

**ASEAN-US INITIATIVE:
THE PHILIPPINE PERSPECTIVE**

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ASEAN-US INITIATIVE: THE PHILIPPINE PERSPECTIVE*

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I. INTRODUCTION

This paper aims to provide country inputs to the Joint Study on ASEAN-US Economic Relations whose main objective is to "identify policy reforms and actions producing mutual benefits for ASEAN and the U.S." in the area of trade in goods, trade in services and investment.

Along the lines of the objective of the study, the paper is divided into three main parts. First, a discussion on trends and

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policies on trade in goods, trade in service and foreign investment is presented in Section 2. Section 3 outlines the medium term prospects for Philippine economy in general, and other factors such as U.S. protectionism and the possible outcome of the Uruguay Round which may affect the ASEAN-US economic relations. This section also looks at other salient issues such as the Generalized System of Preferences (GSP), intellectual property rights, and issues in agriculture. Finally, the last section analyzes the implications of findings in the previous sections on ASEAN-US economic relations from the perspective of the Philippines and some possible recommendations.

II. TRADE AND INVESTMENT PATTERNS AND POLICIES

This section provides a background on the three areas of concern -- trade in goods, trade in services, and investments. Structure, patterns and policy environment are examined, all with the view of linking the findings with Philippine-U.S. economic relations.

2.1 Trade in Goods

Global trade issues are increasingly becoming more complex with the emergence of new developments and new areas of concern. These pertain, most particularly to the new issues regarding services trade, global intellectual property rights and foreign investment. Still, especially for developing countries, priority lies in the settlement of issues and impediments to trade in goods.

2.1.1 Trade Structure

The Philippine trade structure has changed substantially in the last decade. Even as late as the mid 1960s, it was still basically an agriculture and mineral exporter. By the 1980s, manufactured exports comprised more than half of total exports. In 1970, more than 80 percent of Philippine exports were in the Food and Food preparations (0) and Crude material, inedible (2) category. This share consistently went down to only around 25 percent in 1987. (See Tables 1a and 1b).

Some of the changes can be attributed to external factors, e.g., prices of sugar, copper, etc. Still, an important part can perhaps also be a reflection of a conscious effort, starting in the 1970s, to promote nontraditional exports. The share of traditional exports has fallen sharply from 53 percent in 1980 to 23.9 percent in 1987. Much of the decline in share occurred in sugar (from 11.35 percent in 1980 to 1.24 percent in 1987), mineral metallic products - especially copper concentrates - (from 15.9 percent to 3.9 percent), and coconut products (from 14.0 to 9.8 percent). On the other hand, the share of nontraditional manufactured exports almost doubled from 34.6 percent to 63.7 percent. It is worth noting the rise in the share of processed food and beverage (from 1.59 to 2.20 percent) and furniture and fixtures (from 1.33 to 2.27 percent). However, the increase in exports is still concentrated mainly in electronics and garments, products of low value-added and high import content. (See Tables 2a to 2c). This indicates some

weakness in the apparently healthy growth of nontraditional exports.

Such flow could be discerned in the growth of nontraditional exports is manifested in the import structure as well. While the share in exports of electronics and garments grew, the share in imports of raw materials for garments and electronics correspondingly rose. (See Tables 3a and 3b).

Imports share of mineral fuels and lubricants increased as expected before declining starting 1986 when oil prices went down. The share in imports of food, beverage and tobacco remained stable in the 1970s to 1980s. Imports share of machinery and equipment declined, from 34 percent in 1970 to only 16.6 percent in 1987, as the economy plunged into a deep recession in 1984 and 1985. (See Tables 3a and 3b).

There is some change in the direction of trade as well. The US share in Philippine exports has fallen from an average of more than 43 percent in the 1960s. Still, it has maintained its share of around one third as destination of Philippine exports and around a quarter as a source of Philippine imports during the 1980s. (See Table 4a). In contrast, the share of Japan in Philippine trade has gone down from around 24 percent in the 1970s to 17 percent in 1987 of total Philippine exports. Meanwhile, the share in Philippine trade has grown for ASEAN, Hongkong, South Korea and Australia. In particular, there appears to be a trend towards larger trade with developing

countries. Table 4b presents the Philippine exports and imports to and from the U.S. and other countries.

Despite some success in diversification, both in products as well as markets, on the whole, the Philippine merchandise trade balance remained negative, except for a few years, in the last two decades. Imports and exports peaked in 1980/81 then declined in the succeeding years until 1986. Merchandise exports fell from U.S. \$5.788 B in 1980 to U.S. \$4.629 B in 1985 due mainly to a fall in primary commodity prices (particularly coconut, sugar and copper). As a result, the share of exports in GNP went down sharply from 53 percent in 1980 to 24 percent in 1984. Exports started to pick up in 1986, growing by more than 25 percent in the first half of 1988. Imports declined even more sharply from U.S. \$7.946 B (f.o.b.) in 1981 to U.S. \$5.044 B (f.o.b.) in 1986 following the economic recession during the period. The Tables presented also show the bilateral trade between the U.S. and the Philippines. For the large part, Philippine trade with the United States has been growing steadily and has been affected less severely by the 1983-84 economic crisis. Imports from the United States grew from only U.S. \$274 M in 1965 to U.S. \$1.485 (f.o.b.) in 1987. Exports to the United States grew from U.S. \$349 M to U.S. \$1.976 B during the same period. Also, for the most part during the period, the Philippines has been enjoying trade surpluses with the United States. The United States remains to be the Philippines' most important trading partner.

The trend in the Philippine bilateral trade with the United States followed in general the overall trend of Philippine trade

with the world. There is also a significant shift away from nontraditional exports.

Among traditional exports, sugar and mineral products registered a sharp decline while the export share of pineapples (canned juice and concentrates) has more or less remained unchanged. Coconut products remained important although their share dropped from around 15.9 percent in 1980 to 9.9 percent in 1987.

The share of nontraditional Philippine exports to the United States accounted for almost 80 percent in 1987, up from an already considerable share of 59 percent in 1980. Garments and electronics accounted for the largest share at around 34.4 percent and 20.0 percent respectively of total Philippine exports to the United States in 1987 (compared with 14.6 and 17.4 percent respectively in 1980). Aside from garments and electronics, fruit preserves and fruit preparations, as well as fresh/dried fruits and nuts have become consistent exports and exhibit a potential for more growth. Other promising exports include coffee and coffee substitutes, and furniture and fixtures. In contrast with garments and electronics, these products have high value-added. There is a proliferation of other exports to the U.S. especially in the area of food manufactures.

On the imports side, machinery and transport equipment accounted for the largest share of imports from the United States at almost 40 percent in 1970, declining to less than 14 percent in 1987. On the other hand, imports of raw materials for

electronics and garments rose sharply from only U.S. \$26 M in 1970 to U.S. \$417 M, which is more than one third of total imports from the United States, in 1987. Food imports, particularly wheat, are also important, accounting for around 13 percent in 1970, down to around 9 percent in 1987.

2.1.2 Philippine Comparative Advantage

Table 5a shows some broad indicators of Philippine resource endowments relative to other countries.

Data on land area and density suggest that the Philippines is less endowed with natural resources than the United States. Clearly, however, the type of land differs between the Philippines which is tropical and the U.S. which is in the temperate zone. This difference is an important determinant of the type of goods that the countries could produce, for e.g., bananas against apples, hardwood against softwood, etc.

In terms of data on per capita Gross Domestic Product (GDP) and per capita Gross Domestic Capital Formation (GDCF), the Philippines, as expected, has very scarce supply of capital even compared with Greece, the poorest among the developed countries shown in the table.

Using data on population size and growth and labor force growth, the Philippines has abundant supply of workers. Labor supply is presumably less skilled as indicated by education data which show that although enrollment in primary school is proportionately comparable to that in the U.S. (Japan and other

industrialized countries), enrollment in secondary schools is proportionately much lower.

Looking at the structure of production, disparities between the Philippines and the U.S. are also very marked. The Philippines is still basically agricultural with the sector accounting for 22 percent of GDP in 1983 (compared to 2 percent to the U.S.) and manufactured food and agricultural products accounting for 39 percent of manufacturing value-added in 1982 (compared to 12 percent in the U.S.). (See Table 5b).

The Philippines appear to have much more in common with other ASEAN countries (especially Thailand and excepting Singapore). They share similarities in the production structure.

Given such differences in resource endowments, Philippine comparative advantage could thus be expected in tropical agricultural products (coconut, tropical fruits as bananas, mangoes and pineapples), agro-based food manufactures, some specific natural resource-using exports and labor intensive light manufactures as garments and textile.

Table 6 generally validates these expectations. Classifying for simplicity the SITC one-digit groups into resource intensive (SITC 0 to 4) and manufactured (SITC 5 to 8) and the latter further by labor intensity (Categories I to III with I being most labor intensive), exports are accordingly grouped.

As expected, a larger proportion of Philippine exports to Industrialized countries are resource based (compared for example with ASEAN). Furthermore, data on manufacture exports categorized by labor intensity also confirms same expectations.

2.1.3 Policy Environment

In 1950, the Philippines imposed strict foreign exchange controls in response to a severe balance-of-payments difficulty resulting from a drop in U.S. economic assistance. Foreign exchange was rationed according to "essentiality." Virtually only producer goods could be imported as foreign exchange could hardly be obtained for "non-essential" consumer goods. The system became a permanent policy feature for the rest of the decade, fully entrenching an import substitution policy, which, even with the reforms in the 1980s is proving difficult to reverse.

Continuing foreign exchange controls did not offer a long-run solution to the balance-of-payments problem. By 1960, the government had to devalue the peso and opt for a relaxation of import controls. The decontrol program was completed in 1962. The tariff system which was promulgated in 1957 then became the effective tool of protection, replacing but, in general, preserving the protection structure of the 1950s control system. With the same biases in the protection structure, foreign exchange earnings remained dependent on primary exports while foreign exchange saving through import substitution increasingly became more costly. Thus, the country remained vulnerable to

balance-of-payments problem. In the late 1960s, import controls were restored.

In the 1970s, import controls became more widespread. The Central Bank (CB) started the system of classification by type of product. CB Circular 289 was issued requiring CB approval for imports of commodities classified as Unclassified Consumer (UC), Semi-Unclassified Consumer (SUC), and Non-Essential Consumer (NEC). More CB circulars followed, adding more imports to be covered. In the majority of cases, the motive for import licensing was protection of local industry in the domestic market. The system of quantitative restrictions buttressed the effect of the tariff structure. Escalation of tariffs and corresponding import controls according to stage of processing remained.

The exchange rate policy during these periods did not help reverse the bias against exports. On the contrary, it added to the penalty already received by exports by fixing the rate at unrealistically low levels. In the 50s and the 60s, this was made possible, at least until BOP difficulties forced a devaluation, by import controls and high tariffs. In the late 1970s up to early 1980s, huge foreign borrowing (which cannot indefinitely be sustained) propped up the peso, hiding an underlying BOP disequilibrium. Table 7 shows the movement in the real exchange rate from 1973 to 1987. (The real effective exchange rate is basically the nominal exchange rate deflated by the ratio between the domestic price index and the foreign/world price index).

By the late 1960s, government planners have become more aware of the bias of the protection system against exports. Instead of reforming the protection structure, however, export promotion measures mainly through the Board of Investments (BOI) fiscal incentives, started to be adopted in the 1970s. Clearly, however, such an offset approach could only have a limited reach. While nontraditional exports grew, these were mostly concentrated in semi-conductors and garments.

By the end of the 1970s, the inherent biases of the protection structure and the inadequacy of an offset approach through various incentives became more apparent. Thus, in 1981, the government finally launched the first major reform of the protection system. The 1981-1985 Tariff Reform Program (TRP) was implemented and a schedule of import licensing liberalization was formulated. Except for the uniform additional import surcharge which was eventually removed, the TRP proceeded as planned. Import liberalization had to be shelved, however, following the 1983-84 BOP crisis.

Tables 8a and 8b summarize the changes made under TRP. As can be gleaned from Table 8a, before TRP, 27 percent of all tariff lines had tariff rates of 70 and 100 percent, 16 percent with 40-50 percent tariff, 57 percent with 10-3 percent tariff, and only three tariff lines with zero or 5 percent tariff duties. After TRP, no tariff lines had tariff rates above 50 percent, 31 percent were imposed 40-50 percent tariffs, 68 percent had 10-30 percent tariff and 17 tariff lines had zero to 5 percent duties.

The Tariff Commission computed the simple average statutory tariff rates of tariff codes by Input/Output (I-O) sector before and after TRP. Table 8b presents the results. The largest change occurred in the agricultural sector - from 56 percent in 1979, the pre-TRP period, down to 33 percent in 1985, the end of TRP. The average statutory rate in manufacturing went down from 42 percent in 1979 to 28 percent in 1985. Minimal changes occurred in the mining and quarrying sector, which in general, had low duties even before TRP. Table 9 presents the changes in average tariffs due to TRP using different classification i.e., by type of commodity (consumer goods, intermediate goods, raw materials, etc.). Consumer goods received the highest reduction in average tariff from 67.7 percent before TRP to 38 percent after TRP. Average tariff for capital goods stood at around 21 percent, while average tariff for intermediate goods and raw material went down from 33.3 and 35.6 percent to 24.1 and 21.7 percent respectively. Standard deviation went down substantially from 32.6 percent to 15.1 percent.

Thus, as the tables indicated, the TRP effected not only a fall in average tariff rate but also a movement towards greater uniformity. In this regard, the program could thus be considered to have achieved substantial reforms towards leveling protection and reducing distortions from tariffs. However, although the cascading nature of the tariff structure is diminished, there still remains even after TRP a progression of rates according to the degree of processing.

Perhaps even to a greater extent than tariff, the Philippine import licensing procedure imposes additional barriers to trade. For a majority of cases, the purpose has been to protect local industry. Table 10a presents the frequency of restrictions by commodity at the 3-digit level. The total number of items by commodity group is shown, then the number of items regulated by year of implementation. Not a few product categories were fully regulated. Almost all product categories were subject to some form of import restriction. Textiles were previously unregulated. They started to be regulated in 1979, covering 50 to 90 percent of all items by 1983. A similar observation could be made for artificial resins and plastic products. Only a few product categories remained relatively with few regulated items (e.g., inorganic chemicals).

Table 10b shows the frequency of restrictions by type of commodity-capital goods, intermediate goods, mineral fuels and lubricants, and consumer goods. In 1977, consumer goods had the largest percentage of regulated items at 62 percent, followed by intermediate goods. By 1984, 1256 out of 1552 consumer items were regulated. Indeed, during these years, total consumer good imports accounted for only around 4 to 6 percent of total imports, out of which barely 1 percentage point belong to NEC/SEC category.

Achievements derived from the TRP would be totally nullified if no similar efforts were done in import liberalization. Reduction of tariffs in the continuing presence of import barriers would not only retain the old protection structure but

also shift the foregone tariff revenue to private rents. Thus a schedule of import liberalization was planned simultaneously with the TRP.

Starting in 1981, a schedule of import liberalization was implemented. The first stage, in 1981, removed 263 items from the list of banned items. In 1982, 610 more items were liberalized. However, CB circulars were issued to regulate more importations. In 1983, 48 items were removed from the banned list. In the second half of 1983, in response to the BOP crisis, CB Circular 970 was issued pooling all foreign exchange receipts and limiting foreign exchange allocation to payments for crude oil, essential grain imports and raw materials for exports and vital domestic products. Lesser priority items were allowed through a scheme of no-dollar importations and pre-paid import L/Cs. The commitment to liberalize stayed through, albeit not without controversy, after the February 1986 Revolution. The new government liberalized more items between March 1986 and April 1988. Some 951 items were liberalized in 1986, 171 items in 1987, and 129 items in 1988 (See Table 11a). The number so far liberalized comprises around 80 percent of the total number regulated based on CB circulars. These are summarized in Table 11b.

As a proportion of total imports, the liberalized items accounted for 12.2 percent in 1986 and 16.9 percent in 1987. These are substantially larger than the previous years' figures

which are 0.42 percent in 1981, 0.97 percent in 1987, 0.88 percent in 1983, 0.61 percent in 1984 and 2.51 percent in 1985.

Some 673 items remain regulated representing less than 12 percent of the total number of items. The product groups, regulating agency and nature of regulation are presented in Table 12. List A covering some 104 items, has been recommended by the Subcommittee on Tariff and Related Matters for liberalization. Originally, the products in the list were scheduled to be liberalized in three groups-- 30 June 1988, 31 December 1988, and 30 June 1989. Recently though, a strong lobby against import liberalization seems to be gaining some ground. No CB circular has been issued to deregulate these items under List A, supposedly pending tariff adjustments requested by affected firms.

List B, totalling 455 items, has been recommended for review by the Subcommittee. It covers mainly the BOI Industry Programs as well as agricultural commodities. Finally, List C, totalling 114 items, has been recommended for continued regulation mainly for reasons of health, safety and national security.

Some tariff adjustments have been made to help smoothen the impact of the recent import liberalization experience. On the whole, however, these appear to be minimal as indicated by the almost unchanged (unweighted) tariff average shown in Table 13.

2.2 TRADE IN SERVICES

2.2.1 A Profile of the Philippine Service Sector and Structure

The service sector comprises a large share of the Philippine economy, in terms of both output and employment. If defined to include transportation, storage and communication, trade, finance, housing, government services and private services as used in the national accounts, it contributes the largest share in real output at around 40 percent. (See Table 14). It employs more than a third of the total labor force, second only to agriculture. It is the single most important source of employment for women, employing more than half of the total female labor force in 1985. (See Table 15).

Table 16 shows measures of forward and backward linkages from the interindustry accounts. Except for government services, forward linkages of the service sectors are all greater than one, implying that services are intermediate inputs to other sectors. The backward linkages, though, are weaker for services than for the other sectors. This means that the service sectors are relatively less dependent on inputs from other sectors than the rest of the economy.

Definitional problems arise when it comes to traded services. Unlike goods or commodities, services are intangible and cannot be stored. For the purposes of this paper, we take the Balance-of-Payments definition of traded services. This

means that domestic sales of foreign affiliates are considered part of the national accounts.

Table 17 shows the payments and earnings for non-merchandise trade for the Philippines. The balance between earnings and payments has been negative for many years, the trend worsening up to 1982 and then improving, until it became zero in 1985 and even registered a healthy surplus in 1986. The improvement in trend seems to hold in the last three years as the net non-merchandise trade became only slightly negative in 1987. Even for the deficit years, surpluses in travel and tourism, government, personal income and "others" category are generally recorded. The "others" category is mainly composed of construction activities, operating expenses, commissions and fees, etc. The deficit in investment income largely accounts for the over-all deficit in non-merchandise trade. Indeed, excluding interest payments would yield a huge surplus for the sector. Net freight and merchandise insurance have also been consistently negative.

Table 18 shows the ratio of non-merchandise trade to merchandise trade from 1976 to 1986. Non-merchandise trade has been faring better than merchandise trade during this period. The ratio of non-merchandise receipts to exports steadily rose from 33.8 percent in 1976 to 78.3 percent in 1986. On the other hand, the ratio of non-merchandise payments to imports rose to only 59.6 percent in 1986 from a similar ratio of 31.3 percent in 1970.

What these data suggest is that there are services sector where the Philippines has comparative advantage. Of course the surplus and the rising trend in the ratio of nonmerchandise to merchandise trade could also be a manifestation of more pervasive regulations in services. Still some sectors stand out which clearly indicate comparative advantage. Construction activity is a case in point. Labor export is another example.

The Central Bank records data on foreign exchange invisible acquisitions and dispositions by country and by category which could indicate the direction of trade in services. This data set is presented in Table 19 (data are missing for certain years). The Balance-of-Payments accounts differ from this recorded foreign exchange acquisitions and dispositions in that the former include transactions not just "payments" while the latter include only "payments" passing through and reported by CB and its agent banks. Still, Table 19 gives an indication of the direction of trade in services. The United States is by far the most important trading partner of the Philippines in services, accounting for around two-thirds to three-fourths of total trade in services. Thus, while the Philippines has achieved some diversification of markets in the trade in goods, Philippine services trade is still highly concentrated in the U.S. market. Japan's share is even declining, from 4.5 percent in 1981 to only around 2.8 percent in 1987 on the acquisition side. The share of other ASEAN on average is around 1.3 percent on the acquisition side and 2.1 percent on the disposition side during the period.

The "others" services account for around 47 percent of total acquisitions from the United States. Travel and tourism make up the next important item at around 17 percent. Labor income is also an important source of foreign exchange invisible acquisitions. On the disposition side, investment income is the most important item, the share rising from 39.5 percent in 1981 to 53.7 percent in 1987. The "others" category is also important. (See Table 20).

The data also indicate a non-merchandise trade surplus with the United States. Although invisible accounts may overstate receipts relative to payments, the data set nonetheless, reinforces the finding above that comparative advantage in the services sector is not a monopoly of the developed countries.

Table 21 shows the outward remittances for royalties and trademark and technical and management fees. Again, the United States is the most important country getting around two-thirds of total remittances, followed by Japan getting around 10 percent during the period from 1981 to 1987. Hongkong's share was even more significant than Japan's in technical and management fees for some years. The data confirm what is already expected -- that the United States has huge comparative advantage in technology production.

2.2.2 Regulations in Services

Like in most less developed countries (LDCs), the Philippine service sector is highly regulated. For example, in banking, the Central Bank is authorized under the Central Bank Act and the

General Banking Act to closely monitor and examine all banking institutions with the primary objective of maintaining monetary security and stability. There are similar laws and regulations in the other service sectors, e.g., the Insurance Code, Overseas Shipping Act, Investment House Law, and the Securities Act. In essence, however, the majority of these regulations is general in nature, applicable to both foreign and domestic entities (although perhaps non-uniformly in some cases but still with similar objectives). In many cases, liberalization could mean deregulation. As such, since in many cases, they are considered to be part of the country's sovereign rights, there would be strong resistance against liberalization involving deregulation.

Perhaps the main regulation which affects international trade in service in general is the restriction in foreign equity participation. The Philippine Constitution contains a provision which limits foreign equity to 40 percent in general, allowing certain exceptions for specific areas in line with some national developmental objective. (This is discussed further in the section on foreign investment). There are more specific regulations affecting services trade such as requirements of certificates of authority to be issued by certain government agency, depending on the particular sector involved. Arroyo (1986) has identified some regulations on services by sector.

2.3 Foreign Direct Investment

2.3.1 Growth of Foreign Direct Investment

The growth of foreign direct investment (FDI) in the Philippines in the decade ending 1987 may be divided into two distinct segments. The years 1977 to 1983 is characterized by an accelerated phase during which the yearly inflow of foreign equity grew at an average annual rate of 34.3 percent from US\$45.7 million to US\$268.0 million. The latter period witnessed a definite downtrend as the annual inward flow of FDI declined by 33.7 percent yearly on the average between 1983 and 1986. The decade ended on a bright note as the inflow of foreign capital recovered from the slump and increased two-fold in 1987 (Table 22). These movements faithfully mirror the ups and downs the country experienced during the period both from the economic and the political perspective. Note that the Philippines suffered a severe balance of payments crisis in the last quarter of 1983 that culminated in a more generalized economic recession in 1984 and 1985 concomitant with a period characterized by extreme political instability.

While the contribution of foreign investment to the country's gross domestic capital formation has expanded in the last ten years, it is by no means large. FDI represented approximately 2 percent of GDCF on the average during the period.

2.3.2 Sectoral Distribution of Foreign Direct Investment

The sectoral distribution of FDI has remained stable through the years. The manufacturing sector received the lion's share of foreign equity in flows accounting for more than 50 percent of the total for most years. The services sector ranked second garnering approximately 23 percentage points in the 1980s. Agriculture, mining and trade had significant shares (5 percent or more) in at least one year during the period (Table 23a).

Within the manufacturing sector, electrical and electronic products and processed foods were the two most important sectors in terms of share in the total inflow of FDI in 1981-1987. The share of electrical and electronic products in the manufacturing FDI rose markedly between 1981 and 1985 but appeared to have tapered off in 1987. The amount of FDI attracted by basic industrial chemicals, drugs and pharmaceuticals, textiles, machinery and equipment, fertilizers and pulp and paper products was not negligible during the period. On the other hand, wearing apparel expanded its share noticeably in 1987. (Table 23b).

2.3.3 Sources of Foreign Direct Investment

Given the long history that binds the Philippines and the U.S., it is not surprising that the U.S. has consistently been the single most important source of FDI in the former over the years. The U.S. share in FDI in the Philippines peaked in 1983 at 68.1 percent and declined monotonically to 21.6 percent in 1987 (Table 24).

On the other hand, Japan emerged as second biggest foreign investor in the country during the seventies. In the early eighties, however, Japanese share contracted markedly such that in 1983 it was only 1.9 percent. Thereafter, Japan regained its position and posted an 18.5 percent average share in 1985-1987.

Other ASEAN countries foreign direct investment in the Philippines is not significant. Its low share has even shrunk over 1981-1987 to less than 1 percent at the end of the period.

The share of other countries combined over 60 percent in 1981 and 1987. In 1981, European countries poured in 37.6 of total FDI while Nauru accounted for 15.5 percent. In 1987, Hongkong and Taiwanese investors figured prominently accounting for 21.0 percent of FDI while European countries contributed 15.9 percent.

2.3.4 U.S. Foreign Investment in the Philippines

After a period of relatively rapid growth in 1978-1983, U.S. FDI in the Philippines declined in 1983-1986 for the same reasons we have outlined above. However, it increased by 60 percent in 1987, reflective of the Philippine economy's turnaround (Table 25).

U.S. foreign direct investment in the Philippines was largely concentrated in manufacturing. Manufacturing share to total U.S. FDI fluctuated between 39.0 to 87.0 percent in 1981-1987. The services sector and trade also received significant

amounts of FDI in the period. Within manufacturing, food processing and chemical products were the more important sectors as far as the inflow of U.S. FDI is concerned (Table 26).

2.3.5 Policy Environment for Foreign Direct Investment in the Philippines

The official stance towards foreign direct investments is best described as open subject to certain limitations. Generally, foreign ownership is limited to 40 percent of total equity. However, the ownership requirement is relaxed if the project satisfies anyone of the following conditions: (1) it proposes to engage in a pioneer activity, (2) it exports at least 70 percent of its production, (3) it is located in an export processing zone; and (4) it obtains prior approval from the Board of Investments.

Since the fifties, investment incentives are made available to qualified foreign investors. In 1987, the Omnibus Investments Code (Executive Order 226) was promulgated, amending an earlier incentive legislation. One of the main objectives of the shift to the new Investment Code is to enable the Philippines to offer incentives that are at par with those granted by the other countries in the region. The Code replaces the admittedly performance-oriented incentives provided by the previous law with the income tax holiday and the exemption from duties and taxes on

imported capital equipment.^{1/} Registered enterprises are also allowed an additional deduction from taxable income of an amount equal to 50 percent of incremental labor expense. Other tax, and non-tax concessions are also available by the Code (Table 27).

While these tax concessions provide equal inducements to qualified domestic investors as well, the Philippines has supplemented the incentives with various guarantees aimed at the protection of the foreign investor. Thus, the Omnibus Investment Code guarantees foreign investors (1) freedom from expropriation, (2) freedom from requisition of property, (3) the right to remit earnings and other foreign obligation; and (4) the right to repatriate investments. Investment missions and fairs has also been a regular feature of the government's aggressive campaign to attract more foreign capital in recent years.

Furthermore, the Philippines is signatory to double taxation treaties with 22 countries including the U.S., Japan and all of the other ASEAN countries except Brunei. These treaties define a system of tax credit aimed at eliminating the double taxation of foreign sourced income. A tax sparing clause is included in the

^{1/} The previous incentive law provided for a tax credit equivalent to 5 (10) percent of net value earned of non-pioneer (pioneer) enterprises and 10 percent of net local content of the exports of registered enterprises. While BOI-registered export producers were exempted from the payment of taxes and duties on capital equipment, non-exporting BOI-registered firms were granted a deferral on payments of these taxes and duties.

treaties with Singapore, Malaysia, Thailand, Indonesia, Pakistan, Brazil, Denmark, Norway and Italy (Table 28).^{2/}

3. Medium-Term Prospects and Other Salient Issues Affecting ASEAN-US Economic Relations: The Philippine Perspective

This section provides some projections on the medium-term prospects of the Philippine economy, US protectionism, possible outcome of the Uruguay Round and the ASEAN-economic cooperation. This section also attempts to discuss other salient issues which are within the interests of ASEAN-US economic relations, particularly the Generalized System of Preference (GSP), intellectual property rights (IPR) and some issues in agriculture.

3.1 Outlook for the Philippine Economy

As enunciated in the Medium-Term Philippine Development Plan 1987-1992, the gross national product (GNP) is expected (and targetted) to grow by an annual average of 6.5 percent. (See Table 29). Such a growth target is not excessively high. It would bring back by 1991, which was set back by 10 years in 1985 after the economic downswing in 1984 and 1985, the real per capita income to the 1981 level, the highest attained. With the structural reform and greater political stability, this target is deemed reasonably within expectations.

^{2/} Tax sparing agreements allow the foreign investor to credit income taxes not paid to the host country because of the tax holiday against income taxes due in the home countries.

This growth target is premised on expected development in both external and internal environment. On the external factors, growth is expected to be supported by a favorable world economic environment characterized by relatively stable oil prices and real interest rates and moderate world inflation. The U.S. is expected to grow by around 3 percent.

In the medium term, government policies would follow an employment-oriented, rural-based development strategy. Along this line, structural reforms have been set forth. The essential elements of these reforms could be summarized as follows. Fiscal reforms are aimed at more progressive taxation and more local autonomy. In the monetary policy area, modest growth in domestic liquidity at around 15 percent will be maintained and policy reforms which are intended to reduce intermediation cost (which could entail some financial liberalization) are being implemented. Trade reforms have been launched and more reforms being reviewed towards further trade liberalization. A more flexible exchange rate policy will be followed. Steps towards greater decentralization and privatization have been significant and will be pursued more vigorously in the future. There has been the legislation on land reform whose implementation could last longer than the medium-term.

The problems for the Philippines are far from over. It still has to contend with a huge external debt and a heavy debt service burden. The assumptions underlying the targeted growth rate are that the growth of the outstanding external debt would be limited to 4 percent annually and that the debt service burden as a

percentage of current account receipts would average around 27.5 percent during the Plan period.

In terms of growth distribution, not much change in the production structure is expected. Industry would account for around 34.7 percent of GDP, with the manufacturing and construction sectors share expected to increase slightly from 24.2 and 4.1 percent in 1987 to 25.9 and 6.7 percent by 1992 respectively. (See Table 30).

The combination of rural-based development strategy, trade liberalization and perhaps more importantly greater exchange rate flexibility would have a direct bearing on the trade performance and structure. New export products would possibly emerge and existing, though still small, exports would expand in the labor-using light manufacturing industries.

On the aggregate, both exports and imports are expected to rise. Total exports are expected to increase by around 9 percent during the period. With merchandise export growing faster at 10.1 percent than non-merchandise export at 5.8 percent. (See Tables 31 and 32).

3.2 US Protectionism

United States' tariffs are generally low with respect to products imported from the Philippines. Using 1985 value of exports and 1986 applicable tariff data, around two-thirds of Philippine exports entered the U.S. market duty-free -- made up of around 48 percent MFN zero duty and 18 percent GSP zero duty.

In terms of number of tariff lines, 228 items are under GSP zero duty, 112 items under MFN zero duty and 572 items are dutiable. Out of the dutiable items, 161 lines have rates below 15 percent, 241 have rates 14 percent and above and 170 lines have specific rates. Furthermore, 109 items out of the 241 lines with rates 15 percent and above, and 75 out of 170 lines with specific rates fall under garments. (See Table 33).

Table 34 gives a weighted tariff average by CCCN category for the U.S., Japan and the EEC (weights used are country imports from the Philippines). Only textile and textile products (including garments) and footwear stand out with the higher average tariffs of 12 to 18 percent respectively. For the rest, most tariff duties are below 5 percent.

Table 35 summarizes the non-tariff measures (NTMs) imposed by the United States on Philippine exports based on an UNCTAD inventory in 1985. Around 48 percent of Philippine exports are found to be affected by NTMs. Indices such as the import coverage index, of course, have limitations. For example, it assumes that all forms of NTMs have uniform restrictiveness, i.e., they are equally binding. Most of the NTMs used by the U.S. are in the form of health and sanitary regulations and Consular and Customs formalities -- non-tariff measures which have a different nature and different "force" of restriction compared with others (e.g., quotas). Only around 21 percent are subject to quantitative restrictions like global or bilateral

quota. Furthermore, this figure (21 percent) is composed mainly of sugar, garments and textiles, and footwear.

In general, then, the United States market appears relatively free and open. The main problem for the Philippines in the U.S. market is the threat of protectionist legislation. There is an increasing protectionist tendency in the U.S. congress. In the recent years, a number of bills have been passed in Congress which were intended to curb foreign competition. Examples of these which would have affected the Philippines were two bills increasing tariffs on canned tuna in oil and the Jenkin's Bill on textiles. Although they were eventually vetoed by President Reagan, signals have been sent and the threat is perceived even over other exports to the United States.

The Philippines has not been very much affected by U.S. anti-dumping (AD) or countervailing (CVD) duties compared to say, Thailand and Singapore. There was a celebrated case against canned tuna exports which was eventually lifted. It has been worried, however, by some other developments like the proposed labeling requirements and the U.S. soy bean advertisements which were to the detriment of Philippine Coconut Oil exports. There have been complaints from processed food exporters about unfair treatment by the United States with regards to "sugar content" of food seasoning and ethnic food mixes. Exports of these products were subjected to import quota because they had more than 10 percent sugar content although these could not really be considered "sweeteners."

On the whole, then, it is the ever-present threat that new forms of protectionism would be imposed that creates uncertainty and poses the greater trade barriers. This protectionist tendency is likely to remain in the future, even if the Republican Candidate is projected to win the coming elections. This attaches a special importance to the creation of an ASEAN-US economic cooperation. Although the Philippines would welcome an increase in quotas and/or tariff concessions for meaningful garment items, it is generally perceived by trade officials and exporters that one of the most important element of cooperation is a U.S. commitment not to impose new trade barriers.

3.3 The Uruguay Round of the GATT

The Uruguay Round Multilateral Trade Negotiations (MTN) is basically a response to a conceivable degeneration of the GATT as a multilateral framework governing world trade. Trade barriers outside GATT ambit appear to be escalating. These include, for example, the MFA in textile, the orderly marketing arrangement (OMA), voluntary export restraint (VER), countervailing and anti-dumping duties, etc. The Uruguay Round is not expected to achieve a monumental success in transforming GATT into an ideal framework for enforcing discipline in world trade. Still, all member countries are aware of the possible deleterious consequences of a GATT breakdown. The Uruguay Round is essentially a reconfirmation by member countries of their commitment to non-discriminatory trade. Thus, although the Uruguay Round is not expected to dramatically mend GATT's

weaknesses, it is nonetheless considered to be a first and necessary step towards preventing the breakdown of GATT. It could at least put on hold further erosion of the multilateral framework of disciplinary world trade before a more final solution could be found.

GATT, or a multilateral framework such as GATT, remains to be the superior and most efficient vehicle for promoting and disciplining world trade. Bilateral agreements, in a sense, undermine the GATT mechanism. Bilateralism promotes trade diversion rather than expansion. Still, it could become a second-best solution if the great majority of countries engage in it. Thus, an ASEAN-US economic cooperation could serve as a hedge against GATT degeneration. On the other hand, if the Uruguay Round succeeds in putting discipline to world trade, an ASEAN-US economic cooperation should consider eventually multilateralizing the relevant agreements made within its bilateral framework.

3.4 ASEAN Economic Cooperation

It is in the interest of all ASEAN member countries to advance efforts towards more meaningful economic cooperation. ASEAN-US economic relations will be that much more effective.

For her part, the Philippines could offer to accelerate its liberalization and further tariff reform program for ASEAN. This move would benefit not just the ASEAN trading partner but the Philippines, as well. The country could learn from the experience of this limited liberalization with ASEAN, and start

and smoothen some of its structural adjustment to finally implementing trade reform across the board.

With regards to intra-ASEAN investments, the policy environment in the Philippines is a conclusive one. The tax treaties between the Philippines, on one hand, and Singapore, Malaysia, Thailand and Indonesia all contain a tax sparing provision. In addition to this, work on various schemes to promote ASEAN economic cooperation in the area of investments like the ASEAN industrial projects, ASEAN industrial complimentation and ASEAN industrial joint ventures have been going on in the last decade. To date, however, the empirical evidence suggest that except for a surge in other ASEAN countries' investments in the Philippines in 1984 the role of intra ASEAN FDI in the Philippines has been rather small. Suriyamongkol (1987) attributed this development to unresolved conflicts in the national interests of the countries concerned.

It will be mutually beneficial to the ASEAN countries if they will undertake cooperative efforts towards the harmonization of their investment incentives. This is not a new idea. It is disheartening to note though that no initiative in this direction have been made so far.

3.5 Other Salient Issues

3.5.1 Generalized System of Preferences (GSP)

With regards to the Philippine experience with GSP, data show that the country has not taken advantage of this mechanism

as much as other countries. The share of the Philippines in total global preferential imports was only around 2.4 percent in 1983 although its share in the U.S. is much larger at around 20 percent.

Although there seems to be scope for its greater utilization, GSP does not belong in the high priority for the Philippines' trade negotiators. This stance could be defensible.

The GSP (as well as other S and D treatment) is basically an adjustment measure which could give some leverage to developing countries in competing with other more experienced and powerful traders. It is, however, temporary in nature and, if depended on, could even run counter to longer-run targets of the country (in terms of the longer-run economic structure it envisions).

3.5.2 Intellectual Property Rights

The issue of intellectual property rights is another important concern for the United States in its relations with other countries. Like services, the U.S. pushed for its inclusion in the Uruguay Round of MTN.

To be sure, there are opposing argument regarding the role of intellectual property rights in technological development. The economic rationale for patents is well-understood -- that although inventions become "free goods" once created, to produce it could be expensive. Thus, granting the inventor temporary monopoly, although sub-optimal in the short run, would bestow the necessary incentives for the production of inventions. In

effect, short-run costs are being balanced against the larger dynamic and long-run benefits that would arise from future inventions. But even this is being questioned as being applicable only in a closed theoretical model. The distribution of benefits would be lopsided in favor of the already wealthy industrialized countries. Hence, even on economic grounds, the issue whether there should be global protection or intellectual property rights or not has not been settled. Indeed, from the point of view of developing countries, the bias, even on economic grounds, weighs more heavily against global property rights. Still, on the whole, few, perhaps none, would openly renounce respect for property rights. For her part, the Philippines is already a signatory to both the Paris Convention (industrial property) and the Berne Convention (copyright).

3.5.3 Issues in Agriculture

The U.S. Agricultural Adjustment Act which was passed in 1933 poses the main barrier to U.S. imports of agricultural commodities. Under this Act, restrictions can be imposed on imports of agricultural commodities covered by any program of the U.S. Department of Agriculture. To date, restrictions effected under this act continue to be in force against sugar and syrups, peanuts and some cotton products among others.

4. Conclusion, Implications on the ASEAN-US Economic Relations and Possible Recommendations: the Philippine Perspective

This section provides the conclusion and analyzes the implications of the findings on the ASEAN-US economic relations

from the perspective of the Philippines. It attempts to derive possible recommendations on the elements of an ASEAN-US economic cooperation, again from the Philippine perspective.

4.1 Trade in Goods

Looking at the possibilities for exchange of concessions between the Philippines and the United States, the Philippines seems to have more to offer. For the past four years, the Philippines has had a favorable merchandise trade balance with the United States. The United States already takes up a good share of Philippine trade. And with the exclusion of garments and textiles, sugar and footwear, the U.S. market is relatively free and open. Also, the Philippines has just recently liberalized a number of items. Thus, it is understandable for Philippine government trade officials to view the Philippines as most possibly holding the losing end of a two-way bilateral agreement.

In the sense of getting concessions in exchange for concessions, this is probably true. The Philippines would probably gain more from the outcome of a RP-US rather than an ASEAN-US agreement, considering the special ties between the two countries and the US pronouncements of wanting to assist the new government (e.g., through unilateral trade concessions). This has, to a certain extent, happened as part of the outcome of the RP-US military bases agreement. The Philippines appears at the present time to have available channels for a more favorable bilateral agreement with the United States.

This is, however, a myopic view of possible benefits from an ASEAN-US agreement. In the first place, trade liberalization, though some domestic sectors would disagree, would, in itself, be beneficial for the country in the long-run. Furthermore, we have already embarked on unilateral trade liberalization and future plans, though temporarily shelved, are in the offing. The gains from a bilateral trade liberalization would be even greater. In other words the Philippines' plans for opening markets tie in very neatly with an ASEAN-US economic cooperation. In the second place, to some so-called "nationalists", aligning with ASEAN rather than contracting an agreement with the US, by itself, may probably be more acceptable. Hence, politically, an ASEAN-US agreement may be more palatable. Thirdly, an umbrella type of ASEAN-US agreement is not necessarily contradictory to Philippine objectives in the context of an RP-US agreement. And finally, the Philippines does not trade with the United States alone, and ASEAN as a group is not limited to contract agreement with only the United States. Other agreements leading to ASEAN economic cooperation with other countries, particularly the EEC and Japan, where the Philippines could derive more benefits, are likely to follow. ASEAN, to be most effective should be unified.

Although the U.S. market already seems open and free, there still remain significant scope for concessions the U.S. could grant that would benefit the Philippines considerably. These are in the areas of garments and processed food products with over 10 percent sugar content. Garments export is still an expanding sector in the Philippines. It is subject to generally higher

tariffs as well as import quotas in the U.S. The Philippines would welcome increases in quotas and/or tariff concessions for meaningful garment items. Very much affected by import quotas for products with over 10 percent sugar content are Philippine food products, especially food seasoning and ethnic food mixes. There are new high-growth sectors exporting a large part of its output to the U.S.

Going back to Table 33, the Department of Trade and Industry (DTI) listed 572 dutiable items, out of which 241 tariff lines are subject to 15 percent and above. Some 109 out of these tariff lines have consistent Philippine exports for the last 5 years and 132 tariff lines are considered by DTI to be potential Philippine exports. These tariff lines would become even more meaningful in the light of the recent trade reforms which reduce the bias against exports and could open up opportunities for exporting products previously unheard of. These are again possible areas for U.S. concessions.

Aside from market access and tariff concessions, an important element which should be included, as suggested in earlier discussions, is a U.S. commitment to a standstill on all forms of NTMs. This includes, in particular, the newer forms of protectionism, e.g., AD and CVD. Concessions, using infant industry arguments, to allow export incentives (which could be time-bound) for non-traditional exports without threats of CVD or AD should be sought.

In exchange, the Philippines could claim credits for the past unilateral trade liberalization. The Philippines has undertaken trade reforms which included the 1981 to 1985 Tariff Reform Program and the liberalization of imports for over 2000 items from 1981 to 1988 unilaterally. The trade reforms were perhaps, in a sense, untimely as these could have been used more effectively in the negotiations if the Philippines were still to embark on them in the future. Furthermore, binding of tariffs is equally, if not more so, an attractive concession to offer and remains to be a very important bargaining chip. Moreover, the Philippine tariff structure still could not be considered minimal and many more important items are still regulated.

This assumes that there would be reciprocity in concessions. Invoking S and D treatment or GSP could benefit Philippine trade. But these benefits are mainly in the short-run. The country could and should accept reciprocity which is consistent with the structural reforms that it is now undertaking. Along these lines a phased reciprocity seems to really be ideal, as this would consider the developmental stage of the Philippines and provide the necessary adjustment period.

It is difficult to quantify the impact of granting and receiving market access. It is generally accepted that there are gains from trade as well as some accompanying adjustment cost in trade liberalization. There are past studies (especially by Power and Bautista in 1979) which have consistently shown and pointed out costs of protection - the serious distortions (especially on the real price of foreign exchange) - bad side

effects (biases against exports and forward linkages) and ultimately grave misallocation of resources. The over-all gains arising mainly from a more efficient allocation of resources provided the main rationale for the Philippine trade reforms. The same benefits would accrue (and even more so since liberalization would now be reciprocated).

For the Philippines, the process of reforms has not been completed. Some wavering in purpose could be discerned from recent developments. An argument that is often raised against import liberalization is the protectionism in the West. With promise of a quid-pro-quo in the international arena, some strengthening of commitment to the liberalization efforts could arise. That is, an ASEAN-US economic cooperation could perhaps help the Philippines in pursuing further the reforms it had started.

Finally, the exchange of concessions in the area of trade in goods need not be constrained within that area alone. If exchanges in the area of goods are deemed lopsided, concessions in goods trade could possibly be made in exchange for concessions in the area of services, technology and/or investment, or vice versa, to even up the exchange.

4.2 Trade in Services

Although very few countries ever really practice free trade, there is general acceptance, at least in principle, that fewer barriers to trade in goods and commodities across countries would be beneficial to all.

When it comes to trade in services, however, nothing near such an agreement exists. There are grave apprehensions, valid or not, about opening up trade in services, especially among less developed countries (LDCs). These are related basically to the following concerns:

1. effect on development,
2. case of infant industry, and
3. national security and sovereignty.

The first two are primarily concerns of the LDCs. The discussion below hence take the LDC as the point of reference.

Especially among LDCs, there is general apprehension that opening up trade in services would be detrimental to economic development. This stems from a common perception that comparative advantage lies mainly with the developed countries. As such, liberalizing trade in services would greatly injure the domestic service industries which comprise a large part of the economy and consequently adversely affect economic development in general. The LDCs are fated to forever be importers of high-technology services and sources of cheap labor. This is directly parallel to protectionist arguments in the case of the goods trade about import liberalization causing serious injury to, if not wiping out, the domestic industrial sector. The Third World is doomed to be "hewers of wood and carriers of water."

The second concern is also related to such perception of general comparative disadvantage in services. It is argued that protection is necessary to nurture the infant service sector and

shield it from "unfair" foreign competition. Again, this is the same as the familiar infant industry argument for protection in the case of goods and commodities.

The third concern, which also applies to certain goods sectors (e.g., arms and explosives) is particularly pertinent to the service sector -- most especially the banking sector. The nature of trade in services is such that, unlike the goods trade, it could also, and often does, entail, not just a flow of output, but more importantly a movement of factors of production themselves. Labor, for example, could be directly exported or imported. So is capital, physical and financial, in many cases (e.g., transportation, shipping, banking). Opening up the service sector thus involves more than allowing port entry. In the case of the banking sector, for example, liberalization would imply some loss of control in money supply. In general, opening up the financial sector is seen to make it vulnerable to external manipulations.

Thus, all three concerns are echoes, perhaps louder refrains owing to the different nature of services trade, of old protectionist arguments against import liberalization. There is validity in certain aspects of these concerns, but as in the case of the goods trade, the theory of comparative advantage holds. Although there is no doubt that liberalization would be accompanied by short-run adjustment costs, dynamic gains from liberalized trade are also undeniable.

Still, theory and practice need not perfectly coincide. There are practical, political and other factors involved. Given the nature of services regulations and the trade patterns in services for the Philippines, what type of cooperation with the United States could be developed? Given the large share of interest expense and the apparently highly concentrated Philippine service trade with the United States, what are the possible implications for ASEAN-US economic relations?

Like other LDCs, the Philippines is prepared to include services in the GATT negotiations at Punta del Este. However, also like the others, it is not prepared to liberalize services trade, even in the medium-run. Many in government as well as private sector feel that the Philippines should seek special and differential treatment for services on infant industry grounds. National security and sovereignty concerns also inhibit LDCs including the Philippines from opening up services trade. In the area of banking, for example, most LDCs would find it difficult to even slightly relinquish control in money supply which could arise.

With regards to entry of foreign investment in services, foreign equity rules are more or less set. Thus, except perhaps for specific regulations in specific service sectors (e.g., flag carrier requirement, film import regulations), there seems to be little room for reciprocal opening of markets in the area of services. There is not enough data to evaluate the over-all impacts of liberalization in particular service sectors to determine in what specific areas cooperation is feasible and

mutually beneficial. What available data do suggest is that comparative advantage in the service sector is not a monopoly of industrialized countries. Construction activity is one example. Still the nature of services complicates the analysis such that even some blanket prescription of freer trade is no longer as automatic as in the case of the goods sector. Shipping is perhaps one of the possible candidates for liberalization considering its strong forward linkages. Another is telecommunications (although the issue of national security could have more bearing). Foreign competition would lead to a more efficient domestic service industry and lower costs to users. Repercussions throughout the economy could be tremendous.

The theory of comparative advantage should hold especially in the long-run. Still granted that already a large part of Philippine services trade is concentrated with the United States, the conclusion is not as definite as in the case of goods trade, in the short or even medium-run. Furthermore, the Philippines share in the United States market is really quite small, which is perhaps why the United States has not really made strong demands in this area from the Philippines. There seems to be no urgency towards removal of barriers. This could work well with the Philippines. There is no doubt that in the very long-run, liberalization even in services would be beneficial. There seems to be plenty of time for the economy to adjust to such likely future directions in services trade. This of course, implies foresight, if not long-run planning, on the part of the Philippines for such eventuality.

4.3 Foreign Direct Investment

4.3.1 The Competitive Bidding for Foreign Investments Via Tax Incentives

The validity of the apparent concern for granting incentives that are competitive with those offered by other countries in the region hinges on whether or not investment incentives are an important factor in the decision-to-invest matrix. The evidence on this question is, at best, mixed. Allen (1973) and Lindsey (1981) made use of the survey approach to study the determinants of foreign investment.^{3/} Both studies indicate that foreign investors deem that government inducements are not important. Political and economic stability, size and growth potential of the market, availability of raw materials, etc., were cited by the foreign investors interviewed as being major considerations in their investment decisions. On the other hand, Subido (1974), employing regression analysis, asserted that the rate of return is the primary determinant of foreign direct investment. Following this, one can argue that investment incentives may play a significant role in the foreigners' investment function to the extent that they enhance the rate of return of particular projects. Furthermore, there is empirical evidence that historically more than half of foreign equity flows to the Philippines has been in areas that enable investors to avail themselves of tax incentives. This, again, bolsters the

^{3/} Allen focused on the Southeast Asian region while Lindsey concentrated on the Philippines.

position that, at the very least, tax concessions do influence the composition, if not the level, of foreign equity.

Regardless of the efficacy of fiscal incentives in attracting foreign capital, it is a fact that all countries in the ASEAN except Indonesia grant inducements notably in the form of tax concessions to foreign investors. Manasan (1988) examined the impact of the investment incentives of ASEAN countries in the context of their overall tax systems on the internal rate of return of prospective projects and concluded that the ASEAN countries are as competitive with each other before incentives as after incentives. This finding suggests that the widespread practice in these countries to use investment incentives as a bidding instrument to attract more FDI may be self-defeating. This implies that these countries are throwing away precious government revenues in exchange for an edge that is largely illusory. ASEAN economic cooperation in the area of investment incentives harmonization is, therefore, indicated.

4.3.2 Tax Sparing Agreements and Income Tax Holiday

Another area that should be reviewed is the interaction of the tax systems of capital exporting countries with the tax concessions provided by the recipient countries in the light of the existence of double taxation treaties between them. Most home countries tax their citizens and corporations incorporated within their borders on the basis of a global income concept. Some, like the US, the UK, West Germany, etc., provide for the credit of foreign taxes paid on foreign sourced income against

like domestic taxes while others allow the deduction of foreign taxes in computing net income for domestic tax purposes. At the same time, a number of countries have enacted tax treaties on a bilateral basis with various host countries essentially for the purpose of eliminating double taxation and defining how tax revenues should be shared by the home relative to the host countries. Specifically, the Philippines is a party to such treaties with 22 countries. What is particularly significant is the absence of a tax sparing provision in the treaties between the Philippines and its major source of FDI like the US and Japan, coupled with Philippine use of the income tax holiday as the cornerstone of its investment incentives scheme.^{4/} In this case, while the treaties eliminate double taxation they do not prevent the capital exporting country from taxing the income that is spared from income tax by the Philippines. Thus, this scheme effectively results not in increasing the after tax income of the foreign investor but in transferring revenues from the Philippine Treasury to the foreign Treasury. In particular, US investors benefit from the Philippine income tax holiday only to the extent that the U.S. tax on their Philippine sourced income is deferred until said income is repatriated.

Thus, the agreement between ASEAN and the U.S. shall seek not only to eliminate double taxation but also to include a tax sparing provision.

^{4/} Note that all countries in the ASEAN except Indonesia and Brunei grant income tax holiday of varying durations to new investments in promoted activities.

4.3.3 Foreign Investments, Technology Transfer and Transfer Pricing

From one point of view, one of the principal benefits from foreign investment arises from the role it plays as a vehicle for international transfer of technology. Recent studies, however, indicate that there are a number of problems looking at foreign equity participation as such: (1) the close link between the mother company based on the capital exporting country and the subsidiary located at the less developed country tends to increase the cost of the technology import because of the possibility of the MNCs charging higher than arms-length prices; (2) the highly packaged nature of the technology transferred via foreign direct investment does not foster the development of local technological capacity. One approach to the transfer pricing problem is the imposition of a uniform tax on profits, intra-firm imports (e.g., equipment), and royalties and management fees (Stewart 1979). In the Philippines while equipment imports and royalties are taxed at 20 percent, profits are levied at tax of zero or 35 percent depending on whether or not the firm is entitled to the income tax holiday. In general, this situation provides MNCs an incentive to engage in transfer price manipulation with the consequent revenue loss from the Philippines. What is clearly called for is a review of the practice of providing inducements to foreign investors via the income tax holiday and the duty exemptions on the capital equipment. This is an area that would require some cooperation on the part of the ASEAN member countries. If such cooperation is not forthcoming then the Philippines should review its

treaties with other nations and its own tax structure specifically that part pertaining to the taxation of foreign capital and services.

4.3.4 Trade Related Investment Measures

In the literature, there has been some concern that export performance requirements related to FDI is trade distorting. In the case of the Philippines, however, the more liberal treatment extended to FDI in export oriented activities should not be viewed as such.^{5/} This is so because the export sector remains penalized by the over-all protection structure (i.e., tariff, non-tariff and exchange rate policy) despite recent efforts to move towards a more liberalized trade regime. Thus, there appears to be a need to counteract these biases against the export sector. The export performance requirement is just one of the tools that may be used in this regard. However, as trade liberalization progresses, the necessity for implementing these compensating measures eases up as well.

On the other hand, the complete elimination of the general 40 percent limit on foreign equity participation would require an amendment of the Constitution and may not be feasible politically. However, all these considerations do not preclude negotiating for attractive commodity markets in exchange for investment areas.

^{5/} As we have already pointed out, foreigners are allowed to own up to 100 percent of the equity of an enterprise as long as it exports at least 70 percent of its production.

Table 16
PERCENTAGE DISTRIBUTION OF PHIL. IMPORTS/EXPORTS
TO USA/WORLD BY 1-DIGIT PSCC CATEGORY
(For selected years - 1970-1987)
(In %)

CODE	1970		1975		1980		1985		1987	
	U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD
0	12.76	9.72	9.25	9.61	12.95	6.90	16.12	8.87	7.83	7.14
1	2.04	0.70	2.28	0.66	1.78	0.63	3.37	1.45	3.27	1.56
2	8.16	1.63	9.74	4.00	5.40	3.88	3.15	3.09	9.12	4.52
3	0.01	11.20	1.20	21.69	0.73	28.43	0.22	11.77	6.22	18.18
4	0.51	0.47	0.35	0.21	0.89	0.24	0.37	0.28	0.31	0.21
5	10.97	10.96	14.54	11.26	6.34	9.78	10.33	27.77	12.58	14.04
6	15.82	21.07	9.98	13.22	8.41	12.90	4.62	10.08	7.02	14.33
7	40.05	34.45	42.67	31.73	35.80	23.60	21.25	13.95	13.56	16.60
8	3.57	2.64	3.25	2.09	3.56	2.54	2.00	2.06	2.83	2.13
9	6.63	3.42	6.85	5.56	24.16	11.10	38.32	20.70	37.52	21.30
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL IMPORTS										
0	47.05	25.73	31.45	36.14	23.73	24.37	18.60	17.98	12.45	15.94
1	1.72	1.42	1.53	1.57	0.98	0.56	0.31	0.63	0.10	0.50
2	17.89	54.02	5.04	28.46	5.96	25.14	1.55	10.46	1.42	9.60
3	0.00	1.61	0.92	1.62	0.00	0.66	0.00	0.92	0.35	1.74
4	20.83	9.08	26.87	10.17	13.58	9.96	11.62	8.11	8.40	7.13
5	0.17	0.47	80.76	0.92	0.38	1.55	0.74	3.27	1.52	4.40
6	11.27	6.53	11.91	10.39	10.85	9.25	4.51	10.20	4.45	8.42
7	0.00	0.08	0.15	0.52	2.73	2.21	7.11	6.73	8.40	9.93
8	0.98	0.85	6.87	4.41	14.72	10.61	17.55	11.70	19.13	13.61
9	0.06	0.05	15.11	5.81	27.60	15.70	38.01	29.96	43.78	28.74
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL EXPORTS										

Table 2a.
PHILIPPINE EXPORTS TO USA/WORLD BY SELECTED COMMODITY GROUP
(1980-1987)
(in Million US dollars)

ITEM	1980		1981		1982		1983	
	USA	WORLD	USA	WORLD	USA	WORLD	USA	WORLD
TRADITIONAL EXPORTS	672	3068	624	2742	490	2116	561,306	2068
COCONUT PRODUCTS:	256	811	237	750	198	590	270	880
Copra	0	0	190	523	164	407	229	516
Copra, Oil	214	857	146	102	35	68	41	88
Copra, Shred	52	115	46	102	0	72	0	72
Copra, Meal	0.000000	81	4	81	0	0	0	0
SUGAR PRODUCTS:	171	557	136	604	70	441	108,851	316
Centrifugal, refined	150	557	136	566	70	416	104.5	299
Molasses	0	0	0	38	0	25	0.351	17
Others	21	67	0.000000	0.000000	0	0	0.351	4
FOREST PRODUCTS:	94	425	78	352	35	294	52	231
Logs	0	32	0	46	0	79	0	74
Lumber	19	181	15	126	9	124	17	149
Plywood	46	111	54	111	21	67	26	76
veneer Sheets/Cores/stocks	18	36	5	31	2	20	6	28
Others	2	5	4	8	3.57	4	3.6	4
MINERAL METALLIC PRODUCTS	52	918	81	757	41	532	40,455	440
Copper Concentrates	16	245	36	420	18	342	17	248
Gold	16	238	36	215	18	142	17	154
Nickel	13	273	9	245	4	142	2	110
Others	2	101	0.36	88	0.163	36	0.455	27
FRUITS AND VEGETABLES	71	111	58	121	65	128	54	127
Canned Pineapple	48	82	49	69	49	88	47	94
Pineapple Juice	3	6	3	6	6	9	2.7	4
Pineapple Concentrates	7	9	5	7	8	10	6	9
Others	12	14	2	19	1.5	21	1.5	20
OTHERS	28	146	33	158	31	131	36	194
Tobacco Manufactured	19	27	15	21	14	20	10	18
Petroleum Products	5	29	18	48	7	47	15	34
Others	0	90	10	89	9	64	21	142
NON TRADITIONAL EXPORTS	997	2650	1145.5	2920	1123.6	2851	1247.3	2846
NON TRADITIONAL MANUFACTURES	870	2005	1020.5	2374	1062.6	2376	1175.3	2387
Electric Equipment	292	527	409	838	375	1033	561	1053
Semi-conductors	245	503	292	618	304	541	340	546
Textile	20	74	21	73	17	56	18	44
Footwear	38	67	46	73	33	62	26	55
Travel Goods & Handbags	4	9	5	10	4	8	0	8
Food Manufactures	7	35	19	46	16.1	41	16.2	53
Furniture and Fixtures	41	77	54	87	38	72	52	84
Chemicals	6	99	7	105	6.5	95	5	86
Copper Metal	0	0	0	0	0	0	0	0
Non-metallic mineral manuf.	0	0	0	0	0	0	0	0
Machinery and Transport Equip.	7	60	5.3	48	4	40	5.4	38
Processed Food and Beverages	74	47	82	47	11	48	12	35
Misc. Manuf. Articles, nes	67	92	77	154	79	150	60	127
Others	66	149	7	124	12	119	63	133
OTHERS	127	645	125	546	61	475	72	459
Special Transactions	10	70	6.85	60	11	54	24.5	91
Re-Exports	2	37	0.853	10	2	9	8.5	34
TOTAL EXPORTS	1679	5798	1778.35	5722	1574.60	5021	1833.11	5005

Table 2a.
PHIL. EXPORTS TO USA/WORLD
(1980-1987)
(In Million US dollars)

ITEM	1984		1985		1986		1987	
	USA	WORLD	USA	WORLD	USA	WORLD	USA	WORLD
TRADITIONAL EXPORTS	594.359	1828	416	1302	438.71	1275	397	1387
COCONUT PRODUCTS:								
:Copra	309	727	229	459	163	470	197	561
:Copra Oil	0	0	0	0	0	18	0	32
:Coconut Oil	256	580	182	347	138	333	161	381
:Desiccated Coconut	53	106	47	76	25	44	36	75
:Copra Meal	0	41	0	36	0	75	0	73
SUGAR PRODUCTS:								
:Centrifugal, refined	151.369	279	78	185	88	103	55	71
:Molasses	146	246	78	163	86	97	55	60
:Others	0.369	33	0	16	0	16	0	11
FOREST PRODUCTS:								
:Logs	38	271	31	199	35	201	60	243
:Lumber	0	89	0	39	0	27	0	0
:Plywood	14	107	10	21	10	104	27	154
:Veneer	18	56	19	31	18	56	22	88
:Veneer Sheets/Corestocks	0	14	2	12	15	9	3	15
:Others	3.58	6	2	17	1	5	2	6
MINERAL METALLIC PRODUCTS								
:Gold Concentrates	9.29	266	2	249	78	267	1	224
:Copper Concentrates	2	115	0	84	0	20	0	109
:Chromium Ore	2	104	0	100	3	140	0	91
:Others	0.23	26	1	12	75	11	0.00032	17
FRUITS AND VEGETABLES								
:Canned Pineapple	66.3	133	65	136	65	137	68	150
:Pineapple Juice	54	87	48	89	46	83	49	86
:Pineapple Concentrates	2.9	5	11	7	14	6	14	6
:Others	1.3	13	1	14	1	18	1	20
OTHERS								
:Abaca Fibers	20.4	152	11	80	9.71	97	16	118
:Tobacco Unmanufactured	10.4	30	17	17	0	13	19	12
:Petroleum Products	7	29	3	24	0.801	21	0.0007	18
NON TRADITIONAL EXPORTS	1144.3	3430	1186	3275	1237	3447	1590	4197
NON TRADITIONAL MANUFACTURES	1090.3	2992	1102	2855	1194	2879	1509	3642
:Electric Equipment	382	1283	369	1056	386	1219	324	1173
:Machinery	410	693	444	623	484	741	627	1088
:Textile	18	46	17	28	16	21	27	68
:Footwear	18	46	17	28	16	21	27	68
:Foodstuffs & Handbags	315	50	11	10	26	13	13	16
:Food Manufactures	14	50	11	43	26	49	14	62
:Furniture and Fixtures	54	88	53	84	58	89	60	130
:Chemicals	9	105	12	150	30	243	30	245
:Copper Metal	111	111	10	166	30	172	0	182
:Nonmetallic Mineral Manuf.	3.7	21	3	24	3	18	5	22
:Machinery and Transport Equip.	15	36	14	30	29	45	53	78
:Processed Food and Beverages	44	109	51	106	48	116	37	126
:Misc. Manuf. Articles, met	74	137	73	136	87	159	101	199
:Others	46	313	53	257	42	231	64	286
NON TRADITIONAL UNMANUFACTURES	54	438	71	510	43	568	70	555
OTHERS:								
:Special Transactions	26	133	15	52	23	120	11	156
:Re-Exports	22	125	6	40	21	112	6	149
TOTAL EXPORTS	1764.66	5391	1615	4629	1638.71	4822	1988	5720

Table 2c
ANNUAL GROWTH RATE OF PHILIP-
PINE EXPORTS TO USA/WORLD
BY SELECTED COMMODITY GROUPS
(in %)

ITEM	1981		1982		1983		1984	
	USA	WORLD	USA	WORLD	USA	WORLD	USA	WORLD
TRADITIONAL EXPORTS	-7.14	-10.63	-29.49	-22.83	27.57	-2.27	5.89	-11.61
COCONUT PRODUCTS:								
Coconut	-10.90	-7.52	-16.03	-21.23	35.68	15.25	14.44	5.81
Coconut Oil	0.00	-27.66	0.00	-24.72	0.00	-0.00	0.00	-1.00
Deacidified Coconut	-11.54	-12.07	-23.91	-23.23	29.52	28.68	11.79	12.90
Coconut Meal	400.00	0.00	-100.00	-11.11	17.14	0.00	29.27	20.45
SUGAR PRODUCTS:								
Centrifugal, refined	-9.33	-8.07	-48.53	-26.29	55.50	-28.24	39.06	-11.71
Molasses	0.00	15.15	0.00	-34.21	49.29	-28.13	17.73	-17.73
Others	-100.00	-100.00	-22.16	0.00	0.00	-32.00	5.13	94.12
FOREST PRODUCTS:								
Logs	-7.14	-17.18	-55.13	-16.48	48.57	12.59	-26.22	-18.12
Lumber	0.00	-50.00	0.00	71.74	0.00	-6.23	0.00	18.92
Plywood	-21.05	-30.39	-40.00	-1.59	98.89	-20.16	-17.65	-28.19
Veneer Sheets/Corestocks	17.29	0.00	-61.11	-39.64	23.81	13.43	-20.77	-26.32
Others	-72.22	-13.89	-60.00	-55.48	200.00	40.00	-50.00	-50.00
MINERAL METALLIC PRODUCTS								
Copper Concentrates	55.77	-17.54	-43.28	-29.72	-1.23	-17.29	-77.04	-39.55
Gold	120.00	-10.28	50.00	-21.40	0.00	-0.00	-0.00	-0.00
Premium Ore	-30.77	-24.24	-52.56	-40.00	-50.00	-33.23	-90.49	-32.97
Others	-82.00	-12.87	-54.72	-59.03	179.14	-25.00	-56.26	3.70
FRUITS AND VEGETABLES								
Canned Pineapple	-18.31	9.01	12.07	5.79	-16.92	-0.78	22.79	4.72
Pineapple Juice	2.08	8.54	0.00	-1.12	-10.20	6.82	22.73	-7.45
Pineapple Concentrates	0.00	0.00	100.00	50.00	-55.00	-55.56	7.41	25.00
Others	-28.57	-22.22	60.00	42.86	-25.00	-10.00	35.00	44.44
OTHERS								
Abaca Fibers	17.96	8.22	-6.06	-17.09	16.13	48.09	-43.33	-21.55
Tobacco Unmanufactured	-21.05	-22.22	-4.76	-4.76	-28.57	-10.00	4.00	66.67
Petroleum Products	60.00	65.52	-12.50	-2.08	-28.57	-27.66	-40.00	-14.71
Others	0.00	-1.11	-10.00	-28.09	135.23	121.98	-66.67	-34.51
NON TRADITIONAL EXPORTS	14.89	10.19	-1.91	-2.36	11.01	-0.18	-8.26	20.52
NON TRADITIONAL MANUFACTURES								
Electric Equipment	17.30	18.40	4.12	0.08	10.61	0.46	-7.23	25.35
Electric Equipment	40.00	24.89	16.14	19.23	18.11	5.20	-31.91	26.21
Textile	19.18	23.11	4.11	-12.23	11.64	0.74	20.59	10.64
Footwear	5.00	-6.76	-19.04	-19.84	5.89	-21.43	11.11	-13.64
Travel Goods & Handbags	21.05	8.96	-28.26	-15.07	-21.21	-11.29	-28.92	-16.26
Wood Manufactures	25.00	11.11	-20.00	0.00	-7.50	-20.00	-2.70	-25.00
Furniture and Fixtures	171.43	31.43	-15.26	-10.87	0.62	29.27	-13.59	-5.66
Chemicals	31.71	12.99	-29.63	-17.24	36.84	16.67	3.85	4.76
Copper Metal	16.67	17.98	-7.14	-9.52	-23.08	9.47	80.00	22.09
Non-metallic Mineral Manuf.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	226.92
Machinery and Transport Equipmt	83.33	-20.00	-27.27	-16.67	-15.00	-35.00	8.82	-19.23
Processed Food and Beverages	-57.14	0.00	256.67	-2.13	9.09	-27.08	25.00	-12.86
Misc. Manuf. Articles, nes	10.81	67.39	-3.66	-2.50	-24.05	-15.23	-26.67	-14.17
Others	14.93	4.03	-18.18	-7.74	0.00	-6.99	17.46	5.01
Others	-89.29	-6.77	71.43	-4.64	25.00	-5.08	206.67	179.66
NON TRADITIONAL UNMANUFACTURES	-1.57	-15.35	-51.20	-13.00	18.03	-3.37	-25.00	-4.58
OTHERS:								
Special Transactions	-21.50	-14.29	60.58	-10.00	122.73	68.52	6.12	46.15
Re-Exports	-25.00	51.52	50.00	-10.00	77.78	26.67	-75.00	-85.96
Others	-57.25	-72.97	124.47	-10.00	325.00	277.78	158.82	267.65
TOTAL EXPORTS	5.80	-1.14	-11.96	-12.25	16.42	-0.32	-3.73	7.71

Table 2c
ANNUAL GROWTH RATE OF PHIL.
EXPORTS TO USA/WORLD
BY SELECTED COMMODITY GROUPS
(in %)

ITEM	1985		1986		1987		AVERAGE 1980-1987	
	USA	WORLD	USA	WORLD	USA	WORLD	USA	WORLD
TRADITIONAL EXPORTS	-30.01	-28.77	5.46	-2.07	-9.51	7.22	-5.22	-10.14
COCONUT PRODUCTS:	-25.69	-26.86	-28.82	2.40	20.86	19.36	1.52	-3.11
Cocoa	0	0	0	0	0	0	0.00	-10.91
Coconut Oil	-28.91	-40.17	-24.19	-4.03	16.57	14.41	-1.71	-2.79
Dessicated Coconut	-11.32	-28.30	-46.81	-42.11	44.00	70.45	-0.75	0.64
Cocoa Meal	0	-12.20	0	108.33	0	-2.67	42.66	5.61
SUGAR PRODUCTS:	-48.47	-33.69	12.82	-44.32	-37.50	-31.07	-5.80	-26.31
Centrifugal, Refined	-46.58	-31.20	10.26	-48.52	-36.05	-31.03	-5.89	-25.94
Molasses	-100.00	-51.52	0.00	0.00	-36.05	-31.03	-13.55	-5.67
Others	-100.00	0.00	0.00	0.00	0	0	-29.59	-14.29
FOREST PRODUCTS:	-18.42	-26.57	12.90	1.01	71.45	20.90	2.61	-6.27
Logs	0	-55.68	0	-1.00	0	-100.00	0.00	-17.48
Lumber	-28.57	-14.95	0.00	14.29	170.00	49.09	21.96	1.06
Plywood	3.36	-18.23	0.00	2.00	8.75	44.57	37.63	-4.22
Veneer Sheets/Corestocks	-32.33	-14.67	150.00	-25.00	20.00	20.00	13.63	9.73
Others	-44.13	16.67	-50.00	-28.57	100.00	20.00	13.63	9.73
MINERAL METALLIC PRODUCTS	-78.47	-8.65	3800.00	9.88	-98.72	-15.10	507.26	-17.00
Copper Concentrates	-100.00	-26.96	0.00	7.14	0	-21.02	-21.02	-17.22
Gold	-100.00	-3.85	0.00	40.00	0	-35.00	-16.37	-10.23
Chromium Ore	-80.00	-36.84	200.00	-8.33	-66.67	-36.36	9.57	-12.73
Others	244.63	67.66	7400.00	-44.68	-100.00	-34.62	1079.71	-14.96
FRUITS AND VEGETABLES	-11.96	2.26	0.00	0.74	4.62	9.49	0.22	4.46
Canned Pineapple	-11.11	2.30	-4.17	-6.74	6.52	3.61	0.85	0.85
Pineapple Juice	72.41	40.00	-20.00	-14.29	0.00	0.00	14.37	6.45
Pineapple Concentrates	35.80	7.63	27.27	28.57	0.00	11.11	14.37	14.64
Others	-23.08	-7.14	0.00	15.38	0.00	26.67	-20.68	16.63
OTHERS	-46.08	-47.37	-11.73	21.25	64.78	21.65	-1.20	1.87
Tobacco Unmanufactured	-32.69	-43.33	14.29	-23.55	12.50	-9.21	-9.21	-6.41
Petroleum Products	0.00	-17.24	-73.30	-12.50	-99.91	-14.29	-27.75	-3.29
Others	-85.71	-58.06	-9.10	61.54	670.08	39.68	90.28	14.47
NON TRADITIONAL EXPORTS	3.64	-4.52	4.30	5.25	28.54	21.76	7.46	7.24
NON TRADITIONAL MANUFACTURES	1.07	-7.59	8.35	4.12	26.38	26.50	8.66	9.62
Electric Equipment	-3.40	-20.54	-5.63	-12.97	14.08	21.76	16.77	13.14
Garments	8.29	3.22	8.33	20.55	42.20	46.21	16.36	13.16
Textile	621.25	2.63	-83.76	12.82	42.11	54.55	61.47	1.33
Footwear	-52.63	-15.22	-44.44	-20.51	-20.00	0.00	-24.63	-9.33
Travel Goods & Handbags	94.44	66.67	14.29	20.00	62.50	23.33	23.72	12.30
Wood Manufactures	-21.43	-14.00	22.27	15.95	-61.11	26.53	41.13	10.09
Furniture and Fixtures	-11.85	-4.55	9.45	5.95	37.93	46.07	12.61	9.24
Chemicals	33.33	42.86	150.00	62.00	0.00	0.82	35.68	18.11
Copper Metal	0	51.25	0	2.38	0	0	0.00	54.38
Non-metallic Mineral Manuf.	-18.92	14.29	0.00	-25.00	66.67	22.22	13.95	-11.34
Machinery and Transport Equip.	-6.67	-16.67	107.14	50.00	82.76	73.33	60.98	12.06
Processed Food and Beverages	15.91	-2.75	-5.68	9.43	-22.92	8.62	-8.06	7.23
Misc. Manuf. Articles, nes	-1.35	-0.73	13.18	16.91	16.09	25.16	6.97	4.81
Others	15.22	-17.69	-20.75	-10.12	52.38	-23.81	37.22	22.65
NON TRADITIONAL UNMANUFACTURES	31.48	16.44	-39.44	11.37	62.79	-2.29	-0.70	-1.54
OTHERS:	-50.00	-50.90	76.92	130.77	-52.17	30.00	18.95	27.18
Special Transactions	50.00	-66.67	-66.67	-33.33	150.00	-12.50	23.02	-1.95
Re-Exports	-68.18	-68.00	200.00	180.00	-71.43	33.04	88.76	86.78
TOTAL EXPORTS	-8.48	-14.13	5.18	4.60	17.62	18.13	5.06	0.37

Table 2a
 PHIL. IMPORTS BY SELECTED COMMODITY GROUPS
 FOR SELECTED YEARS (1970-1987)
 (In Million US \$, C.I.F. values)

CODE	I T E M	1970		1975		1980		1985		1987	
		U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD	U.S.A.	WORLD
10	FOOD AND FOOD PREPARATIONS	50	125	77	363	247	572	220	485	127	513
102	Dairy Products	6	37	1	59	4	123	1	79	8	162
104	Meats and Fish Preparations	18	27	2	37	0.223728	29	0.091625	115	2	21
1041	Meat	33	36	56	105	174	160	117	123	72	34
1042	Fish	0.00029	0.000292	0	40	0.001623	0.004252	47	150	0	0.015404
	Others	10	24	18	112	69	240	54	160	46	236
11	BEVERAGES AND TOBACCO	8	9	19	25	34	52	46	79	53	112
12	CRUDE MATERIALS, INEXHAUSTIBLE	32	69	91	151	109	332	49	169	149	326
223	Coal	19	21	40	41	41	47	17	27	36	52
2231	Carbon	19	21	40	41	41	47	17	27	36	52
2232	Others	0	0	0	0	0	0	0	0	0	0
2233	Iron ore, not agglomerated	0	0	0	0	0	106	0	0	0	0
2234	Others	11	26	33	67	46	130	21	105	104	193
23	MINERAL FUELS AND LUBRICANTS	0.024685	144	30	919	14	2369	3	641	101	1307
232	Coal and Coke	0.02115	1	0	0	5	28	0	64	0.027423	25
2320.01	Petroleum, crude	0.00353	124	0	0	0	1329	0	1313	0	1108
24	ANIMAL AND VEGETABLE OILS & FATS	2	6	3	8	17	20	5	15	5	15
25	CHEMICALS	40	141	121	425	121	811	141	1512	201	1009
51-52	Chemical Compounds	12	43	46	175	15	232	59	244	69	366
54	Pharmaceuticals	7	19	9	36	13	72	10	54	14	109
55-56	Urea	0	0	0	0	30	36	11	70	3	69
55-56.15	Fertilizer, manufactured	0.955222	10	16	52	6	58	2	48	3	34
	Others	23	69	50	162	19	234	59	224	119	432
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	62	271	83	499	161	1070	63	549	114	1030
64	Paper and Paper Products	16	36	14	36	39	81	36	78	56	117
65	Textile Yarn and Fabrics	7	29	5	71	13	151	5	146	9	289
651/67	Iron and Steel	11	121	9	192	17	459	3	146	12	372
69	Metals	12	34	32	101	51	176	9	79	12	186
	Others	15	51	23	100	41	283	12	100	25	186
7	MACHINERY AND TRANSPORT EQUIPMENTS	157	449	385	1198	689	1958	230	750	220	1193
71-75	Machinery	86	265	216	699	427	1070	141	366	147	571
76-77	Electrical Machinery	31	74	60	166	109	308	130	302	58	463
78-79	Transport Equipment	39	104	79	203	149	560	16	73	15	159
8	MISCELLANEOUS MANUFACTURES	14	34	27	79	68	211	30	112	46	153
85/87	Professional, Scientific and Controlling Instruments	7	14	17	37	30	72	18	35	14	42
	Others	7	20	11	42	38	139	12	76	31	111
9	COMMODITIES AND TRANSACTIONS NOT CLASSIFIED ELSEWHERE	26	44	57	210	461	961	923	1127	609	1531
901.0712	Materials for Manufacturing Electric and Electronic Manufactures for Embroidery or Manufacture of Garments	0	0	6	13	370	966	370	529	417	699
	Others	11	23	14	46	15	90	11	110	70	182
	Others	16	21	8	151	76	285	142	463	122	687
	TOTAL IMPORTS	392	1296	632	3776	1908	8236	1365	5446	1623	7189

Table 4a
M E R C H A N D I S E T R A D E
(f.o.b. value in thousand U.S. \$)
(1965 - 1988)

YEAR	W O R L D				U N I T E D S T A T E S				J A P A N			
	Imports	Exports	Annual Growth Rate Imports	Annual Growth Rate Exports	Imports	Exports	Annual Growth Rate Imports	Annual Growth Rate Exports	Imports	Exports	Annual Growth Rate Imports	Annual Growth Rate Exports
1965	803579	768448	5.50%	7.28%	374115	348745	3.73%	-0.69%	195478	217565	24.78%	21.45%
1966	862772	828196	7.42%	8.12%	394500	365359	7.92%	1.81%	24312	264262	25.84%	5.43%
1967	1062191	828456	24.52%	-0.81%	362503	352609	27.82%	11.02%	306327	278619	6.41%	1.69%
1968	1156218	857115	8.23%	4.41%	372197	391463	2.62%	-7.95%	326612	283336	3.09%	16.05%
1969	1131486	854601	-1.63%	-0.36%	320244	360327	-13.95%	-7.95%	336716	328811	3.09%	16.05%
1970	1090120	1061702	-3.56%	24.23%	315089	440172	-1.51%	22.16%	344879	420753	2.42%	27.96%
1971	1185959	1136431	8.75%	7.04%	291184	499460	-7.58%	4.39%	359100	398570	4.12%	-5.27%
1972	1229593	1105544	3.65%	-2.72%	312655	446551	7.36%	-2.81%	390785	373449	8.82%	-6.30%
1973	1596618	1886315	29.85%	70.62%	449432	675955	43.76%	51.37%	518519	674523	32.69%	80.62%
1974	3143260	2724989	36.97%	44.46%	734482	1156731	63.40%	71.13%	864596	949207	66.74%	40.72%
1975	3453183	2294470	10.05%	-15.80%	754252	654321	2.63%	-42.57%	966291	864997	11.76%	-8.87%
1976	3633482	2573676	5.04%	12.17%	801771	924397	6.30%	39.15%	976416	621455	1.05%	-28.16%
1977	3914763	3150887	7.74%	22.43%	799155	1112074	-0.33%	20.30%	975300	726683	-0.11%	16.96%
1978	4732196	3424876	20.85%	6.70%	955579	1156247	24.58%	3.97%	1285105	818381	31.77%	12.59%
1979	6341731	4601190	34.01%	34.35%	1402459	1364176	40.87%	19.71%	1397929	1201004	8.78%	46.75%
1980	7726912	5787788	21.84%	25.79%	1785695	1589410	27.53%	14.75%	1591192	2533339	9.53%	110.93%
1981	7945679	5722157	2.93%	-1.13%	1787216	176826	0.02%	11.17%	1494114	1250487	-2.42%	-50.64%
1982	7666918	5020593	-3.51%	-12.26%	1702675	1568303	-4.73%	-10.17%	1532022	1145508	-2.54%	-8.40%
1983	7486626	5005291	-2.55%	-0.30%	1799105	1799871	2.14%	13.44%	1266000	1015035	-17.36%	-11.39%
1984	6096612	5390646	-18.57%	7.70%	1630543	2050534	-6.24%	13.95%	814544	1042697	-35.66%	21.75%
1985	5110679	4626954	-16.17%	-14.13%	1382089	1653493	-21.37%	-19.36%	734506	874635	-9.63%	-16.12%
1986	6043997	4841761	-1.31%	4.60%	1335952	1716757	-2.04%	3.83%	666187	851084	18.20%	12.59%
1987	6786969	5720236	33.57%	18.14%	1485276	1978191	18.28%	15.11%	121166	681482	23.14%	15.32%
1988*	3784000	3249000	24.80%	25.40%	959000	1359000	a/	a/	784000	756000		
Ave. growth rate:												
1965-1970	6.63	7.05			3.66	5.27			12.51	14.52		
1970-1975	29.85	20.72			21.93	17.28			24.83	20.18		
1975-1980	17.90	20.69			19.75	19.58			10.20	31.62		
1980-1985	-7.55	-4.03			-6.02	1.81			-12.55	-15.76		
1985-1987	16.13	11.37			8.11	9.47			23.67	6.31		
Average Share:												
1965-1970	100.00	100.00			31.65	49.14			26.79	34.54		
1970-1975	100.00	100.00			24.41	37.64			29.43	36.06		
1975-1980	100.00	100.00			21.94	31.28			23.93	30.99		
1980-1985	100.00	100.00			23.62	33.10			17.54	24.31		
1985-1987	100.00	100.00			23.62	35.19			16.13	17.82		

* Preliminary estimate for 1988 (Quarter 1 - Quarter 2)
1987: World Imports (Q1-Q2) - 3,032,000
World Exports (Q1-Q2) - 2,591,000

a/ No quarterly figures available

Source: DER, Central Bank of the Phils.

TABLE 4b
PHILIPPINE TRADE WITH REGIONAL BLOC/COUNTRY
(1987 & 1986)
F.O.B. VALUE IN U.S. DOLLARS

Regional Bloc/Country	Exports Value	Share %	Imports Value	Share %	Balance of Trade
Total					
1987	5720238358	100	6736968619	100	-1016730261
1986	4841780491	100	5043587455	100	-201816964
A. USA					
1987	1976191288	34.55	1485276128	22.05	490915160
1986	1651696587	34.11	1252816926	24.84	398879641
B. JAPAN					
1987	981492240	17.16	1121166242	16.54	-139674002
1986	851084105	17.58	868258316	17.22	-17174211
C. EEC					
1987	1082242893	18.92	781872072	11.61	300370821
1986	913990269	18.88	568682228	11.28	345308041
D. AUSTRALIA					
1987	88789693	1.55	201804206	3.00	-113014513
1986	69169508	1.43	145009484	2.88	-75839976
E. NEW ZEALAND					
1987	11221495	.20	49150035	.73	-37928540
1986	9981703	.21	37064199	.73	-27082496
F. HONGKONG					
1987	279208811	4.88	312077640	4.63	-32868829
1986	222481495	4.60	257929046	5.11	-35447551
G. KOREA, REPUBLIC					
1987	107797808	1.88	198246626	2.94	-90448818
1986	112243328	2.32	170059042	3.37	-57815714
H. TAIWAN					
1987	144368545	2.52	372430385	5.53	-228041840
1986	123666184	2.55	279662720	5.54	-155996536
I. OTHER ASEAN COUNTRIES					
1. THAILAND					
1987	125592878	2.20	46601521	.69	78991357
1986	67296874	1.39	29017230	.57	38279644
2. INDONESIA					
1987	65424834	1.14	89252583	1.32	-23827749
1986	27933437	.58	128327782	2.54	-100394345
3. MALAYSIA					
1987	118010053	2.06	138829183	2.06	-20819130
1986	97058654	2.00	143886279	2.85	-46827625
4. SINGAPORE					
1987	196611256	3.44	232246304	3.45	-35635048
1986	157628400	3.26	124394281	2.47	33234119
5. BRUNEI					
1987	452272	.01	51356828	.76	-50904556
1986	577026	.01	13054327	.26	-12477301

Table 5a

INDICATOR OF FACTOR ENDOWMENTS: PHILIPPINES, USA, JAPAN AND EC

Country	Population (millions) mid-1983	Area (thousands of sq. kilometers)	Density	Average Annual Growth of Labor Force (%) 1965-73	Average Annual Growth of Labor Force (%) 1973-83	Average Index of Food Production per capita (1974-76 = 100) 1981-83	Number Enrolled in Primary School as percentage of Age Group	Number Enrolled in Secondary School as Percentage of Age Group	GDP per Capita	Gross Capital Formation per Capita
Philippines	52.1	300	5.76	2.1	3.0	113	106	64	664.88	215.83
USA	234.5	9,363	39.93	1.9	1.08	100	97	13,968.87	2,125.34	
Japan	119.3	372	3.11	1.7	1.1	91	100	92	8,989.22	2,889.84
EE	271.9	1,659	6.10							
Belgium	9.9	31	3.13	0.5	0.7	103	99	94	8,008.90	1,414.65
Denmark	5.1	43	8.43	0.8	0.6	117	98	105	11,050.98	1,826.86
France	54.7	547	10.0	0.7	1.0	112	111	87	9,481.77	2,073.71
Germany	61.4	249	4.06	0.3	0.8	113	100	50	10,636.48	2,288.98
Greece	9.8	132	13.47	0.1	0.9	102	106	81	3,139.80	812.04
Iceland	3.5	70	20.0	0.5	1.5	97	100	95	5,184.29	1,258.00
Italy	58.8	301	5.30	0.9	0.6	112	101	74	6,213.97	1,242.97
Netherlands	14.4	41	2.85	1.4	1.4	112	98	98	1,480.56	1,768.46
U.K.	56.3	245	4.35	0.2	0.4	119	102	83	8,083.48	1,186.54

Sources: WB, World Development Report 1985; WB, World Development Report 1984; UN, National Accounts Statistics: Main Aggregates and Detailed Tables, 1982.

Table 5b

PRODUCTION STRUCTURE IN THE PHILIPPINES, US, JAPAN AND EC COUNTRIES

Country	Distribution of Gross Domestic Product (percent)			Distribution of Manufacturing Value Added (percent; 1975 prices)						
	Agriculture	Industry	Services	Food and Agriculture	Textiles and Clothing	Machinery and Transport Equipment	Chemicals	Other Manufacturing		
Philippines	22	36	42	39	13	9	9	30		
USA	2	32	66	12	6	32	12	38		
Japan	4	42	55	7	5	39	8	41		
EEC										
Belgium	2	35	63	19	8	28	13	32		
Denmark	4	23	72	24	6	25	8	37		
France	-	-	-	17	7	33	8	35		
Germany	2	46	52	10	5	38	10	37		
Greece	17	29	53	21	25	9	9	36		
Ireland	-	-	-	24	10	13	15	38		
Italy	6	40	54	10	15	30	7	38		
Netherlands	4	33	63	19	4	28	13	36		
United Kingdom	2	32	66	13	7	35	10	35		

1/

Manufacturing is a part of the industrial sector but its share of GDP is shown separately because it typically is the most dynamic part of the industrial sector.

Source: WB, World Development Report 1985.

Table 6
 PERCENTAGE SHARES OF PHILIPPINE EXPORTS,
 BY COUNTRY OF DESTINATION (IN PERCENT)

Exports to:	Resource-Based Exports	Manufactured Exports		Proportion to Manufactured Exports**		
		Including Goods on Consignement Basis*	Excluding Goods on Consignement Basis	I	II	III
United States	34.64	65.36	32.41	54.89	37.21	7.90
EC	49.70	50.30	27.23	57.25	32.46	10.28
Belgium-Lux	49.63	50.37	46.76	45.17	49.80	5.03
Denmark	58.12	41.88	39.59	97.50	2.15	0.33
France	55.64	44.36	29.92	73.37	24.70	1.93
Germany	37.66	62.34	33.96	89.31	9.10	1.58
Greece	29.15	70.85	22.09	98.16	1.84	
Ireland	20.91	79.09	26.67	84.16	15.30	0.54
Italy	44.68	55.32	51.74	33.26	17.93	48.81
Netherlands	66.82	33.18	13.00	32.98	36.99	30.03
U.K.	40.55	59.45	34.66	41.08	56.75	2.18
Japan	71.33	28.67	15.61	21.09	13.28	65.63
ASEAN	7.23	92.77	21.17	10.82	54.18	35.00
Indonesia	26.78	73.22	45.36	8.86	39.64	51.49
Malaysia	3.54	96.46	10.42	13.14	66.03	20.81
Singapore	16.35	83.65	18.38	19.56	69.26	11.15
Thailand	9.13	90.87	46.77	13.16	41.38	45.46

*Special transaction not classified according to kind.

**Excluding goods on consignment basis.

Source: UN Trade Statistics, 1983.

Table 7
Real Effective Exchange Rate
(1973-100)

Year	Real Effective Exchange Rate Index (%)
1973	100
1974	83.69
1975	92.17
1976	95.64
1977	98.04
1978	105.32
1979	93.72
1980	88.10
1981	85.91
1982	83.13
1983	102.36
1984	100.03
1985	88.37
1986	112.03
1987	111.10

TABLE 8a
DISTRIBUTION OF TARIFF LINES BY NOMINAL RATE

Tariff Levels	P.D. 1464 Before TRP as Amended by E.O. 521 P.D. 1500 and P.D. 1620	Up to and Including E.O. 809, 632-A and As of 1981	1985
1. Specific	2	2	2
2. Free	1	3	3
3. 5%	2	14	14
4. 10%	319	380	334
5. 20%	204	282	335
6. 30%	218	194	284
7. 40%	5	87	100
8. 50%	203	151	331
9. 60%	-	59	-
10. 70%	119	139	-
11. 75%	-	2	-
12. 80%	-	58	-
13. 90%	-	29	-
14. 100%	228	2	-
Total tariff lines	1,301	1,403	1,403
Total tariff levels	10	14	8

Source: Tariff Commission

Table 8b
Average Statutory Tariff Rates*

<u>I/O Sector</u>	<u>Industry/Industry Group</u>	<u>1979</u>	<u>1985</u>
1-14	Agriculture, Fishery and Forestry	56.38	33.08
01-02	Palay	70	50
03	Corn	70	50
04	Coconut including copra	85	35
05	Sugarcane	70	50
06	Banana	100	50
07	Other crops	27.18	13.05
08-09	Livestock	53.57	26.47
10-11	Poultry	74.28	47.78
12-13	Fishery	93.75	33.08
14	Forestry	46	27.22
15-21	Mining and Quarrying	16.38	13.09
15	Copper Mining	10	10
16	Gold and Silver ore mining	10	10
17	Chromium ore mining	10	10
18	Nickel mining	10	10
19	Other metal mining	10	10
20	Salt mining	30	15
21	Other non-metallic mining/quarrying	18.12	14.7
22-58	Manufacturing	42.38	28.06
22-30	Food manufactures	60	33.68
31	Beverage industries	78.46	50
32	Tobacco manufactures	65	42.3
33	Textile manufactures	53.53	35.44
34	Footwear and wearing apparel	85.62	48.86
35-36	Wood and cork products	53.42	32.32
37	Furniture and Fixtures	82	45
38	Paper and paper products	55.71	30.7
39	Publishing and printing	56.25	24.16
40	Leather and leather products	64	30
41	Rubber and plastic products	37.43	26.35
42-45	Chemicals and chemical products	23.39	17.53
46-50	Products of petroleum and coal	20.55	17.5
51-52	Non-metallic mineral products	47.30	34.54
53	Basic metal products	21.2	16.13
54	Metal industries	44.75	35.24
55	Machinery except electrical	24.32	22.15
56	Electrical machinery	38.05	27.55
57	Transport equipment	26	23.66
58	Miscellaneous manufactures	46.66	30.85

*
Simple average of tariff code lines

Source: Tariff Commission

Table 9: AVERAGE NOMINAL RATES OF PROTECTION, 1980-85
BY TYPE OF COMMODITY

Sectors	1980	1983	1985
Consumer goods	67.7	42.7	38.0
Intermediate products	33.3	25.4	24.1
Raw materials	35.6	23.0	21.7
Capital goods	21.1	19.2	21.2
Automotive products	35.3	33.6	33.6
Miscellaneous	42.5	30.0	30.0
Overall average	43.1	29.9	28.1
(Standard Deviation)	(32.6)	(18.5)	(15.1)

Source: SYNTIA Tariff File, World Bank

Group	Description	Total No. of Items	a/							
			1977	1978	1979	1980	1981	1982	1983	1984
763	tv image & sound recorders & reproducers	7								6
764	telecommunications equipment	53	1	21						15
771	electric power machineries	23		1						8
772	electric apparatus	34								6
773	equipment for distributing electricity	14		1						2
774	electro-medical apparatus	6								2
775	household type, electric & non-electric equipment	50	28					14		1
776	picture tubes, valves, transistors, etc.	14		1						7
778	other electric machinery & apparatus	90	6					2		7
781-785	road vehicles & parts	73	59				1			
786	motorcycles	13	1							
793	ships, boats	21	18							
812	sanitary, heating, lightning fixtures & fittings	30	1							9
821	furniture & parts	37	22							7
831	travel goods	14	14							
842-848	articles of apparel & clothing accessories	239	205							12
851	footwear	27	25							2
871-874	professional, scientific & controlling instruments	68	6					29		1
883, 884	cinematographic goods	25	7							1
892	printed matter	43	18							3
893	articles of artificial resin & plastic materials	43	10	1	1			1		25
894	baby carriages, toys, sporting goods	66	28							13
895	office & stationery supplies	60	17							9
896	work of art, antiques	7	6							
897	jewelry	11	10							1
898	musical instruments	39	7							11
899	other miscellaneous manu- factured articles	96	64							14
911	postal-packages	1	1							
931A	special transactions-exports	18	17							
931B	special transactions- replacement	18	18							
941	animals, live	4			4					
951	fighting vehicles, arms of war, ammunition	19	19							
	TOTAL	4,626	1,629	32	94	10	3	282	628	6

a/

Includes items restricted from 1970 to 1976.

TABLE 10b
NUMBER OF ITEMS REGULATED AND/OR BANNED BY YEAR,
BY COMMODITY TYPE

Commodity Type	TOTAL ^{a/}	1977 ^{b/}		1978		1979		1980		1981		1982		1983		1984	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Capital goods	865	149	17.2	24	2.2	-	-	-	-	-	-	-	-	66	7.6	79	9.1
Intermediate goods	2,141	489	22.8	2	0.1	80	3.7	3	0.1	3	0.1	215	10.0	269	12.6	-	-
Mineral fuels & lubricants	41	10	24.4	5	12.2	-	-	5	12.2	-	-	-	-	-	-	-	-
Consumer goods	1,552	967	62.3	1	0.1	14	0.9	2	0.1	-	-	1	0.1	271	17.5	-	-

^{a/}

Refers to total possible number of items as enumerated in the PSCC Manual. % shown is the share in this total.

^{b/}

Includes items restricted from 1970 to 1976.

Table 11a
 NUMBER OF ITEMS REGULATED, LIBERALIZED
 AND NEWLY-REGULATED BY YEAR
 1977 TO 1988

	Total Number Regulated	Newly Regulated	Liberalized	No. of Regulated Items or Percent of total number of PSCC lines (%)
1977	1892	47	-	33.5
1978	1926	34	-	34.2
1979	2031	104	-	36.0
1980	2032	1	-	36.0
1981	1771	2	263	31.4
1982	1438	277	610	25.5
1983	1988	598	48	35.3
1984	1994	6	-	35.4
1985	1924	-	70	34.1
1986	973	-	951	17.3
1987	802	-	171	14.2
1988	673	-	129	11.9

Table 11b. Regulated Imports Liberalized from 1986 to 1988

CB Circular	Date	No. of Items	Items Included
1096	24 Mar 86	61	wheat & wheat flour, soybean & soybean meal, feedgrains & feed substitutes, wines & liquors
1100	30 Apr 86	128	hydrogen peroxide, waste paper, raw cotton, iron & steel prods., synthetic resins, fish & preps., fabrics & textiles, fibers
1105	6 Jun 86	429	high tariff items, NEC, UC
1109	18 Jul 86	263	synthetic resins, STPP/TSPP, fish, iron & steel prods., high-tariff items, NEC items
1117	30 Sept 86	80 ----- 951	synthetic resins, tires, iron & steel prods., paper & prods., synthetic fibers & yarns, high-tariff items, vinyl asbestos tiles, liquid caustic soda, comic mags.
1128	9 Jan 87	2 7	fresh fruits, glassware, pottery
1149	30 Jun 87	12	iron & steel prods., synthetic resins, paper, cigars & tobacco manufactures
1150	23 Jul 87	21	paper and paperboard, glass, iron and steel prods.
1161	31 Oct 87	73	polyester fiber, textile yarn & thread, phenoplasts in primary forms
1167	31 Dec 87	58	paper and paper prods., glass prods., iron & steel prods., food preps., tinsplates

Table 11a
 NUMBER OF ITEMS REGULATED, LIBERALIZED
 AND NEWLY-REGULATED BY YEAR
 1977 TO 1988

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1982	1438	277	610	25.5
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1984	1994	6	-	35.4
1985	1924	-	70	34.1
1986	973	-	951	17.3
1987	802	-	171	14.2
1988	673	-	129	11.9

Table 12. Products Under Trade Control
1988

LIST	PRODUCT GROUP	NO. OF ITEMS	REGULATING AGENCY	TYPE OF REGULATION
A.	Brand new trucks and engines, special purpose vehicles	20	DTI	Program participants allowed
	Machinery & equipment for pulp & paper industry	7	BOI	Pulp & paper companies allowed (participants in Ration'n. Prog.)
	Glassware, silver, dinnerware	8	CB	Banned NEC-UC; hotels, etc. allowed
	Cinematographic film & other works of art	9	CB	Banned NEC-UC; film prod. allowed
	Games and amusements	4	CB	Banned
	Others (game cocks, telescopic sights, stamps, swords, title certificates, advertising matter, tie clips, gun stocks)	9	CB	Banned
	Radio telecommunications equipment	8	National Telecom. Commission	Legitimate users allowed
	Live animals for breeding & scientific purposes	6	BAI	Livestock producers allowed
	Phonographs	2	---	(An obsolete product)
	Nonmetric measuring devices	31	Bureau of Product Standards	Nonlimiting--to check if imports use the metric system
	TOTALS	104		
B.	Animal and meat products	31	BAI	Meat processors allowed
	Coffee	9	CB	Banned
	Fish and fish preparations	36	BPAR	Banned
	Sugar	3	MASUTRA	Only the government may import
	Fertilizers	19	FPA	Accredited importers allowed
	Potatoes, onions, garlic, cabbage	4	CB	Banned; BPI allows these for seedling purposes
	Cement & cement products	5	BOI	Ration'n Program participants allowed to import raw materials; government import finished product
	Antibiotics	23	DOH	Regulation is meant to monitor the grades imported
	Vessels and appurtenances	14	MARINA	Regulation is meant to monitor the quality of imports
	Radiation-emitting apparatus	21	DOH	Legitimate users allowed
	Spare parts, machinery and equipment for the iron & steel, cement, textile & coconut industries	34	BOI	Local industries allowed
	Consumer durables/electric products	33	BOI	Program participants allowed
	Raw materials, parts and components of CEP's	73	BOI	Program participants allowed
	Trucks and buses	10	BOI	Program participants allowed
	Motorcycles	2	BOI	Program participants allowed

LIST	PRODUCT GROUP	NO. OF ITEMS	REGULATING AGENCY	TYPE OF REGULATION
	Car and jeeps	10	BOI	Program participants allowed
	Used tires	2	BOI	Banned
	Cigarette paper	1	CB	Banned NEC-UC
	Newsprint	1	BOI	Imports allowed depending on depending on PICOP's capability to supply
	Spare parts for motor vehicles	73	BOI	Program participants allowed
	Coal and derivatives	5	BRB	Imports of grades not locally avail- able are allowed
	Diesel and gasoline engines	26	BOI	Program participants allowed
	Refined petroleum products	15	BRB	Imports of grades not locally avail- able are allowed
	TOTALS	455		
C.	Used tires	6	BOI	Banned
	Dangerous drugs	() No specific PSCC lines since these are under generic names)	DOH	Banned
	Chemicals for explosives	10	PC-FBU	Legitimate users allowed
	Other chemicals (acetic anhydride, sodium cyanide, chlorofluorocarbon)	3	DOH	Legitimate users allowed
	Color reproduction machines	3	CB	Banned
	Used vessels and warships	28	MARINA	Regulation is meant to check quality of imported vessels
	Ammunition and firearms	28	PC-FBU	Legitimate users
	Animals and animal effects	40	BAI	Livestock, meat processors
	Pesticides	7	FPA	Legitimate users allowed
	Rice and corn	12	MFA	Imported only by the government
	TOTALS	114		

TABLE 13

REPORT ON NOMINAL PROTECTION FOR PHILIPPINES - 1982
CUSTOMS TARIFFS WEIGHTED BY IMPORTS

REPORT ON NOMINAL PROTECTION FOR PHILIPPINES - 1986
CUSTOMS TARIFFS WEIGHTED BY IMPORTS

REPORT ON NOMINAL PROTECTION FOR PHILIPPINES - 1988
CUSTOMS TARIFFS

SECTOR	WEIGHTED AVERAGE	UNWEIGHTED AVERAGE	SECTOR	WEIGHTED AVERAGE	UNWEIGHTED AVERAGE	SECTOR	UNWEIGHTED AVERAGE
Food, Live Animals-food	16.4	38.8	Food, Live Animals-Food	15.4	35.4	Food, Live Animals-Food	35.80
Beverages & Tobacco	50.0	46.5	Beverages & Tobacco	50.0	46.5	Beverages & Tobacco	46.52
Crude Mat'ls., Inedible	12.1	21.0	Crude Mat'ls, Inedible	13.0	19.1	Crude Mat'ls, Inedible	19.04
Mineral Fuels, Lubricants	19.8	17.4	Mineral Fuels, Lubricants	19.9	17.9	Mineral Fuels, Lubricants	17.50
Animal, Veg Oils, Fats..	16.8	28.8	Animal, Veg Oils, Fats..	16.8	28.4	Animal, Veg Oils, Fats..	29.05
Chemicals, Rel Prod Mes	17.5	22.9	Chemicals, Rel Prod Mes	16.8	19.7	Chemicals, Rel Prod Mes	19.83
Mftd Goods-by Material	31.4	35.6	Mftd Goods-by Material	27.9	30.9	Mftd Goods-by Material	30.76
Machinery, Transp Equip	20.2	23.1	Machinery, Transp Equip	22.2	24.2	Machinery, Transp Equip	24.04
Misc. Mftd Articles	24.3	46.6	Misc Mftd Articles	30.0	36.5	Misc Mftd Articles	36.43
Commodities, Transacts	24.4	37.6	Commodities, Transacts	20.0	36.2	Commodities, Transacts	36.19
Overall Average:	21.3	31.4	Overall Average:	21.3	28.0		

Table 14

GROSS NATIONAL PRODUCT BY INDUSTRIAL ORIGIN
(in million pesos at constant 1972 prices: 1975, 1980, 1986)
(Percentage Shares in Parenthesis)

Industry	1975	(%)	1980	(%)	1986	(%)
I. AGRICULTURE, FISHERY - AND FORESTRY	18218	(26.58)	23732	(25.62)	27233	(30.57)
II. INDUSTRIAL SECTOR	20710	(33.11)	33471	(36.13)	28204	(31.66)
1. Mining & Quarrying	1445	(2.11)	2236	(2.41)	1558	(1.75)
2. Manufacturing	16537	(24.13)	23175	(25.02)	21717	(24.38)
3. Construction	4101	(5.98)	7139	(7.71)	3382	(3.80)
4. Electricity, gas and water	607	(0.89)	921	(0.99)	1547	(1.74)
III. SERVICE SECTOR	27453	(40.06)	35503	(38.33)	35333	(39.66)
1. Transportation, Storage and Communication	3277	(4.78)	4827	(5.21)	5084	(5.71)
a. Transport & storage	2730	(3.98)	3937	(4.25)	3852	(4.32)
Land	1113	(1.62)	1957	(2.11)	2235	(2.51)
Water	663	(0.97)	853	(0.92)	607	(0.68)
Air	395	(0.58)	332	(0.36)	369	(0.41)
Storage & services incidental to transport	559	(0.82)	795	(0.86)	641	(0.72)
b. Communication	547	(0.80)	890	(0.96)	1232	(1.38)
2. Trade	8492	(12.39)	12224	(13.20)	14337	(16.09)
3. Finance & housing						
a. Banks	1519	(2.22)	2298	(2.48)	223	(0.25)
b. Non-banks	657	(0.96)	1025	(1.11)	162	(0.18)
c. Insurance	731	(1.07)	983	(1.06)	886	(0.99)
d. Real estate	1102	(1.61)	792	(0.86)	482	(0.54)
e. Ownership of dwellings	2555	(3.73)	2023	(2.18)	2309	(2.59)
4. Services	9120	(13.31)	11331	(12.23)	11850	(13.30)
a. Government	3963	(5.78)	4769	(5.15)	5811	(6.52)
b. Private	5157	(7.53)	6562	(7.08)	6039	(6.78)

Industry	1975		1980		1986	
Educational	595	(0.87)	786	(0.85)	866	(0.97)
Medical & health	735	(1.07)	972	(1.05)	1085	(1.22)
Business	787	(1.15)	1017	(1.10)	948	(1.06)
Recreational	441	(0.64)	477	(0.51)	420	(0.47)
Personal	631	(0.92)	756	(0.82)	599	(0.67)
Hotels & restaurants	1020	(1.49)	1440	(1.55)	1391	(1.56)
Others	948	(1.38)	1114	(1.20)	730	(0.82)
Net factor income from abroad	169	(0.25)	-77	(-0.08)	-1676	(-1.88)
GROSS NATIONAL PRODUCT at market prices	68530	100.00	92629	100.00	89094	100.00

Source: Philippine Statistical Yearbook 1977, 1984, 1986
National Economic Development Authority (NEDA), and additional data from NEDA

Table 15

EMPLOYED PERSONS BY MAJOR INDUSTRY
(Percentage Share in Parenthesis)

MAJOR INDUSTRY GROUP	3rd Quarter 1985				Total	
	Male		Female			
1. AGRICULTURE, FISHERY AND FORESTRY	7233	(57.78)	2465	(33.85)	9698	(48.98)
2. INDUSTRY	1860	(14.86)	953	(13.09)	2807	(14.18)
a. Mining and quarrying	120	(0.96)	8	(0.11)	128	(0.65)
b. Manufacturing	1003	(8.01)	919	(12.62)	1922	(9.71)
c. Electricity, gas and water	59	(0.47)	14	(0.19)	73	(0.37)
d. Construction	678	(5.42)	12	(0.16)	684	(3.45)
3. SERVICES	3427	(27.37)	3866	(53.09)	7292	(36.83)
a. Wholesale and retail trade	860	(6.87)	1751	(24.05)	2611	(13.19)
b. Transportation, storage & communication	889	(7.10)	42	(0.58)	931	(4.70)
c. Financing, insurance, real estate, & business services	232	(1.85)	111	(1.52)	342	(1.73)
d. Community, social and personal services	1446	(11.55)	1962	(26.94)	3408	(17.21)
4. INDUSTRY NOT ADEQUATELY DEFINED						
TOTAL	12519	(100.00)	7282	(100.00)	19801	(100.00)

Source: Philippine Statistical Yearbook 1986
National Economic Development Authority (NERDA)

Table 16
FORWARD AND BACKWARD LINKAGE EFFECTS - 1983

Code	Input/Output 1983	FORWARD LINKAGE	BACKWARD LINKAGE
1	Trad'l dom crops	1.46441	0.66676
2	Trad'l exp crops	1.50662	0.63868
3	Ntrad'l dom crops	0.98789	0.54128
4	Ntrad'l exp crops	0.59196	0.61318
5	Livestock & poultry	1.28308	0.99314
6	Fishery	0.71267	0.68067
7	Forestry & logging	1.16491	0.62900
8	Mining	2.35486	0.77353
9	Rice & corn milling	0.63258	0.99686
10	Sugar milling & refining	0.55987	1.00272
11	Milk & other dairy prods	0.70109	1.23321
12	Crude coco, veg./anml oils/fats	1.31360	1.06013
13	Refined (ckg) oil & margarine	0.60846	1.22569
14	Slaught'g & pkg, meat & prods	0.77117	1.21984
15	Flour & other grain mills	0.74449	1.09813
16	Animal feeds	0.85265	1.11438
17	Misc food mfts	0.79089	1.11064
18	Beverage prods	0.56825	0.96650
19	Cigar & tobacco mfts	0.69963	1.04151
20	Textile goods	0.95295	1.07474
21	Weaving apparel & ftwr	0.49491	1.02590
22	Lumber, plywood & veneer	0.85867	1.02196
23	Other wood, cork & cane prods	0.48712	0.98025
24	Furnitures & fixtures	0.47918	1.12860
25	Paper & paper prods	1.08274	1.18581
26	Publishing & printing	0.55255	1.11402
27	Leather & leather prods	0.55282	1.22276
28	Rubber & plastic prods	1.24935	1.16238
29	Drugs & medicines	0.62278	1.13393
30	Industrial chemicals	1.54690	1.11688
31	Fertilizers	0.68904	1.16437
32	Other chemical prods	0.82854	1.10206
33	Petroleum prods	2.98780	0.99776
34	Cement	0.54801	1.09510
35	Glass/other metal mine prods	0.64061	0.96515
36	Basic metal prods	2.01527	1.27956
37	Fabricated metal prods	0.81278	1.25295
38	Mach & equip't exc elect'l	0.59352	1.12434
39	Elect'l mach/appratus/applnc	0.84158	1.15380
40	Transport equip't	0.68885	1.15099
41	Misc mfts, n.e.c. scrap	0.69807	1.04433
42	Construction	0.54563	0.96369
43	Utilities	1.36830	1.11565
44	Trans/comm/storage	1.56675	0.92266
45	Comm'l trade	3.23974	0.67242
46	Fin/ins/real est	1.01106	0.63409
47	Gov't services	0.47750	0.71220
48	Priv services	1.25790	0.87580

Source: Taken from Joseph Lim (1987), original source of data - The Interindustry Accounts of the Philippines: 1983 Update, National Economic and Development Authority.

Table 17
NON-MERCHANDISE TRADE
1978-1987
(IN MILLION US DOLLARS)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
TOTAL										
NON-MERCHANDISE TRADES, NET	-107	-311	-399	-309	-1040	-740	-823	0	757	-76
EARNINGS:	1484	1655	2222	2896	2983	3127	2626	3288	3791	3497
Freight and Merchandise Insurance	82	91	100	106	101	100	135	167	120	111
Other Transportation										62
Travel	210	238	320	344	450	465	386	506	647	458
Investment Income	181	213	341	529	369	375	325	359	235	345
of which: Interest income	179	200	336	519	365	374	321	346	229	339
Government	204	193	233	259	281	292	257	373	730	489
Personal Income	291	365	421	546	810	944	659	694	696	809
of which: Contract workers	209	265	300	384	642	660	473	598	572	571
Others	516	555	807	1112	972	951	884	1189	1363	1285
PAYMENTS:	1591	1955	2621	3205	4023	3867	3449	3289	3034	3573
Freight and Merchandise Insurance	411	471	568	533	596	495	358	340	351	451
Other Transportation	91	170	192	248	220	167	91	38	52	110
Travel	51	74	106	126	147	221	19	37	56	89
Investment Expense	587	779	1173	1564	2192	2147	2359	2394	2184	2415
of which: Profits, earnings & div.	85	95	159	128	158	136	87	134	118	167
Interest expense	440	686	975	1374	1990	1985	2287	2250	2046	2226
Government	104	92	121	110	107	135	45	22	21	31
Others	347	380	461	624	761	702	578	495	370	478

Table 18
 RATIO OF NON-MERCHANDISE TRADE, 1976-1986
 (In Million U.S. dollars)

PERIOD	MERCHANDISE TRADE		NON-MERCHANDISE TRADE			Ratio of Non-MT to MT	
	Export Shipments (1)	Import Arrivals (2)	Balance (1 - 2)	Inflow (4)	Outflow (5)	Net (4 - 5)	(4) / (1) (5) / (2)
1976	2574	3634	-1060	871	1130	-259	33.84
1977	3151	3915	-764	1065	1333	-248	34.43
1978	3425	4732	-1307	1484	1591	-107	43.33
1979	4601	6142	-1541	1655	1966	-311	35.97
1980	5788	7727	-1939	2222	2621	-399	38.39
1981	5722	7946	-2224	2896	3205	-309	50.61
1982	5821	7667	-2846	2983	4023	-1040	59.41
1983	5005	7487	-2482	3127	3867	-740	62.48
1984	5391	6070	-679	2626	3449	-823	48.71
1985	4629	5111	-482	3288	3282	26	71.03
1986	4842	5044	-202	3791	3008	783	78.29

Source: CB Statistical Bulletin (1986)

Table 19
FOREIGN EXCHANGE INVISIBLES (ACQUISITIONS & DISPOSITIONS): SERVICES
(1961-1967)
(In U.S. \$)

	1961				TOTAL
	U.S.	JAPAN	OTHER ASIAN	OTHERS	
ACQUISITION:					
Government	36,753,041	4	6,563	7,924,819	46,684,427
Freight and Insurance	29,840,200	3,512,730	18,959	1,095,315	34,467,204
Other transportation	66,909,449	25,627,837	2,759,750	34,043,459	129,340,494
Travel and Tourism	252,322,659	6,803,693	1,003,875	14,371,920	274,502,146
Investment Income	164,331,330	244,140	3,743,050	5,234,393	173,553,513
Labour Income	174,666,498	8,908,791	3,836,727	109,254,419	295,666,436
Others	664,608,769	38,772,685	13,508,987	182,066,403	898,956,844
TOTAL:	1,391,432,545	89,869,881	24,877,911	352,990,727	1,853,171,064
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	75.08	4.53	1.34	19.05	100.00
DISPOSITION:					
Government	20,946,188	211,375	281,070	410,471	21,851,105
Freight and Insurance	69,437,687	17,045,790	569,521	37,679,749	138,732,747
Other transportation	151,187,370	16,861,238	761,377	76,651,582	245,461,567
Travel and Tourism	54,337,346	9,999,725	1,235,264	46,204,000	111,776,335
Investment Income	392,171,279	32,665,134	2,308,103	160,254,205	587,398,721
Labour Income	4,606,953	323,346	387,793	3,289,040	8,609,122
Others	285,361,119	12,137,290	26,426,447	54,144,721	378,069,577
TOTAL:	992,051,943	89,243,899	35,096,738	375,505,594	1,491,899,174
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	66.50	5.98	2.35	25.17	100.00
NET:					
Government	17,804,853	(211,371)	(274,508)	7,514,346	24,839,322
Freight and Insurance	(53,597,488)	(13,533,060)	(550,562)	(36,504,434)	(104,265,544)
Other transportation	(84,277,921)	8,766,599	1,998,373	(42,608,123)	(116,121,073)
Travel and Tourism	197,985,313	(3,196,032)	(231,389)	(31,832,081)	152,725,811
Investment Income	(227,839,343)	(32,420,394)	1,434,947	(155,019,812)	(413,845,208)
Labour Income	170,037,545	8,585,445	3,448,345	104,965,379	287,037,314
Others	379,247,650	26,635,395	(12,917,460)	127,921,669	520,887,267
TOTAL:	399,380,602	(5,374,018)	(10,218,827)	(22,515,867)	361,271,890

Table 19 (cont'd)

	1982				
	U.S.	JAPAN	OTHER ASEAN	OTHERS	TOTAL
ACQUISITION:					
Government	71,186,239	8,410	281,070	8,242,702	79,698,422
Freight and Insurance	16,494,638	1,938,215	589,521	6,798,056	25,798,431
Other transportation	44,678,104	9,959,539	761,377	17,762,621	73,328,641
Travel and Tourism	332,045,831	4,522,151	1,238,264	32,723,999	370,527,244
Investment Income	193,939,382	57,644	2,308,103	16,391,410	212,696,510
Labour Income	181,668,800	15,589,307	7,521,383	117,715,765	322,794,276
Others	963,037,506	50,703,312	26,426,447	280,204,269	1,241,171,534
TOTAL	1,804,227,471	82,845,577	39,103,166	399,838,843	2,326,015,057
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	77.57	3.56	1.68	17.19	100.00
DISPOSITION:					
Government	319,927	78,141	15,938	2,059,508	2,075,446
Freight and Insurance	62,797,449	13,175,300	803,854	11,437,134	115,177,204
Other transportation	153,339,620	14,955,808	15,245,994	202,003,076	217,249,070
Travel and Tourism	69,594,590	12,535,743	7,695,480	127,877,493	135,572,573
Investment Income	561,560,967	48,224,172	16,116,236	701,763,360	717,079,595
Labour Income	5,307,228	551,224	93,049	7,328,845	7,421,894
Others	393,572,800	20,170,652	10,568,784	532,709,697	543,278,481
TOTAL	1,246,492,398	101,691,042	50,541,335	1,588,113,327	1,738,654,662
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	71.69	5.85	2.91	97.09	100.00
NET:					
Government	70,846,315	(69,731)	265,132	6,183,194	77,622,977
Freight and Insurance	(46,302,811)	(11,239,085)	(236,333)	(107,573,293)	(89,378,773)
Other transportation	(108,464,523)	(5,026,270)	(14,484,617)	(184,248,454)	(143,920,423)
Travel and Tourism	262,451,432	(8,013,595)	(8,460,217)	(95,153,494)	234,954,271
Investment Income	(367,621,615)	(40,166,528)	(13,808,132)	(685,371,949)	(505,183,085)
Labour Income	178,561,972	15,137,083	7,428,396	110,386,341	315,572,382
Others	570,264,706	30,532,660	15,857,663	(332,505,428)	697,893,053
TOTAL	557,735,073	(18,845,465)	(11,438,170)	(1,288,274,483)	587,360,395

Table 19 (cont'd)

	1963				TOTAL	%
	U.S.	JAPAN	OTHER ASEAN	OTHERS		
DISPOSITION:						
Government	53,062,514	23,000	163,793	5,490,717	58,740,025	2.60
Freight and Insurance	8,889,426	529,986	136,909	765,630	10,321,951	0.46
Other transportation	13,108,889	1,501,623	1,664,335	2,474,025	18,748,872	0.83
Travel and Tourism	351,479,336	6,243,092	2,686,524	33,659,813	394,068,765	17.47
Investment Income	240,376,550	7,749,445	7,368,786	79,265,541	327,960,325	14.54
Labour Income	223,639,983	17,635,654	7,394,173	208,549,008	457,878,818	20.90
Others	758,668,632	42,318,697	22,056,605	164,344,645	987,388,579	43.78
TOTAL:	1,649,285,330	69,001,501	42,271,125	494,549,380	2,255,107,335	100.00
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	73.14	3.06	1.87	21.93	100.00	
DISPOSITION:						
Government	522,620	33,890	1,982	979,467	1,540,959	0.03
Freight and Insurance	61,948,080	9,777,983	159,721	18,687,760	90,873,544	5.99
Other transportation	130,412,238	10,161,365	8,147,411	17,808,224	166,529,238	9.87
Travel and Tourism	114,829,431	23,477,068	7,838,942	60,291,375	206,436,816	12.24
Investment Income	569,653,565	27,422,239	20,800,370	112,872,226	730,748,450	43.32
Labour Income	1,640,798	424,635	117,075	2,269,571	7,452,073	0.44
Others	394,403,083	15,323,823	3,212,273	70,277,119	483,216,305	28.65
TOTAL:	1,276,409,814	96,621,060	40,580,774	283,205,742	1,696,817,390	100.00
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	75.67	5.14	2.41	16.79	100.00	
NET:						
Government	52,539,894	(10,890)	158,811	4,511,251	57,199,066	
Freight and Insurance	(53,058,654)	(9,247,997)	(322,812)	(17,922,130)	(80,551,593)	
Other transportation	(117,303,348)	(8,659,742)	(6,483,076)	(15,334,199)	(147,780,365)	
Travel and Tourism	236,649,905	(17,233,976)	(5,152,418)	(26,631,562)	187,631,949	
Investment Income	(329,277,015)	(26,672,840)	(13,231,584)	(33,606,685)	(402,788,124)	
Labour Income	319,059,185	17,211,019	7,877,099	206,279,437	560,426,739	
Others	364,265,549	26,954,868	18,844,331	94,067,526	504,172,274	
TOTAL:	372,875,516	(17,619,599)	1,690,350	211,343,638	568,289,945	

Table 19 (cont'd)

	1985			
	U.S.	JAPAN	OTHER ASEAN	OTHERS
ACQUISITION:				
Government	154,292,258	195,000	129,868	2,426,531
Freight and Insurance	7,757,901	123,377	13,237	250,338
Other transportation	31,228,887	1,961,235	2,372,506	1,668,187
Travel and Tourism	365,088,912	3,913,085	5,222,463	23,650,604
Investment Income	277,882,310	4,273,996	1,985,966	28,209,157
Labour Income	232,621,818	13,887,507	13,578,096	406,617,003
Others	998,593,017	37,636,935	12,566,979	125,332,210
TOTAL:	2,067,465,104	67,051,155	35,869,134	588,154,040
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	74.95	2.43	1.30	21.32
DISPOSITION:				
Government	119,466	1,001	2,083	24,165,240
Freight and Insurance	31,330,800	7,659,874	625,051	369,069,120
Other transportation	27,115,136	2,824,330	1,625,898	41,739,960
Travel and Tourism	18,004,007	3,339,401	1,738,698	39,543,120
Investment Income	1,142,196,876	27,476,876	12,621,434	2,556,023,340
Labour Income	899,339	12	221,083	1,098,420
Others	436,297,430	2,996,836	1,480,427	418,498,020
TOTAL:	1,655,963,115	44,298,329	18,314,674	3,450,137,220
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	48.00	1.28	0.53	100.00
NET:				
Government	154,172,792	133,939	127,785	132,878,427
Freight and Insurance	(23,572,899)	(7,536,437)	(611,815)	(360,924,267)
Other transportation	4,113,751	(863,096)	746,608	(4,509,144)
Travel and Tourism	347,084,906	573,684	3,483,785	358,331,965
Investment Income	(864,314,566)	(18,202,880)	(10,635,468)	(2,299,671,911)
Labour Income	291,722,479	13,887,493	13,357,013	665,606,003
Others	562,295,327	34,700,120	11,086,552	755,691,141
TOTAL:	411,501,989	22,752,826	17,554,460	(691,597,787)

Table 19 (cont'd)

	1986					
	U.S.	JAPAN	OTHER ASEAN	OTHERS	TOTAL	%
ACQUISITION:						
Government	205,950,128	152,113	97	7,396,153	213,498,497	7.23
Freight and Insurance	6,782,642	244,189	12,592	505,038	7,544,461	0.26
Other transportation	36,067,792	3,265,965	2,149,681	2,272,654	43,756,093	1.48
Travel and Tourism	412,527,413	6,366,292	720,908	37,273,156	456,887,769	15.47
Investment Income	139,325,468	12,546,723	699,818	21,451,068	174,023,078	5.89
Labour Income	319,952,842	18,271,397	11,879,644	345,460,974	695,564,857	23.55
Others	1,126,270,825	52,157,820	20,226,600	163,465,706	1,362,120,992	46.12
TOTAL:	2,246,877,110	93,004,499	35,689,341	577,924,737	2,953,495,747	100.00
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	76.08	3.15	1.21	19.57	100.00	
DISPOSITION:						
Government	1,034,622	76,765	62,226	18,597,947	19,771,560	0.70
Freight and Insurance	54,966,383	8,119,694	1,359,678	263,981,825	328,427,580	11.65
Other transportation	28,386,193	6,124,646	1,681,853	9,137,787	45,330,480	1.71
Travel and Tourism	34,109,939	3,469,977	2,319,767	12,824,477	52,724,160	1.87
Investment Income	756,807,582	79,595,803	15,810,063	1,194,143,002	2,046,356,460	72.57
Labour Income	2,404,790	34,793	202,844	2,849,674	5,492,100	0.19
Others	351,219,008	7,855,107	2,782,722	(43,315,036)	318,541,800	11.30
TOTAL:	1,228,928,526	105,276,785	27,219,153	1,458,219,576	2,819,644,140	100.00
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	43.58	3.73	0.97	51.72	100.00	
NET:						
Government	204,915,507	75,348	(62,129)	(11,201,794)	193,726,937	
Freight and Insurance	(48,183,741)	(7,875,505)	(1,547,086)	(263,376,787)	(320,983,119)	
Other transportation	7,681,599	(2,858,681)	(2,532,172)	6,965,133	(4,574,387)	
Travel and Tourism	378,417,474	2,896,315	(1,598,858)	24,448,679	404,153,609	
Investment Income	(617,482,124)	(67,049,079)	(15,110,245)	(1,172,631,334)	(1,872,333,982)	
Labour Income	317,548,052	18,236,605	11,676,800	342,611,300	690,072,757	
Others	775,051,817	44,302,715	17,443,878	206,780,742	1,043,579,192	
TOTAL:	1,017,948,583	(12,272,286)	8,470,188	(980,294,879)	133,851,607	

Table 19 (cont'd)

	1967					
	U.S.	JAPAN	OTHER ASEAN	OTHERS	TOTAL	%
ACQUISITION:						
Government	186,485,000	144,070	234	1,420,330	3,227,977	0.11
Freight and Insurance	1,721,596	85,623	428	22,357,631	80,345,382	2.62
Other transportation	49,227,971	1,559,792	1,200,888	70,457,929	340,795,020	11.11
Travel and Tourism	261,290,000	7,290,588	1,756,503	67,024,246	246,487,373	8.04
Investment Income	170,616,000	8,379,964	468,163	5,027,769	336,273,851	10.97
Labour Income	307,314,000	14,342,354	9,589,728	981,829,320	1,922,561,191	62.69
Others	874,134,000	52,228,221	14,369,650	1,096,439,882	3,066,642,754	100.00
TOTAL:	1,852,787,667	87,029,611	30,385,594	35.75	100.00	
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	60.42	2.84	0.99			
DISPOSITION:						
Government	1,853,064	92,957	23,817	474,695	2,444,533	0.15
Freight and Insurance	46,792,504	12,155,552	958,498	19,590,406	78,476,960	4.68
Other transportation	59,490,196	9,010,711	9,909,006	31,263,625	109,673,537	6.54
Travel and Tourism	52,524,802	5,721,437	3,966,999	17,185,932	79,397,170	4.74
Investment Income	694,764,563	55,138,858	7,765,505	96,091,267	853,760,194	50.95
Labour Income	1,147,067	325,366	132,328	1,003,693	2,608,655	0.16
Others	437,826,643	11,282,513	30,146,014	70,117,778	549,372,946	32.76
TOTAL:	1,294,398,838	93,727,396	52,882,167	234,725,596	1,675,733,997	100.00
PERCENTAGE SHARE OF COUNTRIES TO TOTAL:	77.24	5.59	3.16	14.01		
NET:						
Government	186,631,936	51,113	(23,583)	(17,170,076)	(75,248,982)	
Freight and Insurance	(45,070,907)	(12,069,929)	(938,070)	(6,905,993)	(29,328,156)	
Other transportation	(10,263,125)	(4,450,919)	(5,708,118)	(3,273,997)	(21,397,850)	
Travel and Tourism	208,765,198	1,559,150	(2,210,496)	(29,067,021)	(607,272,821)	
Investment Income	(524,148,563)	(46,759,995)	(7,297,342)	(4,023,876)	(339,665,196)	
Labour Income	306,166,333	14,015,988	9,457,399	911,711,542	1,373,188,243	
Others	436,307,357	40,945,708	(15,776,364)	861,714,266	1,390,908,758	
TOTAL:	558,388,030	(6,697,785)	(22,496,573)			

Note: This differs from the BOP account in the sense that BOP concerns itself with transactions. A number of international transactions that are of interest in the balance of payments context may not involve the payment of money, and some are not paid for in any sense. Thus difference from the BOP account may appear.

a/ Values were taken from the IMF Statistical Yearbook
 b/ Data not available

Source: DER, Central Bank of the Phils.

Table 20
INVISIBLE ACQUISITIONS/DISPOSITIONS: SERVICES
WITH U.S.A.
Selected years: 1981-1987
(In U.S. Dollars)

	1981		1983		1985		1987	
	VALUE	%	VALUE	%	VALUE	%	VALUE	%
: ACQUISITION:								
: Government	38,753,041.01	2.79	53,062,514.24	3.22	156,292,258.39	7.46	189,485,000.00	10.17
: Freight and Insurance	29,840,199.89	2.14	8,889,425.79	0.54	7,757,905.59	0.38	1,721,596.40	0.09
: Other transportation	66,909,448.77	4.81	13,108,889.26	0.79	31,228,887.14	1.51	49,227,071.00	2.56
: Travel and Tourism	252,322,858.57	18.13	351,479,336.33	21.31	355,988,912.34	17.66	261,230,000.00	14.10
: Investment Income	164,331,929.72	11.81	240,376,549.59	14.57	277,882,309.58	13.44	170,616,000.00	9.21
: Labour Income	174,666,498.43	12.55	223,699,983.03	13.56	232,821,818.38	11.25	307,314,000.00	16.59
: Others	664,608,768.71	47.76	758,668,632.07	46.00	998,593,017.18	48.30	874,134,000.00	47.18
: T O T A L:	1,391,432,545.10	100.00	1,649,285,330.31	100.00	2,087,465,103.50	100.00	1,852,787,667.40	100.00
: DISPOSITION:								
: Government	20,948,188.19	2.11	522,619.94	0.04	119,465.22	0.01	1,853,863.60	0.14
: Freight and Insurance	83,437,687.45	8.41	61,948,079.58	4.85	31,330,799.85	1.89	46,792,503.85	3.61
: Other transportation	151,187,370.21	15.24	130,412,237.73	10.22	27,115,136.36	1.64	59,490,195.85	4.80
: Travel and Tourism	54,337,346.02	5.48	114,829,430.85	9.00	18,004,006.83	1.09	52,524,801.59	4.06
: Investment Income	392,171,279.04	39.53	569,653,564.72	44.63	1,142,196,875.76	68.97	694,764,563.34	53.67
: Labour Income	4,608,953.01	0.46	4,640,798.20	0.36	899,339.30	0.05	1,147,067.03	0.09
: Others	285,361,119.03	28.76	394,403,083.06	30.90	436,297,490.28	26.35	437,826,842.54	33.82
: T O T A L:	992,051,942.95	100.00	1,216,409,814.10	100.00	1,655,963,134.60	100.00	1,294,398,837.80	100.00

Table 21
 OUTWARD REMITTANCES FOR ROYALTIES&TRADEMARK AND TECHNICAL AND MANAGEMENT FEES
 (Selected years: 1981-1987)
 (In U.S. dollars)

COUNTRY	1981	% Share	1983	% Share	1985	% Share	1987	% Share
JAPAN:								
Royalties and Trademark	3,505,181.52	14.89	2,390,743.52	10.52	1,253,372.55	7.81	2,050,574.30	
Technical and Management Fees	2,598,113.76	6.33	4,211,224.51	15.49	458,013.05	5.79	525,089.40	20.74
UNITED STATES:								
Royalties and Trademark	15,983,668.95	67.88	16,187,380.41	71.26	10,701,252.68	66.66	14,930,124.00	
Technical and Management Fees	27,574,118.27	67.20	17,219,059.71	63.33	5,736,650.42	72.56	1,569,838.18	62.01
UNITED KINGDOM:								
Royalties and Trademark	648,262.50	2.75	230,359.88	1.01	285,393.92	1.78	655,720.86	
Technical and Management Fees	2,533,685.02	6.17	1,852,650.04	6.81	766,993.80	9.70	20,281.84	0.80
HONGKONG:								
Royalties and Trademark	296,093.37	1.26	265,755.32	1.17	6,544.86	0.04	571,133.32	
Technical and Management Fees	4,080,342.22	9.94	1,109,284.50	4.08	137,947.23	1.74	74,933.62	2.96
GERMANY:								
Royalties and Trademark	503,840.38	2.14	97,283.26	0.43	331,773.51	2.07	607,940.60	
Technical and Management Fees	205,930.12	0.50	509,426.24	1.87	24,484.27	0.31	85,595.03	3.38
OTHERS:								
Royalties and Trademark	2,610,110.61	11.08	3,545,456.26	15.61	3,475,354.49	21.65		
Technical and Management Fees	3,415,144.36	22.94	2,289,035.21	8.42	782,283.07	9.89	255,776.17	10.10
TOTAL:								
Royalties and Trademark	23,547,157.33	100.00	22,716,978.65	100.00	16,053,692.01	100.00	1,097,179.41	*
Technical and Management Fees	41,035,572.64	100.00	27,190,680.21	100.00	7,906,371.84	100.00	2,531,514.24	100.00

* Partial estimate for the year

Table 22
 INFLOW OF FOREIGN EQUITY IN THE PHILIPPINES
 1977-1987

	LEVELS (US \$M)	GROWTH RATE (%)	RATIO TO GDCF (%)
1977	45.70		0.76
1978	79.40	73.70	1.14
1979	103.40	30.20	1.13
1980	236.40	128.60	2.19
1981	252.20	6.70	2.14
1982	255.60	1.30	2.26
1983	268.00	4.80	2.90
1984	233.60	-12.80	3.87
1985	130.60	-44.10	2.84
1986	78.20	-40.10	1.94
1987	166.20	-113.10	3.19
AVERAGE:			
1977-1983		34.30	
1983-1986		-33.70	

Table 23a
 SECTORAL DISTRIBUTION OF
 FOREIGN EQUITY INFLOW TO THE PHILIPPINES
 1981-1987

	1981	1983	1985	1987
: AGRICULTURE/FORESTRY	4.5	1.9	1.1	5.4
: FISHERY	1.2	0.1	0.5	3.6
: MINING	6.4	7.6	0.9	1.3
: MANUFACTURING	46.6	61.1	75.7	57.5
: ENERGY RELATED PROJECTS	3.7	0.6	0.3	3.4
: TRADE	8.0	1.3	2.7	8.5
: SERVICES	28.5	26.3	18.1	19.1
: CONSTRUCTION	0.6	0.2	--	0.7
: FINANCIAL INSTITUTION	0.4	0.4	0.6	0.1
: REGIONAL HEADQUARTERS	0.2	0.5	--	0.3

-- less than .1 per cent

Table 23 b
DISTRIBUTION OF FOREIGN EQUITY INFLOW TO MANUFACTURING
IN THE PHILIPPINES, 1981-1987 (%)

	1981	1983	1985	1987
PROCESSED FOOD	13.5	26.2	12.3	12.5
TEXTILES	5.2	0.1	0.3	8.6
FOOTWEAR	0.3	--	0.1	0.4
WEARING APPAREL	1.0	1.4	0.9	11.4
WOOD PRODUCTS	0.5	1.1	0.4	3.3
PULP AND PAPER	--	2.4	3.5	3.0
LEATHER PRODUCTS	--	0.1	1.2	1.3
RUBBER PRODUCTS	15.4	1.7	0.7	1.8
BASIC INDUSTRIAL CHEMICALS	8.4	5.2	4.0	7.0
FERTILIZERS	33.2	3.9	0.0	--
PAINTS	0.6	--	--	2.1
PLASTIC PRODUCTS	1.1	0.2	0.6	6.3
DRUGS AND PHARMACEUTICALS	4.4	4.8	1.5	2.6
OTHER CHEMICAL PRODUCTS	0.7	1.0	0.9	3.5
PETROLEUM PRODUCTS	0.3	2.2	1.4	3.8
CONSTRUCTION COMPONENTS	0.5	0.5	--	--
METAL PRODUCTS	6.2	17	1.6	0.7
NON-METALLIC MINERAL PRODUCTS	0.0	0.0	--	2.1
MACHINERY AND EQUIPMENT	1.2	1.0	4.6	4.2
TRANSPORT AND EQUIPMENT	0.8	3.6	22.4	3.2
SHIPBUILDING	0.0	0.0	--	2.1
ELECTRICAL AND ELECTRONIC PRODUCTS	5.3	23.2	39.9	17.2
OTHERS	1.2	2.3	1.9	4.9

-- less than 1 per cent

Source: Board of Investments

Table 24
 FOREIGN EQUITY INFLOW TO THE PHILIPPINES,
 BY NATIONALITY, 1981-1987

	LEVELS (US \$M)				% SHARE			
	1981	1983	1985	1987	1981	1983	1985	1987
:USA	82.8	182.0	58.0	36.0	24.9	68.1	44.4	21.6
:JAPAN	28.5	5.1	25.8	28.8	11.3	1.9	19.8	17.3
:OTHER ASEAN	7.1	6.1	1.8	1.2	2.8	2.3	1.4	0.7
:OTHERS	153.8	74.2	45.0	100.7	60.9	27.7	34.4	60.4
:TOTAL	262.2	268.0	130.6	166.7	100.0	100.0	100.0	100.0

Source: Board of Investments

Table 25
FOREIGN EQUITY INFLOW FROM THE US TO THE PHILIPPINES
1978-1987

	LEVELS (In US\$M)	GROWTH RATE (%)
1978	38.5	
1979	30.2	-21.6
1980	37.7	24.8
1981	62.8	66.6
1982	120.8	92.3
1983	182.6	51.1
1984	102.3	-44.0
1985	58.1	-43.2
1986	22.5	-61.3
1987	36.0	60.0
: AVERAGE :		
: 1978-1983		36.5
: 1983-1986		-50.2

Table 26
 SECTORAL DISTRIBUTION OF US FOREIGN EQUITY INFLOW
 IN THE PHILIPPINES, 1981-1987 (%)

	1981	1983	1985	1987
: AGRICULTURE	3.5	0.0	1.2	11.6
: FISHERY	0.1	--	1.0	5.4
: MINING	0.3	8.9	1.1	0.2
: MANUFACTURING	39.0	55.3	87.0	47.8
: ENERGY RELATED	0.0	0.8	0.6	0.2
: TRADE	8.2	0.7	3.6	30.8
: SERVICES	48.5	33.6	5.1	4.0
: CONSTRUCTION	0.2	--	--	--
: FINANCIAL INSTITUTIONS	0.0	0.5	0.2	0.1
: REGIONAL HEADQUARTERS	0.2			

Table 27

INVESTMENT INCENTIVES IN THE PHILIPPINES

I. Tax Exemptions	
a. Income Tax Exemptions	Exemption from 35% income tax for 6 years from operation for pioneer firms, extendible for another year (but not to exceed 8 years) in each of the following cases: (a) project meets prescribed capital-labor ratio; (b) utilization of indigenous raw materials; (c) net foreign exchange earnings of at least US\$500,000.00 annually during the first three years of operation. For expanding firms, the exemption shall be proportionate to their expansions for a period of 3 years from commercial operations.
b. Tax and Duty on Imported Capital Equipment	For new and expanding registered enterprises 100% exemption from taxes and duties on imported capital acquired before August 12, 1992.
c. Tax and Duty on Imported Spare Parts	100% exemption from taxes and duties provided that 70% of production is exported, such spare parts are not locally available at reasonable prices, sufficient quantity and comparable quality that all importations of spare parts shall be transferred only to the firm's bonded warehouse.
d. Tax on Imported Materials	100% exemption from taxes and duties for firms located in export processing zones and firms operating bonded manufacturing warehouses. 100% exemption from breeding stock and genetic materials imported within 10 years from the date of registration or commercial operation.

II. Tax Deductions

- a. Investment Allowance 100% of the cost of major structure undertaken in areas designated as necessary for industry dispersal or areas deficient in infrastructure (for less developed areas).
- b. Labor Expenses 50% of the incremental labor expense of a registered enterprise for the first 5 years from registration provided it meets the prescribed ratio of capital assets to annual labor; 100% of the incremental labor if located outside Metro Manila.

III. Tax Credits

- a. Taxes and Duties on Raw Materials Equivalent to the National Internal Revenue taxes and customs duties paid on the supplies, raw materials and semi-manufactured product used in the manufacture, processing or production of export products and forming part thereof; exported directly or indirectly by the registered enterprise.
- b. Purchase of Domestic Capital Equipment & Accompanying spare parts For purchase of domestic Capital equipment made before 8-12-92 tax credit equivalent to 100% of the value of taxes and duties that would have been waived on the machinery and spare parts had these been imported. Provided, (1) that the said equipment, machinery, and spare parts are reasonably needed and used exclusively by the registered enterprise unless otherwise exempted by the Board; and (2) that the approval of the Board was obtained.
- c. Access to bonded manufacturing/trading warehouse system Registered export oriented enterprises shall have access to the utilization of the bonded warehousing system in

- all areas required by project subject to such guidelines as may be issued by the board upon prior consultation with the Bureau of Customs.
- d. Simplification of Customs Procedures
Customs procedures for the importation of equipments, spare parts, raw materials and supply, and exports of processed products by registered enterprises shall be simplified by the Bureau of Customs.
- e. Unrestricted used of consigned equipment
Provisions of existing laws notwithstanding, machinery, equipment and spare parts consigned to any registered enterprise shall not be subject to restrictions as to period of use of such machinery, equipment and spare parts.
- f. Employment of foreign nationals
A registered enterprise may employ foreign nationals in supervisory position for a period not exceeding 5 years from its registration, extendible for limited periods at the discretion of the Board.

Table 28. Comparative Presentation of Philippine Tax Treaties

Country	Effectivity	Dividends	Branch Profits
<u>ASEAN</u>			
Singapore	1-1-77	15% foreign tax credit with tax sparing	-
Malaysia	1-1-85	15% foreign tax credit with tax sparing	10% foreign tax credit with tax sparing
Thailand	1-1-83	20% foreign tax credit with tax sparing	-
Indonesia	1-1-83	15% foreign tax credit with tax sparing	-
<u>ASIA & PACIFIC</u>			
Japan	1-1-81	10% foreign tax credit	10% foreign tax credit
Korea	1-1-87	-	10% foreign tax credit
Australia	1-1-80	15% foreign tax credit	15% foreign tax credit
New Zealand	1-1-81	15% foreign tax credit	15% foreign tax credit
Pakistan	1-1-79	15% foreign tax credit with tax sparing	15% foreign tax credit with tax sparing
<u>North & South America</u>			
U.S.A.	1-1-83	20% foreign tax credit	20% foreign tax credit
Canada	1-1-77	15% foreign tax credit	15% foreign tax credit
Brazil	2-5-82	with tax sparing	15% foreign tax credit

Country	Effectivity	Dividends	Branch Profits
<u>EUROPE</u>			
Denmark	1-1-74	10% foreign tax credit with tax sparing	-
Sweden	5-11-78	15% foreign tax credit	15% foreign tax credit
Norway	7-9-78	25% foreign tax credit with tax sparing	15% foreign tax credit
Finland	1-1-82	15% foreign tax credit	15% foreign tax credit
U.K.	1-29-78	15% foreign tax with tax sparing	-
France	1-1-78	15% foreign tax credit	15% foreign tax credit
Belgium	1-1-81	15% foreign tax credit	-
Italy	12-5-80	tax sparing	20% foreign tax sparing
Austria	1-1-83	10% foreign tax credit	10% foreign tax credit
W. Germany	1-1-85	-	-

Table 29
AGGREGATE MACROECONOMIC TARGETS a/
1987-1992

	1987	1988	1989	1990	1991	1992	AVERAGE 1986-1992
Gross National Product (In billion P, at constant 1972 prices)	94.7	100.8	107.5	114.5	121.7	129.5	114.8
Growth Rate (%)	5.7	6.4	6.7	6.5	6.3	6.5	6.5
Gross National Product (In billion pesos, at current prices)	706.3	812.9	937.0	1041.2	1172.1	1349.7	1062.6
Inflation Rate Projections (%)	3.8	7.7	7.0	7.1	6.9	7.1	7.2
Per Capita GNP (In P, at constant 1972 prices)	1651	1715	1787	1860	1933	2014	1862
Growth Rate (%)	3.2	3.9	4.2	4.1	3.9	4.2	4.1
Per Capita GNP (In P, at current prices)	12313	13848	15590	16931	18635	20990	17199
SAVINGS AND INVESTMENTS (% to GNP)							
Gross Domestic Investment	14.6	17.3	19.9	21.5	22.5	23.6	21.0
Gross National Savings	14.6	15.5	17.3	18.6	19.6	21.1	18.5
Gross Foreign Savings	0	1.8	2.6	2.9	2.9	2.5	2.5

a/ Updated Plan Targets as of July 1988
Source: MEDA

Table 30
 SECTORAL PRODUCTION TARGETS, 1987-1992
 (Annual Percentage Change & Percentage distribution)

	1987 ACTUAL	1988	1989	1990	1991	1992	AVERAGE 1988-1992
A. ANNUAL PERCENTAGE CHANGE							
Agriculture, Fishery and Forestry	0.4	2.3	3.4	4.0	3.8	4.0	3.5
Industry	8.0	9.6	9.4	9.0	8.7	8.9	9.1
Mining and Quarrying	-2.4	4.0	3.0	3.0	3.0	3.0	3.2
Manufacturing	7.1	7.9	7.7	7.8	7.8	7.8	7.8
Construction	17.2	22.7	20.1	15.7	13.8	14.4	17.4
Utilities	10.7	8.0	9.0	9.0	9.0	10.0	8.8
Services	6.4	6.2	6.3	6.0	5.8	5.9	6.0
GROSS DOMESTIC PRODUCT	5.1	6.2	6.5	6.5	6.3	6.5	6.4
B. PERCENTAGE DISTRIBUTION							
Agriculture, Fishery and Forestry	28.5	27.4	26.6	26.0	25.4	24.8	26.0
Industry	32.0	33.0	33.9	34.7	35.4	36.2	34.7
Mining and Quarrying	1.6	1.6	1.5	1.5	1.4	1.4	1.4
Manufacturing	24.2	24.6	24.9	25.2	25.6	25.6	25.3
Construction	4.1	4.8	5.4	5.9	6.3	6.7	5.9
Utilities	2.0	2.0	2.1	2.1	2.2	2.2	2.1
Services	39.6	39.6	39.5	39.3	39.1	39.0	39.3
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MEDA

Table 31a
 PROJECTIONS
 VALUE OF EXPORTS BY MAJOR COMMODITY GROUP, 1988-1995 (as of Aug.)
 (F.O.B. Value in US \$ Million)

COMMODITY GROUP	1988	1989	1990	1991	1992	1993	1994	1995
COMMODITY GROUP	1516	1536	1713	1984	2108	2181	2211	2530
TRADITIONAL EXPORTS								
COCONUT PRODUCTS:	618	587	671	915	925	766	652	609
Copra	39	54	55	57	60	63	66	70
Coconut Oil	454	404	476	599	603	545	435	569
Dessicated Coconut	62	67	71	76	81	86	92	98
Copra Meal	63	62	69	83	81	72	59	72
SUGAR PRODUCTS:	72	49	13	13	13	14	14	15
Centrifugal, refined	60	37	0	0	0	0	0	0
Molasses	12	12	13	13	13	14	14	15
Others	0	0	0	0	0	0	0	0
FOREST PRODUCTS:	249	326	411	494	560	638	725	824
Logs	0	0	0	0	0	0	0	0
Lumber	140	188	230	299	334	375	420	470
Plywood	80	102	133	141	163	188	215	248
Veneer Sheets/Corestocks	23	29	40	45	53	63	75	90
Others	6	7	8	9	10	12	14	16
MINERAL METALLIC PRODUCTS	296	271	290	306	324	343	362	384
Copper Concentrates	165	150	157	164	172	180	189	197
Gold	99	85	93	98	103	108	113	119
Chromium Ore	14	15	16	17	18	19	20	21
Others	18	21	24	27	31	36	41	47
FRUITS AND VEGETABLES	150	165	183	203	225	250	278	308
Canned Pineapple	83	90	99	108	118	129	141	153
Pineapple Juice	6	6	7	7	8	9	10	11
Pineapple Concentrates	21	23	24	27	29	32	35	38
Others	40	46	53	61	70	80	92	106
Tobacco Fibers	15	16	17	18	20	21	23	25
Tobacco Unmanufactured	18	20	22	25	27	30	33	36
Petroleum Products	98	102	106	110	114	119	124	129
NON TRADITIONAL EXPORTS	5036	5740	6538	7383	8534	9911	11645	13474
NON TRADITIONAL MANUFACTURES	4376	4997	5708	6452	7472	8698	10228	11826
Electric Equipment	1290	1422	1568	1730	1910	2107	2326	2549
Garments	1282	1496	1670	1894	2093	2325	2586	2908
Leather	78	91	102	114	128	143	160	179
Footwear	40	46	55	62	73	83	95	107
Travel Goods & Handbags	19	24	30	37	46	56	67	80
Wood Manufactures	176	103	139	178	235	310	403	515
Furnitures and Fixtures	189	228	268	300	345	408	491	610
Chemicals	259	272	285	300	315	331	349	365
Copper Metal	283	276	243	250	258	265	273	282
Non-metallic Mineral Manuf.	28	36	47	57	71	88	111	139
Machinery and Transport Equipmt.	109	142	185	222	277	346	432	548
Processed food and Beverages	166	199	222	245	284	330	382	444
Misc. Manuf. Articles, nes	252	322	411	505	667	880	1185	1517
Others	326	380	443	488	584	703	886	1021
NON TRADITIONAL UNMANUFACTURES	660	743	830	931	1062	1223	1417	1648
Nickel	0	0	0	0	0	0	0	0
Iron Ore Agglomerates	70	74	73	82	97	91	95	99
Bananas	140	153	159	165	172	179	186	193
Mangoes	18	24	32	44	59	61	108	147
Coffee, Raw not roasted	60	62	64	67	70	72	75	78
Fish, Fresh or Preserved	280	329	382	445	527	622	731	873
Rice	0	0	0	0	0	0	0	0
Others	92	101	114	127	147	178	222	258
SPECIAL TRANSACTIONS	25	37	40	43	45	49	52	56
RE-EXPORTS	78	83	89	95	102	109	117	125
TOTAL EXPORTS	6665	7396	8380	9505	10789	12250	14025	16185

Table 32
PROJECTIONS
NON-MERCHANDISE TRADE
1987-1988
(In Million US dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995
I T E H	-76	-354	-407	-685	-1023	-1172	-1414	-1599	-1578
NON-MERCHANDISE TRADE, NET									
EARNINGS	3497	3525	3774	3911	4021	4252	4498	4776	5092
Growth Rate(%)	-7.8	0.80	7.06	3.63	2.81	5.74	5.79	6.18	6.62
Freight and Insurance	111	129	143	163	184	209	238	272	314
Other transportation	62	96	100	102	105	110	110	115	120
Travel	458	375	435	510	595	690	805	940	1095
Growth rate(%)	-29.2	-18.12	16.00	17.24	16.67	15.97	16.67	16.77	16.49
Investment income	345	344	382	421	445	471	498	527	556
Profits, earnings and dividends	6	6	6	6	6	6	6	6	6
Interest income	339	338	376	415	439	465	492	521	550
Growth Rate(%)	48.00	-0.29	11.24	10.37	5.78	5.92	5.81	5.89	5.57
Government	489	489	567	503	425	435	445	455	465
Non-merchandise insurance	3	12	12	12	12	12	12	12	12
Personal income	809	852	880	905	930	960	990	1020	1055
Growth rate(%)	16.2	5.32	3.29	2.84	2.76	3.23	3.13	3.03	3.43
Withdrawal of 343/347 deposits	379	360	370	380	390	400	410	420	435
Commissions and fees	60	90	90	95	95	100	100	105	105
Construction activity	10	10	10	10	10	10	10	10	10
Operating expense	333	374	380	390	400	410	420	430	440
Other services	438	394	405	420	430	445	460	470	485
Growth Rate(%)	-17.00	-10.05	2.79	3.70	2.38	3.49	3.37	2.17	3.19
PAYMENTS	3573	3879	4181	4596	5044	5424	5912	6375	6670
Growth rate	17.8	8.56	7.79	9.93	9.75	7.53	9.00	7.83	4.63
Freight and Insurance	451	522	589	660	733	813	898	990	1090
Other transportation	110	177	205	235	270	310	360	410	475
Travel	88	96	115	140	170	200	245	290	352
Investment expense	2415	2672	2820	3059	3294	3469	3707	3893	3866
Profits, earnings & dividends	167	180	195	210	225	245	290	300	340
Reinvested earnings	22	25	30	30	35	40	40	40	45
Interest expense	2226	2467	2595	2819	3034	3184	3397	3553	3481
Government	31	10	10	10	15	15	15	20	20
Non-merchandise insurance	24	35	40	45	60	55	60	65	70
Personal income	3	15	15	15	15	15	15	15	15
Commissions and fees	35	40	50	65	85	110	140	180	230
Construction activity	2	2	2	2	2	2	2	2	2
Other services	414	310	335	365	400	435	470	510	550

TABLE 33
US TARIFF PROFILE OF PHILIPPINE EXPORTS TO THE USA

I. <u>Consistent* Philippine Exports to the USA</u>			
A. Dutiable and Included in the CBI			
1. Low (1-7.9%)	11 tariff lines		
2. Medium*8-14.9%	13 tariff lines		
3. High (15% and above)	25 tariff lines		
4. Specific	17 tariff lines	56 tariff lines	
B. GSP			
		120 tariff lines	
C. MFN Duty-Free			
		53 tariff lines	239 tariff lines
D. Dutiable and Excluded from CBI			
1. Low (1-7.9%)	12 tariff lines		
2. Medium (8-14.9%)	19 tariff lines		
3. High (15% and above)	9 tariff lines		
4. Specific	6 tariff lines	46 tariff lines	
5. Garments			
a. Low (1-7.9%)			
b. Medium (8-14.9%)	14 tariff lines		
c. High (15% and above)	75 tariff lines		
d. Specific	55 tariff lines	144 tariff lines	190 tariff lines
		Sub-Total -	429 tariff lines
II. <u>Potential* Philippine Exports to the U.S.</u>			
A. Dutiable and Included in the CBI			
1. Low (1-7.9%)	16 tariff lines		
2. Medium (8-14.9%)	5 tariff lines		
3. High (15% and above)	17 tariff lines		
4. Specific	3 tariff lines	41 tariff lines	
B. GSP			
		108 tariff lines	
C. MFN Duty-Free			
		59 tariff lines	208 tariff lines
D. Dutiable and Excluded from CBI			
1. Low (1-7.9%)	1 tariff lines		
2. Medium (8-14.9%)	9 tariff lines		
3. High (15% and above)	6 tariff lines		
4. Specific rates	14 tariff lines	30 tariff lines	

5. Garments			
a. Low (1-7.9%)	0		
b. Medium (8-14.9%)	61 tariff lines		
c. High (15% and above)	109 tariff lines		
d. Specific rates	75 tariff lines	245 tariff lines	275 tariff lines
		-----	-----
		Sub-Total -	483 tariff lines
		Grand Total -	912 tariff lines
			=====

*The consistent exports have been exported by the Philippines since 1983.
Potential exports are new tariff lines the Philippines started exporting in 1985 and not in 1983.

**Caribbean Basin Initiative

Source: Bureau of International Trade Relations (Department of Trade and Industry) whose sources include:
FT 246/Annual 1985. US Imports for Consumption and General Imports.
TSUSA Commodity by Country of Origin. US Department of Commerce.
Bureau of Census.

TABLE 34
WEIGHTED TARIFF AVERAGE BY COMMODITY GROUP & BY COUNTRY

Description	US	JAPAN	EEC
5. Mineral Products	1.3829	2.1682	0.6000
6. Chemical Products	4.1710	4.9852	5.5882
7. Plastic, Rubber Products	3.5863	3.3631	5.8498
8. Hides and Skins	7.6292	6.5905	2.8929
9. Wood, Wood Articles	1.6680	0.8148	2.5165
10. Paper, Paper Products	1.2716	2.3762	3.3663
11. Textile, Textile Products	12.1799	5.4218	8.6425
12. Footwear	18.8595	14.7644	12.7570
13. Stone, Cement Products	8.0297	3.7818	6.4896
14. Pearls, Precious Stones	2.7093	2.0792	1.5779
15. Base Metals Products	3.9862	4.4233	3.4233
16. Machinery & Equipment	3.9922	4.4998	4.8604
17. Vehicles, Aircraft	7.7392	3.2180	7.6831
18. Professional Instruments	4.8637	5.0441	5.7927
19. Arms, Ammunitions	5.4851	10.9290	5.3372
20. Misc. Manufactures	5.5750	5.5205	6.1383
21. Works of Art	0.6661	0.0000	0.0000

Source: GATT (1977).

TABLE 35
PHILIPPINE EXPORTS TO U.S. AFFECTED BY NON-TARIFF MEASURES

Description	1983 Value of Xs Affected by NTM ('000 US\$)	% of NTM Affected Xs To Total Xs	Non-Tariff Measures	
			Description	% Share of Xs by Type of NTM to Total NTM Affected Xs
1. Live Animals	9,063	47	Health & Sanitary Regulations	100
2. Vegetable Product	83,119	98	Health & Sanitary Regulations	100
			Consular & Customs Formalities & Documentation	0.2
			Rules of Origin	0.2
3. Animal, Vegetable Fats and Oils	214,234	100	Global Quota	
			Price Support	
			Production Control	
			Health & Sanitary Regulations	99
4. Prepared Food Stuff, Beverages and Tobacco (incl. sugar)	256,866	89	Countervailing Duty	11
			Health & Sanitary Regulations	53
			Tariff Quota	11
			Global Quota	46
			Quota Allocated by Country	46
			Import Levy	46
			Domestic Subsidy	46
			Minimum Import Price	46
			Phytosanitary Regulations	8
			Consular & Customs Formalities and Documentation	28
			Rules of Origin	28
5. Mineral Products	33,451	76	Import Documentation	38
6. Chemical Products	-	-	-	-
7. Plastic, Rubber Products	-	-	-	-
8. Hides & Skins	-	-	-	-
9. Wood, Wood Articles	108,017	87	Health and Sanitary	100
			Tariff Quotas	100
10. Paper, Paper Products	7,822	72	Tariff Quotas	100

* less than .1 percent.

Description	1983 Value of Xs Affected by NTM ('000 US\$)	% of NTM Affected Xs To Total Xs	Non-Tariff Measures	
			Description	% Share of Xs by Type of NTM to Total NTM Affected Xs
11. Textile, Textile Products	168,742	52	Bilateral Quota	82
			Voluntary Export Restraint	16
			Customs Formalities & Documentation	75
			Global Quota	2
			Packaging Requirements	2
			Discriminatory Sourcing	14
			Rules of Origin	14
			Restrictive Practices tolerated by Governments	14
12. Footwear	23,177	58	Quota by Country	100
			Import Documentation	100
			Import Monitoring	100
13. Stone, Cement Products	-	-	-	-
14. Pearls, Precious Stones	-	-	-	-
15. Base Metals, Products	-	-	-	-
16. Machinery, Equipment	30,364	4	Import Licensing (method unspecified)	100
			Surveillance	100
17. Vehicles, Aircraft	-	-	-	-
18. Professional Instruments	-	-	-	-
19. Arms, Ammunitions	-	-	-	-
20. Misc. Manufactures	88,489	82	Import Regulations	7
21. Work of Art	-	-	-	-
TOTAL	1,023,344	48	Health & Sanitary Regulations	53
			Consular & Customs Formalities & Documentation	20
			Rules of Origin	9
			Global Quota	12
			Price Support	0
			Production Control	0
			Countervailing Duty	3
			Tariff Quota	15
			Quota Allocated by Country	14
			Import Levy	12
			Domestic Subsidy	12
			Minimum Import Price	12

Description	1983 Value of Xs Affected by NTM ('000 US\$)	% of NTM Affected Xs To Total Xs	Non-Tariff Measures	
			Description	% Share of Xs by Type of NTM to Total NTM Affected Xs
			Import Restrictions	0.57
			Phytosanitary Regulations	2
			Import Documentation	3
			Bilateral Quota	15
			Voluntary Export Restraint	3
			Packaging Requirements	0.25
			Discriminating Sourcing	2
			Restrictive Practices tolerated by Governments	2
			Import Monitoring	2
			Import Restrictions	0.57
			Surveillance	3
			Other Price Distorting Measures	1
			Import Licensing (Method Unspecified)	3

Sources: a) NTMs-Tariff Commission based on UNCTAD Study on Protectionism and Structural Adjustment, January, 1985.
b) Trade Data - 1) US General Imports and Imports for Consumption, 1983-1984.
2) Japan's Exports and Imports, 1982-1983.
3) Imports for EEC, 1983.

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