments etc. | 1,140 | 3,571 | 8,957 | 9,249 | 11,070 | 10,212 |
| Total | 131,707 | 227,064 | 647,278 | 880,918 | 941,130 | 452,475 |
| EXPORTS | | | | | | |
| Primary products | 138,539 | 193,090 | 457,708 | 598,996 | 471,720 | 351,999 |
| Food | 124,312 | 143,049 | 376,131 | 443,658 | 349,621 | 220,880 |
| Raw materials | 13,848 | 47,904 | 66,374 | 102,608 | 102,131 | 93,424 |
| Fuels | 376 | 2,018 | - | 3,213 | - | - |
| Non-ferrous metals | 3 | 118 | 15,203 | 49,517 | 19,967 | 37,695 |
| Manufactures | 1,178 | 19,226 | 129,949 | 265,020 | 221,878 | 219,270 |
| Chemicals | 731 | 215 | 929 | 2,564 | 3,332 | 6,838 |
| Chemical elements | 731 | 157 | 246 | 1,530 | 1,406 | 4,455 |
| Plastic materials | - | - | 47 | 173 | 391 | 745 |
| Basic manufactures | 353 | 12,119 | 34,984 | 70,537 | 61,655 | 40,631 |
| Textiles | 241 | 1,044 | 4,946 | 8,943 | 3,490 | 3,251 |
| Iron & steel | - | - | - | 7,562 | 0 | - |
| Machines, transport | - | 274 | 10,511 | 17,035 | 22,672 | 57,906 |
| Non-elec machinery | - | 97 | 788 | 500 | 112 | 279 |
| Electric machinery | - | 168 | 3,632 | 5,335 | 20,132 | 56,440 |
| Transport equipmnt | - | 9 | 6,090 | 11,200 | 2,428 | 1,187 |
| Motor vehicles | - | 9 | 6,090 | 10,944 | 2,427 | 1,187 |
| Ships & boats | - | - | - | 88 | - | - |
| Misc manufd articles | 94 | 6,617 | 83,525 | 174,885 | 134,219 | 113,894 |
| Clothing | 0 | 469 | 47,394 | 104,369 | 83,697 | 67,613 |
| Footwear | - | 47 | 1,091 | 13,500 | 9,015 | 12,853 |
| Instruments etc. | - | 0 | 8,139 | 5,525 | 3,359 | 2,790 |
| Total | 139,783 | 215,101 | 634,335 | 981,072 | 887,031 | 707,314 |

Table A-12 (continued)

F. The Philippines - Developing Countries

| | 1965 | 1973 | 1978 | 1980 | 1983 | 1985 |
|----------------------|---------|---------|-----------|-----------|-----------|-----------|
| IMPORTS | | | | | | |
| Primary products | 138,900 | 275,611 | 1,199,138 | 2,497,139 | 2,362,817 | 1,656,951 |
| Food | 62,692 | 51,162 | 74,152 | 114,249 | 146,528 | 169,976 |
| Raw materials | 8,238 | 6,161 | 56,843 | 75,615 | 56,433 | 61,375 |
| Fuels | 67,400 | 215,602 | 1,056,806 | 2,295,427 | 2,138,950 | 1,415,643 |
| Non-ferrous metals | 570 | 2,686 | 11,337 | 11,849 | 20,906 | 9,957 |
| Manufactures | 13,892 | 49,323 | 302,585 | 539,567 | 667,345 | 495,316 |
| Chemicals | 3,142 | 14,354 | 77,009 | 157,876 | 173,507 | 203,712 |
| Chemical elements | 1,006 | 5,045 | 16,617 | 31,839 | 47,182 | 58,908 |
| Plastic materials | 230 | 754 | 9,289 | 19,156 | 30,311 | 40,069 |
| Basic manufactures | 5,789 | 12,965 | 102,839 | 217,513 | 303,962 | 184,024 |
| Textiles | 1,277 | 4,301 | 48,750 | 89,934 | 125,770 | 105,875 |
| Iron & steel | 1,627 | 2,725 | 21,446 | 46,391 | 123,842 | 48,810 |
| Machines, transport | 3,791 | 17,180 | 97,886 | 131,004 | 154,074 | 80,452 |
| Non-elec machinery | 1,604 | 11,344 | 53,397 | 60,929 | 73,822 | 43,435 |
| Electric machinery | 1,206 | 2,877 | 26,632 | 44,579 | 71,147 | 32,315 |
| Transport equipmnt | 981 | 2,960 | 17,857 | 25,496 | 9,105 | 4,701 |
| Motor vehicles | 615 | 1,598 | 12,033 | 5,751 | 3,256 | 1,618 |
| Ships & boats | 267 | 694 | 287 | 9,869 | 1,009 | 187 |
| Misc manufd articles | 1,170 | 4,824 | 24,850 | 33,176 | 35,802 | 27,129 |
| Clothing | 57 | 41 | 1,150 | 2,186 | 3,970 | 3,406 |
| Footwear | 1 | 0 | 14 | 99 | 784 | 176 |
| Instruments etc. | 82 | 1,734 | 4,914 | 8,268 | 7,996 | 4,753 |
| Total | 154,759 | 332,739 | 1,578,549 | 3,203,972 | 3,286,774 | 2,450,350 |
| EXPORTS | | | | | | |
| Primary products | 30,271 | 112,029 | 325,395 | 673,831 | 403,531 | 336,408 |
| Food | 7,027 | 35,335 | 248,266 | 430,833 | 232,433 | 170,562 |
| Raw materials | 22,574 | 69,084 | 64,812 | 198,380 | 133,647 | 70,206 |
| Fuels | 670 | 5,089 | 8,932 | 34,026 | 22,001 | 19,246 |
| Non-ferrous metals | 0 | 2,521 | 3,385 | 10,592 | 15,451 | 76,394 |
| Manufactures | 2,735 | 64,310 | 167,320 | 317,929 | 230,968 | 245,679 |
| Chemicals | 787 | 7,089 | 17,474 | 23,131 | 30,704 | 76,424 |
| Chemical elements | 114 | 866 | 5,142 | 6,247 | 7,623 | 17,681 |
| Plastic materials | - | 1,567 | 6,958 | 6,625 | 9,021 | 13,325 |
| Basic manufactures | 1,730 | 48,949 | 81,351 | 159,379 | 68,896 | 51,559 |
| Textiles | 1,310 | 9,958 | 20,988 | 37,190 | 14,551 | 12,411 |
| Iron & steel | 89 | 699 | 9,302 | 26,142 | 5,162 | 2,285 |
| Machines, transport | 22 | 3,352 | 27,485 | 47,181 | 55,848 | 76,623 |
| Non-elec machinery | 22 | 1,948 | 4,131 | 5,726 | 6,919 | 5,476 |
| Electric machinery | - | 451 | 16,620 | 31,106 | 44,614 | 71,670 |
| Transport equipmnt | - | 953 | 6,734 | 10,349 | 4,315 | -523 |
| Motor vehicles | - | 534 | 3,940 | 8,999 | 4,191 | 325 |
| Ships & boats | - | 418 | 2,133 | 1,342 | 119 | -851 |
| Misc manufd articles | 196 | 4,921 | 41,009 | 88,238 | 75,520 | 41,074 |
| Clothing | 1 | 1,657 | 26,581 | 53,375 | 45,027 | 24,686 |
| Footwear | 8 | 223 | 973 | 3,104 | 6,600 | 2,168 |
| Instruments etc. | - | 133 | 5,025 | 11,594 | 9,540 | 2,218 |
| Total | 33,095 | 183,811 | 554,560 | 1,197,957 | 963,700 | 1,071,545 |

Source: UNCTAD Trade Data Base.

Table A-13: Direction of exports by type of trading and manufacturing companies, 1980 and 1983

| TYPE OF EXPORTER DESTINATION | YEAR | TRADING COMPANIES | | | MANUFACTURING COMPANIES | | | ALL COMPANIES | |
|-----------------------------------|------|-------------------|---------------|-------|-------------------------|---------------|-------|----------------------|------------------|
| | | Foreign | Joint-venture | Local | Foreign | Joint-venture | Local | All sample companies | National exports |
| United States of America | 1980 | 31.9 | 48.7 | 24.7 | 41.6 | 22.3 | 27.1 | 28.0 | 27.2 |
| | 1983 | 35.8 | 52.5 | 39.8 | 43.5 | 27.9 | 36.6 | 37.1 | 35.7 |
| Japan | 1980 | 4.2 | 10.0 | 4.3 | 23.8 | 42.5 | 26.9 | 29.1 | 26.5 |
| | 1983 | 0.5 | 7.5 | 10.2 | 17.7 | 36.7 | 17.0 | 21.4 | 20.3 |
| European Economic Community (EEC) | 1980 | 11.2 | 30.7 | 30.4 | 14.3 | 15.1 | 20.2 | 18.2 | 16.9 |
| | 1983 | 4.8 | 9.0 | 15.4 | 15.5 | 13.6 | 18.2 | 15.3 | 16.3 |
| Other developed countries | 1980 | 11.4 | 6.0 | 2.4 | 4.3 | 3.2 | 4.4 | 3.7 | 4.2 |
| | 1983 | 0.5 | 2.2 | 1.5 | 2.6 | 3.8 | 5.2 | 3.1 | 4.2 |
| ASEAN countries | 1980 | 21.8 | 0.0 | 11.2 | 7.3 | 1.4 | 7.1 | 5.5 | 6.5 |
| | 1983 | 10.3 | 26.7 | 2.0 | 14.1 | 1.9 | 9.8 | 7.6 | 7.0 |
| Other countries | 1980 | 19.5 | 4.6 | 27.0 | 8.7 | 15.5 | 14.3 | 15.5 | 18.6 |
| | 1983 | 48.1 | 2.1 | 31.1 | 6.6 | 16.1 | 13.2 | 15.5 | 16.5 |
| TOTAL | 1980 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | 1983 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Based on unpublished statistical data from NCSO, Manila, cited in: Von Kirchbach, Friedrich, Export Channels in the Philippines: An Analysis of Characteristics and Performance of Different Types of Exporters, International Trade Centre, Geneva, 1987.

Table A-14: Philippine exports by nationality of traders and type of ownership, 1980-1984

(\$ million)

| NATIONALITY OF TRADER AND TYPE OF OWNERSHIP | 1980 | | 1981 | | 1982 | | 1983 | | 1984 | | INDEX 1984 1980=100 |
|---|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|------------------------|
| | US\$ m | % | US\$ m | % | US\$ m | % | US\$ m | % | US\$ m | % | |
| TOTAL EXPORTS | 5,787.8 | 100.0 | 5,722.2 | 100.0 | 5,020.6 | 100.0 | 5,005.3 | 100.0 | 5,390.6 | 100.0 | 93.1 |
| LOCAL COMPANIES | 4,334.9 | 74.9 | 4,065.0 | 71.0 | 3,676.6 | 73.2 | 3,670.9 | 73.3 | 3,985.9 | 73.9 | 91.9 |
| Private | 3,610.8 | 62.4 | 3,435.7 | 60.0 | 3,301.7 | 65.8 | 3,320.3 | 66.3 | 3,676.4 | 68.2 | 101.8 |
| Government ^{a/} | 724.1 | 12.5 | 629.3 | 11.0 | 374.9 | 7.4 | 350.6 | 7.0 | 309.5 | 5.7 | 42.7 |
| FOREIGN COMPANIES | 1,452.9 | 25.1 | 1,657.2 | 29.0 | 1,344.0 | 26.8 | 1,334.4 | 26.7 | 1,404.7 | 26.1 | 96.7 |
| U.S.A. | 1,095.0 | 18.9 | 1,281.0 | 22.4 | 1,016.9 | 20.3 | 946.4 | 18.9 | 1,029.6 | 19.1 | 94.0 |
| Japan | 160.2 | 2.8 | 177.9 | 3.1 | 161.3 | 3.2 | 171.8 | 3.4 | 172.7 | 3.2 | 107.8 |
| United Kingdom | 80.7 | 1.4 | 69.5 | 1.2 | 51.7 | 1.0 | 95.8 | 1.9 | 82.3 | 1.5 | 102.0 |
| Fed. Rep. of Germany | 20.4 | 0.3 | 25.6 | 0.5 | 34.1 | 0.7 | 37.0 | 0.8 | 39.8 | 0.8 | 195.1 |
| Other developed market economy countries | 40.3 | 0.7 | 46.8 | 0.8 | 30.4 | 0.6 | 25.8 | 0.5 | 20.5 | 0.4 | 50.9 |
| China | 35.9 | 0.6 | 31.4 | 0.6 | 29.0 | 0.6 | 35.3 | 0.7 | 37.4 | 0.7 | 104.2 |
| Other countries | 20.4 | 0.4 | 25.0 | 0.4 | 20.6 | 0.4 | 22.3 | 0.5 | 22.4 | 0.4 | 109.8 |

Source: Based on unpublished statistical data from NCSO, Manila, cited in: Von Kirchbach, Friedrich, Export Channels in the Philippines: An Analysis of Characteristics and Performance of Different Types of Exporters, International Trade Centre, Geneva, 1987.

a/ Social Welfare Administration included.

Table A-15: EEC imports from the Philippines under preferential and non-preferential treatment, 1980, 1983 and 1986
(ECU million)

| | 1980 | 1983 | 1986 |
|--|--------------|----------------|----------------|
| Total imports | 823.0 | 1,091.8 | 1,114.7 |
| Imports eligible for preferential treatment under the GSP | 577.9 | 697.1 | 701.9 |
| Imports receiving preferential treatment | 252.0 | 328.5 | 357.3 |
| of which | | | |
| Sensitive industrial goods (excl. textiles) | 33.8 | 90.3 | 83.1 |
| non-sensitive industrial goods (excl. textiles) | 28.3 | 34.2 | 40.6 |
| sensitive textiles | 16.2 | 23.6 | 22.5 |
| non-sensitive agricultural goods | 127.3 | 156.8 | 161.1 |

Source: EC, Statistical Office of the European Communities, Microfiche SPG-2441, various issues.

Table A-16 (continued)

| Industry code | Industry group and employment classification | No. of establishments | Total employees | No. of paid employees | Census value added | Fixed assets | Total compensation | Total costs | Total sales |
|---------------|--|-----------------------|-----------------|-----------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| 355 | Rubber | 744 | 21,093 | 19,772 | 1,016,831 | 505,064 | 293,969 | 1,585,383 | 2,242,123 |
| | <10 | 637 | 3,595 | 2,343 | 48,570 | 32,089 | 9,694 | 62,655 | 108,640 |
| | 10-99 | 86 | 2,587 | 2,521 | 113,362 | 92,265 | 33,833 | 195,203 | 273,265 |
| | 100-199 | 7 | 987 | 984 | 35,240 | 19,183 | 12,049 | 46,599 | 74,641 |
| | 200 & over | 14 | 13,924 | 13,924 | 819,651 | 361,521 | 238,385 | 1,280,920 | 1,785,571 |
| 356 | Plastics | 238 | 17,225 | 17,023 | 900,131 | 679,957 | 243,441 | 1,703,316 | 2,352,979 |
| | <10 | 95 | 447 | 314 | 11,511 | 6,177 | 2,365 | 16,800 | 25,181 |
| | 10-99 | 103 | 3,956 | 3,887 | 175,650 | 246,282 | 44,351 | 405,843 | 546,489 |
| | 100-199 | 27 | 3,094 | 3,094 | 188,632 | 134,966 | 45,899 | 457,629 | 563,775 |
| | 200 & over | 18 | 9,728 | 9,728 | 524,331 | 292,522 | 150,818 | 823,036 | 1,217,528 |
| 361 | Pottery, china, earthenware | 593 | 3,719 | 2,552 | 142,722 | 159,372 | 38,263 | 146,288 | 244,664 |
| | <10 | 574 | 1,449 | 303 | 5,177 | 3,581 | 4,277 | 4,277 | 8,827 |
| | 10-99 | 15 | 391 | 370 | 4,489 | 5,101 | 3,003 | 4,375 | 8,187 |
| | 100-199 | 1 | 105 | 105 | 6,942 | 526 | 2,316 | 5,141 | 13,962 |
| | 200 & over | 3 | 1,774 | 1,774 | 126,111 | 150,126 | 31,866 | 132,491 | 213,685 |
| 362 | Glass | 49 | 7,311 | 7,280 | 400,285 | 916,956 | 137,597 | 808,865 | 1,161,497 |
| | <10 | 27 | 64 | 37 | 1,402 | 380 | 367 | 3,672 | 2,537 |
| | 10-99 | 16 | 608 | 604 | 26,738 | 17,500 | 7,968 | 66,891 | 91,770 |
| | 100-199 | 2 | 286 | 286 | 16,599 | 55,234 | 2,871 | 8,664 | 13,240 |
| | 200 & over | 9 | 6,353 | 6,353 | 355,542 | 843,657 | 126,387 | 730,294 | 1,053,947 |
| 69 | Other nonmetallic mineral products | 1,324 | 17,515 | 15,180 | 520,367 | 892,756 | 178,043 | 932,648 | 1,316,253 |
| | <10 | 1,140 | 5,338 | 3,264 | 58,526 | 74,538 | 17,623 | 78,307 | 123,944 |
| | 10-99 | 160 | 4,452 | 4,190 | 127,379 | 141,217 | 45,296 | 232,534 | 340,513 |
| | 100-199 | 16 | 2,351 | 2,351 | 142,103 | 410,539 | 40,141 | 213,549 | 290,909 |
| | 200 & over | 8 | 5,376 | 5,375 | 192,355 | 266,055 | 74,983 | 408,253 | 561,040 |
| 371 | Iron and steel | 119 | 17,388 | 17,337 | 4,320,751 | 3,734,666 | 363,502 | 5,564,931 | 9,691,686 |
| | <10 | - | - | - | - | - | - | - | - |
| | 10-99 | 80 | 3,190 | 3,142 | 175,799 | 171,917 | 43,343 | 692,294 | 800,994 |
| | 100-199 | 18 | 2,537 | 2,534 | 277,311 | 229,071 | 48,900 | 904,595 | 1,115,723 |
| | 200 & over | 21 | 11,661 | 11,661 | 3,867,634 | 3,333,671 | 271,252 | 3,968,036 | 7,774,970 |
| 372 | Nonferrous metal | 33 | 3,619 | 3,606 | 319,465 | 722,489 | 90,081 | 753,155 | 971,733 |
| | <10 | - | - | - | - | - | - | - | - |
| | 10-99 | 22 | 671 | 660 | 35,088 | 32,161 | 8,698 | 81,744 | 104,742 |
| | 100-199 | 6 | 870 | 868 | 58,759 | 205,532 | 23,819 | 74,942 | 110,367 |
| | 200 & over | 5 | 2,078 | 2,078 | 225,612 | 484,770 | 57,557 | 596,462 | 756,619 |
| 381 | Fabricated metals | 3,923 | 31,306 | 25,073 | 1,103,785 | 873,090 | 307,326 | 2,195,002 | 2,994,290 |
| | <10 | 3,632 | 11,927 | 5,933 | 93,835 | 95,672 | 33,702 | 118,486 | 136,857 |
| | 10-99 | 242 | 7,503 | 7,264 | 433,142 | 238,270 | 82,846 | 660,609 | 1,036,034 |
| | 100-199 | 28 | 3,760 | 3,760 | 163,924 | 131,498 | 52,020 | 252,268 | 534,201 |
| | 200 & over | 21 | 8,117 | 8,116 | 412,878 | 407,644 | 138,750 | 990,633 | 1,287,192 |
| 382 | Machinery | 1,109 | 19,992 | 18,491 | 537,528 | 480,370 | 229,195 | 676,889 | 1,086,798 |
| | <10 | 787 | 3,451 | 2,222 | 36,97 | 56,095 | 15,939 | 38,377 | 36,270 |
| | 10-99 | 294 | 7,945 | 7,674 | 241,588 | 188,486 | 93,188 | 234,133 | 430,667 |
| | 100-199 | 15 | 2,065 | 2,064 | 87,370 | 63,844 | 31,354 | 139,599 | 225,437 |
| | 200 & over | 13 | 6,531 | 6,531 | 171,659 | 171,937 | 88,697 | 264,774 | 394,418 |
| 383 | Electrical machinery | 219 | 53,283 | 53,121 | 3,331,040 | 1,835,607 | 987,933 | 5,925,523 | 8,482,597 |
| | <10 | 67 | 325 | 197 | 3,693 | 5,410 | 1,539 | 5,197 | 7,784 |
| | 10-99 | 77 | 2,984 | 2,948 | 142,791 | 105,296 | 41,038 | 224,641 | 324,043 |
| | 100-199 | 19 | 2,845 | 2,845 | 174,416 | 178,001 | 49,979 | 120,425 | 348,208 |
| | 200 & over | 56 | 47,131 | 47,131 | 3,010,134 | 1,546,893 | 895,351 | 5,485,252 | 7,802,575 |
| 14 | Transport equipment | 507 | 23,450 | 22,900 | 1,701,319 | 2,639,845 | 513,314 | 4,818,153 | 6,303,478 |
| | <10 | 329 | 1,195 | 733 | 12,856 | 12,509 | 4,853 | 13,370 | 14,814 |
| | 10-99 | 135 | 4,180 | 4,097 | 175,378 | 173,886 | 51,558 | 342,430 | 518,529 |
| | 100-199 | 18 | 2,678 | 2,673 | 214,311 | 146,448 | 44,080 | 328,008 | 430,531 |
| | 200 & over | 25 | 15,397 | 15,397 | 1,298,766 | 2,306,994 | 412,816 | 4,134,338 | 5,339,597 |
| 385 | Prof. and scientific equipment | 13 | 948 | 936 | 30,802 | 27,352 | 9,751 | 88,114 | 111,354 |
| | <10 | 3 | 20 | 16 | 1,987 | 1,502 | 182 | 3,203 | 6,521 |
| | 10-99 | 7 | 306 | 298 | 17,882 | 11,443 | 3,836 | 36,864 | 48,136 |
| | 100-199 | 1 | 150 | 150 | 4,150 | 5,607 | 3,143 | 21,937 | 27,124 |
| | 200 & over | 2 | 472 | 472 | 6,774 | 8,798 | 2,588 | 26,108 | 29,570 |
| 386 | Metal furniture | 63 | 1,183 | 1,106 | 30,145 | 88,945 | 11,358 | 43,853 | 61,943 |
| | <10 | 34 | 191 | 138 | 2,382 | 1,529 | 1,139 | 3,524 | 5,011 |
| | 10-99 | 28 | 790 | 766 | 22,288 | 29,977 | 8,370 | 28,327 | 45,100 |
| | 100-199 | - | - | - | - | - | - | - | - |
| | 200 & over | 1 | 202 | 202 | 5,472 | 57,435 | 1,847 | 11,998 | 11,828 |
| 390 | Other | 1,116 | 11,860 | 9,817 | 328,299 | 213,202 | 115,047 | 423,325 | 649,815 |
| | <10 | 984 | 3,128 | 1,246 | 24,962 | 20,774 | 7,978 | 23,233 | 39,355 |
| | 10-99 | 103 | 3,098 | 2,940 | 70,660 | 75,785 | 29,421 | 107,020 | 150,645 |
| | 100-199 | 19 | 2,652 | 2,650 | 98,825 | 42,713 | 36,271 | 131,125 | 202,276 |
| | 200 & over | 10 | 2,982 | 2,981 | 133,843 | 73,923 | 41,411 | 161,961 | 247,532 |
| | All Industries | 56,047 | 888,567 | 789,260 | 56,759,646 | 50,588,465 | 11,480,879 | 118,325,999 | 162,950,973 |
| | <10 | 50,313 | 186,735 | 93,444 | 1,380,737 | 1,611,511 | 439,674 | 1,440,010 | 1,859,281 |
| | 10-99 | 4,512 | 127,450 | 121,512 | 5,891,394 | 5,182,743 | 1,299,480 | 15,962,617 | 20,369,727 |
| | 100-199 | 503 | 70,884 | 70,912 | 4,686,981 | 4,959,209 | 1,123,485 | 10,301,215 | 13,629,635 |
| | 200 & over | 717 | 503,498 | 503,492 | 44,800,528 | 38,835,095 | 8,618,231 | 90,622,149 | 127,292,322 |

/a Combined with 352.

Source: NCSO, Census of Establishments, Manufacturing Establishments, 1983.

Table A-17: US imports of semiconductors, 1982-1985

Semiconductors: U.S. Imports for consumption, total and under TSUS Item 807.00, 1982-85

| Year | Total Imports | 807.00 Imports | Ratio of 807.00 imports to total imports |
|---|-------------------|----------------|--|
| | Million dollars | | Percent |
| 1982 | 4,205.1 | 3,106.4 | 73.9 |
| 1983 | 5,050.9 | 3,444.2 | 68.2 |
| 1984 | 7,797.9 | 4,591.6 | 58.9 |
| 1985 | 5,825.2 | 1,242.7 | 21.3 |
| | Percentage change | | |
| Change, 1985 from 1982 | 39 | -60 | -71 |
| Average annual change, 1985 from 1982 | 12 | -26 | -34 |

Semiconductors: U.S. Imports for consumption under TSUS Item 807.00, 1982-85

| Year | Total value | Duty-free value | Ratio of duty-free value to total value |
|---|-------------------|-----------------|---|
| | Million dollars | | Percent |
| 1982 | 3,106.4 | 1,962.1 | 53.2 |
| 1983 | 3,444.2 | 2,136.1 | 62.0 |
| 1984 | 4,591.6 | 2,796.7 | 60.9 |
| 1985 | 1,242.7 | 733.0 | 59.0 |
| | Percentage change | | |
| Change, 1985 from 1982 | -60 | -63 | -7 |
| Average annual change, 1985 from 1982 | -26 | -28 | -2 |

Semiconductors: U.S. Imports for consumption under TSUS Item 807.00, by principal sources, 1982-85

| Source | 1982 | 1983 | 1984 | 1985 | Share of total | | Percentage change, 1985 from 1982 |
|--------------------|-----------------|--------------|--------------|--------------|----------------|--------------|-----------------------------------|
| | | | | | 1982 | 1985 | |
| | Million dollars | | | | Percent | | |
| Malaysia | 991 | 1,064 | 1,272 | 310 | 31.9 | 24.7 | -68.7 |
| Canada | 73 | 127 | 288 | 203 | 2.3 | 16.2 | 179.8 |
| Korea | 301 | 488 | 789 | 194 | 9.7 | 15.5 | -35.6 |
| Philippines | 557 | 633 | 819 | 164 | 17.9 | 13.1 | -70.6 |
| Singapore | 527 | 372 | 425 | 100 | 16.9 | 8.0 | -81.1 |
| Mexico | 149 | 161 | 217 | 85 | 4.8 | 6.8 | -42.8 |
| Taiwan | 117 | 139 | 208 | 66 | 3.8 | 5.3 | -43.7 |
| Thailand | 105 | 137 | 219 | 34 | 3.4 | 2.7 | -67.6 |
| All other | 287 | 323 | 355 | 97 | 9.3 | 7.7 | -66.2 |
| Total | 3,106 | 3,444 | 4,592 | 1,253 | 100.0 | 100.0 | -59.9 |

Source: Compiled from official statistics of the US Department of Commerce.

Table A-18: Gross manufacturing value added by region, 1983-1985

(P '000)

| Region | At current prices | | | At constant prices | | |
|------------------------------------|-------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| | 1983 | 1984 | 1985 | 1983 | 1984 | 1985 |
| NCR Metro Manila | 44,696,134 | 64,995,641 | 72,452,454 | 13,283,389 | 12,290,179 | 11,394,228 |
| I Ilocos | 918,818 | 1,359,400 | 1,458,108 | 279,599 | 281,183 | 263,331 |
| II Cagayan Valley | 474,946 | 593,421 | 671,147 | 120,433 | 110,618 | 103,577 |
| III Central Luzon | 10,993,115 | 16,287,059 | 17,262,101 | 1,997,570 | 1,872,636 | 1,751,351 |
| IV Southern Tagalog | 19,747,043 | 27,391,756 | 29,965,859 | 4,025,357 | 3,810,517 | 3,567,838 |
| V Bicol | 374,708 | 524,185 | 611,584 | 99,325 | 91,099 | 87,034 |
| VI Western Visayas | 5,979,751 | 8,722,859 | 9,212,183 | 1,805,702 | 1,644,046 | 1,507,184 |
| VII Central Visayas | 4,269,227 | 6,248,532 | 7,045,870 | 1,291,532 | 1,207,172 | 1,116,633 |
| VIII Eastern Visayas | 242,612 | 388,480 | 431,313 | 76,325 | 70,473 | 66,122 |
| IX Western Mindanao | 407,917 | 598,080 | 640,040 | 115,027 | 104,864 | 96,435 |
| X Northern Mindanao | 2,290,898 | 3,257,117 | 3,694,740 | 662,820 | 607,669 | 567,395 |
| XI Southern Mindanao | 3,009,175 | 4,284,293 | 4,364,297 | 826,239 | 745,551 | 660,245 |
| XII Central Mindanao | 1,767,291 | 2,600,394 | 2,713,617 | 525,169 | 482,633 | 444,205 |
| <u>Philippines</u> | <u>95,171,635</u> | <u>137,251,217</u> | <u>150,523,313</u> | <u>25,108,487</u> | <u>23,318,640</u> | <u>21,625,578</u> |
| Memo: Metro Manila (as % of total) | 47 | 47 | 48 | 53 | 53 | 53 |

Source: NEDA, National Accounts Staff.- 93 -
194

ANNEX B
THE OMNIBUS INVESTMENTS CODE OF 1987

Annex B: THE OMNIBUS INVESTMENTS CODE OF 1987

The Omnibus Investments Code of 1987, which was signed by President Aquino on July 17, 1987, is a compilation of the foreign investment laws and various incentive schemes administered by the Department of Trade and Industry through either the Board of Investments or the Export Processing Zone Authority. It gives foreign and local investors complete information on all the incentives which they may avail of, the alternative incentive schemes available to them, and the requirements for registration of foreign investments without incentives.

The new Code improves on the provisions of the Omnibus Investments Code of 1981 as amended in 1983 and consolidates the following incentives and privileges which were embodied under separate laws:

1. the additional incentives to enterprises located in less developed areas;
2. the privileges granted to holders of the special investors' resident visa;
3. the incentives granted to regional headquarters and regional warehouses located in the Philippines; and
4. incentives to firms located in the export processing zones.

The other main features of the Code are as follows:

- It introduces the concept of an income tax holiday for enterprises engaged in a preferred area of investment.
- It provides a new incentive for labor-intensive enterprises in the form of a tax deduction for additional direct labor expenses.
- It includes a private sector representative in the Board of Governors of the Board of Investments.

Incentives available

Enterprises registered with the Board of Investments will be entitled to the following incentives:

1. **Income tax holiday**

New registered firms will be fully exempt from income taxes for six (6) years from commercial operation for pioneer firms and four (4) years for nonpioneer firms. This can be extended for another year in any of the following cases:

- a. the project utilizes indigenous raw materials;
- b. the project meets the prescribed ratio of capital equipment to number of workers set by the Board;
- c. the net foreign exchange savings or earnings amount to at least US\$500,000 annually during the first three (3) years of operation.

Expanding firms will be entitled to an exemption from income taxes proportionate to their expansion for a period of three (3) years from commercial operation. They are, however, not entitled to additional deductions for incremental labor expenses during the period within which this incentive is availed of.

2. **Tax- and duty- free importation of capital equipment**
3. **Tax credit on domestic capital equipment**
4. **Tax- and duty- free importation of breeding stocks and genetic materials**
5. **Tax credit on domestic breeding stocks and genetic materials**
6. **Additional deduction for labor expenses**

7. Tax credit for taxes and duties on raw materials
8. Access to bonded manufacturing/trading warehouse system
9. Exemption from wharfage duties and any export tax, duty, impost, and fees
10. Exemption from contractor's tax
11. Tax and duty exemption of imported spare parts.

Nonfiscal incentives

1. Simplification of customs procedures

Customs procedures for the importation of equipment, spare parts, raw materials, and supplies and the export of processed products will be simplified.

2. Unrestricted use of consigned equipment

There will be no restrictions on the use of consigned equipment provided a reexport bond is posted, unless these equipment and spare parts were imported tax- and duty- free.

3. Employment of foreign nationals

The employment of foreign nationals in supervisory, technical, or advisory positions for five (5) years from registration, extendible for limited periods, is allowed. The president, general manager, and treasurer—or their equivalents—of foreign-owned registered firms will not be subject to the foregoing limitations.

Additional incentives

In addition to these incentives, the following incentives will be available to enterprises locating their operations in less developed areas:

1. Less developed area enterprises will be automatically entitled to pioneer incentives regardless of nationality.
2. 100% of the cost of necessary and major infrastructures and public facilities constructed can be deducted from taxable income. If the total amount cannot be deducted in one year, deductions may be carried over to subsequent years until the total amount has been deducted.
3. The rate of incentive for additional deduction for labor expenses will be doubled for pioneer enterprises.

Incentives for EPZA-registered firms

Firms registered with the Export Processing Zone Authority will be entitled to all the incentives given to firms registered with the Board of Investments. In addition, they will be entitled to the following:

1. Special tax treatment of merchandise within the Zone
2. Exemption from local taxes (except real estate tax) and licenses
3. Exemption from real estate taxes on production equipment and machineries not attached to real estate.

Regional or area headquarters' incentives

Multinational companies establishing regional or area headquarters in the Philippines may be licensed to supervise branches in the Asia-Pacific region. These regional or area headquarters and their expatriate executives will be entitled to the following incentives:

Expatriates

1. Multiple entry visa
2. Withholding tax of 15% on gross income received from the regional or area headquarters

Annex B (continued)

3. Tax- and duty- free importation of training and conference materials
4. Travel tax exemptions

Regional Headquarters

1. Exemption from income tax
2. Exemption from contractor's tax
3. Exemption from all kinds of local licenses, fees, and dues
4. Tax- and duty- free importation of training and conference materials
5. Importation of motor vehicles for expatriate executives and their replacement every three (3) years provided the taxes and duties are paid upon importation
6. Exemption from the registration requirements of foreign corporations doing business in the Philippines under Book II of this Code
7. Upon application with the Board of Investments, regional headquarters may establish regional warehouses in accordance with Book I of this Code.

Administrative provisions

Improvements were also made in the administrative provisions of the law in order to make it more responsive to the needs of the private sector. Among these improvements is the amendment of the provisions of Book II increasing the permitted foreign investments to 40% instead of 30%.

Overall, the Omnibus Investments Code of 1987 has answered the longstanding clamor of the private sector for an investment code that truly consolidates all existing investment incentive schemes except those given to banks and other financial institutions. In addition, procedural requirements in all alternative schemes are being reexamined to make them more service- and people- oriented.

The implementing rules for the new Code are still being formulated by the Board of Investments. Once available, these rules will give investors a clearer picture of the incentives they are eligible for and how these can be availed of.

Executive Order (E.O.) No. 273, issued by President Aquino on July 25, 1987, provides for the adoption of a value-added tax (VAT) system which will take effect on January 1, 1988 and replace the current sales tax system. E.O. 273 principally provides for a multistage VAT to replace the tax on original and subsequent sales and the percentage tax on certain services. The more significant changes which will be introduced by E.O. 273 are the following:

1. Goods generally subject to the advance sales tax, compensating tax, original sales tax, miller's tax, and subsequent sales tax will be subject to VAT. The present tax rates of 20% for ordinary articles, 10% for essential articles, and 30% for nonessential articles, as well as the 1.5% subsequent tax rate will be replaced by a VAT rate of 10%. The 10% VAT will be imposed on every importation, sale, barter, or exchange. However, jewelry, perfume, and toilet water, as well as yachts and other vessels intended for pleasure or sports, which are presently subject to the 30% sales tax rate, shall, in addition to a VAT of 10%, be subject to an excise tax of 20%. Automobiles, which are presently subject to the 30% sales tax and ad valorem tax of varying rates, will be subject to a VAT of 10% and to the same ad valorem tax they are currently subject to, although at increased rates.
2. Goods previously subject to excise tax will, in general, continue to be subject to excise tax, but at amended rates. However, these goods will, in addition, be subject to a VAT of 10%. Matches, video tapes, and solvents currently subject to excise tax will be subject only to VAT.

3. VAT will also replace the percentage tax imposed on certain services. For example, services performed by construction and service contractors and other contractors which are presently taxed at 4%; stock, real estate, commercial, customs, and immigration brokers (taxed at 7%); lessors of personal property (taxed at 4%); and lessors or distributors of cinematographic films (taxed at 3%) will all be subject to a VAT of 10% in lieu of the present 4%, 7%, or 3% percentage taxes.
4. Input taxes (that is, VAT paid by a VAT-registered person on the importation or purchase, in the course of his trade or business, of goods – including capital goods – or services from another VAT-registered person) can be credited against the output tax (that is, the VAT due on the sale of taxable goods or services by a VAT-registered or registrable person).

Source: Government of The Philippines.

ANNEX C
INVESTMENT INCENTIVE SCHEMES

Annex C: INVESTMENT INCENTIVE SCHEMES

1. Guarantees

All investors and enterprises are entitled to the basic rights and guarantees provided in the Philippine Constitution. Among other rights recognized by the Government of the Philippines are the following:

(1) Repatriation of Investment

In the case of foreign investments, the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made, can be repatriated at the exchange rate prevailing at the time of repatriation, subject to the provision of Section 74 of The Central Bank Act (R.A. 265) or Executive Order No. 32.

(2) Remittance of earnings

In the case of foreign investments, earnings from the investments in the currency in which the investment was originally made, can be remitted at the exchange rate prevailing at the time of remittance, subject to the provision of Section 74 of R.A. 265.

(3) Foreign loans and contracts

Such amounts as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts, can be remitted at the exchange rate prevailing at the time of remittance, subject to the provisions of The Central Bank Act (R.A. 265).

(4) Freedom from expropriation

There will be no expropriation by the government of the property represented by investments or of the property of enterprises except for public use or in the interest of national welfare and defense and upon payment of just compensation. In such cases, foreign investors or enterprises will have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of The Central Bank Act (R.A. 265).

Annex C (continued)

(5) Requisition of investment

There will be no requisition of the property represented by the investment or of the property of enterprises, except in the event of war or national emergency and only for its duration. Just compensation will be determined and paid either at the time of requisition or immediately after cessation of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of The Central Bank Act (R.A. 265).

(6) Employment of aliens

BOI-registered enterprises and Zone-registered enterprises may, for five years from registration, employ foreign nationals in supervisory, technical, or advisory positions extendable for periods at the discretion of the BOI. In the case of a BOI-registered pioneer enterprise and a Zone-registered enterprise whose majority stock is owned by foreigners, key positions may be filled by foreigners beyond the period set forth therein.

2. Protection of patents and trademarks

(1) Patents

(a) Duration

An invention patent is valid for a term of 17 years from the date of issue. Design and utility model patents are valid for a term of five years from the date of issue, renewable for two five-year periods.

(b) Types

- An invention: any new and useful machine, manufactured product or substance process, or an improvement of any of the foregoing created by the exercise not merely of mechanical skill but of the inventive faculties;
- A design: any new, original and ornamental design for an article of manufacture created by the exercise of the inventive faculties; and

Annex C (continued)

- An ability model: any new model of implement or tool or of any industrial product, or of any part of the same which does not possess the quality of invention but which is of practical utility by reason of its form configuration, construction or composition.

(c) Novelty

A common requisite for the patentability of an invention, design or utility model is novelty. The following represent novelty:

- If unknown in the Philippines before invention by applicant;
- If unpatented or not described in a Philippine or foreign publication one year or more before;
- If not publicly used or sold for one year or more in the Philippines; or
- If not the subject matter of a patent granted previously in the Philippines.

(d) Unpatentable

The following is not patentable:

- products contrary to public order, morals, health or welfare;
- ideas or theories divorced from an invention;
- not improving or making a commercial product;
- commercial methods;
- devices of simply mechanical skill; or
- medical compounds representing only a physician's prescription

(e) Application procedure

As a rule, only the actual inventor may apply for a patent, joint inventors may make a joint application. The registrant must be either a resident or the duly appointed agent of a non-resident. The documents required for patent application are the following:

- a combined oath;
- power of Attorney and Petition, duly legalized;

- two sets of the specifications and claims;
- two sets of drawings when necessary (the formal drawings may be filed at any time prior to allowance or when required by the examiner);
- legalized assignment, if the patent rights are assigned; and
- convention priority documents, if based on a previously filed foreign application.

Documents should be submitted to the Philippine Patent Office, Ministry of Trade and Industry.

The Patent Office allows four months to make formal corrections, and upon rejection, four months are allowed for submitting amendments for reexamination. The final decision of the Director of the Patent Office on patent applications will be made subject to appeal to the Supreme Court in 30 days. If no opposition is raised, the issuance of a patent license is published in the Official Gazette.

(f) Fees

- P 808 for a patent intention
- P 454.50 for design or utility model
- P 102 for publication
- P 303 annual fee after the fourth year.

(g) Compulsory licensing may be applied for after two years from granting a patent license in the case each of the following:

- if patent is unworked commercially without satisfactory explanation;
- if demand is not met;
- if new trade or industry is blocked; or
- if related to food, medicine, public health or safety.

(2) Trademarks

(a) Duration

Registration is valid for 20 years, with affidavit every five years showing use of trademark. Registration may be renewed at the end of each 20-year period as long as trademark is still in commercial use.

Annex C (continued)

(b) Registrable trademarks

The following may be registered on the Principal Registers:

- any trademark;
- service mark or collective mark used to distinguish the owner's goods, business or services from the goods; or
- business or services of others.

(c) Non-registrable trademarks

- marks comprising immoral or deceptive matter;
- those including flag or insignia of the Philippines;
- those so resembling already registered marks as to cause confusion or deception;
- those consisting of a name, portrait or signature identifying a particular living individual except by his written consent; and
- those used in the country and not abandoned.

(d) Legal effect

First use confers proprietary rights.

(e) Application procedure

Registrant requirements are same as for patents. For Principal Register, application must be filed within two months of use in Philippines. This application (in English) will be examined and published for opposition. If no opposition, the trademark will be registered and published in the Official Gazette. Trademarks not eligible for the Principal Register may be registered in Supplemental Register (but this type of registration may be cancelled if opponent can prove that he has been damaged, that registrant was not entitled to trademark or that it was abandoned or not used).

Documents required for applications are the following:

- two copies of the applications (combined petition, statement declaration and power of attorney) if based on local use, or foreign registration/application;
- if based on home registration or application, all made under oath and duly legalized;

Annex C (continued)

- 10 prints of the mark;
- give labels of the mark as actually used;
- two drawings;
- a certified copy of the corresponding home registration or application, together with an English translation if not in the English language; and
- if based on foreign registration, if not registered in the home country, statement by the applicant of the reason for not registering in the home country.

(f) Fees

- P 54.50 on the Principal Register;
- P 303 on the Supplemental Register;
- P 102 for publication;
- P 177 issuance fee covered every five years.

3. Tax incentives

(1) Incentives available to registered enterprises

A. For BOI-registered enterprises

All registered enterprises are granted the following incentive benefits to the extent engaged in a preferred area of investment:

- (a) Full exemption of new registered firms from income taxes for six years from commercial operation for pioneer enterprises and four years for non-pioneer firms extendable up to eight years subject to BOI guidelines based on labour-intensity, usage of indigenous raw materials, or foreign exchange earnings/savings exceeding \$US 500,000.00 annually during the first three years of operations. Registered expanding firms are entitled to the same incentives for a duration of three years;
- (b) Full tax and duty exemption on imported, capital equipment and accompanying spare parts within five years from date of effectivity of the Omnibus Investments Code of 1987 or up to August 12, 1992.

Annex C (continued)

- (c) Tax credit on purchase of, domestic capital equipment and accompanying spare parts equivalent to the value of tariff duties and compensating taxes which would apply for imported equipment up to August 12, 1992.
- (d) Employment of foreign nationals for five years from date of registration, extension negotiable. Foreign owned pioneer firms are allowed to employ indefinitely foreign nationals for the position of president, treasurer and general manager;
- (e) Exemption from all duties and taxes on the importation of breeding stocks and genetic material provided these are not locally available in comparable quality and at reasonable prices;
- (f) Tax credit on the purchase of domestic breeding stocks and genetic materials equivalent to the value of duties and taxes that would have been waived had these items been imported, provided the purchase is made within ten years from the date of registration or commercial operation of the registered enterprises;
- (g) Tax credit on the taxes and duties on supplies, raw materials and semi-manufactured products used in the production of export products and forming part thereof, whether directly or indirectly exported, by the registered enterprise;
- (h) Access to the utilization of the bonded warehousing system in all areas required by the project;
- (i) Exemption from taxes and duties on required supplies and spare parts for consigned equipment or for those imported tax and duty-free by a registered enterprise with a bonded manufacturing warehouse, provided at least seventy per cent of production is exported;
- (j) Exemption from contractor's tax;
- (k) Simplified customs procedures for the importation of equipment, spare parts, raw materials and supplies and for exports of processed products;

- (l) Use of consigned equipment for an indefinite period of time, provided the appropriate re-export bond is posted and the equipment is used exclusively for the registered enterprise; and
- (m) Exemption of exports from any wharfage dues and any export tax, duty, impost and fees -

B. For BOI-registered enterprises in less developed areas

Registered enterprises regardless of nationality located in a less developed area are granted the following incentives:

- (a) All the incentives provided for a pioneer registered enterprise; and
- (b) Deduction from taxable income of total expenses for necessary and major infrastructure works undertaken with the prior approval of the Board, provided that the title to such infrastructure works shall be transferred to the government. Any amount not deducted for a particular year may be carried over for deduction in subsequent years not exceeding ten years from commercial operation.

C. For firms located in export processing zones

Firms located in export processing zones are granted all the incentive benefits enjoyed by BOI-registered enterprises as well as the following additional incentives:

- (a) Exemption from all government imposts, fees, licenses and taxes except real estate taxes;
- (b) Exemption of machineries from real estate taxes for the first three years of operation of such machineries; and
- (c) Exemption of production equipment or machineries not attached to real estate from real property taxes.

(2) Other incentives available to foreign investors

In addition to the above incentives, foreign investors who have invested as least \$US 75,000 have the option to avail of the Special Investor's Resident Visa.

Annex C (continued)

4. Other incentives

(a) Special incentives available to multinational companies.

Multinational companies that establish their regional headquarters in the Philippines, provided that they remit at least \$US 50,000 every year to cover operating expenses in the Philippines and provided that they do not derive income from Philippine sources or participate in any manner in the management of their Philippine subsidiaries or branches, except to act as a supervisory, communications or co-ordinating center, can avail themselves of the following special incentives:

- For foreign personnel and their dependents

- (i) Ease of travel through multiple-entry special visa;
- (ii) Exemption from all fees under the immigration and alien registration laws;
- (iii) Exemption from customs duties and compensating tax for personal and household effects that they bring into the Philippines when they settle for the first time;
- (iv) Exemption from securing an alien certificate of registration;
- (v) Exemption from obtaining immigration clearances, certificates, tax clearances, and all other types of clearances to facilitate travel, except the tax clearance which shall be obtained from the Bureau of Internal Revenue (BIR) before final departure from the Philippines; and
- (vi) Liability for only 15% tax on gross income paid in the Philippines by the regional headquarters.

- For the regional headquarters

- (i) Exemption from income tax, contractors' tax, and all local taxes and fees; and
- (ii) Exemption from BOI registration requirements.
- (iii) Tax and duty-free importation of training equipment and materials and of motor vehicles for the use of its expatriate executives.

(b) Special incentives available to exporters

A multinational company with registered regional headquarters may establish a regional bonded warehouse that will serve as a regional storage and distribution center for all the company's products. These product imports are not subject to taxation.

The government has established export processing zones for enterprises whose products are intended exclusively for export. However, upon approval of the Department of Industry, companies in the export zones may be allowed to sell up to 30% of their output in the domestic market.

(c) Special incentives available to offshore banking units

A foreign banking corporation may set up a branch for the purpose of engaging in offshore banking in the Philippines, with the approval of the Central Bank of the Philippines. The Offshore Banking Unit (OBU) must maintain net office funds of at least \$US 1,000,000.

Tax and other incentives granted to OBUs:

- (i) Transactions of OBUs with non-residents, other OBUs, and local commercial banks are exempt from all taxes except taxes on net income from such transactions as may be recommended by the Minister of Finance to the Central Bank, and subject to the usual income tax paid by banks;
- (ii) In cases of transactions with residents, the interest on loans extended to residents is subject only to a final withholding tax of 10%; and
- (iii) OBUs will be exempt from all forms of local licenses, fees, dues, imposts, or any other local taxes or burdens.

Tax and other incentives granted to foreign personnel of OBUs:

- (i) Ease of travel through multiple-entry visa valid for one year and renewable annually;
- (ii) Exemption from all immigration and alien registration fees, all types of clearance requirements, contractor's tax, and customs duties on personal effects; and

Annex C (continued)

- (iii) Subject to only a 15% withholding tax on gross income received from an OBU.

5. Types of enterprises eligible for investment incentives

(1) Registered (Pioneer or Non-pioneer) domestic producer

A registered domestic producer is an enterprise preparing to install new capacity, whether as a new activity or as an expansion, in the production, manufacture, or processing of goods or commodities for the domestic market. It is a firm engaged in a preferred area of activity listed in the IPP. It may also be accorded a pioneer status if it contributes significantly to the attainment of a national goal related to a specific national food and agricultural programme or other social benefits or it produces non-conventional fuels or manufactures equipment which utilize non-conventional sources of energy or uses or converts to coal or other non-conventional fuels or sources of energy in its production, manufacturing or processing operations. It is considered pioneer if its area of activity involves the manufacture, processing, or production (not merely assembly or packaging) of goods, products, commodities, or raw materials that have not been or are not being produced on a commercial scale in the Philippines, or if it uses a new and untried design, formula, or process for producing or transforming raw materials into finished products.

(2) Registered (Pioneer or Non-pioneer) new or expanding export producer

A registered new or expanding export producer is a registered enterprise proposing to engage in or to expand the production, manufacture, or processing of export products, and directly exporting at least 50% of its products or selling them to an export trader, which subsequently exports these products.

(3) Registered indirect export producer

A registered indirect export producer is a registered enterprise that sells or proposes to sell a portion of its production to another export producer that uses the product as input to products directly or indirectly exported or sold to an export trader, which subsequently exports these products.

(4) Registered existing export producer

A registered existing export producer is a registered enterprise that is already engaged, at the time of registration, in producing export products and that exports a portion of its existing production, either directly or through an export trader.

(5) Registered agricultural producer.

A registered agricultural producer is a registered enterprise engaged in agricultural production and/or services related to and necessary for such production.

(6) Registered export trader.

A registered export trader is an enterprise duly registered with the BOI under the Omnibus Investments Code and engaged in the sale abroad of export products bought from one or more export producers.

(7) Registered service exporter.

A registered service exporter is an enterprise duly registered with the BOI under the Omnibus Investments Code and engaged or proposing to engage in rendering technical, professional, or other services that are paid for in foreign currency, or in exporting, directly or through a registered export trader, television and motion pictures and musical recordings made or produced in the Philippines.

(8) Zone-registered enterprises.

A registered zone enterprise is any person or any partnership, corporation, or entity organized and existing under Philippine or foreign laws, registered with the Export Processing Zone Authority (EPZA), and engaged in areas being promoted in the Export Processing Zones.

(9) Dual registration with the BOI and EPZA.

An enterprise may not register with both the EPZA and the BOI, even if it meets the qualifications set by both entities.

(10) Less-developed-area registered enterprise.

A less-developed-area registered enterprise is any enterprise registered with the BOI and located in a less developed area.

Annex C (continued)

LIMITATIONS

1. Limitation on the addition of production capacity

Certain preferred pioneer and non-pioneer areas of investment listed in the IPP are assigned measured capacities on the basis of estimated domestic and export needs. The addition of production capacity in excess of projected requirements of the industry is usually not allowed unless it can be shown that demand has grown or it is geared for the export market.

2. Real estate ownership by alien investors

The Philippine Constitution limits the ownership of land and the development, exploration, exploitation and use of natural resources to citizens of the Philippines and to corporations or associations at least 60 per cent of whose capital is owned by Filipino citizens.

3. Building and related permits

The BOI considers the proposed location of an investment in granting approval. To assure decentralization of industrial establishments, the board has adopted a policy of approving company applications in over-represented Manila-area industries, but only if a locational clearance can be obtained from the Human Settlements Development Commission (HSDC) and only if the applying companies establish new plants at least 50 km from the capital or in the provinces.

Permission to expand in Manila is usually given only to firms increasing export capacity. Government agencies consider environmental concerns, but the ground rules have not been specified. Companies also need approval from the zoning authority, the National Pollution Control Commission and the city engineer's office.

The time required to obtain permission to build or expand a plant depends on many factors.

It is generally easier to get approval for establishing a plant in the export processing zones at Mariveles (on the Bataan peninsula) and at Baguio City, or in the Phividec Industrial Estate in Misamis Oriental in northern Mindanao.

4. Regulations regarding ownership of enterprise and foreign equity participation

In most economic activities, foreign investment of 30 per cent or less of the capital is permitted. Only a reporting of the activity to the BOI is required for record purposes.

Foreign-equity participation in excess of 40 per cent is permissible provided:

- (1) the investment is made in an area of economic activity which contributes to the sound and balanced development of the national economy on a self-sustaining basis;
- (2) the area is not yet adequately exploited by Filipinos;
- (3) the activity will not conflict with the Constitution or laws of the Philippines;
- (4) the operations of the enterprise are not inconsistent with the IPP; and
- (5) the enterprise will not pose a clear and present danger of promoting monopolies in restraint of trade.

Full foreign ownership is encouraged in a pioneer area of economic activity and in projects where at least 70 per cent of total production is exported. It is also allowed in a liberalized area provided that the enterprise, whether pioneer or not, is converted into a joint venture with Filipinos within 30 years, or within longer periods in certain cases.

Foreign enterprises are exempt from divestment of shares to Filipinos if they export 100 per cent of their production.

Enterprises registered with the EPZ may be 100 per cent foreign-owned.

The Constitution of the Philippines limits the ownership of land, exploitation of natural resources and operation of public utilities to Philippine citizens. Other nationalization laws limit the degree of foreign ownership in other areas.

In certain cases, the BOI may suspend the nationality requirement provided in EO 226 and any other nationality statute, as in the case of ASEAN projects or investments by ASEAN nationals BOI in preferred projects. In addition, with the approval of the President, the BOI can extend such

Annex C (continued)

suspension to other international complementation arrangements for the manufacture of a particular product on a regional basis to take advantage of economies of scale.

5. Local-content requirements

Government policy regarding local content is usually flexible. A minimum percentage is stipulated for some industries, based on contributions to the availability of local labor and the value and weight of the local materials used.

The local content requirement of the various BOI Progressive Manufacturing Programmes are presently being reviewed and revised.

6. Limitations on foreign nationals

A 1976 court ruling based on the Anti-Dummy Law (a law in existence for more than 40 years) stipulated that aliens cannot participate in the management of firms in industries limited to wholly Philippine-owned or at least 60 per cent Philippine-owned companies. However, a presidential decree allows alien directors to be represented on the board of directors to the extent of their personal or representative ownership in such companies. Technical personnel are exempt. The restriction also does not apply to BOI-registered firms for five years from the date of registration.

Non-pioneer firms, including those with non-pioneer export status and those operating in the export processing zones, can employ aliens in supervisory, technical or advisory positions only up to 5 per cent of their total personnel in each respective category. This limitation does not cover pioneer firms. After five years, all BOI-registered firms have to obtain approval from the Minister of Justice to retain top management positions for foreign nationals. Alternatively, the firms can diversify into a new area and reregister the project with the BOI for another five-year period. If the majority of capital stock of a company is still owned by foreign investors at that time, the positions of president, treasurer and general manager may be retained by foreigners.

Most seriously affected by this ruling are foreign nationals working as executives of banks, of corporations engaged in the development of natural resources, and of foreign companies that donated controlling interest in land to foundations or real estate corporations as a consequence

Annex C (continued)

of the expiration of the Laurel-Langley Agreement and retained minority equity. Foreign corporations that set up real estate firms usually participate in their operation and policy making. Not covered by this ruling are investment houses (Philippine citizens must own a majority of the voting stock) and the four foreign banks operating branches in the Philippines.

However, in other cases, the Monetary Board ruled expressly that foreigners cannot become officers or employees of commercial banks, savings banks, private development banks, stock savings and loan associations and financing companies, except in the case of technical personnel whose employment as such may be specifically authorized by the Minister of Justice.

Employment permits must be secured from the Department of Labor. Before a permit is issued, the ministry of justice will ascertain that no person meeting the requirements of the particular job is available in the Philippines. The power to grant approval for the employment of alien personnel lies with the Minister of Justice: Applications for employment in mining operations should be filed with the Director of Mines. Aliens to be hired as technicians in industries affected by the Anti-Dummy Law need not secure the approval of the Minister of Justice if a special law authorizes another government office (e.g. the BOI) to approve employment for such foreign personnel.

A permit is usually valid for two years. Foreigners are strictly prohibited from changing employment, except with prior permission from the Minister of Labor. These permits are extremely difficult to obtain and may take as long as 18 months to secure, especially for companies yet to be established. When renewal of an alien's work permit is requested, it is usually necessary to prove that efforts have been made to train a Philippine citizen in the work performed by the foreigner.

Under the decree providing favourable treatment for firms that establish headquarters operations, special multiple-entry visas (valid for one year, but renewable) are available for expatriate headquarters personnel and their dependents. This decree provides easy entry and exit of such employees, free of much of the red tape and fees normally involved.

Annex C (continued)

ADMINISTRATIVE PROCEDURES

1. Procedure for registering foreign investments

If the enterprise is a partnership or a corporation, registration of its articles of partnership or incorporation papers with the Securities and Exchange Commission (SEC) is required. Prior authorization must be obtained from the BOI for the following types of investment:

- (1) any new investment with 30 per cent or more foreign equity;
- (2) any additional investment if a firm is 30 per cent or more foreign-owned or if the new investment would bring the foreign equity to more than 30 per cent, or more than 40 per cent voting equity;
- (3) all branches of foreign firms; and
- (4) expansions of existing qualifying firms into a new line of business. Expansions in the same line of business that are financed by new foreign investment require prior approval if they meet the conditions in (2) above.

The BOI determines whether the investment is going into an area not yet adequately exploited by Filipinos, will not be in conflict with existing constitutional provisions and laws regulating the degree of required ownership by Filipinos, will not pose a danger of promoting restraint of trade, and will contribute to the balanced development of the economy.

If the proposed investment is in an area declared as preferred activity, as set out in the IPP, the enterprise may avail itself of a comprehensive set of incentives. In this case, the project must be registered with the BOI. If the enterprise wishes to locate its plant in an export processing zone, registration must also be obtained from the Export Processing Zone Authority.

When actual cash investment is made, such must be registered with the Central Bank through one of its authorized agent banks. A special form is accomplished by the investor for this purpose. This is principally for recording purposes since such information will be necessary when seeking approval of future remittance of profits or repatriation of capital.

2. Processing time required for registering foreign investment

All foreign investments involved in economic activities must register with the BOI. If the investment amounts to 30 per cent or less of

Annex C (continued)

the outstanding capital stock of the enterprise, registration with the Securities and Exchange Commission will only take a few days. Such investment should also be registered with the BOI by merely filing a report. In case the investment is in the form of assets, proper assessment of the value of such assets will have to be made by an independent appraiser appointed by the SEC or the BOI and the Central Bank.

If the investment exceeds 30 per cent of the outstanding capital stock, the project or firm is referred to the BOI. The BOI has set for itself a maximum period of ten days within which to act on applications for registration under Book Two of the Omnibus Investments Code provided that the firm submits all requirements and documents pertinent to the application. Processing time depends on the particulars of the project and the completeness of the information submitted to the BOI.

If the application is for incentives under Book One of the said code, the processing may take a maximum of 20 working days under the same condition given for applications under Book Two of the Code.

All foreign investments, regardless of amount, are to be registered with the Central Bank, primarily for monitoring and repatriation purposes.

3. Time allowed for starting a registered project

The amount of time allowed for starting a registered project depends on the period set by the proponent with the approval of the BOI. Projects delayed for one year are automatically cancelled. For projects registered with the Export Process Zone Authority, no definite period is specific to start the project. When an investor finds it no longer possible to complete his investment project after his capital has been brought to the Philippines, it may be repatriated in the foreign currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation, provided that the said investment has been properly registered with the Central Bank and the BOI.

4. Procedure for remittance of earnings

Since only foreign investment duly registered with the Central Bank (CB) are eligible for capital repatriation and profit remittance in accordance with the provisions of CB - Circulars 365 and 1028, a foreign investor should first comply with this basic requirement before applying for

Annex C (continued)

remittance. If this requirement has not been satisfied, the investor should file applications for approval of such foreign cash investments with any authorized agent bank by using the prescribed forms.

The applications for registration of foreign cash investments should be submitted by authorized agent banks to the Foreign Exchange Department for investments in CB-approved Philippine securities listed on the local stock exchange and to the Management of External Debt and Investments Accounts Department (MEDIAD) for equity investments.

After complying with this prerequisite, the foreign investor should file, with any authorized agent bank, applications for authority to remit profits in the prescribed forms.

In accordance with CB - Circulars 365 and 1028, the following provisions govern the remittance of profits:

- (a) With prior Central Bank approval through MEDIAD, remittance of profits, capital gains and dividends accruing to non-residents after October 14, 1984, will, net of taxes, be allowed in full at the interbank guiding rate prevailing at the date of actual remittance. Earnings from registered interim investments of remittable profits or dividends will, net of taxes, likewise be fully remittable at the interbank guiding rate prevailing at the date of actual remittance; and
- (b) These remittances will not be financed by domestic borrowings and the investments and reinvestments generating the profits, capital gains or dividends are registered with the Central Bank-MEDIAD.

5. Procedure for repatriation of investment

The same requirements that apply to outward remittance of earnings apply to repatriation of investments. Thus, the foreign investor should first see to it that his investment has been duly registered with the Central Bank.

With this requirement already complied with, applications for authority to repatriate foreign investments will be filled with any authorized agent bank using the prescribed forms.

In accordance with CB Circulars 365 and 1028, the following provisions govern the repatriation of foreign investments:

(a) Foreign investments existing as of March 15, 1973 and duly registered with the Central Bank of the Philippines

(i) Investments in CB-certified export-oriented industries:

Investments in CB-certified export-oriented industries may be repatriated in full or in annual installments to the extent of the applicant's share in net foreign exchange earnings of the firm for the preceding year. "Foreign exchange earnings" means: the total foreign exchange earnings from export of the product less total foreign exchange required to finance production of export sales, operation and servicing of the applicant's firm pro-rated to his share in the total investment.

(ii) Investments in BOI-registered enterprises:

Investments in BOI-registered enterprises engaged in production of import-substitutes and/or export items, but not qualified as CB-certified export-oriented industries, may be repatriated in accordance with any of the following alternatives, whichever is less, on an annual basis:

- to the extent of the total net foreign exchange earnings, starting one year after liquidation of investment; or
- in three equal annual installments starting one year after liquidation of investment.

Investments in BOI-registered enterprises not engaged in the production of import-substitute items may be repatriated in three equal annual installments starting one year after liquidation of investment.

(iii) Investments in other industries may be repatriated in accordance with the following schedules:

- \$250,000 or less - Five equal annual installments after liquidation of the investment;
- \$250,001 to \$500,000 - Seven equal annual installments after liquidation of the investment; or
- \$500,001 and higher - Nine equal annual installments after liquidation of the investment.

(iv) During the interim period between the sale of the investments and actual repatriation, the proceeds of cash sale may, while awaiting the scheduled repatriation, be invested by the foreign investor in the following:

- Government securities; and/or
- Shares or stocks in BOI-registered enterprises; and/or

(These interim investments shall be subject to prior approval by, and registered with, the Central Bank.)

- Shares or stocks in CB-certified export-oriented industries.

(b) Foreign cash investments made after March 15, 1973

Repatriation of the foreign cash investments under this category less losses, if any, may be made at any time by the foreign investor, subject to the terms and conditions of the swap arrangement between the handling bank and the Central Bank.

Source: United Nations, Economic and Social Commission for Asia and the Pacific, Foreign Investment Incentive Schemes: The Philippines, 1987.

ANNEX D

1988 INVESTMENT PRIORITIES PLAN

NOTES:

1. Producers of non-traditional export products, whether or not listed in the Investment Priorities Plan, may be registered for incentives under the Omnibus Investments Code of 1987.
2. BOI reserves the right to change the status of an area from "NP" to "P/NP" and vice-versa, after public hearing, based on the criteria for the grant of pioneer status under Article 17 of the Omnibus Investments Code of 1987.
3. Firms engaged in any of the activities listed in the IPP (excluding mining and forestry) and registered under Book I of the 1987 Omnibus Investments Code shall be entitled to pioneer incentives if they locate in any of the less developed areas determined by BOI, in consultation with NEDA.
4. P stands for Pioneering Firms.
NP denotes Non-Pioneering Firms.

ANNEX D

1988 INVESTMENT PRIORITIES PLAN

I. AGRICULTURE

PRODUCTION OF FOOD CROPS

1. Vegetables (NP)
 - a. Legumes (includes whitebeans and redbeans)
 - b. Other vegetables (includes mushrooms and asparagus)
2. Rootcrops (NP)
 - a. Irish potatoes
 - b. Ube
3. Edible nuts (NP)
 - a. Cashew
 - b. Peanuts
Note: Improved variety or for peanut oil production
4. Fruits (NP)
 - a. Oranges (Valencia variety)
 - b. Mangoes (Carabao variety)
 - c. Grapes
 - d. Passion fruits
Note: Includes replanting and/or interplanting with fruit trees land presently planted to traditional crops.

PRODUCTION OF BEVERAGE CROPS (NP)

1. Cacao beans
Note: May be integrated with post-harvest processing.

PRODUCTION OF CROPS FOR FEEDS (NP)

1. Sweet potatoes
2. Cassava

PRODUCTION OF FIBER CROPS (NP)

1. Abaca
2. Bast fibers
3. Cotton

Note: May be integrated with ginning.

PRODUCTION OF PLANTATION AND OTHER CROPS (NP)

1. Vegetable oil seeds
 - a. Oil palm
 - b. Castor bean
 - c. Sunflower

Note: May include processing if integrated with growing.

2. Rubber
Note: May include processing into crumb rubber.
3. Sericulture
Note: May be integrated with mulberry growing up to filament production.

4. Medicinal herbs
5. Yellow corn
6. Sorghum
7. Soybeans

Annex D (continued)

DEVELOPMENT AND PRODUCTION OF PLANTING MATERIALS (Breeder's, Foundation, Registered and Certified Seeds) (P/NP)

1. Vegetable seeds
2. Hybrid coconut seeds
3. Cereals (includes hybrid corn and sorghum)
4. Quality seeds/seedlings of fruit trees
5. Asexually propagated plant materials

PRODUCTION/PROCESSING OF AGRICULTURAL INPUTS (NP)

1. Feed ingredients and feeds
 - a. Animal feeds (ruminant feeds)
 - b. Feeds for aquaculture
 - c. Other commercial feed ingredients
2. Organic fertilizers

PRODUCTION OF LIVESTOCK AND POULTRY (Including Dairy)

Note: For selected regions except for dairy.

1. Beef cattle (NP)
2. Hogs (NP)
3. Poultry (NP)
 - a. Day-old chicks (must start with grandparents in the production process)
 - b. Meat
 - c. Table eggs

- d. Others (other poultry species)
- 4 Dairy (P/NP)

PRODUCTION OF BREEDERS AND BREEDING MATERIALS

1. Beef and dairy cattle (NP)
2. Carabao (water buffalo) (NP)
3. Hogs (NP)
4. Poultry (NP)
5. Goats and sheep (NP)
6. Frozen semen and embryos (P)
Note: Includes natural method and artificial insemination and embryo transfer technology.

AGRICULTURAL SERVICES (NP)

Note: Not entitled to income tax holiday.

1. Pest and disease control
2. Agricultural equipment pool
3. Irrigation
4. Post-harvest and other specialized services such as:
 - a. Refrigeration/storage services for farm and fishery products
 - b. Irradiation, picking, handling, packing, etc.
 - c. Drying/storage facilities for grains and other farm products

Annex D (continued)

II. FISHERY

1. Fish and other marine products (Deepsea fishing) (NP)
2. Aquaculture – such as fish (except bangus and tilapia), prawns (employing intensive and semi-intensive methods), and lobsters (NP)
2. Leguminous and other vegetable-based protein (texturized, pelletized, powdered or liquid) (NP)
3. Spices (NP)
4. Vegetable oils (except coconut oil)
 - a. Peanut oil (NP)
 - b. Rice bran oil (NP)
 - c. Sunflower and soybean oil (P/NP)

III. FORESTRY

**FOREST PRODUCTS PLANTATIONS/
FARMS (P/NP)**

IV. MINING

**PRIORITY ACTIVITIES TO SUPPORT
THE MINING INDUSTRY (P/NP)**

1. Exploration and development of mineral resources
2. Mining and quarrying of metallic/non-metallic minerals (excluding riverbed operations)
3. Processing of minerals (such as beneficiation and other metallurgical methods)

V. MANUFACTURING

PROCESSED FOOD

1. Meat (NP)
Note: May include processing of by-products and must be located in selected regions.

TEXTILES AND TEXTILE PRODUCTS

1. Synthetic yarns and fibers (NP)
 - a. Nylon yarn and fiber
 - b. Polyester staple fiber and filament yarn
2. Spun yarn and woven textile and intermediate products thereof made of natural and/or synthetic materials (specialized or integrated) (NP)
3. Spun yarn and circular knitted fabrics and intermediate products thereof made of natural and/or synthetic materials (specialized or integrated) (NP)
4. Textile finishing (NP)
5. Non-woven textiles (NP)
6. Specialty fabrics (NP)
7. Tire cord fabrics (P)

Annex D (continued)

Note: Must be integrated with weaving and dipping units.

8. Fabrics made of indigenous raw materials (NP)
9. Ramie (degummed, staple fiber, combed tops noils and slivers) (NP)
10. Silk reeling (P)
11. Fish nets (NP)

LEATHER TANNING AND LEATHER (NP)

CHEMICAL PRODUCTS

1. Basic industrial chemicals
 - a. Industrial salt (P/NP)
 - b. Pigments
 - i. Chrome yellow and molybdate orange pigment (P)
 - ii. Color pellet resins (colorants) (NP)
 - iii. Colorants and color masterbatch (NP)
 - c. Cocochemicals (such as methyl esters or coconut oil fractions and/or their derivatives) (NP)
 - d. Sucro-chemicals (such as ribonucleic acid, citric acid and sorbitol) (P/NP)
 - e. Acetic acid (P)
 - f. Stearic acid (P)
 - g. Xanthates (P)
 - h. Furfural (P)
 - i. Various lacquers and sanitary liners (P)

- j. Polyglycols and glycol ethers (P)

2. Agricultural chemicals

Note. The Fertilizer and pesticide Authority shall determine the size and location of plants.

- a. Nitrogenous fertilizer (NP)
- b. Pesticides, herbicides, fungicides, insecticides, etc. (NP)

3. Synthetic resins

- a. Other derivatives of ethylene and propylene (P)
- b. Synthetic rubbers (such as styrene, butadiene rubber, polybutadiene rubber and polyisoprene rubber) (P)

4. Petrochemical complex (P)

5. Miscellaneous chemical products

- a. Biotechnological/biosynthetic chemicals (P)
- b. Essential oils (P)
- c. Other fine chemicals (NP)

PHARMACEUTICALS

1. Antibiotics (P)
 - a. Penicillins
 - b. Streptomycins
 - c. Tetracyclines
2. Acetylsalicylic acid (P)
3. Parenteral therapy systems and components thereof (P)
4. Herbal medicines (NP)
5. Other pharmaceuticals (P/NP)

Annex D (continued)

RUBBER PRODUCTS

1. High pressure and hydraulic rubber hoses (NP)
2. Rubber belts (NP)
3. Industrial rubber rollers (NP)

DFA-BASED TOILET SOAP MANUFACTURE (NP)

NON-METALLIC MINERAL PRODUCTS

1. Processed gypsum products
 - a. Commercial grade chemical gypsum (NP)
 - b. Gypsum board (NP)
 - c. Plaster of Paris (NP)
 - d. Other processed gypsum products (P/NP)
2. Continuous filament glass fiber reinforcement materials (P)
3. Silicon/silica powder (P)

PRE-CAST AND PREFABRICATED WALLS AND COMPONENTS USING NON-TRADITIONAL INDIGENOUS MATERIALS (NP)

MACHINERY AND EQUIPMENT

1. Manufacture of agricultural, fishing and industrial machinery and equipment, their related spare parts and accessories (P/NP)

ELECTRONIC PRODUCTS, MACHINERY/EQUIPMENT, AND THEIR RELATED COMPONENT PARTS AND ACCESSORIES

1. Circuit elements
 - a. Semiconductor devices and components, and raw materials needed for manufacture and marketing thereof (P/NP)
Note: Including burn-in and final test.
 - b. Electron tubes (NP)
2. Computer and parts and components thereof (P)
3. Computer software (NP)
Note: Subject to certain conditions to be imposed by BOI and in particular, software development for the domestic market shall not be entitled to income tax holiday.
4. Magnetic database (NP)
5. Telecommunications equipment and information handling equipment (P/NP)

ELECTRICAL MACHINERY/EQUIPMENT AND THEIR RELATED SPARE PARTS AND ACCESSORIES (NP)

1. Electric motors (one horsepower and above)
2. Power transformers
3. Power capacitor

Annex D (continued)

4. Circuit elements
 - a. Coils
 - b. Capacitors
 - c. Resistors
 - d. Rhoestat
5. Measuring and controlling devices

SHIPBUILDING AND SHIPBREAKING

1. Coastwise, deep-sea fishing and ocean-going vessels (NP)
2. Shipbreaking (P)

AUTOMOTIVE PARTS AND COMPONENTS

1. Vehicle axles (P)
2. Automotive grade iron casting (P)
3. Ignition coils (NP)
4. Automotive gauges and instruments (NP)
5. Automotive switches (NP)
6. Monocoque bus bodies (NP)
7. Rims for bicycles and motorcycles (NP)
8. Sprockets for bicycles and motorcycles (NP)
9. Roller chains for bicycles and motorcycles (NP)
10. New parts identified under the Car Development Program, Commercial Vehicle Development Program, and Motorcycle Development Program (P/NP)

RATIONALIZATION/REHABILITATION/MODERNIZATION OF INDUSTRIAL PLANTS

Note: Not entitled to income tax holiday.

1. Plywood plants (NP)
2. Veneer plants (NP)
3. Pulp and paper mills (P/NP)
4. Textile mills (NP)
5. Rationalization Program for the Coconut Industry
 - a. Conversion of existing manufacturing facilities to the use of locally-produced cocochemical feedstocks (P)
 - b. Production of cocochemical-based surfactants for the soap and detergent industry (P)
 - c. Coconut oil mills and desiccated coconut plants (NP)
6. Basic chemical plants, e.g. methanol, caustic soda, synthetic resins, sacrochemicals, plasticizers, nylon yarn, rubber processing, etc. (NP)
7. Cement plants (NP)
8. Metalworking shops such as:
 - a. Foundries (NP)
 - b. Forge plants (NP)
 - c. Metal fabrication and machine shops (NP)

Annex D (continued)

- d. Heat treating plants (NP)
- e. Electroplating plants (NP)
- 9. Shipbuilding and shiprepair (NP)
- 10. Product test laboratories (NP)
- 11. Other industrial plants as determined by the BOI after thorough study (P/NP)

VI. ENERGY-RELATED PROJECTS

- 1. Ethanol production for fuel, with or without integration with agricultural production of raw materials therefor. (P)
- 2. Production of fuel or energy through the conversion or transformation of biomass materials, coal and charcoal into more usable forms of fuel, such as briquettes, powders or pellets, gaseous and liquid fuels, including handling activities and facilities related thereto. (P/NP)
- 3. Installation of power-generating facilities for new or expanding manufacturing plants substantially using coal, geothermal or other non-conventional fuels; or the conversion of existing manufacturing plants/equipment for the use of coal and non-conventional fuels; subject to certain conditions. (P)

Note: Not entitled to income tax holiday.

- 4. Energy co-generating plants (NP)

Note: Not entitled to income tax holiday.

- 5. Power-generating plants (P/NP)
- 6. Manufacture of equipment necessary for the production and/or utilization of solar energy, power, alcohol, biogas, geothermal steam or geothermal hot water, wind, coal-derived fuels and other fuels of non-conventional nature. (P/NP)

VII. PROJECTS PROMOTING THE CONSERVATION AND MORE EFFICIENT USE OF ENERGY

- 1. Installation of waste energy recovery system (e.g. recycling of waste hot water) (NP)
Note: Not entitled to income tax holiday.
- 2. Manufacture of equipment for specific use in energy conservation projects (P)

VIII. PUBLIC UTILITIES

Note: Not entitled to income tax holiday

- 1. Interisland shipping and directly related facilities essential to the efficient operation of ships including modernization of existing shipping lines (NP)

Note: Modernization shall include vessel replacement; repowering/replacement of engine; vessel conversion, acquisition of

on-board support and cargo handling equipment, excluding containers; and acquisition of communication and navigational equipment.

2. Overseas shipping (NP)
Note. Excluding full-time chartering of vessels.
- 3 All-cargo airlines (NP)
4. Telephone and telegraph services in less developed areas (NP)

IX. INDUSTRIAL AND HAZARDOUS WASTE MANAGEMENT SERVICES (NP)

X. COMMON SERVICE FACILITIES (NP)

- Note: 1. Not entitled to income tax holiday.
2. The following criteria must be met:
 - a. The project serves the common needs of the industry in the locality;
 - b. The project is owned or operated by a group of at least five cottage, small or medium entrepreneurs in the same industry;
 - c. The project would improve the relative status and competitive advantages of the industry; and

d. The industry would contribute to the economic recovery program.

1. Testing and quality control laboratories
2. Training and demonstration centers
3. Tool-shops and similar facilities
4. Bulk-buying centers for raw materials and components
5. Metalworking
 - a. Electroplating
 - b. Foundry
 - c. Forging
 - d. Machining
 - e. Heat treatment
6. Furniture
 - a. Kiln drying
 - b. Treatment and processing facilities
7. Ceramics
 - a. Kiln
 - b. Glazing
8. Food
 - a. Cold-storage facilities
 - b. Canning

XI. EXPORT TRADERS (NP)

Note: Limited to export trading of non-traditional products and subject to certain conditions to be imposed by the BOI.

Annex D (continued)

XII. SERVICE EXPORTERS (NP)

Note: Limited to services in the export service list and subject to certain conditions to be imposed by BOI.

XIII. INDUSTRIES SUPPORTING EXPORTERS (NP)

1. Support services to exporters, such as operation of Customs-bonded manufacturing/trading warehouses for the raw material requirements of exporters.

Note: Limited to non-fiscal incentives.

2. Subcontracting activities for exporters

Note: Not entitled to income tax holiday.

XIV. TOURISM-ORIENTED SERVICES (NP)

Note: Subject to limitations on the region/area/investment centers and on the capacity requirements to be set by the Department of Tourism and the Board of Investments.

1. Tourist accommodation facilities such as tourist inns, pension houses, hotels, etc.
2. Resorts
3. Transport facilities for tourists

LIST OF PRIORITY PRODUCTS FOR EXPORT

I. Agriculture

1. Spices (P/NP)

- a. Cloves
- b. Garlic
- c. Ginger
- d. Pepper
- e. Onion
- f. Mints
- g. Others

2. Vegetables (NP)

- a. Okra
- b. Squash

3. Fruits (NP)

- a. Avocado
- b. Papaya
- c. Pineapple

4. Ornamental plants

- a. Cut flowers such as orchids, roses, anthurium, etc. (NP)
- b. Landscape/indoor plants (NP)

II. Manufacturing

1. Processed foods

- a. Processed coffee (NP)
- b. Health beverages and other health preparations (NP)
- c. Fruits, vegetables and root-crops (NP)

Annex D (continued)

- i. Purees, concentrates and others (such as mangoes, guava, papaya, tomato, guyabano, banana, citrus, etc.)
- ii. Dehydrated products (such as mangoes, papaya, pineapple, banana, coconut, etc.)
- iii. Other preserves (such as canned, pickled, sweetened, etc.)

Notes: Manufacturers of processed fruits are encouraged to set up processing plants integrated with the suppliers of raw materials to assure steady and continuous supply. Integration may be in the form of plantations wholly-owned by the manufacturing plant or by a cooperative venture with groups of growers, or in the form of a contractual agreement with growers to supply raw materials.

- d. Fish and other marine products (NP)
 - a) Processed marine products (such as fish and other seafoods)
 - b) Seaweeds and other algae-based foods

- e. Other processed foods such as cereal-based products, cocoa products, etc. (P/NP)
- f. Vegetable oils (except coconut oil) (NP)
 - a) Castor oil
 - b) Palm oil

2. Wood products (NP)

- a. Builder's woodwork, including prefabricated and sectional buildings and other components of wood (NP)

Note: Saw milling and kiln drying operations may be included only if integrated with wood manufacturing operations.

- b. Blockboard

Note: Must be integrated with primary wood processing plants.

- c. Particle board

Note. Processing of wood waste or timber from plantations

- d. Other wood products such as toys, chopsticks, lacquered wood products, etc., including combinations of wood and other materials.

Annex D (continued)

3. Furniture (excluding rattan)

Note: Includes modernization of existing facilities.

4. Paper Products (NP)

- a. Fiberboard from indigenous raw materials
- b. Packing containers
- c. Paper products such as notebooks, diaries, albums, stationeries, etc.
- d. Printed matters such as books, pamphlets, magazines, etc.

5. Textile Products (NP)

- a. Abaca yarns and ropes
- b. Garments

Note: Only new and expanding firms exporting to non-quota countries shall be entitled to income tax holiday.

- c. Made-up articles of textile

6. Footwear (made of leather, rubber, plastic, wood and other materials, or combination thereof) (NP)

7. Leather

- a. Leather tanning (NP)
- b. Made-up articles of leather (such as travel goods, handbags, wallets, purses, camera and lens cases, gloves and mittens, coats and other garment items) (NP)

8. Chemical Products

- a. Nicotine sulfate (NP)
- b. Refined glycerine (NP)
- c. Fatty alcohols (NP)
- d. Acetylene black (NF)
- e. Di-octyl phthalate (NP)
- f. Sodium sulfate (NP)
- g. Tellurium dioxide (NP)
- h. Essential oils (P)
- i. Activated carbon (NP)
- j. Palm oil chemicals (P)
- k. Shark liver oil (P)
- l. Medicated and non-medicated cosmetics (NP)

9. Pharmaceuticals

- a. Hard gelatin capsules (P)

10. Petroleum Products

- a. Other basic/intermediate petrochemicals (NP)

11. Made-up articles of rubber (such as inner tubes, latex round rubber, gloves, etc.) (NP)

12. Plastic Products (NP)

- a. Made-up articles of plastic (such as plastic containers, raincoats, housewares, hooks, coat hangers, office and school supplies, and plastic sheets/tapes/film)
- b. Polyethylene film bags
- c. Plastic twines
- d. Other plastic products

Annex D (continued)

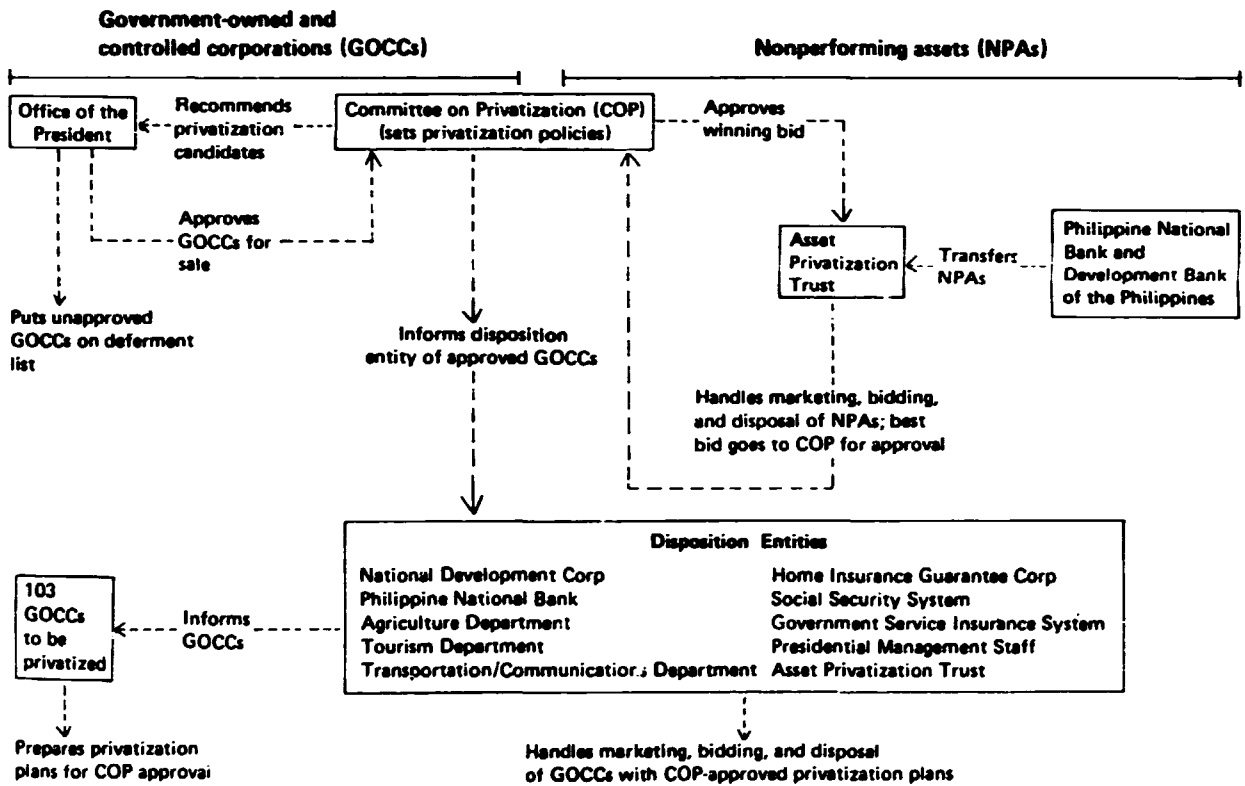
13. Construction materials (NP)
 14. Ceramic bathroom accessories (NP)
 15. Packaging materials (NP)
 16. Metalworking (NP)
 - a. Expeller press flights, pre-breaker anvil, disintegrator shaft, etc.
 - b. Reconditioning of heavy and industrial equipment
 - c. Recovery of precious metals from scrap, waste, etc.
 - d. Flatware
 17. Pleasure boats (NP)
 18. Aircraft, parts and accessories (P)
 - a. Aircraft, hovercraft and gliders
 - b. Aero-engines, propellers and parts
 - c. Aircraft parts and auxiliary equipment, instruments, electrical, electronics and hydraulic equipment
 19. Automotive parts and components
 - a. Automotive gasoline engines (P)
 - b. Electric motors for automotive use (NP)
 - c. Automotive lighting and signalling equipment (NP)
 - d. Flasher units (NP)
 - e. Custom-built vintage cars (NP)
 - f. Other automotive parts and components (NP)
 - g. Other motorcycle parts and components (NP)
 20. Consumer durable products (P/NP)

Note: Subject to compliance with the Development Program for Consumer Durables.
 21. Health care products (NP)
 22. Sporting goods (NP)
 23. Scientific instruments (NP)
 24. Gifts, housewares and handicrafts (NP)
 25. Fashion accessories, fine jewelry and gemstone cutting (NP)
-

Source: Board of Investments.

ANNEX E

Route to Privatization in the Philippines



Source: Business Asia, August 1988.

ANNEX F

PROGRAMMES AND PROJECTS FOR INDUSTRIAL DEVELOPMENT IN THE MEDIUM-TERM
PHILIPPINE DEVELOPMENT PLAN, 1987-1992

Annex F

Programmes and Projects for Industrial Development in the Medium-Term
Philippine Development Plan, 1987-1992

| Program/project title | Description of program/assistance given | Lead agencies |
|--|--|--|
| I. Ongoing | | |
| A. MCSME Promotion | | |
| 1. Industrial Guarantee and Loan Fund (IGLF) | A WB-IBRD financed program that extends financial assistance to small and medium enterprises to hasten the pace of Philippine industrial development. Assistance comes in the form of guarantee financing for collateral-deficient projects, and loans for working capital and acquisition of fixed assets. Loans are payable in 5 to 12 years at 19 percent interest per annum. Loan ceilings are P4M and P16M for small and medium industries, respectively. | NEDA, CB, accredited financial institutions |
| 2. Agricultural, Small and Medium Industries Lending Program (A-SMILE) | A new program that aims to infuse the much required financial resources into countryside development, particularly to accelerate the growth of agricultural and small- and medium-scale enterprises. It extends loans to small- and medium-scale projects engaged in agricultural production or to manufacturing industries located in the countryside. The maximum allowable loan is P500,000 at 17 percent interest rate per annum, payable within one year. | DBP, SSS |
| 3. Agro-Industrial Technology Transfer Program (AITTP) | A Japan Overseas Economic Cooperation Fund (OECF)-funded program for the agro-industrial sector which aims to facilitate the transfer of technology for production and processing, to develop domestic and export markets, and to generate livelihood opportunities for the rural sector. It offers loans to agricultural production and food processing projects at 8.75 percent annual interest, payable in 15 years. The maximum amount of loan is set at P10M for individual projects and P30M for common service facilities. | TRC, DBP |
| 4. Export Industry Modernization Program (EIMP) | An OECF-funded program designed to assist small and medium businessmen in the export industry in the preparation and implementation of modernization projects. The program offers an initial maximum loan of P5M to finance the modernization of resource-based, labor-intensive and export-oriented projects. TRC will finance 70 percent of the total cost of each modernization project while the remaining 30 percent will be shouldered by the borrower as his equity participation. Interest rates are pegged at 8.75 percent payable in 5 to 15 years. | TRC, DBP |
| 5. Guarantee Fund for Small and Medium Enterprises (GFSME) | A program established to encourage banking institutions to participate in lending to small- and medium-scale agribusiness projects (e.g. cereals/grains, meat and poultry, fruits and nuts, vegetables and crops, fish and marine products), especially Filipino stock corporations to finance their support facilities as well as production processing and distribution activities. The Fund supports the participating financial institutions by assuming 85 percent of the total risk involved in lending to these small and medium enterprises. Small-scale enterprises can borrow from P200,000 to P2M and medium-scale enterprises from P2M to P8M. | MHS, GFSME accredited financial institutions |
| 6. Philippine Export and Foreign Loan Guarantee (PHILGUARANTEE) | A government corporation created primarily to provide guarantee coverage to small- and medium scale Filipino exporters on their borrowings whether obtained from local or foreign sources. The program guarantees as much as 70 percent of an eligible borrower's loan for working capital and fixed assets. The program was previously known as the P3M Guarantee Facility Fund. | PHILGUARANTEE commercial banks |

| Program/project title | Description of program/assistance given | Lead agencies |
|---|--|---|
| 7. Bagong Kilusang Kabuhayan at Kaniyagan (B-KKK) | The program aims to expand livelihood opportunities in the economically depressed areas by encouraging and supporting labor-intensive projects through financial as well as technical assistance. | MHS-KKK |
| 8. Small and Medium Enterprise Development (SMED) | A USAID-financed project which aims to institutionalize an effective process within the private sector to accelerate the growth of labor-intensive, small and medium enterprises outside Metro Manila. It involves the formation and strengthening of private industry groups which can be tapped as sources/conduits of services, including marketing and technical assistance to MCSMEs. | MTI-BSMI, SMED |
| 9. Urban Livelihood Financing Program (ULFP) | A WB-IBRD funded program for MCSMEs which aims to create employment opportunities in depressed urban communities of Metro Manila. Financing assistance to low-income individual entrepreneurs or group borrowers comes in the form of equity, loans and grants. | TRC |
| 10. Venture Capital Corporation (VCC) | A joint venture between private commercial banks and the government that aims to infuse capital to small-and medium-sized firms through equity participation. | NDC, private commercial banks |
| 11. Tulong sa Tao (TST) Employment Generation Program | A program designed to increase employment opportunities and income in the rural areas. | MTI-BSMI, PVOs, DBP, PNB, accredited financial institutions |
| | The program has the following components: | |
| | (a) Self-employment loan assistance – financial and technical assistance to micro entrepreneurs, government retirees, and ex-detainees to expand or start livelihood projects through PVOs that will serve as conduits for assistance. | MTI-BSMI, PVOs |
| | (b) Expansion of the subcontracting program – assistance to potential contractors and subcontractors on machinery acquisition or transaction financing. | MTI-BSMI, accredited financial institutions |
| | (c) Small Business Guarantee Loan Fund – guarantee financing scheme for collateral-deficient small manufacturing, trade and service enterprises. | |
| 12. Business Consultancy | Provision of technical and management consultancy services for CSMEs aimed at improving their productivity and efficiency. | MTI-BSMI, NACIDA |
| 13. Small Business Technology Improvement Program | A program for the improvement of technology for CSMEs through technology transfer services, technology information dissemination, and technology fairs and missions. | MTI-BSMI |
| 14. Marketing Assistance Program (MAP) | A program intended to facilitate and enhance the domestic and export marketing of CSMEs' products. | MTI-BSMI |
| 15. Subcontracting Exchange for Exporters (SUBCONEX) | This would facilitate subcontracting arrangements between small and large firms to expand the former's market and allow their access to resources such as technology, raw materials and credit. | MTI-BSMI |
| 16. RP-FRG Technical Cooperation Project | This is a partnership project between the Small Business in Kassel, West Germany and the Regional Chambers of Commerce and Industry (in Cebu and Cagayan de Oro Cities) that aims to channel technical assistance in institutional development through training, technical advisory services and equipment build up. | MTI-BSMI |

| Program/project title | Description of program/assistance given | Lead agencies |
|---|--|--|
| 17. Japan External Trade Organization/ASEAN Cooperation Project | A project that aims to develop exportable SMI goods and disseminate energy technology to small industries. | MTI-BSMI |
| 18. ASEAN Small and Medium Business Improvement Project | A project that extends training, consultancy and research assistance to small and medium business in Southeast Asia, including the Philippines. | ASEAN-COIME, MTI |
| B. Investment Promotion | | |
| 1. Ten-Year Sectoral Planning Program | Preparation of a 10-year sectoral plan for priority industry sectors to be undertaken by the government and the private sector. The objectives of the study are: (a) to encourage investments in priority industries and regions; (b) to increase the efficiency and competitiveness of local industries; and (c) to review the present status of industries and their requirements toward a desired competitive position. | MTI, private sector |
| 2. Investment Promotion Campaign | An intensive drive to accelerate the flow of investments through information dissemination, active promotional activities through investment missions, and the simplification of investment procedures. | MTI, MOT, MAF, MNR, MFA, CB, MOLE, SEC, Customs Commission, BIR, Commission on Immigration and Deportation |
| C. Domestic Trade Promotion and Development | | |
| 1. One-Stop-Shop for Retailers Program | Technical assistance in the establishment of one-stop-shop facilities for traders, especially retailers, in the various cities and municipalities of the country to rationalize and streamline the issuance of permits, licenses and other legal requirements. | MTI-BDT |
| 2. Consumer Organization Development Program | An active consumer awareness campaign carried out through the strengthening of consumer organizations. | MTI-BDT |
| 3. Consumer Assistance Program | Assistance to consumer through information dissemination and settling of consumer complaints. | MTI-BDT |
| 4. Retail Trade Institutional Development | Organization and technical assistance for retail trade associations to develop them as effective conduits for the administration of government assistance and services. | MTI-BDT |
| 5. Bulk Purchasing Arrangement Program | Assistance given primarily to organized small retailers and market vendors to undertake syndicated purchasing of their supplies for more economies of scale by linking them with producers and other sources of supply, and providing them with consultancy and technical services on proper pricing, the preparation of contracts, and other related matters. | MTI-BDT |
| 6. Trade Information Exchange Service Program | A central facility which provides for a continuous and programmed dissemination and/or exchange of trade information between producers/suppliers and buyers/traders/retailers and between or among regional and provincial units of MTI. | MTI-BDT |
| 7. Trade Fairs and Exhibits Program | Integrated, interrelated and sustained marketing programs for greater exposure of local products in the domestic and export markets through well-planned and organized regional and national trade fairs and exhibits. | MTI |
| D. Export Promotion and Development | | |
| 1. Export Assistance Network (EXPONET) | Front desk and inquiry-reply service to provide immediate facilitative ("trouble shooting") assistance and general export-related information to exporters and prospective exporters, through a linkage network with concerned government and private agencies. | MTI |

| Program/project title | Description of program/assistance given | Lead agencies |
|--|---|---|
| 2. One-Stop Export Documentation Center | Single venue for processing preshipment export documents, proposed expansion to include import documentation. | Commission on Export Procedures, Government Commodity Offices |
| 3. Export Consultancy Program | Specialized consultancy services to exporters and prospective exporters in the areas of marketing, finance, production and general management as they relate to export activities. | MTI-BFT |
| 4. Overseas Distributorship Promotion Program | Identification of capable foreign distributors/agents who are willing and able to represent Filipino exporters abroad and assist them in the wholesale/retail distribution of their products in overseas markets. | MTI-BFT |
| 5. Country/Product Monitoring Program | Preparation and regular updating of country/product profiles to provide information for formulating/updating export strategies. | MTI-BFT |
| 6. Information Needs Assistance & Program Packaging | Assessment of information needs of exporters to validate existing programs and to provide the bases for new programs. | MTI-BFT |
| 7. Bataan Export Processing Zone II (BEPZ II) | The OECF-funded project which aims to improve the facilities at the Bataan Export Processing Zone to enable it to attract more investors. The project involves the installation/improvement of the water supply system, sewerage system, solid waste disposal system, electrical system, central warehouse, and housing units. It also includes the provision of managerial support to the zone administration and EPZA through the employment of consulting services. | EPZA |
| 8. EPZ Repairs, Maintenance and Improvement Projects | The project involves the repairs and maintenance of facilities in the four existing EPZs to attract more investors and improve their competitiveness. | EPZA |
| E. Technology Improvement/Development | | |
| 1. Invention Guarantee Fund (IGF) | This provides guarantee financing for the unsecured portion of loans for the commercialization of technological inventions. | PIDI, DBP |
| F. NDC Equity Investments | | |
| 1. Ammonia-Urea Project (ASEAN project) | The ASEAN Bintulu fertilizer plant located in Malaysia was designed to produce 1,000 metric tons per day of ammonia and 1,500 metric tons per day of urea. The Philippines through the NDC, owns 13 percent of the total equity of the plant. The project has been completed and commercial operation started in October 1985. | NDC |
| 2. Rattan Development Project | The project involves the establishment of a rattan plantation, and the maintenance and harvesting of rattan using simple and inexpensive tools and materials and employing about 160 people inside the selectively logged-over area of PICOP in Bislig. The venture is a joint management effort between PICOP and NDC (100 percent funding by NDC). It is also covered by a lease agreement granted to PICOP by MNR for a period of 25 years and renewable for another 25 years. | NDC |
| 3. NDC-Guthrie Estates, Inc. (NGE1) | The project aims to develop an additional 4,000-hectare integrated oil palm plantation and processing facility in Agusan del Sur. The project is expected to process 100,000 metric tons of palm fruit per year with an equivalent yield of 21,000 metric tons of crude palm oil and 6,000 metric tons of palm kernels. The project has full technical support from Kumpulan Guthrie of Malaysia. The first palm oil project of NDC has been operational since January 1986. NGE1 is expected to benefit from the learning curve of this earlier venture. | NDC |

| Program/project title | Description of program/assistance given | Lead agencies |
|---|---|-------------------------|
| G. Other Programs | | |
| 1. Organization and Development of People's Economic Councils (PECs) | The organization and development of a community-based, multi-sectoral group in selected provinces/municipalities to mobilize the various resources of the locality toward defining and solving the community's economic problems. | MTI |
| 2. UP-IIR/MTI Promotion of Harmonious Industrial Relations Project (PHIR) | Promotion of industrial harmony through the conceptualization and implementation of proactive (preventive) efforts such as organization of labor-management councils and other such activities that will enhance mutual trust and cooperation between labor and management. | MTI-CLARA, UP-IIR, MOLE |
| 3. Movement for People's Livelihood and Welfare (MPLW) Program | The program aims to promote livelihood or self-employment opportunities in the rural areas. | MOLE |
| 4. Self-Employment and Entrepreneurial Development (SEED) Program | An entrepreneurship development program for the unemployed and idle families of overseas workers. | MOLE |
| 5. Public Employment and Service Office (PESO) | A program which will establish on a nationwide basis a labor market facilitation network that will support the promotion and maintenance of an effective and efficient system of bringing people and jobs together. | MOLE |
| II. Proposed | | |
| A. MCSME Promotion | | |
| 1. 4th Small and Medium Industries Development Project | The project aims to support the development of economically, financially, and technically viable SMEs through a new WB loan. | MTI-BSMI |
| 2. Export Industry Modernization Program, Phase II | The project is a continuation of the EIMP which aims to upgrade SMEs' production capabilities, and product quality, and to improve its competitiveness in the export markets. | TRC, DBP |
| 3. Private Enterprise Development (PED) | The program aims to assist in the formation and growth of productive and labor-intensive private enterprises by improving their access to management, technology, credit, and marketing. It will also expand the coverage of SMED. | MTI-BSMI |
| 4. Project Arrangement and Coordination Program | <p>The project involves market research on the export-capable SME sector particularly on the following areas:</p> <ul style="list-style-type: none"> (a) basic survey on existing SME promotion organizations, policies, and basic comparative advantage factors; (b) preparation of profiles of priority sectors, potential projects and enterprises; (c) prefeasibility studies of potential individual projects and priority sector projects; and (d) prioritization of projects and identification of sources of assistance for project implementation; | MTI-BDT/BSMI |
| 5. Regional Cottage Industries Technology Centers (RCITCs) | <p>The project will establish RCITCs in eight regions with the corresponding specializations, as follows: ceramics (NCR), garments, food processing (III), embroidery (IV), fibercraft (V), clay and marine products (VI), shellcraft, food and rattan (VII), loomweaving (IX), and brassware, loomweaving (XII).</p> <p>The RCITCs will undertake basic and advanced skills training for selected crafts and a program for market research, and product design and development.</p> | NACIDA |
| B. Domestic Trade Promotion and Development | | |
| 1. A Competency-based Test for the MTI-BDT Accreditation Program | The program aims to promote service and repair enterprises and hasten technological development through accreditation of technical personnel in these enterprises. | MTI-BDT |

| Program/project title | Description of program/assistance given | Lead agencies |
|---|---|-------------------------|
| 2. Bulk-buying Program for the Retail Trade Industry | The program aims to come up with an Operations Manual that will serve as a guide to any group of retailers which may want to undertake bulk-buying activities; build up a data base comprised of company profiles of retailers, producers, and domestic suppliers to facilitate the matching of requirements and capabilities; and train a group of people, both from government and the private sector, to implement such bulk-buying schemes. | MTI-BDT |
| C. Export Promotion and Development | | |
| 1. Corporate Strategy Formulation Assistance Program | Assistance to small, medium and large exporters in formulating export marketing strategies; and packaging a program for availing of government services to implement such strategies. | MTI-BFT |
| 2. Export Sector Technical Assistance Project | The project involves upgrading the duty drawback and BMW systems and procedures; establishing a more effective export credit mechanism for SMEs; upgrading short-term export credit facilities; upgrading trade information services; and technical assistance and training for SME exporters under an integrated program covering product design, production technology and techniques, skills upgrading, general management and marketing. | MTI-BDT, CITEM, MOF, CB |
| 3. Export Market Development Study for EPZ Enterprises (including Investment Brokerage) | The project will generate a preinvestment study which shall identify new markets/products for EPZ enterprises, design a mechanism/scheme for forging linkages between buyers and EPZ enterprises, develop a data bank to support such mechanism/scheme, and identify necessary financial resource requirements for its implementation. Related systems for matching potential business partners who may set up EPZ enterprises shall be developed. | EPZA |
| 4. Industrial Relations Development Program in EPZs | The program will have the following outputs: analysis/identification of labor and management training needs; training modules, initially on industrial relations, community relations, productivity enterprises; and labor laws and practices; development of training materials, equipment and trainers; and EPZA-MOLE collaboration in program implementation. | EPZA |
| 5. Cavite Export Processing Zone Development Project | The project will improve/develop the following facilities at the Cavite EPZ: water supply system, standard factory buildings, electrical system, telecommunication system, warehouse, sewerage system, and solid waste disposal system. | EPZA |
| D. NDC Equity Investments | | |
| 1. Industrial Tree Plantation (ITP) Program | The program will involve the establishment of economically viable ITP projects through the formation of joint ventures with the private sector to meet the expected shortfalls in domestic wood supply by the year 2000, increase wood exports, and generate employment and social benefits in the rural areas. A total of 200,000 hectares of ITP shall be developed over a five-year period which will employ around 10,000 to 15,000 people in the rural areas mostly Mindanao where the plantations will be established. The joint venture companies will be formed between NDC and timber license agreement (TLA) holders on a 40-60 percent equity ratio. | NDC Plantations, Inc. |
| 2. Integrated Agro-Forestry Program | The program will involve the development of 23,150 hectares of land in various sites in the country into commercially viable plantations of rattan, cacao, fruit trees, abaca, coffee, castor beans, fast growing trees, and other vegetable crops. | NDC Plantations, Inc. |
| 3. Agusan del Sur Oil Palm Outgrowers Project | The project will involve the development of 1,500 hectares of outgrowers oil palm plantations to produce at peak production 37,000 metric tons of fresh fruit bunches which will be sold to the integrated palm oil facilities for processing into exportable palm oil. Some 300 to 500 families in Agusan del Sur are expected to benefit from the project through increased incomes. | NDC |

ANNEX G

MANUFACTURING PROJECTS SEEKING EXTERNAL ASSISTANCE

ANNEX G

MANUFACTURING PROJECTS SEEKING EXTERNAL ASSISTANCE

ABBREVIATIONS FOR

TYPE OF FOREIGN CO-OPERATION SOUGHT

| | |
|-----|---------------------------|
| EOY | Equity |
| LNS | Loans |
| JV | Joint Venture |
| SCR | Suppliers' credits |
| SCT | Subcontracting |
| LIC | Licensing |
| SOT | Sale of technology |
| TKP | Turnkey Project |
| EOS | Equipment supply |
| AFM | Access to foreign markets |
| MAX | Management expertise |
| TEX | Technical expertise |
| TRX | Training expertise |
| MKX | Marketing expertise |
| DES | Designs |

A profile of each project is available from the Industrial Investment Division, UNIDO
or
the UNIDO Investment Promotion Services

Issued by the Industrial Investment Division of UNIDO on the basis of information provided by the project sponsors. It is the wish of the project sponsors to present their projects in the present form. UNIDO, therefore, does not accept responsibility for any inaccuracy or incompleteness.

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|----------------------------|--------------------|--|--|--|
| 11 Agriculture | | | | |
| 1110 | PHI/01 | Expansion/modernization of hog farming Expansion from 800 to 2,000 sow level | 0.70 | JV, LNS, AFM |
| 1110 | PHI/02 | Coffee/cacao and black pepper by intercropping between and under coconut trees Coffee/cacao: 980 kg/year Black pepper: 190 kg/year | 0.60 | EQY, JV, TKP, EQS, AFM, MAX, TEX, TRX, MKX |
| 1110 | PHI/03 | Orchid culture (Vanda Sanderiana) 15,000 plantlets by year 2 | 0.50 | LNS, AFM, MKX |
| 1110/3312 | PHI/04 | Integrated bamboo plantation development and bamboo disposable chopsticks 300 million pairs of chopsticks/year | 5.435 | EQY, LNS, JV, EQS, SCR, TEX |
| 13 Fishing | | | | |
| 1302 | PHI/05 | Integrated prawn project (First Farmers Milling and Manufacturing Co-operative Association) Frozen prawn: 1,200 tons/year Prawn feed: 4,800 tons/year | 6.00 | AFM, TEX, MKX |
| 1302 | PHI/06 | Integrated prawn project (Aquaculture Centre for Northern Mindanao) 40 million pieces of fry/year | 2.857 | EQY, LNS, JV, EQS, AFM, TEX, MKX |
| 1302 | PHI/07 | Prawn farming (EI Operations Management Group) 145 metric tons/year of Tiger prawn | 0.785 | EQY |
| 1302 | PHI/08 | Prawn farming (Dr. D. Torren: Prawn Farm) Fresh and frozen prawn: 69,165 kg by 1991 | 0.427 | EQY, LNS, JV, AFM |
| 1302 | PHI/09 | Aquaculture - Frozen prawn and fresh fish 20 tons/day by 1991 | 10.316 | EQY, LNS, JV, SOT, EQS, TEX, AFM, TKP, SCR |
| 1302 | PHI/10 | Prawn farming (Centeno-Betamore Aquaculture Development Corp.) 132,680 kg/year (average) of Jumbo Tiger prawn | 1.241 | EQY, AFM, MAX, TEX, TRX, MKX |
| 1302 | PHI/11 | Prawn farming (Island Kind Aquaventures Corp.) 700 metric tons/year of export-quality prawn | 2.43 | EQY |
| 1302 | PHI/12 | Prawn farming (Calatagan Aqua System Inc.) 115.6 metric tons/year of Jumbo Tiger prawn | 0.65 | EQY, LNS, JV, AFM |
| 21 Coal mining | | | | |
| 2100 | PHI/13 | Coal mining (Philippine National Oil Company - Coal Corporation) 306,000 metric tons/year | 23.088 | EQY, JV, EQS, TEX, TRX |
| 2100 | PHI/14 | Coal mining (Carbex, Inc.) 150,000 metric tons by 1991/92 | 1.20 | EQY, JV, SCR, EQS |
| 23 Metal ore mining | | | | |
| 2302 | PHI/15 | Gold mining Reserves of 20 million short tons/ 1.5 g gold per short ton Capacity to be established | 40.00 | EQY, LNS, SOT, EQS, TEX, TRX |
| 2302 | PHI/16 | Small-scale mining of gold, silver and copper Mining of 23 metric tons/day | 0.50 | EQY, MAX, TEX, JV |
| 2302/3819 | PHI/17 | Gold mining and production of gold chain 10 kg/week | 1.00 | EQY, JV, SOT, EQS, TEX |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|---------------------------|--------------------|---|--|---|
| <u>29 Other mining</u> | | | | |
| 2902 | PHI/18 | Guano processing 360,000 bags (50 kg)/year | 0.507 | EQY |
| 2901/3699 | PHI/19 | Marble quarrying and processing Marble slabs: 105,000 sq m/year Marble tiles: 45,000 sq m/year Marble blocks: 3,500 cu m/year | 6.25 | EQY, LNS, EQS, AFM, TEX |
| <u>31 Food processing</u> | | | | |
| 3112 | PHI/20 | Dairy products (fresh and evaporated milk, cheese, etc.) Year 1: 571,000 containers/year Year 5: 1,796,739 containers/year | 01.09 | EQY |
| 3112 | PHI/21 | Beef and dairy products Processed milk: 2,500 tons/year Beef: 3,000 head/year | 10.00 | EQY, LNS, EQS, MAX, TEX, TRX, SOT |
| 3113 | PHI/22 | Fresh vegetables for export 14,000 tons/year | 10.00 | AFM, EQS, MAX, TEX, TRX, MKX, SCR, LNS, EQY, SOT |
| 3113 | PHI/23 | Mango processing Fresh mango: 320 tons/season Dried mango: 50 tons/season | 1.20 | EQY (welcome), AFM, TEX |
| 3113 | PHI/24 | Mango processing Dried and frozen mango: 48 tons/year | 0.505 | EQY, LIC, EQS, AFM, MKX |
| 3113 | PHI/25 | Dehydrated vegetable processing 106,000 kg/year of onion powder, minced onion, garlic powder, chives, banana, coconut, tamarind, ginger, chili, etc. | 1.50 | Cash investment (welcome) AFM, TEX |
| 3113 | PHI/26 | Fruit dehydration (pineapple, mango, papaya) 620 tons/year (projected) | 1.50 | AFM, LNS, SCR, MAX, TEX, TRX, MKX, EQS, SOT |
| 3113 | PHI/27 | Tropical fruit juice and concentrate Capacity: 300 cartons/day | In operation | AFM |
| 3113 | PHI/28 | Vegetables, fruits and spices - dehydrated and puree Capacity: 270 kg/day of dried produce 1 metric ton/hour of puree | In operation | EQY (welcome) JV (marketing) AFM |
| 3113/7192 | PHI/29 | Dehydration of vegetables (onions, garlic, etc.) and cold storage facilities 1 million bags (20 kg)/year by 1993 | 1.906 | EQY, LNS, EQS, TEX, TRX |
| 3113 | PHI/30 | Canned pineapple products and tropical fruits, juices, puree and concentrate Installed capacity: 36,000 tons/year | In operation | EQY, AFM |
| 3113 | PHI/31 | Dried fruit (pineapple, papaya, mango) 48,000 kg/month | In operation | AFM |
| 3113 | PHI/32 | Tropical fruit juice, puree and concentrate 20,000 cases/month | 0.588 | EQY, JV, EQS, AFM |
| 3113 | PHI/33 | Tropical fruit processing Capacity to be determined | To be determined | JV, SOT, EQS, AFM, TEX, MKX |
| 3114 | PHI/34 | Shrimp waste processing Processing of 80 ton/month of shrimp waste (heads and tails) | To be determined | JV (welcome), SOT, TEX |
| 3114 | PHI/35 | Prawn/shrimp processing Frozen prawn/shrimp: 600-1,200 metric tons/year | 3.605 | EQY, LNS, JV, EQS, AFM TEX, TRX, MKX |
| 3114 | PHI/36 | Seaweed farming and processing (Southern Philippine Development Authority) Dried seaweed: 1,500 metric tons/year | 2.804 | EQY, LNS, EQS, AFM, MAX, TEX |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|---|--------------------|--|--|--|
| 3114 | PHI/37 | Seaweed farming (Migeva Ex-Import Corp.) Dried seaweed: 990 metric tons/year | 0.307 | JV |
| 3115 | PHI/38 | Soya bean plantation and processing plant Refined soya bean oil: 5 metric tons/day Soya meal: 20 metric tons/day | 1.443 | EQY, EQS, TEX, TRX |
| 3121 | PHI/39 | Corn starch 30 metric tons/day | 0.60 | TEX, EQY, JV, AFM |
| 3121 | PHI/40 | Food processing: Philippine specialties Automation of partly hand-operated existing facilities to produce fish and fruit preserves, coconut cream milk and puree, sliced mango, mango juice, etc. | To be determined | EQY (welcome), AFM |
| 3121 | PHI/41 | Coffee processing plant 200 metric tons/year initially, rising to 500 metric tons/year | 2.80 | EQY, LNS, EQS, AFM, TEX TRX, MCK |
| <u>32 Textiles, clothing and leather</u> | | | | |
| 3211 | PHI/42 | Ramie degumming (Southern Philippines Development Authority) 126 metric tons/month (output) | 2.761 | EQY, LIC, AFM, TEX |
| 3211 | PHI/43 | Ramie degumming and processing (Davao Ramie Development Co-operative Inc.) 700 metric tons/year of finished material | 10.00 | EQY, LNS, JV, SOT, EQS, AFM, SCR, TEX, MCK |
| 3211 | PHI/44 | Degummed ramie fibre (Datingbayan Agro- Industrial Corp.) 4,500 kg degummed fibre/day | 2.61 | EQY, JV, SOT, TKP, EQS, AFM, MAX, TEX, TRX, MCK |
| 3211 | PHI/45 | Cotton gin Cotton seed: 225,600 sacks (50 kg)/year Cotton lint: 28,800 bales (250 kg)/year | 1.70 | EQY, LNS, AFM, MAX, TEX, TRX, MCK |
| 3233 | PHI/46 | Leather handbags, woven leather bags and belts 249,000 pieces/year | In operation | AFM, TEX (for factory layout), DES, TRX |
| 3240 | PHI/47 | Leather shoes 500 pairs/day of fashionable ladies' leather shoes | 0.525 | EQY (welcome), SOT, DES, AFM, SCR, TEX |
| 3233 | PHI/48 | Sporting bags, suitcases and working gloves Production by 1989: 80,000 suitcases/day 41,000 sporting bags/day | In operation | SCT, AFM |
| <u>33 Wood, wood products and furniture</u> | | | | |
| 3311 | PHI/49 | Wood products (architectural components) Wooden doors, windows, wall panelling, kitchen doors and cabinets, etc. 8,000 sq m | To be determined | JV, AFM |
| 3311/1210 | PHI/50 | Industrial tree plantation 1,600 ha of Falcatta species for pulpwood and sawn timber | 1.1 | EQY, JV |
| 3311 | PHI/51 | Veneer, plywood and lumber Veneer, plywood, blockboard: 100 cu m/day Lumber: 70 cu m/day Lumber products: 7 cu m/day | 1.38 | EQY (welcome) SCR, AFM, TEX, TRX |
| 3311 | PHI/52 | Simple furniture parts from lumber shorts and cuttings | 0.30 | EQY (welcome) SCT, AFM |
| 3312 | PHI/53 | Bamboo craft industry development Bamboo decorative tiles, wall decorations, fashion accessories, gift items Capacity to be determined | 1.0 | EQY, LNS, AFM, EQS, MAX |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|--|--------------------|--|--|--|
| 3312 | PHI/54 | Crushed bamboo laminates 78,000 sheets (4'x8')/year | 0.367 | EQY, JV, EQS |
| 3319 | PHI/55 | Wooden household and gift articles 2 10-foot containers/month of toys, household/gift articles, pallets, tiles, etc. | 0.015 | AFM, DES, TRX |
| 3319 | PHI/56 | Wooden case goods | To be determined | AFM, JV, EQS, TEX |
| 3320 | PHI/57 | Manufacture of wooden furniture (Alenter Cane Corp.) European-style and imitation antique furniture to foreign customers' designs | 1.50 | EQY, JV AFM, DES, TEX, TRX |
| 3320 | PHI/58 | Wooden furniture (Pacific Traders and Manufacturing Corp.) Capacity to be determined | In operation | TEX, AFM, DES |
| 3320 | PHI/59 | Rattan furniture (Asian Arts, Inc.) 150,000 pieces/year | 0.60 | AFM, EQY, LNS |
| 3320 | PHI/60 | Rattan furniture (HML Trading and Manufacturing Inc.) 37,000 pieces or US\$ 1 million sales/year, depending on size of furniture | In operation | JV (for marketing in Europe), AFM |
| 3320 | PHI/61 | Rattan baskets, furniture and decorative items Present export sales: US\$ 2.7 million/year | In operation | AFM, DES, JV (marketing) |
| 3320/3903 | PHI/62 | Rattan furniture and fashion accessories from shell, coco and other materials Capacity to be determined | To be determined | AFM |
| <u>34 Pulp, paper, printing and publishing</u> | | | | |
| 3411 | PHI/63 | Pulp and paper mill modernization Planned production: Newsprint: 108,000 metric tons/year Kraft: 82,500 metric tons/year | 38.25 | SOT, TEX, EQY, LNS, SCR |
| 3420 | PHI/64 | Printed packaging materials, labels, calendars, etc. Capacity to be determined | In operation | SCT, AFM |
| <u>35 Chemicals, rubber and plastic products</u> | | | | |
| 3512 | PHI/65 | Organic fertilizer from agricultural waste 1989: 150,000 bags/year 1993: 310,000 bags/year | 0.645 | EQY, LNS, JV, MAX, TEX, TRX, MEX |
| 3513 | PHI/66 | Bottle-grade PET resin 3,000 metric tons/year | 1.571 | EQY, AFM |
| 3513 | PHI/67 | Injection moulded plastic parts Subcontracting or licensing arrangement with original equipment manufacturers | To be determined | SCT, LIC, TEX |
| 3523 | PHI/68 | Detergent bar soap 440,600 cartons/year (144 pieces/carton) 1991 | 0.96 | EQY (welcome), SOT, TEX TRX |
| 3529 | PHI/69 | Activated carbon 1,800 metric tons/year | 1.45 | EQY (welcome), SOT, EQS, AFM, SCR, TEX |
| 3529 | PHI/70 | High test calcium hypochlorite (HTH) 1,800 metric tons/year | 3.89 | EQY (welcome), SOT, TEX |
| 3529 | PHI/71 | Ceramic tile adhesive 1,200 metric tons/year | In operation | AFM, MAX |
| 3551 | PHI/72 | Tyre inner tubes from butyl rubber compound for passenger, light and heavy trucks Capacity to be determined | To be determined | JV, EQS |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|---|--------------------|---|--|---|
| 3559 | PHI/73 | Rubber surgical and all-purpose gloves and prophylactics Minimum of 10 million/month of each item | 1.40 | JV, SOT, EQS, AFM |
| 3559 | PHI/74 | Conveyer and flat transmission belts from rubber 5,800 linear feet/day | 0.661 | EQY, TRX, EQS, DES, TEX |
| 3559 | PHI/75 | Moulded rubber products (sports balls and camel-back) Basketballs: 8,736 pieces/month Camel-back: 90 tons/month | 0.145 | EQY, LNS, JV, AFM, TEX |
| 3559 | PHI/76 | Rubber products (shoes, moulded parts, conveyor belts, V-belts, etc.) Expansion of factory according to needs of foreign partner | Depends on foreign partner | Cash investment (welcome) JV, EQS, AFM |
| 3559 | PHI/77 | Transmission rubber V-belts 14,130,000 pieces/year (3 shifts) | To be determined | EQY, JV, SCT, |
| <u>36 Non-metallic mineral products</u> | | | | |
| 3610 | PHI/78 | Fine bone china gifts and decorative accessories 40,817 kg/year | In operation | EQY (welcome), SCT, AFM, DES |
| 3610/2901 | PHI/79 | Clay beneficiation plant 6,000 - 10,000 tons/year of kaolin clay | 0.5 | LIC, SOT, TEX, TRX, SCR |
| 3691 | PHI/80 | Unglazed ceramic tiles 225,000 sq m/year | 1.45 | EQY (welcome), SOT, TEX, EQS, SCR, TRX |
| 3691 | PHI/81 | Porous glazed wall tiles 1,000 sq m/day | 1.53 | EQY (welcome), SOT, EQS, SCR, TEX, TRX |
| 3692 | PHI/82 | Mini-scale cement plant 18,000 - 32,000 tons/year of Portland cement | 5.00 (estimate) | EQY (welcome), TKP, EQS, SCR, TEX |
| 3699 | PHI/83 | Alumina refractories Year 1: 8,600 tons/year Years 5-10: 14,700 tons/year | 11.29 | EQY/LMS (welcome), LIC, SOT, TEX, TRX, EQS, SCR |
| 3699 | PHI/84 | Marble tiles 6,000 sq m/month | 0.512 | EQY, EQS, AFM |
| 3699 | PHI/85 | Silica quartz and perlite processing Silica quartz powder: 12,000 tons/year Perlite: 6,000 tons/year | 0.65 | EQY, JV, EQS, AFM, TRX, SCR, TEX |
| 3699 | PHI/86 | Chemical gypsum and calcine for export 500,000 tons/year | In operation | AFM |
| <u>37 Basic metal industries</u> | | | | |
| 3710 | PHI/87 | Cast iron products Cast iron barbell weights, manhole covers and frames (2.5 - 2,000 kg per piece) 612 metric tons/year by year 5 | 1.272 | JV, AFM |
| 3720 | PHI/88 | Expansion of foundry facilities 400 tons/month (products according to customer specifications) | 2.475 | EQY, LNS, JV, EOS, AFM, TEX |
| <u>38 Machinery and equipment</u> | | | | |
| 3819 | PHI/89 | Special bolts and nuts and automotive forgings Bolts and nuts: 200 tons/year Gear blanks: 50,000 pieces/year Axle shafts: 50,000 pieces/year | To be determined | LIC, SOT, AFM, TEX |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|------------------------------------|--------------------|--|--|---|
| 3821 | PHI/90 | Diesel engine (5-15 HP) assembly Initial production: 1,000 units/year By 1993: 2,400 units/year | In operation | LIC, CKD parts supply, JV, TRX, SCR |
| 3822 | PHI/91 | "Turtle" power tillers and secondary products Power tillers: 1,500 units/year Secondary products: 300-400 units/year | 1.00 | EQY, JV, AFM, MAX, TEX, MXX, EQS |
| 3824 | PHI/92 | Mobile quick freezing equipment Freezing of 500 - 1,000 kg of prawns/2 hours | In operation | SOT, TEX, TRX |
| 3831 | PHI/93 | Rice husk-fired mini power plants (100-400 kW) | In operation | LIC, SOT |
| 3831 | PHI/94 | Power and distribution transformers Power transformers: 165,000 kVA/year Distribution transformers: 500,000-600,000 kVA | In operation | LIC |
| 3831 | PHI/95 | Dry type transformers 250,000 kVA/month | 1.25 | LIC, AFM, SCT, JV, SGR, TEX, MXX |
| 3839 | PHI/96 | Wiring harness production 1st year: 24,000 pieces 2nd year: 60,000 pieces | 0.214 | SCT, AFM |
| 3839 | PHI/97 | Christmas tree lights 100,000 sets/month | 0.483 | LIC, JV, SCT, TEX, MXX |
| 3841 | PHI/98 | Steel container repair yard Repair of 150-200 containers/month | 1.55 | SOT, TEX, TRX, SCT, EQS, SCR |
| 3841/7121 | PHI/99 | Shipping vessels and shipping service expansion 11,000 - 19,000 DWT | In operation | JV (marketing), EQY |
| 3841/7121 | PHI/100 | Expansion of shipping service Addition of 3 ships to existing fleet of 9 | To be determined | EQY, JV, Supply of ships |
| 3844 | PHI/101 | Tricar ("Wondercab") manufacture 1,200 units/year (rated capacity) | 0.341 | AFM, TEX (special all-purpose motor) |
| 3844/9513 | PHI/102 | Reconditioning of used motorcycles 1st year: 600 units 5th year: 1,465 units | 0.571 | AFM, TEX, Supply of used motorcycles |
| 3851 | PHI/103 | Automatic voltage regulators and uninterruptible power supplies for microcomputers AVRs: 3,000 pieces/year UPSs: 15,000 pieces/year | 0.634 | AFM, MXX |
| <u>19 Other manufactured goods</u> | | | | |
| 3901 | PHI/104 | Expansion of jewellery making 600 items/month | 1.50 | AFM, SCT, EQS, LNC, SOT, EQS, TEX |
| 3905 | PHI/105 | Plastic toys (Cherith Manufacturing (Co., Inc.) Capacity to be determined | 0.58 | EQY (welcome), DES, AFM, JV (marketing), TEX, MXX |
| 3909 | PHI/106 | Plastic Toys (Plastimer Industrial Corp.) Capacity to be determined | In operation | EQY (welcome), DES, SCT, AFM, EQS |
| 3909 | PHI/107 | Model aircraft 6,000 pieces/year at full capacity | In operation | EQS (welcome), SCT, AFM |
| 3909 | PHI/108 | Stuffed toys (Toys International Inc.) 4 million pieces/year | In operation | Cash investment (welcome) AFM, DES, Product development |
| 3909 | PHI/109 | Stuffed toys (Transport Affiliates Corp.) 360,000 pieces/year | 0.550 | EQY, LNC, JV, AFM, SCR, MXX |

| <u>ISIC No.</u> | <u>Project No.</u> | <u>Title and Capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|-----------------|--------------------|--|--|--|
| 3909 | PHI/110 | Artificial trees, floral arrangements and processed tree trunks Artistic trees: 1,800 pieces/month Processed trunks: 2,500 pieces/month Floral arrangements: 800 pieces/month | In operation | AFM |
| 3909 | PHI/111 | Artificial plants, flowers and floral arrangements | In operation | JV (marketing), AFM |

50 Construction

| | | | | |
|------|---------|---|-------|----------|
| 5000 | PHI/112 | Expansion of Sulo Hotel, Quezon City, Metro Manila Addition of 100 rooms | 4.143 | EQY, EQS |
|------|---------|---|-------|----------|

63 Restaurants and hotels

| | | | | |
|------|---------|--|------|---------------|
| 6320 | PHI/113 | Panalipan Beach retiree resort complex | 2.50 | LNS, AFM, MKX |
|------|---------|--|------|---------------|

83 Services - Data processing

| | | | | |
|------|---------|---|--------------|-------------------------|
| 8323 | PHI/114 | Data encoding (Asian Data Entry Corp.) 2 million keystrokes/month | In operation | SCT, AFM |
| 8323 | PHI/115 | Data encoding (Equidata Philippines, Inc.) 40 million keystrokes/year | In operation | SCT, AFM |
| 8323 | PHI/116 | Data encoding (Unidata Corporation) 487 million keystrokes/month | In operation | EQY (welcome), SCT, AFM |
| 8323 | PHI/117 | Data encoding (Pacific Data Corp.) | In operation | EQY (welcome), SCT, AFM |
| 8323 | PHI/118 | Data encoding (First International Data Base Corp.) | In operation | EQY (welcome), SCT, AFM |
| 8323 | PHI/119 | Software development services/data encoding (Computer Software and Services, Inc.) | 0.142 | SCT, AFM |

**ADDITIONAL LIST OF PROJECTS
(ADDENDUM 1)**

| <u>ISIC no.</u> | <u>Project no.</u> | <u>Title and capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|-----------------|--------------------|---|--|--|
| 3829 | PHI/122 | Village-level ramie degumming with emphasis on the utilization of ramie wastes as a source of energy for degumming and organic fertilizer 24 ramie degumming machines (1,000 kg capacity)/year | 1.454 | EQY or LNS, EQS, TEX, TRX |
| 3121 | PHI/123 | Agri-based food processing Dog food, infants' first solid food, squid flakes, mungbean sauce Dog food: 50,000 bags (10 kg)/month Infants' food: 20,000 packs/month | 1.265 | EQY, LNS, JV, LIC, AFM, TEX, MKX |
| 1302 | PHI/124 | Expansion of prawn hatchery and pond for prawn production (Aquarius Prawn Hatchery) | 0.332 | EQY, LNS, EQS, MAX, TEX |
| 3720 | PHI/125 | Gold recovery from tailings Processing of 600 tons of waste/month to produce 18 kg unrefined gold/month | 0.525 | EQY, EQS, AFM, TEX |
| 3710 | PHI/126 | Steel alloy foundry (induction furnace) Ordinary cast steel: 800 metric tons/year Stainless steel: 500 metric tons/year High alloy steel: 200 metric tons/year | 0.850 | JV, EQY, EQS, AFM, SCR, SCT, LIC, MKX, MAX, TEX, TRX |

Annex G (continued)

| <u>ISIC no.</u> | <u>Project no.</u> | <u>Title and capacity</u> | <u>Total investment (US\$ million)</u> | <u>Type of foreign co-operation sought</u> |
|-----------------|--------------------|--|--|--|
| 3559 | PHI/127 | Expansion and upgrading of rubber processing plant to produce tyres and other rubber products Processing of 1,204 metric tons/year of raw rubber by 1992. | 4.000 | EQS, EQY, AFM, TEX, HKX |
| 3909 | PHI/128 | Stuffed toys (Tinkerbell Toy Corporation) 72,000 pieces/month | In operation | AFM, DES |
| 3118 | PHI/129 | Rehabilitation of a sugar cane top drying plant 6,300 metric tons/year of bales of dried sugar cane tops | 0.447 | EQY, LNS, JV, EQS, AFM, MAX, TEX, TRX, HKX |
| 3119 | PHI/130 | Coco oil processing plant (expansion) Soap, cooking oil, copra meal, margarine and fatty acids: production to be determined | 0.591 | EQY, LNS, EQS, AFM, MAX |

SUPPLEMENTARY LIST

UNIDO is preparing ten opportunity studies for which foreign inputs are foreseen. Participants may also wish to discuss these studies at the Investors' Forum.

| <u>ISIC</u> | <u>Title</u> |
|-------------|--|
| 3114 | Seaweed processing into carrageenan powder |
| 3115 | Cashew plantation and processing |
| 3121 | Pharmaceutical grade dextrose |
| 3121 | Modified starch from cassava |
| 3211 | Ramie degumming |
| 3211 | Silk filature |
| 3231 | Leather tanning |
| 3559 | Automotive rubber products |
| 3699 | Marble processing |
| 3819 | Metal fittings accessories |

ANNEX H

THE COMPLETED, OPERATIONAL AND/OR APPROVED TECHNICAL
CO-OPERATION PROJECTS OF UNIDO

Annex H - The completed, operational and/or approved technical
co-operation projects of UNIDO

I. The completed projects

Republic of the PHILIPPINES

(1)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IO/IIS/INFR | 00.0 | RP/PHI/72/002 | Organization and administration of industrial services |
| IO/IIS/INFR | 00.0 | RP/PHI/73/001 | Industrial research facilities co-operation |
| IO/IIS/INFR | 31.1.00 | IS/PHI/71/826 | Assistance to the industrial research and development programme of the Philippines sugar industry |
| IO/IIS/INFR | 31.1.01 | IS/PHI/71/819 | Assistance to the National Science Development Board (NSDB) in strengthening industrial research activities |
| IO/IIS/INFR | 31.1.02 | IS/PHI/71/815 | Planning and designing of testing and analytical laboratories at the National Institute of Science and Technology (NIST) |
| IO/IIS/INFR | 31.2.01 | RP/PHI/74/009 | Transfer of technology |
| IO/IIS/INFR | 31.3.J | DP/PHI/78/008 | Strengthening of the Technology Transfer Board of the Ministry of Industry |
| IO/IIS/INFR | 00.0 | IS/PHI/71/818 | Assistance to the productivity and development centre in quality control |
| IO/IIS/INFR | 31.1.02 | IS/PHI/71/816 | Expert in industrial standards |
| IO/IIS/INFR | 31.1.02 | IS/PHI/73/026 | Assistance to Metric System Board |
| IO/IIS/INFR | 31.3.C | IS/PHI/75/012 | Assistance to the Department of Industry in reviewing and drafting legislation concerning the regulation of trade mark agreements |
| IO/IIS/INFR | 31.3.K | SI/PHI/82/802 | Assistance in establishment of national enquiry service in standardization and certification |
| IO/IIS/INFR | 31.4.00 | IS/PHI/71/811 | Assistance to the Institute of Small-Scale Industries (Garment production and quality control) |
| IO/IIS/INFR | 31.4.00 | IS/PHI/71/822 | Assistance to the Institute of Small-Scale Industries (small-scale industries development) |
| IO/IIS/INFR | 31.4.01 | RP/PHI/74/008 | Industrial extension services for small-scale industry |

Annex H (continued)

Republic of the PHILIPPINES

(2)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IO/IIS/INFR | 31.4.02 | IS/PHI/71/821 | Study for West Laguna Industrial Estate |
| IO/IIS/INFR | 31.4.02 | RP/PHI/73/004 | Industrial estates organization |
| IO/IIS/INFR | 31.4.02 | RP/PHI/75/001 | Industrial estates organization |
| IO/IIS/INFR | 31.4.02 | RP/PHI/75/004 | Programming and financial study of industrial estates |
| IO/IIS/INFR | 31.3.L | DP/PHI/77/004 | Quality control and productivity improvement system's programme |
| IO/IIS/INFR | 31.3.L | TS/PHI/78/003 | Assistance to Barangay cottage industry |
| IO/IIS/INFR | J12103 | DP/PHI/83/008 | Assistance in quality and productivity improvement for cottage industries |
| IO/IIS/INFR | 32.3.02 | IS/PHI/71/813 | Product adaptation for export-oriented industries |
| IO/IIS/INFR | 32.2.03 | IS/PHI/73/006 | Visit to European Investment Centre |
| IO/IIS/INFR | 31.3.M | DP/PHI/78/010 | Promotion of industrial sub-contracting |
| IO/IIS/IMR | 31.3.00 | RP/PHI/75/005 | Organization development of objectives |
| IO/IIS/IMR | 31.3.02 | IS/PHI/71/817 | Assistance to the productivity and development centre in the implementation of its value analysis programme |
| IO/IIS/IMR | 31.3.02 | RP/PHI/73/002 | Analysis and decision making systems |
| IO/IIS/IMR | J12206 | DP/PHI/80/010 | Assistance to the Ministry of Industry for the development of the cement industry |
| IO/IIS/IMR | J12207 | SI/PHI/86/921 | Assistance to the Private Development Corporation of the Philippines (PDGP) |
| IO/IIS/IMR | 00.0 | TS/PHI/71/004 | Exploratory mission on the development of wooden prefabricated housing |

Annex H (continued)

Republic of the PHILIPPINES

(3)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IO/IIS/IMR | 31.7.A | SI/PHI/79/802 | Assistance in appraisal of two projects for integrated wood processing complexes |
| IO/IIS/IMR | 31.7.A | SI/PHI/83/801 | Demonstration of coconut wood utilization in low-cost housing |
| IO/IIS/IMR | 31.7.A | SI/PHI/84/801 | Demonstration of coconut wood utilization in prefabricated housing |
| IO/IIS/PLAN | 00.0 | RP/PHI/72/004 | Industrial policies |
| IO/IIS/PLAN | 00.0 | RP/PHI/72/005 | Industrial programming |
| IO/IIS/PLAN | 32.1.00 | RP/PHI/73/007 | Industrial programming |
| IO/IIS/PLAN | 32.1.01 | RP/PHI/73/005 | Industrial programming |
| IO/IIS/PLAN | 32.1.01 | RP/PHI/74/005 | Industrial programming |
| IO/IIS/PLAN | 32.1.05 | IS/PHI/71/814 | Assistance in the establishment of a central industry data bank |
| IO/IIS/PLAN | 00.0 | RP/PHI/72/003 | Industrial studies promotion |
| IO/IIS/PLAN | 32.2.01 | RP/PHI/74/007 | Industrial policies |
| IO/T/AGRO | 30.6.01 | DP/PHI/73/002 | Further assistance to the garment industry |
| IO/T/AGRO | 30.6.01 | IS/PHI/71/810 | Assistance to the Philippines Textile Research Institute in the finishing of textiles and quality control |
| IO/T/AGRO | 30.6.01 | IS/PHI/75/014 | Assistance to the garment industry (Visayas and Mindanao Area) |
| IO/T/AGRO | 31.7.B | DP/PHI/83/001 | Programme for the rehabilitation of the ramie industry |
| IO/T/AGRO | 31.7.B | RP/PHI/76/002 | CEBU Garment Manufacturers Association study tour to Korea and Hong Kong |
| IO/T/AGRO | 31.7.B | RP/PHI/84/003 | Development of a programme for revitalizing the ramie industry in the Philippines (training) |

Annex H (continued)

Republic of the PHILIPPINES

(4)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|--|
| IO/T/AGRO | 31.7.B | SI/PHI/80/801 | Development of an integrated silk processing industry in the Philippines |
| IO/T/AGRO | 31.7.B | SI/PHI/82/801 | Development of a programme for revitalizing the ramie industry in the Philippines |
| IO/T/AGRO | J13102 | SI/PHI/86/884 | Revitalization of national silk industry |
| IO/T/AGRO | 30.6.02 | DP/PHI/71/022 | Industrial fermentation |
| IO/T/AGRO | 31.7.C | UC/PHI/84/180 | Assistance to food industry development in the Southern Philippines |
| IO/T/AGRO | 30.6.03 | RP/PHI/75/003 | Footwear technology |
| IO/T/AGRO | 30.6.03 | TS/PHI/74/002 | Assistance in the footwear industry |
| IO/T/AGRO | 31.7.D | TS/PHI/79/001 | Preparatory mission to establish a footwear training and demonstration centre |
| IO/T/AGRO | J13104 | US/PHI/79/109 | Footwear and leather goods training and demonstration centre (continued under US/PHI/85/109) |
| IO/T/AGRO | 00.0 | TS/PHI/71/003 | Packaging exploratory mission |
| IO/T/MET | 31.8.C | SI/PHI/78/801 | Assistance in operations research at the National Steel Corporation |
| IO/T/ENG | 30.1.01 | TF/PHI/74/006 | Mobile testing unit with provision of fellowships to be attached to MIRDC |
| IO/T/ENG | 31.9.C | SI/PHI/78/802 | Establishment of electrical and electronics industries testing centre |
| IO/T/ENG | 30.1.05 | DP/PHI/69/530 | Metals Industry Research and Development Centre, phase I |
| IO/T/ENG | 31.9.A | DP/PHI/74/004 | Assistance to Metals Industry Research and Development Centre, phase II |
| IO/T/CHEM | 32.1.B | SI/PHI/81/803 | Assistance in the small-scale manufacture of building ceramics and glass |

Republic of the PHILIPPINES

(5)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IO/T/CHEM | 30.4.00 | TS/PHI/74/003 | Co-operation between developing countries - visit of four representatives to India from the Philippines on transfer of technology |
| IO/T/CHEM | 30.5.03 | IS/PHI/71/825 | Mould design and mould making for the plastics industry |
| IO/T/CHEM | 30.5.01 | TS/PHI/73/002 | Assistance to the fertilizer industry |
| IO/T/CHEM | 30.5.01 | RP/PHI/75/002 | Bio-gas technology and utilization |
| IO/T/CHEM | J13424 | DP/PHI/78/022 | Assistance to energy production from biomass waste materials |
| IO/T/CHEM | J13424 | DP/PHI/80/017 | Production of ethanol from cellulosic materials (phase I) - techno-economic and design studies for the establishment of a pilot plant, preparatory assistance |
| IO/T/CHEM | J13424 | ST/PHI/81/T01 | Industrial chemicals from indigenous carbohydrate raw materials (sucro-based chemicals) |
| IO/T/CHEM | J13424 | US/PHI/81/051 | Establishment of a pilot plant for the production of alcohol from cellulosic raw materials in the Philippines |
| IO/T/CHEM | 32.1.C | SI/PHI/78/803 | Assistance in indigenous energy resources development of a pyrolytic converter using rural wastes |
| IO/T/CHEM | 31.9.G | TS/PHI/72/007 | Control of air and water pollution arising in industry |
| IO/T/CHEM | 32.1.G | SI/PHI/81/802 | Assessment of pyrethrum processing in the Philippines |
| IO/SD/FEAS | 31.6.A | SI/PHI/81/801 | Training course in project preparation and evaluation |
| IO/SD/FEAS | 31.6.A | TS/PHI/78/004 | Study tour of leather industry |
| IO/SD/FEAS | 32.3.00 | TS/PHI/71/001 | Assistance to the Board of Investments |
| IO/SD/FEAS | 32.3.01 | RP/PHI/73/003 | Export products identification |

Annex H (continued)

Republic of the PHILIPPINES

(6)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|--|
| IO/SD/FEAS | 31.6.Z | VS/PHI/77/078 | Study tour of Philippine entrepreneurs to the People's Republic of China |
| IO/SD/TRNG | 31.5.B | RP/PHI/76/001 | Fellowship in organization of standards work |
| IO/SD/TRNG | 31.5.B | RP/PHI/77/002 | Organization of standards works |
| IO/SD/TRNG | 31.5.B | RP/PHI/78/001 | Technology and testing of construction materials - training course offered by John Laing R+D Ltd., UK |
| IO/SD/TRNG | 31.5.B | RP/PHI/78/002 | Fellowships - industrial management courses |
| IO/SD/TRNG | 31.5.B | RP/PHI/78/005 | Staff member's mission to the Philippines to identify training facilities for other developing countries |
| IO/SD/TRNG | 31.5.B | RP/PHI/79/001 | Fellowship in the field of small-scale enterprises in developing countries |
| IO/SD/TRNG | 31.5.B | RP/PHI/79/002 | Fellowship in the field of food technology and food processing |
| IO/SD/TRNG | 31.5.B | RP/PHI/80/001 | Advanced training on small-scale industry management |
| IO/SD/TRNG | 31.5.B | RP/PHI/81/001 | Training in the organization of standards work |
| IO/SD/TRNG | 31.5.B | RP/PHI/82/004 | Training in technology and testing of construction |
| IO/SD/TRNG | 31.5.B | RP/PHI/83/001 | Training in industrial management |
| IO/SD/TRNG | 31.5.B | RP/PHI/83/002 | Standardization |
| IO/SD/TRNG | 31.5.B | RP/PHI/84/001 | Training on quality control |
| IO/SD/TRNG | 31.5.B | RP/PHI/84/004 | Training on industrial project management |
| IO/SD/TRNG | 31.5.B | RP/PHI/84/005 | Training on implementation and management of industrial and infrastructure projects |

Annex H (continued)

Republic of the PHILIPPINES

(7)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IO/SD/TRNG | 31.5.B | RP/PHI/84/006 | Strengthening of training capability of the Institute for Small-scale Industries of the University of the Philippines |
| IO/SD/TRNG | 31.5.B | RP/PHI/85/001 | Training on investment appraisal and management |
| IO/SD/TRNG | J12310 | XP/PHI/86/074 | Training in investment appraisal and management |
| IO/SD/TRNG | 31.5.C | RP/PHI/80/002 | Assistance to project study preparation course for the LDCs organized by the Government of the Philippines (LDC component) |
| IO/SD/TRNG | 31.5.C | RP/PHI/80/003 | Assistance to project study preparation course for the LDCs organized by the Government of the Philippines (establishment and strengthening of training facilities in developing countries component) |
| IO/SD/TRNG | 31.5.C | RP/PHI/82/001 | Assistance to small business consultancy course for least developed countries, organized by the Government of the Philippines |
| PPD | 30.1.Z | RP/PHI/82/005 | Visit of the Chairman, Technical Assistance Council (TAC), Philippines |
| PPD/SPA/ECDC | E04100 | UC/PHI/86/004 | TCDC study tour to China in the field of participation of women in the industrial planning and development process (cottage and small-scale agro-industries), China, 16 - 30 August 1986 (multifund to UD/PHI/86/004) |
| PPD/SPA/ECDC | E04100 | UD/PHI/86/004 | TCDC study tour to China in the field of participation of women in the industrial planning and development process (cottage and small-scale agro-industries) China, 16 - 30 August 1986 (multifund to UC/PHI/86/004) |
| IPCT/II | 32.2.04 | TS/PHI/73/001 | Assistance in the identification and preparation of industrial projects |
| IPCT/II | 32.2.04 | TS/PHI/74/001 | Promotion of investment in specific chemical projects |

Annex H (continued)

Republic of the PHILIPPINES

(8)

since 1972

| <u>Backstopping Responsibility</u> | <u>Spec.Act./ All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|------------------------------------|-----------------------|---|
| IPCT/II | 00.0 | TS/PHI/71/008 | Exploratory mission to examine and advise on the establishment of an industrial promotion centre and the preparation of an industrial investments promotion study |
| IPCT/II | 32.2.02 | IS/PHI/73/016 | Advisory and training services for the Development Bank of the Philippines |
| IPCT/II | 31.1.D | DP/PHI/79/006 | Training in investment promotion |
| IPCT/DTT/TEC | 62.4.Z | SI/PHI/79/801 | Assistance to the Commission of small- and medium-scale industries |
| EPL/REL/GOV | L02100 | XP/PHI/87/021 | Visit of the Under-Secretary, Department of Health, Government of the Philippines, to UNIDO in conjunction with his participation in the consultations on the pharmaceutical industry, Madrid, early October 1987 |

Annex H (continued)

II. The operational and/or approved projects

Republic of the PHILIPPINES

(1)

| <u>Backstopping Responsibility</u> | <u>All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|--|---------------------|-----------------------|--|
| IO/IIS/INFR | J12106 | TF/PHI/86/001 | Associate expert |
| IO/IIS/INFR | J12106 | DP/PHI/86/018* | Development of entrepreneurs for cottage, small and medium-scale industries |
| IO/IIS/INFR | J12106 | TF/PHI/87/001 | Associate expert |
| IO/IIS/INFR | J12106 | TF/PHI/87/002 | Associate expert |
| IO/IIS/IMR | J12206 | DP/PHI/82/002** | Industrial energy management consultancy and training |
| IO/IIS/IMR | J12206 | DP/PHI/87/008** | Establishment of preventive maintenance systems to increase productivity of Philippine industries |
| IO/T/AGRO | J13102 | DP/PHI/87/002* | Indigenous fibres - development of their processing technology and use in textile products (phase I) |
| IO/T/AGRO | J13104 | US/PHI/85/109** | Upgrading of the footwear and leather goods training and demonstration centre to an internationally acceptable level (continuation of US/PHI/79/109) |
| IO/T/CHEM | J13420 | UC/PHI/88/014 | Diagnostic survey of the plastics transformation industry |
| IO/T/CHEM/PH | J13422 | DP/PHI/87/019* | Establishment of a master plan for the development of an integrated pharmaceutical industry |
| IO/T/CHEM | J13423 | DP/PHI/87/003* | Establishment of a fibre processing and utilization laboratory |
| IO/T/CHEM | J13424 | DP/PHI/85/C10* | Pilot plant production of citric acid |
| IO/T/CHEM | J13424 | UC/PHI/88/024 | Indigenous energy utilization (coal and biomass) |
| IO/SD/FEAS | J14101 | US/PHI/88/082 | Preparation of ten industrial investment opportunity studies |
| PPD/SPA/COOP/STF | E05200 | SI/PHI/88/801 | Provision of high-level advisory services to the electronics sector |

* Large-scale project (= total allotment \$150,000 or above)

** Total allotment \$1 million or above

Annex H (continued)

Republic of the PHILIPPINES

(2)

Backstopping

| <u>Responsibility</u> | <u>All.Acc.Code</u> | <u>Project Number</u> | <u>Project Title</u> |
|-----------------------|---------------------|-----------------------|--|
| FPD/SPA/COOP/STF | E05200 | SI/PHI/88/802 | High-level advisory services to the automotive sector |
| IPCT/II/PIF | G01100 | UC/PHI/87/242 | Programme for the identification, formulation and promotion of industrial investment projects for selected industries in the Philippines, May 1988 |
| IPCT/II/PIF | G01100 | DP/PHI/88/002 | Programme for the identification, formulation and promotion of industrial investment projects in selected industries in the Philippines |
| IPCT/II/PIF | G01102 | UC/PHI/87/019 | Agro-industrial investment opportunities, identification and participation in the Agro-industry Roundtable Conference, Manila, 25 - 27 May 1987 |

* Large-scale project (= total allotment \$150,000 or above)

** Total allotment \$1 million or above

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| Paraguay | UNIDO/IS.461 | 1984 |
| Uruguay | UNIDO/IS.462 | 1984 |
| | | |
| Bangladesh | UNIDO/IS.510 | 1985 |
| Swaziland | UNIDO/IS.516 | 1985 |
| Zambia | UNIDO/IS.520 | 1985 |
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| The Sudan | UNIDO/IS.541 | 1985 |
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| Chile | UNIDO/IS.579 | 1985 |
| The People's Republic of China | UNIDO/IS.582 | 1985 |
| Bahrain | UNIDO/IS.592 | 1985 |
| | | |
| Sri Lanka | UNIDO/IS.613 | 1986 |
| Cuba | UNIDO/IS.615 | 1986 |
| Tanzania | UNIDO/IS.628 | 1986 |
| Egypt | UNIDO/IS.637 | 1986 |
| Mali* | UNIDO/IS.640 | 1986 |
| Zaire* | UNIDO/IS.644 | 1986 |
| | | |
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| Papua New Guinea, Fiji, | | |
| Solomon Islands, Western | | |
| Somoa, Vanuatu, Tonga | | |
| Kiribati, The Federated States | | |
| of Micronesia and Micro States | | |
| | UNIDO/IS.645 | 1986 |
| | | |
| Côte d'Ivoire* | PPD.6 | 1986 |
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