

PASCN Discussion Paper No. 99-24

**The Political Economy
of Philippine Commitments in APEC:
The Legislative Record**

Wilfrido V. Villacorta, Tereso S. Tullao, Jr. and Angelo A. Unite



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De La Salle University

November 1999

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EXECUTIVE SUMMARY

A critical step to the determination of the framework for the political economy of Philippine commitments in APEC is the identification of the players or interest groups that influence and are affected by the new legislation requirements. A sample of respondents was drawn from the following actors and interest groups:

- (a) Congress of the Philippines (legislative branch);
- (b) Government agencies (executive branch);
- (c) Business sector;
- (d) the Academe;
- (e) Civil society groups, such as labor and religious organizations.

The general opinions regarding trade liberalization as a policy may be classified into two: one which views liberalization as either desirable or inevitable, and the other which is suspicious of its claim to long-run benefits. Those respondents who view liberalization favorably have, at the same time, expressed the point that safety nets must be put in place for sensitive sectors such as agriculture. It appears that none of the interviewees are opposed to the idea of the state providing a means of easing the inevitable economic dislocation that liberalization brings. Such instruments may include the provision of subsidies or the management of the pace of liberalization. On the other hand, those generally uncomfortable with the general position of the Philippine government regarding liberalization are more likely to espouse ideas traditionally associated with the Left. What is interesting, however, is that in a few cases, the opposition is selective and different across industries (adamant when it comes to agriculture, yet willing when it comes to retail trade).

The pace of liberalization is an important theme that recurs within the interviews. There are those who would prefer to approach the policy cautiously given the economic conditions prevailing around Southeast Asia. In general, however, the notion seems to be that consensus in favor of fulfilling Philippine commitments to APEC may be better gained if the government can put the proper safety nets in place. Very few of the respondents within the political mainstream seemed adamant about their views on liberalization. Most of them were willing to direct their efforts through more traditional channels of policymaking, such as the writing of position papers.

The awareness of specific commitments to APEC by the Philippines among interviewees appears to be relatively low, except for those who have direct involvement with APEC activities. There appears to be an information deficit especially between the executive branches of government, which take care of policy planning and advocacy, and the legislative branch made up of what may be better referred to as "generalists" -- who will, in the end, enact the enabling legislation. In many instances, interviewees were not able to meaningfully distinguish between APEC and the WTO as mechanisms for liberalization, and thus answered in terms of rather broad statements. One of the reasons for this state of affairs is the fact that there has only been one LEDAC meeting in which the two branches of government are supposed to harmonize and prioritize legislative measures. During the Ramos administration, LEDAC met monthly. This has resulted in a much weaker consultative mechanism.

The study found that the main impediments to APEC-related legislation are:

- (1) **Inadequacies in Leadership in the Executive and Legislative Branches.** Compared to the previous administration, the President and Speaker of the House of Representatives are perceived to be less assertive in pushing for a pro-liberalization legislative agenda. The Legislative-Executive Development Advisory Council (LEDAC) does not meet regularly, in contrast to the time of former President Fidel Ramos and former Speaker Jose de Venecia, who were both accomplished coalition builders.

Moreover, the majority of congressmen have little familiarity with and interest in APEC matters. Many of them spend much of their time attending to the needs of their constituencies -- and, as a result, are more prone to the influence of special region-based interest groups.

- (2) **Existence of entrenched special interest groups and lobbies.** This appears to be especially true in the retail trade and agricultural sectors. The impact of these special interest groups is not as widely felt, it seems, in the banking sector.
- (3) **Absence or inadequacy of infrastructure that would allow industries to compete.** A frequent observation which occurs among the interviewees is that the consensus toward liberalization would be built on stronger ground if the infrastructure needed to make local industries more competitive existed.
- (4) **Ambivalence regarding the supposed gains from liberalization.** Reservations come largely from respondents who have professed little faith in the "invisible hand" of market forces or of the "trickle-down" mechanism. They fear that such gains may not automatically reach the sectors where they are needed, and thus increase income inequality -- both across and within nations. As such, government intervention, perhaps through redistributive measures as safety nets and progressive taxes, is argued to be necessary.

Since globalization appears to be an irreversible process, our lawmakers must be more aware of their responsibility to help reduce the cost of adjusting toward a more liberalized trading environment and thus, lessen the frictions associated with the transition. However, it must be noted that liberalization efforts, especially those that have been concluded in a multilateral framework, are more likely to produce the sort of pressure that will generate a stronger degree of commitment from the implementing government. In this sense, it produces the necessary momentum that is needed to address structural problems more aggressively, both for the short term and the long term.

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THE POLITICAL ECONOMY OF PHILIPPINE COMMITMENTS TO APEC: THE LEGISLATIVE RECORD *

Dr. Wilfrido V. Villacorta, Dr. Tereso T. Tullao, Jr., Dr. Angelo A. Unite **

Abstract

The objective of the study is to examine the political economy of enacting new legislation required to fulfill the commitments of the Philippines in APEC. In particular, the paper describes the process involved in the formulation and deliberation of proposed legislation, identifies the players involved in this process, examines the conflicts of interest encountered in ensuring the passage of such legislation and proposes measures to address these problems.

This study limits itself to three areas: (a) retail trade, (b) financial services, and (c) the agricultural sector.

The study catalogues the major commitments of the Philippines to APEC in the above-mentioned three areas; analyzes the legislative measures that seek to operationalize these commitments; identifies the various interest groups involved in the process of formulating the required legislative measures; and examines the status and adequacy of the legislative measures in meeting the requirements of liberalization under APEC in the three areas of concern.

1 Introduction

1.1 Objectives

The objective of the study is to examine the political economy of enacting new legislation required to fulfill the commitments of the Philippines in APEC. In particular, the paper describes the process involved in the formulation and deliberation of proposed legislation, identifies the players involved in this process, examines the conflicts of interest encountered in ensuring the passage of such legislation and proposes measures to address these problems.

This study limits itself to three areas: (a) retail trade, (b) financial services, and (c) agricultural sector.

The tasks of this study are:

- (1) Catalog the major commitments of the Philippines to APEC in the above-mentioned three areas;

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- (2) Analyze the legislative measures that seek to operationalize these commitments;
- (3) Identify the various interest groups involved in the process of formulating the required legislative measures; and
- (4) Examine the status and adequacy of the legislative measures in meeting the requirements of liberalization under APEC in the three areas of concern.

1.2 Analytical Framework

This study adopts the political economy framework in examining Philippine APEC commitments. Political economy concerns itself with the distribution of the burden of adjustments in economic policy. It addresses the question of who will pay for the losses of those marginalized. Are the winners to compensate the losers, for instance, or should the latter be left to fend for themselves on the way to a better social re-allocation of resources? These policy postures have ideological implications.

When the Philippines joined APEC, the nation had to be confronted with such choices. Liberalization under APEC tends to favor consumers but involves sacrifices and risks for some local producers. It makes for freer competition and minimum management of the economy by the state. Liberalization lifts controls over the financial market and, it may be argued, increases the chances of assault against the local currency.

In the discussion of development and liberalization, there are schools of thought that figure prominently. The mercantilist approach places value on state intervention as a critical instrument for development and to safeguard the national interest. It believes in looking after local entrepreneurs and in providing safety nets for losers in the playing field. Mercantilism as a philosophy takes the state as the primary unit of analysis and as such, wealth is measured according to the balance of payments or similar accounts. National welfare is desirable but only in so far as it does not compromise sovereignty or the national interest.

The neoclassical (liberal) school takes the position that development is best achieved through the free operation of market forces domestically and internationally. Basically, it believes in leveling the playing field and encouraging foreign competition. The proponents of this school are convinced that economic growth significantly increases with the adoption of liberalization measures.

Finally, the structuralists advocate a special quality of intervention that will make the market more efficient and economic growth more sustainable. It aims at increasing the gains and reducing the losses by putting in place the necessary economic structures. For instance, roads and bridges will afford lower costs for commerce, while greater expenditures on education will make it easier for labor to switch from one industrial sector to another by acquiring a higher rate for learning new skills.

In analyzing the views of our respondents, particularly the lawmakers, we find that each of them fit into one of the aforementioned schools of thought. The

divergence in their ideological premises mirrors the dynamics of Philippine political economy.

The uncertainty with which the public and our legislators regard liberalization can be attributed to the fact that the Philippines is relatively new to the ways of liberalization. Until the end of the Marcos period, government policy had traditionally favored import substitution and protectionism based on such policies as an overvalued exchange rate.

The advent of the Aquino administration opened up the economy. It began with import liberalization in 1986. However, the presidential cabinet itself was divided. There were those who believed the country was not prepared for liberalization, while others thought that higher economic growth could be achieved through removing obstacles to the freer flow of goods and services.

When the Constitutional Commission was convened in 1986 to draft a new fundamental law, the same debate took place. An examination of the 1987 Constitution would give one the impression that it is a protectionist constitution, with such provisions as "The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos (Art II Sec 19)." On the other hand, the Philippine Congress has had no problems in passing laws on liberalization, deregulation and privatization, which proves that the present charter does not necessarily pose an obstacle to the goals of economic globalization. These laws would have been declared unconstitutional if they were inconsistent with the relevant provisions.

But it is not solely ideology and legality that determine the position of our lawmakers. The congressmen are not only concerned with their primary task of making laws. They are mainly beholden to their constituents who are responsible for their political survival. Their voting behavior is rooted not in their ideological preferences, much less by their party affiliations, but is heavily influenced by interest groups among their constituencies. Lobbying in the Congress, especially in the Lower House, is best effective, therefore, not only through direct pressure on the congressmen but more importantly, by working on their constituencies.

These considerations are relevant in examining the responsiveness of our government to the requirements of its avowed individual action plans for APEC. When we study the process involved in enacting legislative measures for implementing these action plans, it is realistic to examine the interests that the legislators represent. Much depends on whether their districts are urban or rural, what powerful groups dominate their constituency, and how their personal and political interests are linked with these groups.

2 Individual Action Plans of the Philippines under APEC

A study conducted by the Philippine Institute for Development Studies (1997) documents the country's APEC commitments as well as the process involved in arriving at these commitments. These pledges are contained in the Philippine Individual Action Plan (IAP) and call for further liberalization of foreign investment-

related policy in the areas of retail trade, financial services and tourism. The study compares Philippine APEC commitments with the country's commitments in WTO and AFTA. One major difference cited is that the country's APEC commitments are generally more comprehensive in the liberalization and facilitation of trade in services. Moreover, the PIDS study identifies five key players in the process of setting trade policy. These actors include government agencies, the academe, the private and business sector, consumers and civil society organizations.

One of the objectives of APEC is to bring about a competitive service sector as well as a free and open investment regime within the Asia-Pacific region. In this light, the Philippines committed to consider measures aimed at responding to these objectives. These initiatives are outlined and articulated in the Philippine Individual Action Plan and include among others the following:

- (a) Distribution: opening of retail trade to foreign participation;
- (b) Financial Services: reviewing of restrictions/existing provisions on foreign equity participation in investment companies, investment banks/houses and financing companies. Reviewing of restrictions on foreign membership in the board of directors of investment companies and financing companies.

While the Individual Action Plan is silent with respect to commitments in the agricultural sector, the APEC Economic Leaders endorsed during their Fifth Meeting in Canada in November 1997 the early voluntary liberalization of fifteen economic sectors in the member countries, including agriculture-based sub-sectors. Among these sub-sectors are natural rubber, fish, forest products and food. The proposal calls for the voluntary elimination of tariff and non-tariff barriers by the APEC member countries within a specific time frame.

2.1 Distribution Services (Retail Trade)

Current Position: RA 1180 or the Retail Trade Nationalization Act provides that only Filipinos may engage in retail trade. This forbids foreign citizens, associations, partnerships or corporations not wholly owned by Filipinos from participating directly or indirectly in retail trade.

Action Plan: To progressively reduce restrictions on market access for trade in services, the Philippines will consider amendments to RA 1180 with the objective of allowing foreign investors to engage in retail trade subject to certain conditions such as limitations on capitalization and number of branches, among others. Timeline is 1997-2000.

2.2 Financial Services

Current Position:

Banking

A major reform in the financial sector is the liberalization in the entry of foreign banks, with the passage of RA 7721 in May 1994. This is a significant move

considering that it amends a law (General Banking Act-- RA 337) which has been in place since 1948 and has limited the number of foreign banks operating in the Philippines to four. Entry of foreign banks is allowed under three modes. First, ten new foreign banks can open branches in the Philippines with full banking authority. Second, an unrestricted number of foreign banks is allowed to set up locally incorporated subsidiaries up to 60% of which may be foreign owned. Third, an unrestricted number of foreign banks may enter the Philippines by acquiring up to 60% ownership of domestic banks.

As of September 1996, the ten new foreign banks operating under the third mode of entry have been granted licenses by the BSP and are now operational. As to the second mode of entry, two foreign banks have come in.

Insurance

In October 1994, after being closed for nearly 50 years, the insurance sector was opened to new, 100% foreign-owned companies. Under Department Order Nos. 100-94 and 100-94A issued by the Department of Finance on 24 October and 18 November 1994 respectively, foreign insurance or re-insurance companies which will operate as a branch or where foreign equity in said company or intermediary is more than 40% shall be allowed entry within two years from the effectivity of the Order. During this period, the number of foreign insurance companies that shall be allowed entry is five but may be increased to ten by the approval of the President of the Philippines upon recommendation of the Secretary of Finance. Entry is allowed under any of the following modes: (a) ownership of the voting stock of an existing domestic insurance or re-insurance company or intermediary; (b) investment in a new insurance or re-insurance company or intermediary incorporated in the Philippines; or (c) establishment of a branch. Entry under mode (c) is not available to an intermediary. An applicant may avail itself of only one mode of entry. Capital requirements vary depending on the line of business, degree of foreign ownership and mode of entry.

The Philippines participated in the Uruguay Round of Multilateral Trade Negotiations and made commitments under the GATT particularly in the areas of banking, insurance and securities. Further, as a member of ASEAN, the Philippines is actively involved in the on-going negotiations on trade in services including the financial sector through the Coordinating Council in Services.

Investment Companies (including mutual fund companies)

Republic Act No. 2629 (Investment Company Act, approved on June 18, 1960) does not place any restrictions on foreign equity participation in investment companies. However, this law requires that all members of the Board of Directors of such enterprises be Filipino citizens

Investment Houses

Republic Act No. 8366 dated October 21, 1997, liberalized the investment house industry by increasing foreign equity participation to a maximum of 60% of the voting stock of such enterprises and allowing foreign nationals to become members of

the Board of Directors to the extent of their equity. The previous law, Presidential Decree No. 129 as amended (Investment Houses Law), limited foreign equity participation to 49% of the voting stock and required that majority (51%) of the members of the Board be Filipino citizens.

Financing Companies

Under Republic Act No. 8556 (Financing Company Act of 1998) which was approved on February 26, 1998, foreign nationals are allowed to own a maximum of 60% of the voting stock of a financing company, provided the country of which the foreign investor is a national accords the same reciprocal rights to Filipinos in the ownership of financing companies or their counterpart entities. This law amended Republic Act No. 5980 (Finance Company Act) as amended, which limited foreign equity participation to 40% of total capital of a financing company. The new Act also repealed Section 8 of the previous law which required that at least two-thirds of all members of the Board of Directors be citizens of the Philippines.

Action Plan: The Philippines is committed to undertake the following measures within the time line 1997-2000:

Investment Banks and Houses - Review the current restrictions on foreign equity participation.

Financing Companies - Review restrictions on foreign equity participation with the view of allowing higher level of foreign participation. Review restrictions on foreign membership in the Board of Directors.

Investment Companies - Review existing law on investment companies with the objective of including a provision specifically providing for a maximum of 100% allowable foreign equity participation. Review restrictions on foreign membership in the Board of Directors.

2.3 Individual Action Plan for Agriculture

Current position: The Philippines maintains tariff quotas for sensitive agricultural products, the quantitative restrictions of which were lifted and tariffed pursuant to the WTO Agreement on Agriculture. RA 8178 dated March 1996 lifted quantitative restrictions on sensitive agricultural products except rice. To date, quantitative restrictions on rice maintained for food security per Annex 5 of the WTO Agreement on Agriculture remain.

Action Plan: The Philippines will continue to implement its Tariff Reform Programme of progressively reducing tariffs and move toward a uniform rate of protection across sectors except for sensitive agricultural products (including rice). This covers the period 1997-2004.

2.4 Early Voluntary Sectoral Liberalization (EVSL)

Natural Rubber

Current Position: Nominal tariff on natural rubber decreased from 20% in 1992 to 3% in 1998. This was a result of the Tariff Reform Programme (TRP) implemented

under Executive Orders 470 (effective 24 August 1991), 264 (effective 15 January 1996) and 465 (effective 22 January 1998).

Proposal: In the area of tariffs, the details for the proposed gradual reduction and/or elimination of tariffs and non-tariff measures are still being formulated. In general, however, the proposal involves reducing the duty to 0%.

Food

Current position: The food EVSL proposal for tariff liberalization covers only fresh and slightly processed fruit and vegetables (28 commodities), selected processed foods (19 products), and non-alcoholic and alcoholic beverages and barley malt (11 products). Most of the food products proposed for EVSL have tariff rates of 10% and 20%.

Proposal: Bring down applied tariffs to 5% and below by the year 2004 starting June 1999. Longer staging might be considered for sensitive products. Further liberalization would be considered, however, after achieving the 5% tariff level with the aim of eliminating all tariffs before the Bogor timeframe for free and open trade and investment of 2020 for developing economies.

Forest products

Current position: The proposed EVSL for the forest products sector covers, among others, raw products in the sub-sectors wood and wood products and pulp, paper and paper products. The raw products under these include wood in the rough (logs), plywood, pulpwood, and waste paper.

The nominal tariff rate on imported logs stood at 10% in 1992 and was reduced to 3% in 1995. This was reduced to zero under the ASEAN CEPT arrangement. For pulpwood and waste paper, the nominal tariff rate had been at 3% from 1991 to 1998. For plywood, the nominal tariff rate stood at 15% in 1991, was reduced to 11.50% in 1995, only to be raised to 14.33% in 1996 and then reduced to 13.20% then 11% in 1997 and 1998, respectively.

Proposal: Remove all tariffs by 1 January 2002 on products falling under Chapter 44 and 49 and by 1 January 2004 on products falling under Chapters 46 and 49. The raw products under these include wood in the rough (logs) and pulpwood.

Fish and Fish Products

Current position: The proposed EVSL for the fish and fish products sector covers, among others, raw products in three species groups -- demersal finfish, pelagic finfish, and crustaceans. The TRP, which started in 1981 reduced average statutory duty from 43% to 28%. The second phase of the TRP implemented under EO 470 (effective 24 August 1991) decreased nominal average tariffs to 20%. Further tariff adjustments on agricultural products, including fish were instituted with the issuance of EO 288, 313 and 328. Average tariffs on raw materials of fish products decreased to 19.22% in 1996 from 53.6% in 1992. The current average nominal tariff on raw materials of fish products is 10.68%.

Proposal: In the area of tariffs, the proposal involves eliminating tariffs on the above products not later than 25 December 2005, convert specific duties to ad valorem rates and abolish compound rates starting 1 January 1999. Those products with 20% duty or less would be phased out quickly. As for non-tariff measures, these would be eliminated not later than 31 December 2007. Those fish products with subsidies and sanitary and phytosanitary measures that are inconsistent with the WTO agreement should be removed by 31 December 2003.

3 Findings: Survey of Perceptions on Liberalization

In preparation for the actual investigation of the dynamics of legislation on APEC-related legislation, this research team conducted interviews of selected respondents in an attempt to gauge sectoral perceptions on new APEC liberalization initiatives.

A critical step to the determination of the framework for the political economy of Philippine commitments in APEC is the identification of the players or interest groups that influence and are affected by the new legislation requirements. A sample of respondents were drawn from the following actors and interest groups:

- (a) Congress;
- (b) Government agencies;
- (c) Business sector;
- (d) the Academe;
- (e) Civil society groups, such as labor and religious organizations.

Representatives of these sectors were asked the following questions:

- (a) What is your view on the role of liberalization in development?
- (b) How strong is your position on the new APEC enabling legislation?
- (b) What are the means of advocacy you have used in promoting your world-view?

The general opinions regarding trade liberalization as a policy may be classified into two: one which views liberalization as either desirable or inevitable, and the other which is opposed to the notion. Those respondents who view liberalization favorably have, at the same time, expressed the point that safety nets must be put in place for sensitive sectors such as agriculture. There do not appear to be any interviewees opposed to the idea of the state providing a means of easing the inevitable economic dislocation that liberalization brings. Such instruments may include the provision of subsidies or the slowing down of the pace of liberalization. On the other hand, those generally uncomfortable with the general position of the Philippine government regarding liberalization are more likely to espouse ideas traditionally associated with the Left. What is interesting, however, is that in a few cases, the opposition is selective and different across industries (adamant when it comes to agriculture, yet willing when it comes to retail trade);

The pace of liberalization is an important theme that recurs within the interviews. There are those who would prefer to approach the policy cautiously given the economic conditions prevailing around Southeast Asia. In general, however, the

notion seems to be that consensus in favor of fulfilling Philippine commitments to APEC may be better gained if the government can put the proper safety nets in place. Very few of the respondents within the political mainstream seemed adamant about their views on liberalization. Most of them were willing to direct their efforts through more traditional channels of policymaking, such as the writing of position papers.

The awareness of specific commitments to APEC by the Philippines among interviewees appears to be relatively low, except for those who have direct involvement with APEC activities. There appears to be an information deficit especially between the executive branches of government, which take care of policy planning and advocacy, and the legislative branch made up of what may be better referred to as "generalists" -- who will, in the end, enact the enabling legislation. In many instances, interviewees were not able to meaningfully distinguish between APEC and the WTO as mechanisms for liberalization, and thus answered in terms of rather broad statements. One of the reasons for this state of affairs is the fact that there has only been one LEDAC meeting where the two branches of government are supposed to harmonize and prioritize legislative measures. During the Ramos administration, LEDAC met monthly. This has resulted in a much weaker consultative mechanism.

A table comparing the responses of the interviewees is found in Appendix B.

4 The Dynamics of Legislation on APEC Liberalization

4.1 Retail Trade

The most contentious issue in APEC-related legislation is the liberalization of the retail trade. President Joseph Ejercito Estrada has come out in the open in favor of the entry of foreign retailers with at least \$10 million in new capital for the next two years. After that period, the foreign retailers can only own up to 60% of a local retailing company.

Republic Act 1180, which was enacted in 1954, limits the operation of retail trade to Filipino nationals. The objective was to curb the alien dominance of retail trade and to give protection to the undercapitalized and inexperienced Filipino retailers.

The absence of competition has, however, enabled an oligopsony to hold retail trade captive to its interests. Prices, services and quality of consumer goods do not need to meet the standards of the world market, standards which Filipino consumers do not enjoy.

The protected retail trade sector has also posed barriers separating the consumer and the manufacturer. It is a seller's market in which consumers can only purchase from a small group of mega-retailers. From the point of view of local suppliers and manufacturers, it is a buyer's market because they have limited outlets through which they can reach the buyers of their products.

Filipino consumers and small manufacturers have, therefore, been subsidizing the retailers. Retail prices for locally manufactured products are higher than their

counterpart goods in other ASEAN countries. Affluent Filipinos are the only ones who can afford to go shopping abroad for goods that are not locally available.

This protectionist regime is not only inefficient but it also promotes complacency among local retailers. They are not motivated to improve their products and services because they are assured of a protected home market. In contrast, retailers from neighboring countries expand their operations overseas and aggressively compete with rival companies by constantly improving their products, services and facilities.

Proponents of liberalization claim that competition will reduce retail prices, increasing the purchasing power of consumers. The manufacturers will also benefit because retail trade liberalization will reduce prohibitive rentals on shelf space and difficult credit terms. Competition will also improve wages and terms of employment in the retail sector and expand employment opportunities in both the retail and manufacturing sectors.

Essentially, global retailing, according to them, will allow local consumers to buy goods at the least cost and local manufacturers to compete with producers in other countries for the world market. It will enable the economy to prepare for 2003 when the ASEAN Free Trade Agreement will be fully operational.

House Bill No. 7602 was prepared by the Committees on Trade and Industry and Economic Affairs in substitution of House Bills Nos. 23, 172, 788 and 879. The new bill seeks to repeal Republic Act No. 1180 and open up the retail trade sector to foreign investors, particularly in large-scale retail enterprises such as department stores and shopping malls. The bill also provides for the protection of small and medium scale enterprises and small retailers represented by "sari-sari stores."

The bill imposes a minimum capital requirement for foreign investors:

- Five million dollars (US\$5,000,000) or more for one hundred percent (100%) owned foreigners;
- Two million dollars (US\$2,000,000) per branch for enterprises specializing in high-end or luxury products and is located within shopping centers for one hundred percent (100%) owned by foreigners; and
- Two (2) years after the effectivity of this Act, foreign retailers entering the Philippines shall be allowed not more than sixty percent (60%) equity participation in retail trade enterprises in the above requirements.

Retail trade enterprises capitalized not exceeding P200, 000,000 remains reserved for Filipino citizens (including former natural born citizens of the Philippines) and corporations wholly owned by Filipino citizens.

There are safety nets provided, to allay the apprehensions of among small - and medium-scale enterprises and they are as follows:

1. To ensure that small foreign retailers cannot enter and compete directly with our sari-sari store-owners and small retailers, the bill provides that the Department of Trade and Industry will screen foreign retailers and allow entry only to those who shall operate at least five branches or franchises, and have a five-year track record in retailing;
2. The bill prohibits the use of mobile or rolling stores, carts, multi-level and door-to-door selling;
3. Each foreign retail branch must be capitalized at \$2 million or more and may only be established in shopping centers; and
4. No foreign retail store may be established outside the cities, and the municipalities of the National Capital region and the provinces of Cavite, Laguna, Rizal and Bulacan, unless authorized by the Sangguniang Bayan concerned.

In the Senate, the Committee on Trade and Commerce approved the bill of Senator Sergio Osmeña III (Senate Bill No. 153) with amendments. Senator Ramon Magsaysay Jr., the committee chairman, along with Senators Nikki Coseteng and Loren Legarda-Leviste, gave their dissenting vote.

The committee version, which is pending on second reading, authorizes foreign enterprises to engage or invest in retail trade according to the following formula: 100% foreign equity participation for entrant foreign retailers with a paid-up capital of P10 million; 60% foreign equity participation for foreign enterprises with a paid-up capital of P5 million (but for former natural-born Filipino citizens, the equity participation for this category is 100%). Enterprises with a paid-up capital less than P5 million will be reserved exclusively for Filipino citizens, corporations wholly owned by Filipino citizens, and former natural-born citizens of the Philippines.

Before a foreign retailer is allowed to engage in retail trade, he must have no less than \$50 million in paid-up capital in its mother corporation. He must have at least a track record of five years in retailing, and no less than five retailing branches or franchises in operation anywhere around the world unless such retailer has at least one branch capitalized at a minimum of \$25 million.

Supporters

The Department of Trade and Industry (DTI), Board of Investments (BOI), Department of Tourism, Commission on Philippine Overseas Workers and the National Economic and Development Authority (NEDA) were the lead government agencies that supported the enactment of the bill. NEDA emphasized that the objective of the proposed law was to liberalize retail trade to promote the welfare of small retailers and consumers as well as to encourage tourism. The DOJ and the Department of Finance, consistent with the executive branch's position on the matter, acquiesced on the bill's passage.

The Bangko Sentral ng Pilipinas gave the opinion that in establishing the appropriate floors on the allowable foreign equity participation for retail trade establishments, the prime consideration is to strike a balance between the need to establish an efficient and competitive retail trade sector and the desire to protect small

retail businesses. In view of this, the proposed bills reserved exclusively for Filipino ownership, retail establishments with a specified paid-in capital. This was set at US\$0.2 million under H.B. No. 23 and at P5 million under H.B. No. 788. It noted, however, the wide gap between the capitalization requirement reserved exclusively for Filipino retail trade businesses mentioned above and those for foreign retail trade establishments (which range from \$5.0 million to \$10 million under H.B. No. 23 and from P5 million to P10 million under H.B. No. 788). The Committee on Economic Affairs was enjoined to consider the possibility of narrowing the gap on the capitalization requirement without undermining the objective of protecting small retail establishments.

Given the current volatility of the exchange rate in the Asian region, the BSP suggested that the required equity investment in the final version of the bill be denominated in terms of US dollars in order to limit the need to update the amount of investment required.

Among the private entities, the Fort Bonifacio Development Corporation, Caltex Philippines Inc., and San Miguel Corporation believed that the Filipino retailers will successfully hurdle the challenges posed by the entry of foreign investors. They, likewise, stated that it would be an insult to prejudice the Filipino businessmen as being incapable of competing with foreign retailers. But while the American Chamber of Commerce and Industry and the Australian-New Zealand Chamber of Commerce and Industry were for liberalization with no minimum capitalization, the Consumer Union of the Philippines approved the liberalization with a formula: 100% foreign equity for enterprises with \$ 10 million dollars capitalization.

Academic and research communities like the U.P. College of Business Administration and the Philippine Institute for Development Studies (PIDS) concurred with the bill, observing that it contained provisions enhancing the local-foreign linkage and that forty (40) years of protectionism did not help industrialize the country.

Oppositors

Resisting retail trade liberalization are the Philippine Retailers Association, the Philippine Association of Supermarkets, *Kilusan Tungo sa Pambansang Tangkilikan*, and the U.P. Law Center, which are unfounded and based on sheer speculation.

The Philippine Retailers Association has been very articulate in opposing liberalization. Calling the retail trade sector "the last bastion of Filipino entrepreneurship," the association has published full-page ads in newspapers presenting its stand on the issue. It is supported by the Beverage Industry Association of the Philippines, which pointed out that the 350,000 *sari-sari* stores nationwide are the only source of earnings among many low-income families (*Today*, 14 December, 1998). The *Koalisyon Kontra Krisis* (KKK) launched a signature campaign against liberalization (*Philippine Daily Inquirer*, 1 December, 1998).

Last November, about 5,000 businessmen and members of cause-oriented and religious organizations marched to the Philippine Stock Exchange to protest the

government's compliance with IMF conditionalities and its support for retail trade liberalization (*Today*, 27 November, 1998). The Kilusan para sa Pambansang Demokrasya (KPD), the National Council for Economic Survival (NCES) and Kilusan tungo sa Pambansang Tangkilikan (KATAPAT) took turns in denouncing the proposed legislative measure.

The following are the principal arguments of the Philippine Retailers Association against retail trade liberalization:

1. *Retail liberalization will not automatically bring down retail prices and thus increase savings level of Filipino consumers.*

Prices of goods are not dependent on whether or not the retail industry is liberalized. Retail prices are dictated by the retailers' buying price and their gross margins. So long as manufacturers have to contend with high interest rates, high power costs, etc., they will not be able to price their manufactured goods at a lower level. As it is, margins for Philippine retailers are already the lowest --- perhaps in the world. Therefore, it was unfair for the bill to imply that the final consideration of how much the goods will be sold is solely dependent on the retailer.

2. *Liberalization will not increase profits of sari-sari stores owners.*

Sari-sari stores source their products from wholesalers -- not retailers. Wholesaling itself is not closed to foreigners. Therefore liberalizing the retail industry is not the answer if the objective is to enable sari-sari stores to get a better deal from their wholesalers, since wholesalers -- whether local or foreign -- have always been allowed to set up shop in the Philippines.

What will really help the sari-sari stores is access to distribution centers where they will not be discriminated against by size and volume of purchase.

3. *Liberalization will not create jobs.*

The entry of large foreign retailers will even displace local retailers, since foreign retailers enjoy a broader international network, are technologically superior and can afford larger discounts due to their high economies of scale. And since small and medium retailers, which constitute over 90% of the Philippine retail sector, account for almost 75% of the total employment in the retail sector, the resultant unemployment from displaced small and medium retailers will even result in more massive unemployment.

At the same time, it is not necessarily true that the establishment of new retail outlets will create new jobs. A study shows that for every 140 jobs created by Wal-Mart, 230 higher paying jobs are lost.

Also, expanded operations by manufacturing enterprises, which the bill claims will result in the creation of more jobs, is not an automatic result of the entry of foreign retailers. In fact, these large foreign retailers already have their own distribution and supplier base from which they derive economies of scale. It is hardly an assurance that they will source their products from local manufacturers, specially

since local manufacturers themselves are saddled by high interest, high power costs, etc. which they ultimately have to add on to the cost of their products to be sold to retailers.

4. Liberalization will not necessarily assist small and medium manufacturers.

Retail liberalization cannot ensure that these foreign retailers will purchase their stocks from local manufacturers. These foreign retailers will more likely than not, utilize their own distribution and supply chains from which they can derive their economies of scale. Neither can it guarantee that these foreign retailers will carry locally manufactured products in their stores whether here or abroad.

5. There are no guarantees that liberalization will provide higher wages and better conditions for employees in the retail trade sector.

Foreign retail establishments are not labor intensive operations. If at all, they will pay more for their expatriates who will manage the local operations, plus a few local managers. But the reality is, this will more likely result in rampant pirating of skilled and experienced employees, which have been trained by local retailers and will be lured to join these foreign retailers for better salaries at the expense of the local retailers. Again, local retailers are at a losing end.

Rep. Enrico Aumentado gave a privilege speech, calling for a cautious and thorough review of the Estrada Administration's program of liberalizing the retail trade industry. He anchored his call for a review on two grounds. The first is the possibility that the liberalization of the retail trade industry may infringe upon Article XII of the Constitution. He asserted that any retail trade liberalization measure must conform to the provisions of Article XII or else be considered unconstitutional. Secondly, liberalization may undermine if not kill the local retail trade industry which is the backbone of the economy in the countryside. Without safety valves, giant foreign retail enterprises in the Philippines can expand their tentacles to the countryside thereby endangering retail trade and exacerbating the unemployment problem threat.

Another privilege speech opposing liberalization was delivered by Rep. Wigberto Tañada. He manifested that it is his duty to speak on the proposed repeal of the Retail Trade Liberalization Act which will have grave consequences on the economy and the lives of the people. He stated that there is nothing pro-poor or remotely pro-labor about a policy that will most likely displace Filipino retailers and workers once foreign retail giants are allowed to operate inside the country, and that there is nothing pro-labor about a policy measure that will give the ordinary Filipino no real choice but to close down his business in the face of unfair competition.

The Philippine Chamber of Commerce and Industry (PCCI) argued that the present economic conditions do not yet warrant the opening of the retail sector considering its effects on the overall economy --- pressure on local manufacturers, balance of trade and employment losses. PCCI said that a P100 million (US \$2.5 million) capitalization can be justified but foreign equity must be limited to 40%, similar to the liberalization process employed in banking, construction and telecommunications.

Consumer organizations and cooperatives like the National Market Vendors Cooperatives, Chamber of Filipino Retailers, and the *Kilusan ng Mamimili sa Pilipinas* opposed the enactment of the bill.

Constitutionality

The Department of Justice rendered the opinion that the opening up of the Philippine retail trade sector to foreign investments under the proposed Retail Trade Liberalization Act faces no legal or constitutional obstacle. The principle of economic nationalism is enshrined under the 1987 Philippine Constitution based on the policy that the State shall develop a self-reliant and independent national economy effectively controlled by Filipinos. But notwithstanding the constitutional provision, Congress is given the power and discretion not only to prescribe the percentage for certain areas of investment but also the choice of the areas of investment limited to Filipinos subject of course, to the conditions that there is a recommendation from the economic and planning agency and that the national interest so dictates, although NEDA's recommendation is not indispensable.

The U.P. Law Center through its Institute of Government and Law Reform, however, differed with the position of the Department of Justice. Accordingly, the bill under consideration would lead to alien control of the retail trade, which, taken together with alien predominance in other areas of the economy brought about by other laws allowing alien participation, the same would negate the constitutional mandate that the economy should be effectively controlled by the Filipinos.

The Center further cited that "the Court sustained the constitutionality of the law (Retail Trade Nationalization law), even in the absence of express constitutional provisions mandating or authorizing nationalization of the retail business or, as contained in the 1987 Constitution provisions directing the legislature to reserve Filipino citizens or to Filipino controlled entities certain areas of investment. The 1987 Constitution categorically declares that the "State shall develop a self-reliant and independent national economy effectively controlled by Filipinos." In implementation thereof, it directs Congress (1) when the national interest dictates, to reserve to Filipino citizens or to entities, 60% of the capital of which are owned by Filipino citizens certain areas of investment, (2) to enact measures that will encourage the formation and operation of enterprises whose capital wholly owned by Filipinos; and (3) to give preferential treatment to Filipinos in the grant of rights, privileges and concessions covering the national economy and patrimony."

Chances of Passage

The leadership of the committees concerned with trade and commerce in both houses of the Congress does not seem supportive of the proposed bills amending the existing retail trade law. The Chairman of the House Committee on Trade and Industry, Rep. Marcial Punzalan, was quoted as saying that "the thing is not proper: the whole country is [reeling from the crisis], the country is put to pot, the economy is in [shambles] (*Today*, 14 December, 1998).

In an official communication sent by Senator Magsaysay, Jr. as Chairman of the Senate Committee on Trade and Commerce to President Joseph Estrada, the

former requested the deferment of the consideration of the Retail Trade Liberalization. The reasons given were the following:

1. *The enactment of the bill at this time is untimely considering that many countries are also reviewing their respective liberalization policies.* Many of the countries hit hard by the regional crisis are now reviewing their liberalization policies which are believed to be a major factor in the weakening of the financial viability of most developing nations. Liberalizing the retail trade sector now would be untimely and unpopular move. When the Philippines ratified the World Trade Organization-General Agreement on Tariffs and Trade in December, 1994, the government pledged that it will adopt measures geared towards economic competitiveness to forestall whatever negative consequences emerging from the said Agreement. As of this moment, a number of these measures and safety nets have not yet been set in place affecting the basic economic rights of the people.
2. *Its consideration is ill-timed as it further divides the nation.* The retail trade liberalization issue has elicited resistance from various groups, especially the small sari-sari storeowners and market vendors. Bringing up the retail trade liberalization would only succeed in a deeper disunity of Filipinos.
3. *Its historical significance vis-à-vis the sense of nationalism embedded in the law remains valid even up to the present.* The Retail Trade Liberalization Law (R.A. 1180), which was passed during the administration of President Ramon Magsaysay, is considered as one of the most revered policies in the statute books: "In the words of Rep. Wigberto Tañada, the basic merit of RA 1180 was its validity not only for the generation of that era but for succeeding generations." The office of Senator Magsaysay stressed that it could have an easy task for the framers of both the 1973 and 1987 Philippine Constitutions to open the sector and adapt it to global development: "But they decisively left the forty-four year old law intact, allowing it as a symbolic bastion of economic nationalism."

Given these views, there seems to be little chance that the retail trade liberalization bill will be enacted into law in the present session of the Eleventh Congress.

4.2 Financial Services

In the area of financial services, the Congress has been concentrating on amendments to the General Banking Act. Many lawmakers believe that reforms in the banking system have to be addressed first before they turn their attention to other financial institutions. Still others think that the liberalization in the banking sector has already addressed the Philippines' commitments to the liberalization of financial institutions under APEC and the WTO. It is also possible that the financial crisis has been associated by some congressmen with liberalization and may have served to discourage them from pushing for greater liberalization.

The Committee on Banks and Financial Intermediaries, chaired by Rep. Jose Macario Laurel IV, has presented House Bill No. 6814, which revises the General Banking Act (R.A. 337). It is currently subject to Second Reading.

In the proposed Revised General Banking Act of 1999, Filipino ownership requirement in new banks after the approval of the Act was reduced from at least 70% of the voting stock to at least 60% of the voting stock in such banks:

“Except as may otherwise be specifically provided by law: (a) at least sixty percent (60%) of the voting stock of any bank which may be established after the approval of this Act shall be owned by citizens of the Philippines; (b) the percentage of foreign-owned voting stock in any domestic bank existing as of the date of effectivity of this Act may be reduced and, once reduced, shall not be increased thereafter beyond forty percent (40%) of the voting stock of the bank; and (c) if the percentage of the foreign-owned voting stocks in any domestic bank existing as of the effectivity date of this Act is less than forty percent (40%) of the voting stock of such bank, this percentage may be increased to forty percent (40%) of the voting stock of the bank (Sec. 12).”

The second paragraph of Sec. 12 contains a new provision setting an absolute ceiling on the total foreign equity ownership in a bank regardless of the manner of acquiring such foreign-owned equity. As proposed in the bill, foreign-owned equity in a domestic bank may be acquired up to 40% of the voting stock or up to 60% of the voting stock as provided in the Bank Liberalization Act (RA 7721) and Thrift Banks Act (RA 7906):

“The aggregate foreign-owned voting stocks in a bank, whether acquired pursuant to the provision of this Act or under Subsections 2 (i) and (ii) of Republic Act No. 7721 and Section 8 of Republic Act No. 7906 or any other special law, shall in no case exceed sixty percent (60%) of the total voting stock of said bank.

“The limitations in the preceding paragraphs on the percentage of foreign-owned voting stocks shall also apply to a merged or consolidated bank arising from the merger or consolidation of two (2) or more domestic banks with foreign-owned voting stocks.”

Rep. Manuel Roxas II sponsored a bill entitled “The Revised Investment Act.” It aims at providing the legal framework and a favorable environment to stimulate the development of the mutual fund industry. Among others, an investment company will be allowed to sell securities within or outside the Philippines to both Filipinos and foreigners. Foreign nationals will be made eligible to become members of the Board of Directors, which is consistent with another provision allowing a mutual fund to issue shares to foreigners.

In the Senate, the “Revised Investment Company Act” bills of Senator Sergio Osmeña III and Senator Raul Roco are pending in the Committee on Banks. In the Roxas bill, foreigners are allowed to become Board members provided that the majority of the members are residents of the Philippines.

The House and Senate bills seek to amend Republic Act No. 2629 which President Carlos Garcia signed into law in 1960. Such law requires that all members of the Board of Directors of Investment companies be Filipino citizens. It does not,

however, restrict foreign equity in investment companies. Hence, an investment company may be 100% foreign-owned, but all its directors must be Filipino citizens. The proponents believe that unless that provision is amended to allow foreigners to sit in the Board of investment companies in proportion to their equity holdings, foreign investors will be reluctant to invest in the Philippines and the capital market, of which mutual funds form an integral component, will not fully develop.

4.3 Agriculture

In 1996, the Agricultural Tariffication Act (R.A. No. 8128) was passed. It replaced quantitative import restrictions on agricultural products, except rice, with tariffs. Designed to make the agricultural sector globally competitive, the law promotes the use of tariffs in lieu of non-tariff import restrictions to protect local agricultural producers. Rice, however, will continue to have quantitative import restrictions.

Consistent with the constitutional mandate of protecting Filipino firms against unfair trade, the government will employ anti-dumping and countervailing measures to protect local producers from unfair trade practices, instead of quantitative import restrictions.

To assist the agricultural sector in competing globally, farm productivity levels can be raised if the government will provide the necessary support services such as irrigation, farm-to-market roads, credit, research and development, post-harvest equipment and facilities, and market information.

To complement the Agricultural Tariffication Act, certain safety nets were proposed by the lawmakers. They took the form of (a) general safeguard measures, (b) countervailing duties and (c) anti-dumping duties.

General Safeguard Measures

The House Committee on Trade and Industry and the House Committee on Ways and Means propose House Bill No. 1613, "An Act to Govern General Safeguard Measures to be Taken in Response to an Increase in the Importation of Goods." These safeguard measures protect local industries from injury or threat of injury directly attributable to the increased importation of any article subject to tariff concessions and other obligations assumed under the World Trade Organization agreement.

In this proposal, any person belonging to a domestic industry may file with the appropriate Secretary (either of Trade and Industry or of Agriculture) a verified petition stating facts which establish the requisites necessary for the application of a safeguard measure, accompanied by documents in support of these facts. These requisites include (a) an increased importation of the product whether in absolute terms or relative to domestic production; (b) a serious injury or threat of such injury to a domestic industry that produces like or directly competitive products; and (c) a causal link between the increased imports of the products concerned and the serious injury or threat of such injury.

The Secretary may also initiate the action if he has reason to believe based on facts presented by an agency or interested party that a particular article, subject to an obligation including tariff concessions in the WTO, is being imported under conditions warranting the application of a general safeguard measure.

Pending in the Committee on Trade and Commerce are the bills of Senator Miriam Defensor Santiago and Senator Juan Flavio Velasco on General Safeguard Measures.

Countervailing Duties

Republic Act 8751, "An Act Strengthening the Mechanisms for the Imposition of Countervailing Duties on Imported Subsidized Products, Commodities or Articles of Commerce," integrates the bills on countervailing duties. Under this law, there will be a countervailing duty to be levied equal to the ascertained estimated amount of any bounty, subsidy or subvention upon its production, manufacture or exportation in the country of origin and/or exportation granted to any imported article. The Secretary has to determine if the importation is likely to injure an establishment of a Filipino industry. The injury criterion to a domestic industry would be applied only in case of imports from countries which adhere to the GATT Code on Subsidies and Countervailing Duties.

There is an existing law governing countervailing duties: Tariff and Customs Code of the Philippines as amended, Section 302. In accordance with RA 8751, the law has to be recast for the following reasons:

- It is inconsistent with the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures to which the Philippines is legally bound to follow.
- Retaining the existing law will likely cause the government to be taken to the WTO Dispute Settlement Body every time it is used. Protection is thus only temporary and costly.
- There are provisions in the existing law which are ambiguous and open-ended. Thus, the same may not afford adequate protection to the domestic industry.
- Provisional measure on the imposition of a countervailing bond under the existing law is not sufficient to counteract the effects of subsidization during the pendency of the application for the imposition of a countervailing duty.
- The period for the disposition of a countervailing case is unlimited, entailing lengthy processes and therefore costly on the part of the domestic industry.
- The jurisdiction over a countervailing case, as well as the conduct of a preliminary determination under the existing law are lodged with the Secretary of Trade and Industry or the Secretary of Finance. Countervailing action is a trade issue and therefore should be administered by the government agencies which are in better position to "smell" the existence of subsidization.

In the Senate, the Committees on Ways and Means, Trade and Commerce, and Constitutional Amendments prepared a revised version of the bills of Senators Juan

Ponce Enrile and Juan Flavio Velasco on Countervailing Duties. It has been approved on Third Reading.

Anti-Dumping Duties

RA 8752 integrates the various bills on the imposition of an anti-dumping duty. It defines an anti-dumping duty as a special duty imposed on the importation of a product, commodity or article of commerce into the Philippines at less than its prevailing market price, when destined for domestic consumption in the exporting country. The duty is calculated as the difference between the export price and the prevailing market price of such product, commodity or article.

Apprehensions in the Agricultural Sector

The above safety nets require immediate legislation if they are to provide protection to our farmers. The House committee bill on general safeguard measures has just been passed on the committee level last 25 May. The bills on countervailing duties of the House and the Senate are now in the conference committee which is tasked to reconcile the versions separately approved by the two chambers of the Congress. The House anti-dumping duties bill is now on the floor for Second Reading, while the Senate version has been approved on Third Reading.

Rep. Leonardo Montemayor, party list representative from the Alyansang Bayanihan ng Mga Magsasaka, Manggagawang-Bukid at Mangingisda (ABA), stated that in the next round of WTO negotiations, "the primary focus should not be on greater liberalization by developing countries but on making international trade fairer (Privilege speech, 18 August, 1998)." He pointed out that there are internal problems facing agriculture, with or without the WTO: "A large portion of the funds promised under the Master Plan were not actually delivered, partly due to budgetary constraints. With the current economic crisis, future support to agriculture will likely be even more inadequate. There have also been inefficiencies in fund usage and difficulties in project implementation (Ibid.)."

5 Conclusions and Recommendations

The main impediments to legislation that promotes liberalization appear to be the following:

- (3) **Inadequacies in Leadership in the Executive and Legislative Branches.** Compared to the previous administration, the President and Speaker of the House of Representatives are perceived to be less assertive in pushing for a pro-liberalization legislative agenda. The Legislative-Executive Development Advisory Council (LEDAC) does not meet regularly, in contrast to the time of former President Fidel Ramos and former Speaker Jose de Venecia, who were both accomplished coalition builders.

While the present administration enjoys the support of the majority of congressmen, there are much more of them who have to be rewarded with

committee chairmanships and memberships. The number of standing committees has ballooned to 42, and special committees have increased to 20. This has slowed down the legislative process and is mainly responsible for the low output of bills passed. There is also substantial number of eager, neophyte congressmen who are fond of long interpellations. Among many older members, there is the penchant for delivering “personal” or “collective” privilege speeches.

Moreover, the majority of congressmen have little familiarity with and interest in APEC matters. Many of them spend much of their time attending to the needs of their constituencies.

- (4) **Existence of entrenched special interest groups and lobbies.** This appears to be especially true in the retail trade and agricultural sectors. The impact of these special interest groups is not as widely felt, it seems, in the banking sector. This may be explained in terms of the specific factors model which states that any move toward liberalization is likely to adversely affect the owners of those factors which are specific to an industry – that is to say, are less easily used in another. Since banking is a service-oriented industry, it may be argued that the labor used here is more mobile than, say, land in agriculture. It also helps that the Commission on Banking Reforms, which had the full cooperation of the Banker’s Association of the Philippines, had finished its work and succeeded in building a consensus and a coalition for the purpose of instituting needed reforms in the banking sector.
- (5) **Absence or inadequacy of infrastructure that would allow industries to compete.** A frequent observation which occurs among the interviewees is that the consensus toward liberalization would be built on stronger ground if the infrastructure needed to make local industries more competitive existed. Such infrastructure may be physical, in the form of roads and bridges, or it may be social, such as in the form of safety nets for marginalized workers. The point seems to be that liberalization has been sufficiently accepted at the intellectual level, but the cost of adjustment is still relatively high and may be brought down by a more concerted effort to provide the necessary competitiveness-enhancing measures. The reaction of the labor sector is a matter of particular concern for the congressmen who always consider public opinion in their respective constituencies.
- (6) **Ambivalence regarding the supposed gains from liberalization.** Reservations come largely from respondents who have professed little faith in the “invisible hand” of market forces or of the “trickle-down” mechanism to begin with. There are gains from liberalization, to be sure. However, they fear that such gains may not automatically reach the sectors where they are needed, and thus increase income inequality – both across and within nations. As such, government intervention, perhaps through redistributive measures as safety nets and progressive taxes, is argued to be necessary.

Since globalization appears to be an irreversible process, our lawmakers must be more aware of their responsibility to help reduce the cost of adjusting toward a more liberalized trading environment and thus lessen the frictions associated with the transition. However, it must be noted that liberalization efforts, especially those that have been concluded in a multilateral framework, are more likely to produce the sort of pressure that will generate a stronger degree of commitment from the implementing government. In this sense, it produces the necessary momentum that is needed to address structural problems more aggressively, both for the short term and the long term.

This paper submits the following recommendations:

- (a) **Capacity Building and Competitiveness-Enhancing Measures.** These include the provision of irrigation facilities and farm-to-market roads in the agricultural sector, as well as improvements in the quality of bureaucratic service. The smooth operation of a market system is premised upon the existence of such things as a reliable civil service as well as the requisite physical infrastructure. Judicious investments in such areas of the economy will not only improve the overall productivity of our resources, but will also allow for faster adjustment and inter-sectoral transfer of labor and capital.
- (b) **Greater coordination among beneficiaries of liberalization; coalition-building.** It is in the nature of the liberalization process that those who stand to gain from it are often the large, yet unorganized majority while those who stand to be adversely affected are the small yet disproportionately represented minority. One clear way to break any impasse in the process of consensus-building within Philippine society is for the government to undertake consolidation efforts among those parties sympathetic to our APEC commitments. It may be inferred from the results of the interview that the socio-demographic profile of the average pro-APEC citizen is likely to be middle-class, educated, working in the service sector with a consumption basket that has a large import component.

Such activities may consist of business forums, conferences or media projects designed to generate support for the policy. This becomes particularly relevant in the Philippines since the consumer market, although large, has historically been for the most part difficult to organize. If the proper efforts are undertaken, consumers may provide the biggest leverage against entrenched lobbies, as they are likely to be supported by the emerging generation of congressmen coming from the entrepreneurial and professional backgrounds. The result will be a more extensive democratization of economic activity.

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APPENDIX A

COMPARATIVE MATRIX OF THE COMMITTEE REPORT NO.41 RE: SENATE BILL NO. 153
AND COMMITTEE REPORT NO. 314 RE: HOUSE BILL NO. 7602

<p>Committee Report No. 41 Re: Senate Bill No. 153 (as amended)</p>	<p>Committee Report No. 314 Re: House Bill No. 7602</p>
<p>Introduced by Senator Sergio Osmeña III</p>	<p>Introduced by Honorable Punzalan, Recto, Teves, Teodoro, Alvarez, (H), Ledesma, Sarmiento (R), Loreto-Go, Liban, Romualdo, Verceles, and all the other Members of the Committees on Trade and Industry and Economic Affairs</p>
<p>AN ACT LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR <i>THE PURPOSE REPUBLIC ACT NO. 1180, AS AMENDED, AND FOR OTHER PURPOSES</i></p>	<p>AN ACT LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 1180, AS AMENDED, AND FOR OTHER PURPOSES</p>
<p>SECTION 1. <i>Title.</i> – This Act shall be known as the “Retail Trade Liberalization Act of 1999”.</p>	<p>SECTION 1. <i>Title.</i> – This Act shall be known as the “Retail Trade Liberalization Act of 1999”.</p>
<p>SECTION 2. <i>Declaration of Policy.</i> – It is the policy of the State to attract, promote and welcome from domestic and foreign individuals, partnerships, associations, and corporations productive investments that will bring down prices for the Filipino consumer, PROMOTE INVESTMENTS [stimulate economic growth], create more jobs, promote tourism, assist small manufacturers, STIMULATE ECONOMIC GROWTH and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector.</p> <p>Pursuant to this policy, the Philippine retail industry is hereby liberalized to encourage Filipino and foreign investors to forge an efficient and</p>	<p>SECTION 2. <i>Declaration of Policy.</i> – It is the policy of the State to promote consumer welfare in attracting, promoting and welcoming foreign individuals and productive investments that will bring down prices for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector.</p> <p>Pursuant to this policy, the Philippine retail industry is hereby liberalized to encourage Filipino and foreign investors to forge and efficient and competitive retail trade sector in the interest of empowering the Filipino</p>

<p>competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.</p>	<p>consumer through lower prices, higher quality goods, better services and wider choices.</p>
<p>SECTION 3. Definition. – As used in this Act, “retail trade” shall mean any act, occupation or calling of habitually selling merchandise, commodities or goods in small quantities directly to the ultimate consumer for personal or household consumption, excluding the following, to which the restrictions of this law shall not apply:</p> <p>a) Sales by a manufacturer, processor, laborer, or worker, to the general public the products manufactured, processed or produced by him if his capital does not exceed one hundred pesos (P100,000);</p> <p>b) Sales by a farmer or agriculturalist selling the products of his farm;</p> <p>c) Sales by a manufacturer or processor to industrial and commercial users or consumers who use the products bought by them to render service to the general public and/or to produce or manufacture goods which are in turn sold by them;</p> <p>d) SALES IN RESTAURANT OPERATIONS BY [A] A hotel owner or INN-keeper [operating a restaurant], irrespective of the amount of capital, provided that the restaurant is incidental to the hotel business;</p> <p>e) Sales by a manufacturer or processor to the government or its agencies, including government owned and controlled corporations.</p>	<p>SECTION 3. Definition. – As used in this Act, the following shall mean:</p> <p>1. “Retail trade” is any act, occupation or calling or selling merchandise, commodities or goods directly to the end consumer for personal or household consumption excluding sales in restaurant operations by a hotel owner or inn-keeper, irrespective of the amount of capital, provided that the restaurant is incidental to the hotel business.</p> <p>2. “Shopping center” is a modern retailing complex open or enclosed, in which at least twenty (20) retail establishments are operating. Its boundaries shall include its parking lots.</p>
<p>SECTION 4. Foreign Equity Participation. – Foreign partnerships, associations, and corporations not otherwise disqualified by the Constitution or by law, may, upon registration [,] with the Securities and exchange Commission and the Department of Trade and Industry, or in case of single proprietorships, with the Department of Trade and Industry, engage or invest in the retail business, subject to the following categories:</p> <p>Category A – Enterprises with a paid-up capital of less than [Five] ONE HUNDRED million pesos [(P5,000,000)] (P100,000,000) shall be</p>	<p>SECTION 4. Treatment of former Filipino Citizens. – The term “Filipino citizens” under this Act shall include former natural born citizens of the Philippines.</p>

reserved exclusively for Filipino citizens AND [,] corporations wholly owned by Filipino citizens [and former natural born citizens of the Philippines];

[Category B – Enterprises with a paid-up capital of at least Five million pesos (P5,000,000) but less than Ten million pesos (P10,000,000), shall qualify for foreign equity participation of up to sixty percent (60%): *Provided*, That former born citizens of the Philippines shall be qualified to one hundred percent (100%) equity participated;]

Category [C] B – enterprises with a paid-up capital of [Ten] **ONE HUNDRED** million pesos [(10,000,000)] (**P100,000,000**) or more may be one hundred percent (100%) owned by foreigners;

CATEGORY C – ENTERPRISES SPECIALIZING IN HIGH-END OR LUXURY PRODUCTS WITH A PAID-UP CAPITAL OF ONE MILLION PESOS (P1,000,000) PER BRANCH MAY BE OWNED ONE HUNDRED PERCENT (100%) BY FOREIGNERS: PROVIDED, THAT SUCH BRANCH IS LOCATED WITHIN SHOPPING CENTERS.

Provided, That [,] for purposes of this Act, the term Filipino citizens shall include former natural born citizens of the Philippines.

Provided, **FURTHER**, That [,] **FOREIGN RETAILERS ENTERING THE PHILIPPINES** [FIVE] **TWO (2)** years after the effectivity of this Act, [one hundred] **SHALL BE ALLOWED NOT MORE THAN SIXTY PERCENT** [100%] (60%) [foreign] equity participation [shall be allowed] In retail trade enterprises **IN CATEGORIES B AND C** [with a minimum paid-up capital of Five million pesos (P5,000,000): *Provided*, That foreign investors in Category B enterprises shall not be allowed options to buy any part of its local partner's equity].

[*Provided, further*, That, all retail trade enterprises in which foreign ownership exceeds 75% shall offer a minimum of thirty percent (30%) of its equity to the public through any stock exchange in the Philippines within ten (10) years of start of operations while those enterprises with foreign ownership between sixty percent (60%) and seventy five percent (75%) shall offer a minimum of fifteen percent (15%) of its equity to the public.]

Foreign investors shall secure a certification from the *Bangko Sentral ng Pilipinas (BSP)* **AND THE DEPARTMENT OF TRADE AND INDUSTRY**, which will verify or confirm inward remittance of the minimum required capital investment.

[For enterprises classified under Categories B and C, the minimum paid-up capital requirement for each branch situated within shopping centers shall be One million pesos (P1,000,000) and Five million pesos (P5,000,000) for branches not located within shopping centers.]

As contrasted against public markets, a shopping center is a modern retailing complex open or enclosed, in which at least twenty (20) retail establishment are operating. It [']s boundaries shall include its parking lots. The Department of Trade and

Industry shall be authorized to approve shopping centers where foreign retail branches **WITH PAID-UP CAPITAL OF** [capitalized at less than] One million pesos (P1,000,000) **OR MORE** may be [situated] **ESTABLISHED**.

Foreign retail stores shall be established only in cities, **AND IN** [but] municipalities within the National Capital Region **AND IN THE PROVINCES OF CAVITE, LAGUNA, RIZAL, AND BULACAN** [are also included.]: **PROVIDED, HOWEVER, THAT** foreign retail stores may be established in municipalities outside the [National Capital Region] **AFOREMENTIONED AREAS** upon submission to the **SECRETARY OF THE DTI** of a board resolution from the concerned Sangguniang Bayan requesting that foreign retailers be permitted to conduct business in their municipalities. *Provided further*, That 'said Sangguniang Bayan shall not discriminate among foreign retailers.

SECTION 5. Requirements for foreign Retailers. Any Foreign retailer, before being allowed to engage in the retail trade in the Philippines, must have no less than;

a. Fifty-million U.S. dollars (US\$50,000,000) in paid-up capital in its mother corporation; and

SECTION 5. Foreign Equity Participation. – Foreign partnerships, associations, and corporations not otherwise disqualified by the Constitution or by law, may, upon registration with Securities and Exchange Commission (SEC) and the Department of Trade and Industry (DTI), or in case of single proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following categories:

<p>b. Five (5) retailing branches or franchises in operation anywhere around the world unless such retailer has at least one branch capitalized at a minimum of twenty-five million US dollars (US \$25,000,000); and</p> <p>c. Five (5) year track record in retailing.</p>	<p>Category A – Enterprises with a paid-up capital not exceeding Two hundred million pesos (P200,000,000) shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens;</p> <p>Category B – Enterprises with a paid-up capital of Five million dollars (\$5,000,000) or more may be one hundred percent (100%) owned by foreigners;</p>
<p>The Department of Trade and Industry is hereby authorized to pre-qualify all foreign retailers before they are allowed to conduct business in the Philippines.</p>	<p>Category C – Enterprises specializing in high end or luxury products with a paid-up capital of Two million dollars (US\$2,000,000) per branch may be owned one hundred percent (100%) by foreigners: <i>Provided</i>, That such branch is located within shopping centers.</p> <p><i>Provided, further</i>, That participation in retail trade enterprises in Categories B and C shall be limited to not more than sixty percent (60%) two (2) years after the effectivity of this Act.</p> <p>Foreign investors shall secure a certification from the <i>Bangko Sentral ng Pilipinas (BSP)</i> and the DTI, which will verify or confirm inward remittance of the minimum required capital investment.</p> <p>Foreign retail stores shall be established only in cities, and in municipalities within the National Capital Region and in the provinces of Cavite, Laguna, Rizal, and Bulacan: <i>Provided</i>, however, That foreign retail stores may be established in highly-urbanized cities and municipalities outside the aforementioned areas upon submission to the Secretary of the DTI of a board resolution from the concerned Sangguniang Bayan requesting that foreign trade retailers be permitted to conduct business in their cities or municipalities. <i>Provided, further</i>, That said Sangguniang Bayan shall not discriminate among foreign retailers.</p>
<p>[SECTION 6. Foreign Companies with Existing Franchise Agreements. Any existing franchise agreement between a foreign franchisor and a Filipino franchisee operating a store or stores exclusively offering a particular line or products or services shall be respected. The foreign franchisor shall not be allowed to compete against its local franchisee by opening a wholly or partially owned store selling the same product line, using the same trade name or offering</p>	<p>SECTION 6. Requirements of Foreign Retailers. – Any foreign retailer, before being allowed to engage in the retail trade in the Philippines, must have no less than:</p>

<p>the same service for a period of ten (10) years from the effectivity of this Act, unless the local franchisee agrees otherwise. However, the foreign franchisor, subject to the approval of its local franchisee, may acquire up to a maximum of forty percent (40%) in the equity of the Philippine franchise.]</p> <p>[For purposes of this Act, franchise shall be defined as a contract between a foreign company and a Filipino national to operate a store or stores utilizing the foreign company's patented product and/or services or a store or stores dedicated to a specific brand or line of products within the Philippines. Dealerships and distributorships are not covered by this section.]</p>	<p>a. Five (5) retailing branches or franchises in operation anywhere around the world unless such retailer has at least one branch capitalized at a minimum of twenty-five million US dollars (US\$ 25,000,000); and</p> <p>b. Five (5) years track record in retailing.</p> <p>The DTI is hereby authorized to pre-qualify all foreign retailers before they are allowed to conduct business in the Philippines.</p>
<p>[SECTION [7] 6. <i>Negative List.</i> – Qualified foreign retailers shall not be allowed to engage in certain retailing activities such as retailing through mobile or rolling stores or carts, multi-level selling, and door-to-door selling AND SUCH OTHER SIMILAR RETAILING ACTIVITIES.</p>	<p>SECTION 7. <i>Requirement of Foreign Retail Branches.</i> – The DTI shall be authorized to approve shopping centers where foreign retail branches with paid-up capital of Two million dollars (US\$ 2,000,000) or more may be established.</p>
<p>Section [8] 7. - <i>Implementing Agency; Rules and Regulations.</i> The monitoring and regulation of foreign sole proprietorships, partnerships, associations, or corporations allowed to engage in retail trade shall be the responsibility of the Department of Trade and Industry.</p> <p>The Department of Trade and Industry, in coordination with the Securities and Exchange Commission, the National Economic Development Authority, and the <i>Bangko Sentral ng Pilipinas</i> shall formulate and issue the implementing rules and regulations necessary to implement this Act within ninety (90) days after its approval [Act].</p>	<p>SECTION 8. <i>Negative List.</i> – Qualified foreign retailers shall not be allowed to engage in certain retailing activities such as retailing through mobile or rolling stores or carts, multi-level selling, and door-to-door selling, dealerships and such other similar retailing activities. <i>Provided,</i> That a detailed negative list shall hereafter be formulated by the DTI, identifying specific industries or business sectors and activities.</p>
<p>SECTION [9] 8. <i>Penalty Clause.</i> – Any violation of this Act shall be punished by imprisonment of not less than one (1) year but not more than (5) years and by a fine of not less than One million pesos (P1,000,000) but not more than ten million pesos (P10,000,000). In the case of associations, partnerships or corporations, the penalty shall be imposed upon its partners, president, directors, manager and other officers responsible for the violation. If the offender is not a citizen of the</p>	<p>Section 9. - <i>Implementing Agency; Rules and Regulations.</i> The monitoring and regulation of foreign sole proprietorships, partnerships, associations, or corporations allowed to engage in retail trade shall be the responsibility of the Department of Trade and Industry.</p> <p>The DTI, in coordination with the SEC, the National Economic Development Authority (NEDA), and BSP, shall formulate and issue the implementing rules and regulations necessary to implement this Act within ninety (90) days after its approval.</p>

<p>SECTION [10] 9. <i>Repealing Clause.</i> – Republic Act No. 1180, AS AMENDED is hereby repealed. All other laws, executive orders, rules and regulations or parts thereof inconsistent with this Act are repealed or modified accordingly.</p>	<p>SECTION 10. <i>Penalty Clause.</i> – Any person who shall be found guilty of violation of any provision of this Act shall be punished by imprisonment of not less than one (1) year but not more than (5) years and by a fine of not less than One million pesos (P1,000,000) but not more than ten million pesos (P10,000,000). In the case of associations, partnerships or corporations, the penalty shall be imposed upon its partners, president, directors, manager and other officers responsible for employee, he shall, in addition to the penalty prescribed herein, be dismissed from the public service, perpetually disqualified from engaging from holding any public office.</p>
<p>SECTION [11] 10. <i>Separability Clause.</i> - If any provision of this Act shall be held unconstitutional, the other provisions not otherwise affected THEREBY shall remain in force and effect.</p>	<p>SECTION 10. <i>Repealing Clause.</i> – Republic Act No. 1180, is hereby repealed. All other laws, executive orders, rules and regulations or parts thereof inconsistent with this Act are repealed or modified accordingly.</p>
<p>SECTION [12] 11. <i>Effectivity.</i> This Act shall take effect fifteen (15) days after its [approval and] publication in at least two (2) newspapers of general circulation [in the Philippines].</p> <p>Approved.</p>	<p>SECTION 11. <i>Separability Clause.</i> - If any provision of this Act shall be held unconstitutional, the other provisions not otherwise affected thereby shall remain in force and effect.</p>
	<p>SECTION 12. <i>Effectivity.</i> This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.</p> <p>Approved.</p>

APPENDIX B

COMPARATIVE PERCEPTIONS OF APEC (BASED ON INTERVIEWS)

Government-Legislative

Players	Worldview on APEC + other Issues	Means of Influences
I Generational		
Rep Ace Durano, Cebu	<p>Retail Trade Lib: matter of timing; need to give incentives to Filipino retailers; no to speedy liberalization.</p> <p>Financial Lib: need to liberalize to acquire financial technology; banks should go toward consumer lending.</p> <p>Agricultural Lib: politics and economics are head to head; legislators should manage political and economic implications of agri-lib.</p>	<p>Neophyte solon who sends ideas to Congressional Planning and Budget Office for consideration. Also builds industries in his district to promote economic activity.</p>
Rep Edmund Reyes, Marinduque	<p>Retail Trade Lib: sees no linkage between retail trade lib and development.</p> <p>Financial Lib: in favor of liberalization as there is no choice but to promote free flow of capital and investment.</p> <p>Agricultural Lib: need government intervention in the form of cheaper credit, inputs, farm to market roads and storage facilities.</p>	<p>Active as member of Committees on Agriculture, Trade and Industry, Appropriations, Ways and Means.</p>
II Regional		
Rep Wigberto Tañada (Luzon)	<p>Against liberalization in all new areas.</p>	<p>Attends congressional hearings, writes position papers on issues related to economic nationalism.</p>
Rep Salceda	<p>In favor of retail trade liberalization.</p> <p>Financial Lib: feel that institutional western framework inadequate; capital should be mobile but market ethics is the key.</p> <p>Agricultural Lib: gradual and minimal liberalization; have to correct policy distortions to alleviate social costs; level playing field by helping farmers.</p>	<p>Writes position papers and cannot be swayed with his praxis. In favor of greater competition and counts House Speaker Villar as an ally.</p>
Rep Mar Roxas (Visayas)	<p>See comments as LAMP party leader.</p>	

<p>Rep Neric Acosta (Mindanao)</p>	<p>Retail Trade Lib: favors gradual liberalization of retail trade; believes economic nationalism is dead but cannot fully liberalize if [it] means more problems.</p> <p>Financial Lib: legislators must be careful due to some feeling that it might have been responsible for the Asian financial crisis.</p> <p>Agricultural Lib: against; must not be subjected to market forces as it is not yet controllable.</p>	<p>Strong position on developmental issues; advocacy includes research and participates in debates and deliberations; will advocate beliefs without antagonizing colleagues in Congress.</p>
<p>III Political Parties</p>		
<p>Rep Florencio Abad (Liberal)</p>	<p>Retail Trade Lib: against casualisation of labor; in favor of liberalization only on the level of big retailers.</p> <p>Financial Lib: country is not strong enough for global competition; however, consumers should also be protected from high prices.</p>	<p>Involved in Congressional Committee on Agriculture.</p>
<p>Rep Mar Roxas (LAMP)</p>	<p>Retail Trade Lib: pro-liberalization and suggests 60-40 arrangement in favor of foreign investors; favors setting of \$100M investment minimum with 2 sites, implementation within 3 to 5 years.</p> <p>Financial Lib: pro-liberalization of banks and investment houses.</p> <p>Agricultural Lib: more complicated; need to balance competing interests of produces and consumers; need to make farmers more competitive with training and capital.</p>	<p>As majority floor leader, carries influence in deliberations; aims an increasing majority of LAMP.</p>
<p>Rep Montemayor (Party List ABA)</p>	<p>Retail Trade Lib: has concerns about regional blocs and cautious about further liberalization.</p> <p>Financial Lib: prefers to adopt cautious attitude given prevailing conditions.</p> <p>Agricultural Lib: carries concerns about food security; need to maximize benefits for farmers.</p>	<p>Advocacy work involves networking with the media and academe. Fought for the reduction of tariffs for industrial products to benefit farmers.</p>

<p>Rep Diogenes Osabel (ALAGAD)</p>	<p>Retail Trade Lib: in favor, as cheaper goods to benefit consumers.</p> <p>Financial Lib: cautious, since if foreign banks borrow from local banks, move will be counter-productive.</p> <p>Agricultural Lib: government should come up with safety nets and impact analysis.</p>	<p>Position is open and advocates views in congressional hearings; no longer encourages rallies and mass demonstrations; would suggest seeking views of economic nationalist.</p>
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Government-Executive

Players	Worldview on APEC + other Issues	Means of Influences
<p>Sen Sergio Osmeña, Jr.</p>	<p>Trade is an important stimulant to growth; promotes greater equality amongst nations; rewards efficient sectors.</p> <p>Agriculture and retail trade are traditional industries and are important as inefficiencies tend to cascade over a substantial portion of the economy.</p> <p>Tariffs and subsidies are a deterrent to development in the long run; favors unilateral trade liberalization.</p>	<p>As senator, looks to change the fact that the majority of beneficiaries are often uninformed.</p>
<p>Ms. Ching dela Peña (consultant for the Department of Agriculture: Agribusiness System Assistance Programme)</p>	<p>No choice but to liberalize; need benefits of growth and economies of scale and spread of technology.</p> <p>We are minor players within the WTO and the cost of not joining is still greater than the cost of joining.</p> <p>Liberalization in the agricultural sector will not kill us; after all, the sugar industry is still around despite complaints; WTO commitments have forced government to devote a larger slice of the budget pie to agriculture; need to provide competitiveness-enhancing measures and prepare bureaucracy.</p>	<p>All preliminary position papers are backed by public consultations. Afterwards, they are submitted to the Department of Agriculture and then to an inter-agency conference about APEC in which different sectors are represented.</p>
<p>Ms. Tetet Calavia (consultant for policy analysis and advocacy assistance, DAI-AGILE with funding from DoF and USAID.)</p>	<p>Liberalization increases the number of people with access to benefits; problems have already been forecasted since WTO ratification; sad that competitiveness-enhancing measures for agriculture are not in place yet.</p> <p>Already have adequate safeguards for agriculture in the form of tariffs and exchange rates; deterrents exist and if government can find dumping, may unilaterally raise tariffs.</p>	<p>Agency helps policy analysis and provides options which it then submits to NEDA or final recommendation.</p>

Players	Worldview on APEC + other Issues	Means of Influences
<p>Dr. Walden Bello UP Department of Sociology and National College of Public Administration and Governance</p>	<p>Any moves toward liberalization should be aimed at strengthening a nation's economic capacity, promoting equity, national security, sovereignty and democracy. Unfortunately, these things seem to be left out of the discussion; power relations are unimportant in economies; it does not seem to bother us that 70% of our development is not determined here.</p> <p>APEC is no longer viable since the US has lost interest and has become much more insular; need to respond by forming EAEC and encourage Japanese trade and investment.</p>	<p>Has international influence, being the co-director of Focus on the Global South based in Chulalongkorn, Thailand.</p> <p>Chairman of AKBAYAN – an NGO which pursues objectives of analysis, advocacy and networking with civil society groups.</p> <p>Carries out advocacy work in Washington; testifies at US congressional hearings; builds left-right coalitions.</p>
<p>Dr. Francisco Nemenzo UP Department of Political Science</p>	<p>Retail trade liberalization does not contribute to development, but instead only distorts consumption habits of Filipinos and kills off <i>sari-sari</i> stores.</p> <p>Agricultural Lib has allowed the entry of foreign products which has just created acquired tastes, just as those for apples.</p>	<p>Asserts APEC is paralyzed, if not dead.</p> <p>Joins Peoples Forum: represented in Congress through Etta Rosales and Walden Bello; writes a column in a newspaper.</p>
<p>Dr. Edberto Villegas IBON Facts and Figures</p>	<p>Against retail trade lib since retail trade is the last bastion of Filipino entrepreneurship; flood of cheaper goods will stop after foreign penetration strategies have been successful.</p> <p>Against financial lib since banks give preferential loans to TNCs and discriminate against small firms; repatriation of profits outweighs level of initial investment.</p> <p>Against agricultural lib since US just wants to dump its surplus: importing agricultural goods is not good for food security.</p>	<p>Means of advocacy is through IBON Facts and Figures and attending rallies and demonstrations against TNCs.</p>

Private Sector

Players	Worldview on APEC + other Issues	Means of Influences
<p>Mr. Edwin Glindro Philippine Chamber of Commerce and Industry</p>	<p>Development must be mass-based and lies in encouraging micro to SMEs.</p> <p>Liberalization cannot be stopped: forces people to become more competitive and innovative.</p> <p>EVSL is evidence that pacing of liberalization is all right; agriculture is last to be liberalized, anyway.</p>	<p>Seven previous PCCI board members have been given cabinet positions or influential.</p> <p>Advocacy through 100-day Action Agenda for the President: 7000 PCCI members, 100 local chambers, 192 industry associations.</p> <p>PCCI trains trainers, holds conferences amongst members.</p>
<p>Ms. Julie Chater First Political Officer Australian Embassy</p>	<p>Liberalization encouraged because of general economic gains, higher levels of investment; Australian experience has shown that it is tough convincing voters to accept; need safety nets for sensitive industries. Despite this, however, Australia is at the forefront of liberalization efforts in the food and energy sectors.</p> <p>Sugar has caused some bilateral problems with RP; issue of minimum access volume is a sticking point; attempts to hold dialogues on plant research are in place; against CEPT scheme.</p>	<p>Carries out market access dialogues with various government agencies.</p>
<p>Mr. Robert Sears President American Chamber of Commerce of the Philippines</p>	<p>Liberalization is good because of its effects on wealth distribution, creation of jobs and pressure to maintain government transparency.</p> <p>In the Philippines, pace is alright in banking sector, although retail trade lib should proceed more quickly; need amendments to the condo laws and omnibus energy code.</p> <p>Recommends switching customs code from HCV base to export value base: exploring possibility of business visa.</p>	<p>Advocacy work involves testifying at hearings and giving out position papers.</p> <p>ACCI exists for the purpose of helping American businesses operating in the Philippines by providing an information base, etc.</p>

<p>Dr. Noel Ravalo Chief Economist Bankers Association of the Philippines</p>	<p>Hard for bankers to understand macro concepts, but will support rational development policies.</p> <p>As a rule, it is easy to liberalize – what is difficult is to harmonize, especially considering underdeveloped capital markets within certain countries in APEC, including ours.</p>	<p>Advocacy involves testifying in Congress although difficult since many solons have superficial understanding of how the banking sector works or what bankers do.</p>
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Civil Society

Players	Worldview on APEC + other Issues	Means of Influences
<p>Sister Anna Haydee Librojo Canosian Sisters St. Magdalene Foundation for Collaborative and Creative Ministries</p>	<p>Ambivalent about retail trade lib: suggests that local content in products being sold should be obligatory.</p> <p>Need stricter controls on finance to prevent capital being concentrated in the few; skeptical about trickle-down effect.</p> <p>Agriculture lib will harm farmers; food is a basic need and should be made sufficient through local production; what are needed are infrastructures to increase productivity.</p>	<p>Advocacy carried out through education, dialogue and encounters with people’s organizations.</p>
<p>Mr. Alex Aguilar Trade Union Congress of the Philippines</p>	<p>In favor of retail trade lib since increase in labor demand will cushion effects of dislocation; will also bring in cheaper goods.</p> <p>In principle, financial lib will bring down interest rates, but other effects on labor must be studied.</p> <p>Given that many farmers are wage earners, government should provide safety nets for farm laborers through retraining, etc.</p>	<p>TUCP has been consulted by the Senate on economic policies and has agreed to liberalization measures for as long as Senate promised to allocate support funds for dislocated workers.</p>

Players	Worldview on APEC + other Issues	Means of Influences
<p>Dr. Walden Bello UP Department of Sociology and National College of Public Administration and Governance</p>	<p>Any moves toward liberalization should be aimed at strengthening a nation's economic capacity, promoting equity, national security, sovereignty and democracy. Unfortunately, these things seem to be left out of the discussion; power relations are unimportant in economies; it does not seem to bother us that 70% of our development is not determined here.</p> <p>APEC is no longer viable since the US has lost interest and has become much more insular; need to respond by forming EAEC and encourage Japanese trade and investment.</p>	<p>Has international influence, being the co-director of Focus on the Global South based in Chulalongkorn, Thailand.</p> <p>Chairman of AKBAYAN – an NGO which pursues objectives of analysis, advocacy and networking with civil society groups.</p> <p>Carries out advocacy work in Washington; testifies at US congressional hearings; builds left-right coalitions.</p>
<p>Dr. Francisco Nemenzo UP Department of Political Science</p>	<p>Retail trade liberalization does not contribute to development, but instead only distorts consumption habits of Filipinos and kills off <i>sari-sari</i> stores.</p> <p>Agricultural Lib has allowed the entry of foreign products which has just created acquired tastes, just as those for apples.</p>	<p>Asserts APEC is paralyzed, if not dead.</p> <p>Joins Peoples Forum: represented in Congress through Etta Rosales and Walden Bello; writes a column in a newspaper.</p>
<p>Dr. Edberto Villegas IBON Facts and Figures</p>	<p>Against retail trade lib since retail trade is the last bastion of Filipino entrepreneurship; flood of cheaper goods will stop after foreign penetration strategies have been successful.</p> <p>Against financial lib since banks give preferential loans to TNCs and discriminate against small firms; repatriation of profits outweighs level of initial investment.</p> <p>Against agricultural lib since US just wants to dump its surplus: importing agricultural goods is not good for food security.</p>	<p>Means of advocacy is through IBON Facts and Figures and attending rallies and demonstrations against TNCs.</p>

Private Sector

Players	Worldview on APEC + other Issues	Means of Influences
<p>Mr. Edwin Glindro Philippine Chamber of Commerce and Industry</p>	<p>Development must be mass-based and lies in encouraging micro to SMEs.</p> <p>Liberalization cannot be stopped: forces people to become more competitive and innovative.</p> <p>EVSL is evidence that pacing of liberalization is all right; agriculture is last to be liberalized, anyway.</p>	<p>Seven previous PCCI board members have been given cabinet positions or influential.</p> <p>Advocacy through 100-day Action Agenda for the President: 7000 PCCI members, 100 local chambers, 192 industry associations.</p> <p>PCCI trains trainers, holds conferences amongst members.</p>
<p>Ms. Julie Chater First Political Officer Australian Embassy</p>	<p>Liberalization encouraged because of general economic gains, higher levels of investment; Australian experience has shown that it is tough convincing voters to accept; need safety nets for sensitive industries. Despite this, however, Australia is at the forefront of liberalization efforts in the food and energy sectors.</p> <p>Sugar has caused some bilateral problems with RP; issue of minimum access volume is a sticking point; attempts to hold dialogues on plant research are in place; against CEPT scheme.</p>	<p>Carries out market access dialogues with various government agencies.</p>
<p>Mr. Robert Sears President American Chamber of Commerce of the Philippines</p>	<p>Liberalization is good because of its effects on wealth distribution, creation of jobs and pressure to maintain government transparency.</p> <p>In the Philippines, pace is alright in banking sector, although retail trade lib should proceed more quickly; need amendments to the condo laws and omnibus energy code.</p> <p>Recommends switching customs code from HCV base to export value base: exploring possibility of business visa.</p>	<p>Advocacy work involves testifying at hearings and giving out position papers.</p> <p>ACCI exists for the purpose of helping American businesses operating in the Philippines by providing an information base, etc.</p>

<p>Dr. Noel Ravalo Chief Economist Bankers Association of the Philippines</p>	<p>Hard for bankers to understand macro concepts, but will support rational development policies.</p> <p>As a rule, it is easy to liberalize – what is difficult is to harmonize, especially considering underdeveloped capital markets within certain countries in APEC, including ours.</p>	<p>Advocacy involves testifying in Congress although difficult since many solons have superficial understanding of how the banking sector works or what bankers do.</p>
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Civil Society

Players	Worldview on APEC + other Issues	Means of Influences
<p>Sister Anna Haydee Librojo Canosian Sisters St. Magdalene Foundation for Collaborative and Creative Ministries</p> <p>Mr. Alex Aguilar Trade Union Congress of the Philippines</p>	<p>Ambivalent about retail trade lib: suggests that local content in products being sold should be obligatory.</p> <p>Need stricter controls on finance to prevent capital being concentrated in the few; skeptical about trickle-down effect.</p> <p>Agriculture lib will harm farmers; food is a basic need and should be made sufficient through local production; what are needed are infrastructures to increase productivity.</p> <p>In favor of retail trade lib since increase in labor demand will cushion effects of dislocation: will also bring in cheaper goods.</p> <p>In principle, financial lib will bring down interest rates, but other effects on labor must be studied.</p> <p>Given that many farmers are wage earners, government should provide safety nets for farm laborers through retraining, etc.</p>	<p>Advocacy carried out through education, dialogue and encounters with people's organizations.</p> <p>TUCP has been consulted by the Senate on economic policies and has agreed to liberalization measures for as long as Senate promised to allocate support funds for dislocated workers.</p>