1994 ANNUAL REPORT / DEPARTMENT OF TRADE AND INDUSTRY

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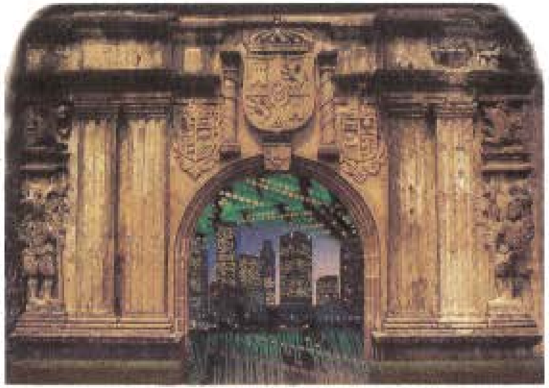


Cover Story

From the declaration of independence in 1898 to the present, the Philippines has come a long way. The road to economic and political stability has had its rough patches but now we are on the threshold to sustainable growth ---

Framed by the entryway to Fort Santiago in historic Intramuros - a link to the past - is a vision of a more progressive Philippine future. A future where technology and human skills hold the key to global competitiveness and open the way to NIC-hood, true to the vision of Philippines 2000.

The DTI Vision

We are committed
to bring the Philippines to its rightful place
in the family of nations, proud and free.

With business, we are an active and leading partner
in propelling the Philippines toward a dynamic and thriving economy.
Our success is anchored on global competitiveness,
with social responsibility and consumer welfare
as our guiding principles.

We are committed
to being a showcase of excellence in public service.
Our employees are our most valuable resource.
We foster an environment
where their creativity, innovation,
professional and personal growth
find full expression in an organization
that is united in purpose and action.

In all these, we adhere strictly to the tenets of
professionalism, integrity and transparency.

The DTI Mission

We, the DTI family,
are committed to create an environment
conducive to sustainable industrial growth and development
that generates jobs in locally competitive industries especially in the countryside.

In pursuit of this commitment,
we serve as the catalytic link among business,
consumers and other government agencies.
We shall adopt sound trade and industrial policies.
We shall provide timely and world-class services
that answer our clients' business needs for marketing,
production, financing and human resource development.
We shall safeguard consumer welfare.

In the same way we relate with our clients,
so we shall relate with each other
as we promote an internal environment that fosters professional growth.

In the attainment of this mission and for love of country,
we bind ourselves to the highest standards

SECRETARY'S STATEMENT

By most measures, the Philippines ended 1994 on the crest of its best performance in many years. The 5.1% growth in gross national product (GNP) was the highest during the last five years. A budget surplus was attained for the first time in 21 years. Inflation was 7.5% by the yearend, less than half its level three years earlier. Foreign exchange reserves rose to US$7 billion - equivalent to three months of imports - from $5 billion a year before. Bank lending rates were half the 1990 peak level of 25%.

Strong gains in industry and services spun off over 700,000 full time jobs in the formal sector. The number of wage and salary workers alone grew by more than a half million in 1994. Moreover, average worker wages in 400 manufacturing firms surveyed showed a 14.3% increase between October 1993 and October 1994.

This new-found economic vitality, emerging as it is in a democratic setting - unusual and unprecedented among Asia's dragon economies - has stirred notice from the world community. As the economic turnaround gained ground, the country became a favorite topic of business publications overseas. In a yearend report, *Asiaweek* considered the Philippines the biggest turnaround story in 1994. *Far Eastern Economic Review* gave the country the Most Improved Award for the year, saying that indeed, more Filipinos and foreigners agree that the country is now a 'tiger cub' economy, ready for the spring!

Rising Growth Rates

	Growth rates in % 1994	1993
Gross national product	5.1	2.6
Gross domestic product	4.3	2.1
Sectoral growths:		
Agriculture, fisheries and forestry	2.4	2.1
Industry	6.1	1.6
Mining and quarrying	(7.0)	0.7
Construction	10.9	5.7
Manufacturing	5.1	0.8
Utilities	13.8	2.9
Services	3.8	2.5
Interest rate (yearend)	12.7	15.9
Inflation rate (yearend)	7.5	8.4
Exports	18.1	15.8
Investments		
BOI-approved projects	377.3	(3.8)
EPZA projects	264.5	13.0

Sources:
National Economic and Development Authority
Central Bank of the Philippines
Department of Trade and Industry

The numbers tell the story.

All major economic sectors registered solid growth, the combined result of economic reforms, investor confidence, more open competition and stronger-than-expected world economic recovery. Industry subsectors, except mining, exceeded 1993 performance levels, notably construction, utilities and manufacturing. The services sector kept pace too, fired by the heat of competition in financial markets and increased trading activities. Agriculture recorded a modest improvement.

Moving people to win. In 1994, the Department of Trade and Industry undertook its key programs anchored on the slogan ***Moving People to Win.***

Focus was on providing stimulus to fast-paced exports and investment growth. Policy was slanted to direct new and expansion ventures to the countryside, to promote the welfare of consumers, and to favor job-creating small and medium enterprises, especially in the grassroots areas. Productivity and technology upgrading, hand-in-hand with industry modernization, were pushed to meet the demands of competition in the global marketplace.

The fruits of these efforts were truly impressive. Some P455 billion worth of new and expansion projects were approved by the Board of Investments, almost five times the 1993 level. Total Philippine exports went up by 18.1% to reach S13.4 billion, despite an almost 13% appreciation of the peso against the US dollar. Project commitments in the export processing zones jumped to P9.5 billion, better by 265% than the P2.4 billion record of 1993. Across the board, investment and export targets were exceeded.

But even more telling is the expected impact of export and investment growth on Filipino livelihood. Full commercial start-up of approved projects will spawn a total of 380,000 jobs - 146,000 direct and 234,000 indirect - in subcontracting, supply arrangements, and ancillary services.

Partnering with Asia. A notable trend is the stronger emphasis on Asia (including ASEAN), both as a trade partner and a source of investments, and the bias for locations outside Metro Manila. Among the sites preferred were Subic Bay Freeport and the Clark airbase development in Central Luzon, the Calabarzon area in the Southern Tagalog region, the Ilocos and Central Visayas where Cebu is the main draw.

Behind the large advances in exports and investments was the two-track strategy which DTI espoused. On one hand, DTI pushed for ***reforms to open up the economy and ease investor entry*** into promoted industry areas. A key approach was to allow private participation in the build-up of direly needed public infrastructure. On the other, it encouraged the forging of ***key alliances to expand market reach*** and win still more investors.

More opening moves. Through legislation or executive fiat last year, many areas of business were freed up to level the playing field and fire up the competitiveness of domestic industries. Telecommunications, a traditional monopoly, was first to be opened. Then came shipping, banking and aviation. In the pipeline are the opening of retail trade and deregulation of the downstream oil sector.

Targets Exceeded

	1994 Target	Actual
Investments		
BOI-approved projects	P 160B	P 454.9B
EPZA projects	4B	9.5B
Exports	$ 13.2B	$ 13.4B

Privatization was pushed, putting teeth to the dictum that government should not tread in areas which private sector can handle better while doing more. Thus, a large chunk of Petron Corporation, the government-owned oil refining and petroleum marketing firm, was sold to Aramco. Proceeds from privatization last year augmented the public coffers by P50 billion. The negotiations for the privatization of National Steel Corporation were concluded by the last quarter of 1994. More public corporations are up for grabs this year, including such "crown jewels" as the Philippine National Bank, Manila Hotel, and Philippine Phosphate Fertilizer Corporation.

Congress in 1994 gave more attention to economic bills that improved the investment climate. Foremost of these was the removal of limitations in the 1991 Foreign Investments Act (FIA), opening up more business activities to 100% foreign ownership. The landmark Build-Operate-Transfer (BOT) law first passed in 1990 was also amended. Originally intended for power and energy, its coverage was expanded to include non-energy areas, paving the way for foreign investor participation in more public infrastructure projects. Variations in contractual arrangements were also incorporated for operational flexibility. The Philippines today is conceded to have pioneered the BOT concept, precisely because its legislators had the wisdom and the will to reorient policy for even larger economic gains. Following the Philippine model, the BOT scheme has been adopted by other energy-hungry and infrastructure-lacking but cash-short Asian countries.

Other liberalizing steps included:

- Under E.O. 182, all activities under List C of the Foreign Investments Negative List (FINL) were deleted for two years, giving room for foreign investments in areas like insurance, travel and tourist services or conference management. List C had for many years reserved these activities to majority Filipino ownership.

- Inclusion of 13 new activities in the 1994 Investment Priorities Plan added investor entry points as well. Among the new inclusions were agri-export processing estates, production support for exporters, rehabilitation of the mining industry and modernization schemes for export winners and commercial fishing fleets.

Alliances to expand global reach. Last year saw DTI take the lead in forging alliances that position the Philippines in the arena of global and regional competition. The primary arrangements were the ratification of the General Agreement on Tariffs and Trade (GATT)-Uruguay Round Agreement, the acceleration of the ASEAN Free Trade Area - Common Effective Preferential Tariff (AFTA-CEPT) scheme, and the launching of the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).

By a vote of 18 to 5, the Philippine Senate ratified the GATT-Uruguay Round Agreements, making the Philippines a founding member of the World Trade Organization (WTO). This secured the country's full participation in the global trade regime, instead of staying on the outside looking in. In the run-up to the Senate ratification, the Masterplan for the GATT-Uruguay Round was prepared. The Plan lays out in full detail doable measures for global competitiveness and spells out safety nets for the country's weaker sectors. It is backed by a P32 billion implementing budget for 1995, with estimates for later years. Last December, Congress passed the Export Development Act to give incentives to exporters and the Anti-dumping Law to combat entry of cheap imports.

Within ASEAN, the Philippines agreed to speed up by five years the AFTA-CEPT program. The target AFTA completion date is now January 2003. Equalized tariff rates across ASEAN countries will mean a market of 360 million, offering economies of scale in production, an attraction to foreign investors who want a share of the action in the throbbing economic gateway to Asia.

A brainchild of President Ramos, BIMP-EAGA brings together into a growth polygon Brunei, Southern Mindanao including Palawan, Sarawak and Sabah in Malaysia, and North and South Sulawesi, East and West Kalimantan in Indonesia. Through this inspired alliance, the economic potential of the country's placid southern backwaters will be unleashed. The Agreed Minutes of the Economic Ministers Meeting signed in March 1994 pinpointed 14 areas for joint cooperation including airline linkages, shipping services, tourism, and fisheries.

To be world-class. While regional and global partnerships open the way to increased Philippine exports and investments, they also pose great challenges. Regional groupings such as the EU, NAFTA, APEC, AFTA, FTAA CER and EAGA, will test our competitive strengths in production and markets. The prospect of bigger and freer markets means that Philippine firms must seek their competitive niches. Quality will be an assumed factor, so price and delivery speed become the winning aces.

The Export Development Act (Republic Act 7844) will fortify our export capabilities by creating a supportive environment for exports. The Act's salient features include formulation of a rolling three-year Philippine Export Development Plan; the privatization of export promotion activities currently provided by the government; and establishment of support institutions such as the international trade center and an export financing institution (Eximbank).

A complementary move would be to operationalize DTI's Prime Exporters Program (PEP) which will gear large domestic market-oriented companies in the Philippines towards the export business.

On the quality dimension, DTI manages ISO 9000 certification and other productivity programs. Strengthening the export support infrastructure has become crucial, especially as they affect the speed of export turnover. In this respect, DTI installed one-stop shops which shorten the paper flow and worked for preferential financing and credit schemes.

Attractive incentives are in place to lower business operating costs. For small entrepreneurs and exporters, the Countryside Industrialization Act and the Magna Carta for Small Business Enterprises opened loan windows for low-cost start-up or expansion funds and for working capital. The Small Business Guarantee and Finance Corporation reported a three-fold increase in loans to small businesses from P16 billion in June 1992 (when President Ramos took over) to P50 billion by the end of 1994.

DTI is committed to continually improve upon the measures which were introduced in the last two and a half years during what I would like to call the "Setting up the Basics" period. In 1995, we enter the "Just do it" stage when we pursue new and more aggressive programs to accelerate the growth momentum so far achieved.

Building on the strength of past gains, DTI in 1995 sets for itself the following targets:

P300 billion in BOI-approved projects
P25 billion in EPZA investments
$16 billion in exports

By the year 2000, exports should reach $50 billion and investments, P655 billion, generating about 600,000 jobs.

These targets will not be attained by DTI working alone, even as DTI takes the lead role in moving investments and exports. For in the sprint towards growth and development, government initiatives represent only half a leg. The other half is the private sector - management, labor, consumers, all Filipinos united - set to compete, win and share in an improved economic future.

The DTI mission and vision statement we have crafted captures what we are - a professional team committed to ***partnering*** with the private sector in pursuing a global competition strategy guided by social responsibility and equity.

Mabuhay!

R. S. NAVARRO

Without any doubt, Senate ratification of the GATT-Uruguay Round (UR) Agreements is the singular event which will have the greatest impact on the key result areas of the DTI in 1995 and beyond. In the words of President Fidel V. Ramos, the challenge posed by ratification is "for our country to further speed up the attainment of the industrial and agricultural vision we have set as a common and urgent goal."

With the Senate vote, the Philippines joins 90 other ratifying countries that become founding members of the World Trade Organization when it convenes in early 1995. Among these are Japan and the US which account for 53.2% of Philippine export trade.

GATT-UR ratification adds another perspective to the goals, programs and projects undertaken by the DTI over the years. As defined in its charter, DTI has always held itself accountable for four critical areas of the nation's economic life: industry and investments, exports, small business enterprise as a trigger to countryside growth, and consumer welfare. Even without the GATT-UR, DTI always aimed to assist Philippine industry and exports attain competitive advantage, shift industrial and export investments to the countryside as a way to stir up local economies and raise rural incomes and to filter down to consumers the fruits of economic growth. In the new world trade order under the GATT-UR, all these become even more compelling.

By joining the WTO, the Philippines throws its hat into the global trade arena instead of remaining a timid bystander. It guarantees for itself access to world markets on most-favored-nation (MFN) terms, on the assumption that international competition standards are met. Moreover, it stands to attract more business locators drawn in by the country's inherent comparative advantages. Growth in investments and exports mean more jobs and more small business and livelihood opportunities through forward and backward linkages. Down the line, consumers stand to gain from better products in a range of choices as well as price.

WTO membership is also consistent with and supportive of vision Philippines 2000 which champions the twin themes of global excellence and people empowerment.

Taking off from the President's 32 flagship programs, DTI drew up its own flagships, the better to flesh out the economic component of vision 2000. A wholistic export

From the declaration of independence in 1898 to 1994, the Philippines has come a long way. There have been many diversions along the road to political stability and economic growth. But today, more than ever, there is a shared certainty and strength of purpose among Filipinos about the national direction, a commitment to undertake needed reforms to prepare the country towards its goal of NIChood by the turn of the century ---

Here we touch on a few significant milestones of that long journey - to track where we have been, where we are now and what we want to become in the future.

and investment plan was crafted to build Philippine competence and fitness to win in a briskly changing and increasingly competitive trade world.

Under the banner of ***Moving People to Win***, DTI plan targets in 1994 were:

- P225 billion in BOI-approved investments plus P4 billion for EPZA-registered firms
- US$13 billion in exports for 1994, reaching $50 billion by 2000
- Faster pace of countryside growth through regional investments and small and medium enterprise linkages to exports
- Intensified consumer welfare protection.

Performance far exceeded targets. The high achievement level represents yet another rung in the ladder towards GATT-preparedness.

Full speed ahead for investments

The Board of Investments approved projects worth P454.9 billion in 1994, almost five times the 1993 level and near-triple the investment target for the year. Not to be outdone, projects registered in the export processing zones reached a high of P9.5 billion, more than double the year's target and 265% more than the previous year's level.

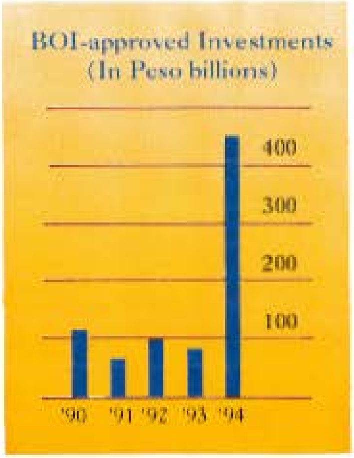
If anything, this was a reflection of high investor confidence brought about by political stability under the Ramos leadership and major policy reforms that eased investor entry while opening up more avenues for profitable local and foreign investments.

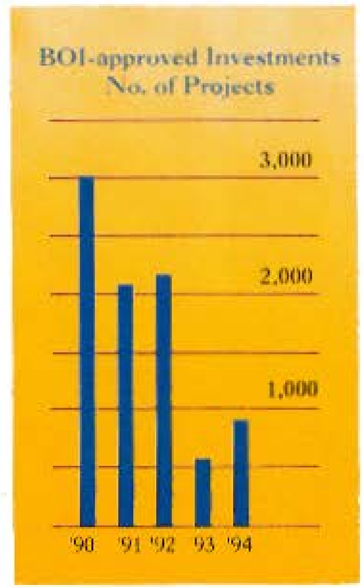
Several trends stand out in the year's investment flows.

Bigger, longer-term projects. More high-value, capital intensive projects were committed. Thus, there were only 813 projects approved in 1994 with an estimated investment cost of P454.9 billion, compared with 510 projects valued at only P92.5 billion in 1993.

Among the big ticket approvals were the P48.7 billion public telecommunications project of the Philippine Long Distance Telephone Co. (PLDT), the P30.2 billion power generation venture between Pangasinan Electric Corporation and Consolidated Electric Power Asia, Pacific Manufacturing Resources' P20.8 billion power plant project and JG Summit Petrochemical Corporation's P14.4 billion ethylene project.

Dominant Filipino equity investments. Filipino equity in solely Filipino projects or in joint venture with foreign partners comprised the bulk (61.3%) of BOI-approved equity investments. The biggest Filipino investment registered with BOI in 1994 was JG Summit's P26 billion total equity commitments for its ethylene, propylene and polyethylene projects. Other big investors were Magellan Power Partnership, PLDT, Alsons Cement and the Philippine National Oil Company. All invested in capital-intensive projects with long gestation periods.





The Philippine tricolor -
unfurled for the first time
on 12 June 1898 -
signalled the start of political
and economic transformation.
A maelstrom of changes
is unleashed, culminating
96 years hence in a government
and a people who are less insular,
more confident and
more prepared to aspire for the
most advantageous position
in regional and global
trading arrangements.


Unleashing the Power of the Polygon

BOI-approved Projects, 1994 By Sector (in Peso millions)

Manufacturing	P 210,519.1
Energy-related	118,036.5
Public utilities	85,863.0
Infrastructure/ Industrial services	21,878.9
Tourism-oriented	8,730.3
Mining	5,889.9
Fishery	1,811.2
Forestry	1,078.9
Agriculture	768.6
Service exporters	145.6
Research and development	111.2
Regional headquarters	17.4

BOI-approved Equity Investments Distribution of Investments (in Peso billions)

Ownership		Amount of Investments (in P billions)		% Share
100% local		P 51.0		32.0
100% foreign		22.1		13.9
Joint ventures		86.4		54.2
Local equity	46.8		29.3	
Foreign equity	39.6		24.8	
Total		159.5		100.0

More Asian investments. Of the total foreign equity plowed in during the period, P26.2 billion or 42.4% came from Asian investors. Although Hong Kong and Taiwan topped the Asian rankings, ASEAN capital contribution was visibly on the rise in certain areas - Singapore in telecommunications, Malaysia in power generation and Thailand in petroleum refining. Moreover, there was a tendency to link up with Filipino partners, a mirror of rising ASEAN economic solidarity and cooperation that pushes the region's integration under the ASEAN Free Trade Area (AFTA). Hong Kong money went into energy projects while the Taiwanese favored projects linked to their own industries' input needs.

US still the top investor. The US remained the top individual country investor, with a total equity stake worth P17.8 billion or 28.8% of the year's total foreign equity inflows. This was reinforced by the expansion projects of major American multinationals which have chosen the Philippines as the staging ground for the increasingly affluent markets of Asia.

More countryside locators. The policy of directing investments to the countryside proved effective during the period. Taking away the P60 billion cost of projects which are in several locations and the P30.3 billion whose locations are not indicated, the percentage of investments going to the regions was 83.9%. The balance chose Metro Manila project sites. Among the 14 regions, the top choice in the year reviewed was Central Luzon (Region 3). The major influence could be the promotion of the Subic Bay Freeport and the former Clark Airbase area as priority industrial sites. Close on its heels was Southern Luzon where the Calabarzon regional growth center is situated. The Ilocos region was a strong fourth after the National Capital Region, or Metro Manila. Central Visayas also gained ground in attracting investments.

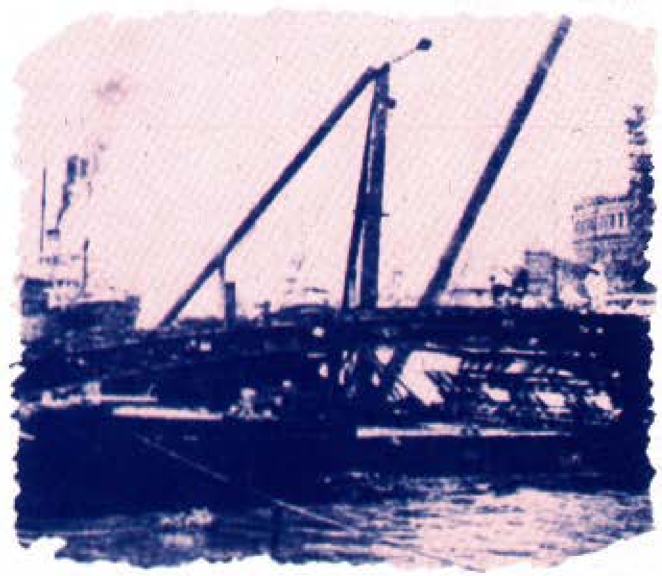
Manufacturing and energy are top drawers. Manufacturing was the favored investment area, accounting for 46.3% of total approved project cost. Energy was a distant second at 25.9% of the total cost. However, when lumped together with public utilities (in third spot by itself) and infrastructure/industrial services (No. 4), energy and other infrastructure investments would exceed manufacturing investments and constitute almost 50% of the pledged investment total. Mining and tourism also elicited high interest.

High project actualization rate. Happily too, the success or realization rate of BOI-approved projects from 1986 to 1994 is 87.4%, a little over the 85% target. This represents the proportion of projects which are now in the operating or pre-operating phase. For 1994 alone, 633 projects out of the 813 projects approved with an estimated cost of P361.5 billion have entered the operating or pre-operating stage.

Fast-paced investments growth resulted from a combination of strategic approaches:

- comprehensive direct assistance package for investors
- economic diplomacy backed by intensified investment promotions
- business climate improvements, including legislation and
- competition enhancement measures.

When the Philippine Assembly held its first session on 16 October 1907, among its priority measures were the construction of the country's foremost needs - schoolhouses, government buildings, roads and bridges, railways and communication lines. Today, fired up by prospects for growth, construction is at a frenzied pace and is the fastest growing industrial subsector. The needs are tremendous: roadways, railways, ports and airports, energy-generation facilities, water, waste management facilities, telecommunications. Private investors may now participate in public infrastructure projects through the build-operate-transfer scheme and its variations. Moreover, Filipino firms also successfully undertake overseas construction service contracts.



Investors assistance program. In a radical turnaround, the Board of Investments (BOI) shifted its orientation from regulatory to promotional. A comprehensive direct assistance package to prospective and actual investors was drawn up, making use of country desks to attend to the needs of major investor groups. There are now desks for American, Australian, Taiwanese, Italian, Japanese and German investors. The Subic and Clark Desks were also set up at BOI to service investors wishing to locate in these areas. Five more Investment Promotion Units (IPUs) [National Power Corporation (NAPOCOR), Bureau of Food and Drugs (BFAD), Metropolitan Waterworks and Sewerage System (MWSS), National Economic and Development Authority (NEDA) and Department of Agrarian Reform (DAR)] were formed, bringing the total number of existing IPUs to 24. IPUs also assist investors who have to deal with other government agencies in the course of setting up shop.

Economic diplomacy. The impact of personal economic diplomacy launched through the President's state visits to major partner countries began to show in 1994. With the President leading teams of top Filipino businessmen, doors were opened to the inner sanctum of top corporate leaders of the countries visited. More than P65 billion in equity investments are traceable to these visits.

Bilateral investment protection agreements were also firmed up last year with France, South Korea and Romania. Agreements are soon to be signed with Sweden, Peru, Argentina and New Guinea.

Backing the economic diplomacy approach were investment missions and seminars conducted to inform foreign investors of the business opportunities and the improved investment climate in the Philippines. Altogether, BOI held 152 inbound and 28 outbound missions to connect with businessmen in Japan, Korea, Taiwan and Europe.

Levelling the business playing field. Legislative enactments and executive measures were applied as the policy tools to level the business playing field and open more areas to private investments.

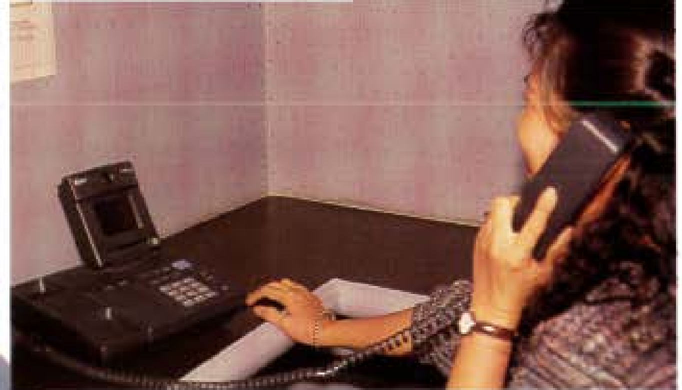
Last year, previously protected industry areas were opened up: telecommunications, banking, shipping and aviation.

Congress passed economic bills that will have significant long-term impact on the country's pace of growth. Among them were:

- Amendments to the original Build-Operate-Transfer (BOT) law which opened more public infrastructure areas to private sector capital and act as a magnet to foreign investors. In addition to power, transport (highways, ports and airports), water systems and telecommunications, new areas now open include solid waste management, tourism projects, information technology networks, database build-up, education and health facilities. Unsolicited proposals are allowed under certain conditions. Local governments may also undertake BOT projects directly.

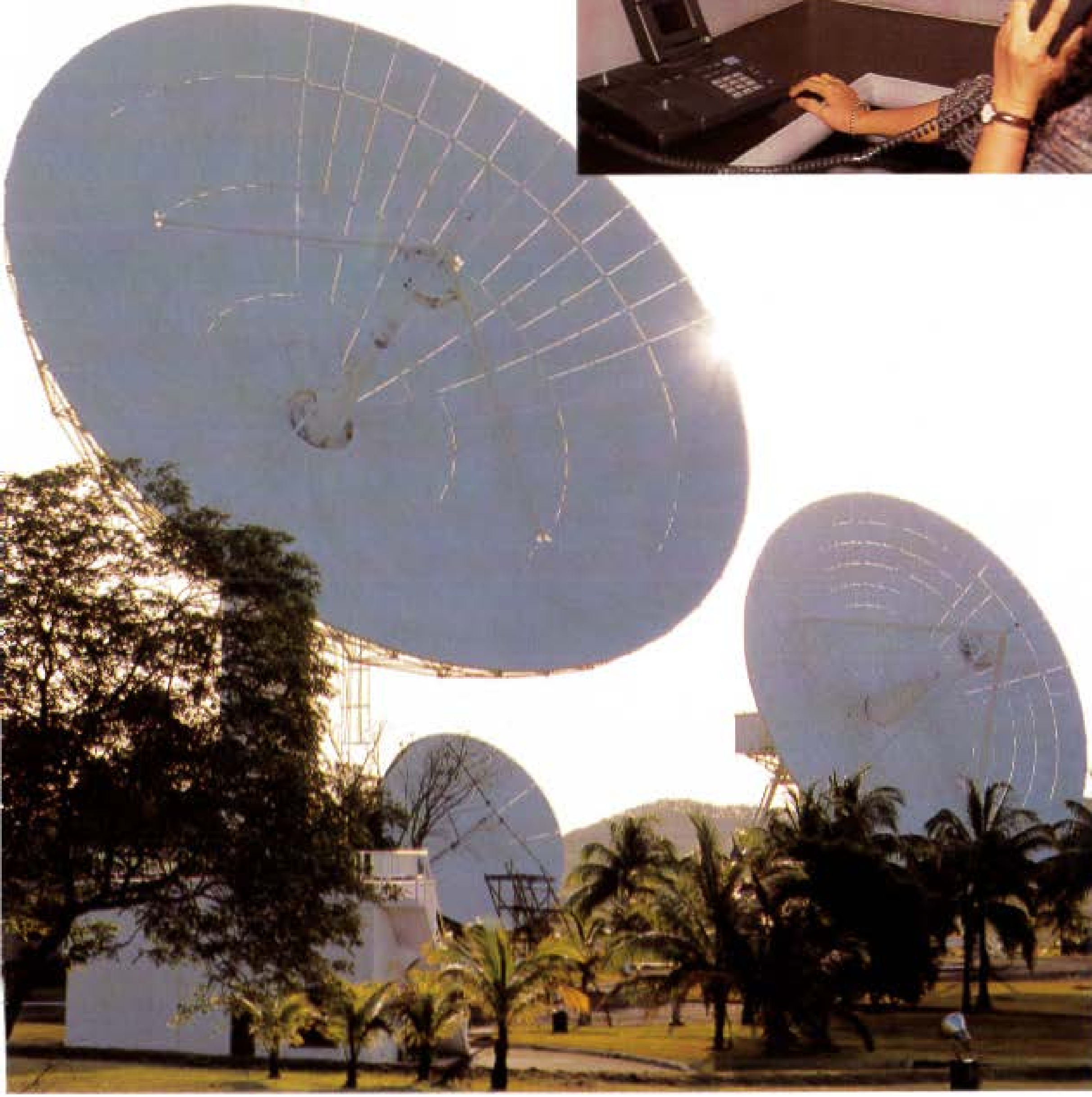
- A law suspending the nationality requirements for multilateral institutions and their subsidiaries

- An amendment to the Banking Law



In 1873, the first Philippine communication link to the world - a telegraph line linking Hong Kong and Bolinao, Zambales - was built.

In 1890, the first telephone service was established in Manila. Currently, there are some 1.4 million telephone connections nationwide, augmented by the widespread use of cellular phones and the emerging videophone. The goal under the National Telecommunications Plan is 5 million lines by year 2000. More players have joined the field, following the liberalization of the telecommunications industry.



More market opening measures were initiated through executive enactment:

- Continuation of the import liberalization program and tariff phase-down under E.O. 470.
- Fast-track implementation of the ASEAN Free Trade Area-Comprehensive Effective Preferential Tariff (AFTA-CEPT) scheme.
- Operation of a One-Stop Inter-agency Tax Credit and Duty Drawback Center at the Department of Finance to speed up tax credit and duty drawback processing.

Left over for further Congressional action at the close of 1994 were other DTI-supported legislation. Among these were:

- The 1991 Foreign Investments Act (FIA) which opened more areas to 100% foreign ownership. Proposed were the three-year minimum period for a domestic enterprise to shift to exports; reduction of minimum capital base from $500,000 to just $150,000; exemption of pioneer enterprises from minimum capital requirements and repeal of the entire section on strategic industries.
- RA 7369 which seeks to extend the availment period for capital equipment incentives by BOI-registered firms up to 31 December 1999.
- The grant of NOLCO and accelerated depreciation deductions for income tax purposes.
- Amendment of RA 1180 (Retail Trade Act) to allow foreign investor entry in the retail trade under certain conditions.
- An act to expand the Condominium Law concept and allow horizontal application.
- Creation of a Fair Trade Commission to ensure free, fair and full business competition.

Privatization. National Development Company (NDC), the DTI-attached, state-owned agency, took steps to transfer assets to private hands. Spun off in 1994 were two firms - The Energy Corporation and the Paper Industries Corporation of the Philippines. National Steel Corporation and Filipinas Palm Oil Industries were partially sold. Total proceeds from NDC privatization reached P671.5 million.

Competition measures. At the same time that DTI worked on the external business climate, programs were set to upgrade Philippine industry's capacity to compete, whether overseas or in its home markets.

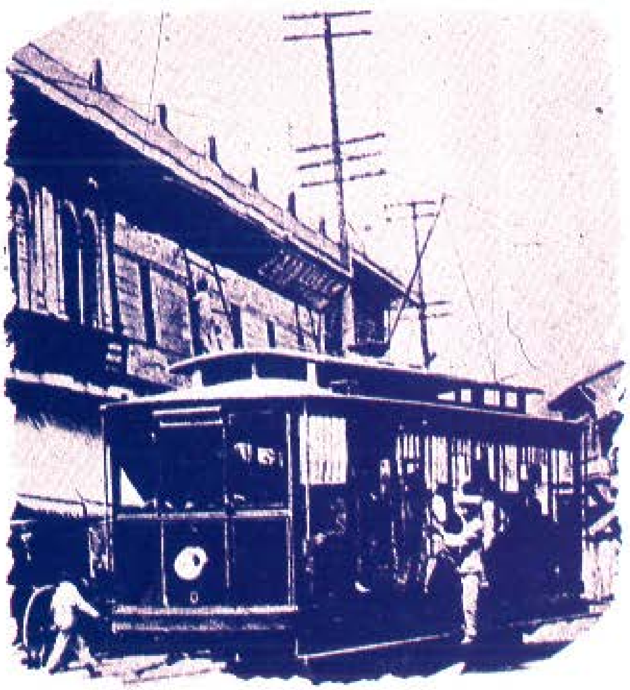
Training for productivity. Some 40 different types of training programs were organized by the DTI last year for 3,957 participants. These were mainly for factory workers, supervisors and the labor pool in the cottage and construction sectors.

A technical training approach was institutionalized with the passage of the Dual Training System Act (RA 7686) which DTI pushed for.

Under the system, theoretical education in vocational schools is combined and synchronized with practical training in the

The first Philippine "big-time" lender, circa 1800s, was a rich merchant named Francisco Rodriguez. In 1851, lending was institutionalized with the founding of the Banco Español-Filipino by Royal Decree. About 30 years later, the friars opened Monte de Piedad. The Philippine financial sector has come a long way since. Congress passed a bank liberalization act in 1994, allowing foreign banks to open full service branches, a first since over 50 years ago. Equities trading is very active and the Makati and Manila bourses are in the last stage of unification.

Transportation and trade were among the preferred foreign investment areas in the 1900s. The biggest British investment then was the Manila Railway Company, which was taken over by the Americans in 1906. A Spanish-Filipino joint venture was the Compania de Tranvias de Filipinos. There is now more scope for foreign and domestic investments, including energy and other public infrastructure, basic industries, agri-industrial estate development, export manufacturing and services. Most of these areas are listed in the annual Investment Priorities Plan and are entitled to incentives.



workplace. Under the Industrial Capability Build-up Program (ICBP), DTI lent assistance to the various industry associations, particularly those focusing on the export winners, in the preparation of Two-Year Manpower Development Action Plans. The ICBP is a program which aims to develop the capability of industry to actively take part in sectoral manpower development efforts.

Moreover, eight private sector-led productivity technical subcommittees have piloted the Work Performance Measurement System which is the primary stage of the National Construction Productivity Development Program.

Promoting industrial peace. In 1994, DTI introduced quality, productivity and other pro-active programs that forged labor-management cooperation. One hundred seventy two companies were oriented on Labor Management Councils (LMCs), 34.9% more than the 129 oriented in 1993. Of these, 28 firms opted to put up LMCs within their organizations.

Likewise, symposia on productivity gainsharing and industrial relations were organized with Japanese and Israeli consultants. To promote awareness of the importance of quality and productivity even among small enterprises, DTI launched the first Regional Quality and Productivity Seminar for SMEs in Davao in November 1994.

Anti-dumping: protecting industry from unfair trade practices. On 21 December 1994, a stronger anti-dumping law (RA 7843) was passed. The law changes benchmarks in determining injury to industry such as declines in the volume of sales, the volume of production or price over a three-month average. The law also creates a special committee on anti-dumping, chaired by the Secretary of Finance, with the Secretary of Trade and Industry, and either the Secretary of Agriculture or Labor and Employment (depending on what type of product is being questioned) as members.

To mitigate the adverse effect of import surges and dumping, the Department formulated anti-import surge and anti-dumping measures. In 1994, 17 dumping cases were certified as prima facie cases of dumping. Likewise, the imposition of temporary restrictions on 80 items exhibiting import surges was recommended.

Protecting intellectual property rights. In the year reviewed, DTI tightened monitoring and enforcement mechanisms for intellectual property protection.

DTI spearheaded the formation of the Inter-Agency Committee on Intellectual Property Rights (IAC-IPR) with the following entities as members: Department of Justice (DOJ), Department of Finance (DOF), Fertilizer and Pesticide Authority (FPA), Bureau of Customs (BOC), Bureau of Food and Drugs (BFAD), Videogram Regulatory Board (VRB), Philippine National Police (PNP), National Bureau of Investigation (NBI), National Telecommunications Commission (NTC) and the Council to Combat Counterfeiting and Piracy of Patents, Copyrights and Trademarks (COMPACT).

In tandem, the Department of Justice (DOJ) created Special Task Forces on Prosecution in Regions 1, 3, 4, 5, 6, 7, 8, 9, 10, and 11 to assure IPR protection outside the NCR. The campaign against IPR violators in 1994 resulted in 1,970 administrative and criminal complaints filed against erring parties. Overall, 2,017 apprehensions for piracy of video and cassette tapes, computer softwares, brand jeans and other products were made by the IAC-IPR that year.

The Department also examined 7,725 applications for patents and trademarks.

Top 10 Export Products (FOB Value in US $ million) 1994/1993

	1994 Value	1994 % Share	1993 Value	1993 % Share	Difference	% Change
Total Exports	$ 13,433.0	100.0	$ 11,374.8	100.0	$ 2,058.2	18.1
1. Electronics	4,882.4	36.4	3,523.0	31.0	1,359.3	38.6
2. Garments	2,215.0	16.5	2,134.0	18.8	81.1	3.8
3. Fresh Foods	743.3	5.5	747.9	6.6	(4.6)	(0.6)
4. Processed Foods	590.8	4.4	589.5	5.2	1.3	0.2
5. Machinery and Transport Equipment	585.2	4.4	411.5	3.6	173.7	42.2
6. Metal Manufactures	434.9	3.2	434.1	3.8	0.8	0.2
7. Gifts, Toys & Housewares	432.6	3.2	398.1	3.5	34.6	8.7
8. Mineral Products	405.2	3.0	343.5	3.0	61.6	17.9
9. Coconut Products	397.7	3.0	310.9	2.7	86.8	28.0
10. Chemicals	308.2	2.3	265.4	2.3	42.8	16.1
Reexports	502.4	3.7	522.8	4.6	(20.4)	(3.9)
Others	1,935.3	14.4	1,694.1	14.9	241.2	14.2

Source: Bureau of Export Trade Promotion (BETP)

Exports on the fast track

Exports in the review period grew 18.1% from $11.4 billion to $13.4 billion. Firms in the export processing zone areas performed 35% better with receipts of $2.7 billion versus $2.0 billion in 1993.

Nontraditionals strengthen. Nontraditional products continued to strengthen and comprised the bulk of exports, consistent with the strategy to diversify and develop more value-added products as opposed to resource-based goods. Export earnings from priority products ("the export winners") amounted to $8.7 billion or 65% of total exports.

Expectedly, the largest export gainers were electronics and garments, with a combined share of 52.9% of total exports. Philippine garments, known worldwide for their premium quality, brought in $2.2 billion, a 3.8% rise over last year's level. About 77% of Philippine garment exports went to quota countries such as the US (59.1%), European Community (15.5%) and Canada (2.4%). Japan, Hong Kong and the United Arab Emirates were the country's top nonquota markets.

The recent increase in world coffee prices raised export revenues by 299.8% to $11.0 million versus last year's $2.8 million. Exports of metal and plastic furniture, travel goods and leather footwear also did well with value increases ranging from 70.6% to 312.4%.

More exports to Asia. The biggest export markets, purchasing close to 60% of the country's total export take, were the US, Japan and Singapore, in that order. Singapore led ASEAN country partners in the ranks of the top 20 Philippine markets. Exports to Thailand doubled, although from a relatively low base of $168.7 million to $363.8 million. Growth rates of exports to all ASEAN partners exceeded 30% in all cases.

The economic recovery in the country's major export markets helped last year's healthy export growth. Closer Asian and ASEAN cooperation based on investments was a factor in the rising export numbers as well.

Internally, export-enhancing measures were also undertaken, to win more markets for still more export products.

Among these were programs to generate broad-based consensus and support for Philippine export goals; market access measures, quality and design-enhancing programs and export capability building, both to increase production capacity and upgrade export expertise.

Winning broad-based export consensus. A strengthened Export Development Council (EDC) served as the focal point to get major exporting groups thoroughly involved and committed to the national export goals as outlined in the Philippine Export Development Plan. Early in the year, EDC spearheaded the First National Summit on Export Development which resulted in the Action Program for Exports. The Action Program contains export target commitments of each "export winner" group.

The EDC also provided the key inputs to the Export Development Act of 1994. It then made itself available for the legislative hearings and came up with position papers during the deliberations on the bill.

Top 20 Markets of Philippine Merchandise Exports (FOB Value in US $ million) 1994/1993

	1994		1993			%
	Value	% Share	Value	% Share	Difference	Change
Total Exports	$ 13,433.0	100.0	$ 11,374.80	100.0	$ 2,058.2	18.1
1. USA	5,127.9	38.2	4,371.2	38.4	756.8	17.3
2. Japan (incl. Okinawa)	2,019.8	15.0	1,827.0	16.1	192.7	10.6
3. Singapore	706.9	5.3	379.4	3.3	327.5	86.3
4. Germany	664.2	4.9	586.0	5.2	78.2	13.3
5. Hong Kong	650.5	4.8	548.2	4.8	102.4	18.7
6. United Kingdom/ G. Britain/N. Ireland	637.3	4.7	540.5	4.8	96.8	17.9
7. Netherlands	515.2	3.8	361.8	3.2	153.3	42.4
8. Taiwan	452.4	3.4	346.1	3.0	106.2	30.7
9. Thailand	363.8	2.7	168.7	1.5	195.1	115.6
10. Korea, Republic of	291.3	2.2	221.0	1.9	70.3	31.8
11. Malaysia	220.5	1.6	161.1	1.4	59.5	36.9
12. Canada	192.9	1.4	194.1	1.7	(1.2)	(0.6)
13. France	184.3	1.4	208.9	1.8	(24.5)	(11.8)
14. PROC	163.9	1.2	173.9	1.5	(9.9)	(5.7)
15. Australia	139.3	1.0	114.4	1.0	24.8	21.7
16. United Arab Emirates	129.9	1.0	149.7	1.3	(19.8)	(13.2)
17. Belgium	93.2	0.7	94.0	1.0	(0.8)	(0.9)
18. Italy	90.3	0.7	85.5	0.8	4.8	5.6
19. Indonesia	72.3	0.5	48.3	0.4	24.1	49.9
20. Vietnam	62.4	0.5	37.4	0.3	25.1	67.1
Total top 20	12,778.6	95.1	10,617.3	93.3	2,161.3	20.4
Others	654.4	4.9	757.5	6.7	(103.1)	(13.6)

Source: Bureau of Export Trade Promotion (BETP)

Long before the Philippine revolution in 1898, the Philippines actively traded with Europe and neighboring Asia. From the 1500s to the early 1800s, the Spanish galleons were the main mode of transport. In the 1890s, Yankee clippers figured prominently in bringing Philippine hemp, indigo, sugar and tobacco to America and Europe. The Philippine export basket today is no longer so agricultural nor so basic, veering more towards higher value-added processed goods and knowledge-based services.

Moreover, the EDC championed key policy measures to assist exporters, even while moving to increase earnings from priority products and services in target overseas markets.

Among the export measures initiated were:

- Bangko Sentral ng Pilipinas (BSP) Circular # 31 liberalizing the outward investment ceiling to $3 million and access to Foreign Currency Deposit Unit (FCDU) facility by indirect exporters and local manufacturers;
- BSP Circular #46 requiring banks to set aside funds for loans to small enterprises, purchase of promissory notes and equity investments by member banks to the Bankers Association of the Philippines (BAP) Credit Guaranty Corporation;
- Executive Order (EO) 189 reducing the tariff rates on imports of capital equipment;
- EO 204 tariff rationalization for the garments and textiles industry;
- Administrative Order 138 strengthening the operation of the One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center.

The EDC also batted for the reduction of tariffs on the 14 export winners, exemption of raw material imports through bonded warehouses from SGS inspection, and shifting customs valuation system from Home Consumption Value (HCV) to Transaction Value (TV) in preparation for the GATT valuation system. In these, they met with success.

Market access-winning measures. Gaining market access for Philippine exports involved negotiations through multilateral, regional and bilateral fora and direct development and promotion activities to create awareness and presence at point-of-sale venues.

On the negotiations front were such activities as global/regional arrangements such as GATT-Uruguay Round Agreements and the AFTA-CEPT.

In the year past, DTI led the advocacy and information campaign for Senate ratification of the Uruguay Round (UR) Agreements of the GATT. This involved industry consultations to surface the implications - the benefits and the disadvantages - of membership in the new World Trade Organization (WTO). A nationwide information campaign was conducted to explain the repercussions of the UR to all sectors - services, labor, farm, academe, youth. There was also the day-to day handling of anti-GATT sentiment, as appeared in mass media and numerous fora.

In the end, the pro-GATT position won, but not before a Master Plan for the GATT-UR was completed. The Plan lays down in detail the measures to enhance the country's competitive positioning in world trade and to strengthen its weaker sectors. Among such measures are: Match the Production Cost Program for BOI-registered Firms and Technology to 2020 Program for increased competitiveness of local firms, the Export Diversification Scheme through a backward linkage program and Improved Economic Activity through Investment Matching in Agro-industrial Priority Sectors per Region per Province.

One of the earliest Filipino exports to gain international recognition was Philippine beer when it was cited as a "product of highest quality" at the 1895 Exposicion Regional de Filipinas in Spain.
Since then, more Philippine products and services have gained recognition for quality and excellence in many markets of the world.
One key has been ISO 9000 certification which is a guarantee that a Philippine firm meets internationally accepted standards of quality in its operations.

Other market access instruments were forged through bilateral negotiations. A trade protocol and a memorandum of understanding was firmed up with Vietnam setting up a joint commission to encourage consultation and cooperation in economic and other fields of mutual interest. A trade protocol was also signed with the PROC calling for the exchange of goods worth some $600 million to $800 million in 1994. The Philippine-Czech Republic Trade Agreement was signed in May 1994.

Improved access for specific Philippine products was also gained through the AFTA-CEPT scheme and the Generalized System of Preferences. Where there were entry barriers imposed by specific markets, one-on-one negotiations were held - as in the talks with the French government regarding the quality standards of imported fish, and the US Food and Drug Administration's new nutrition labelling law. An International Numbering System (INS) for Philippine Natural Grade (PNG) carrageenan was negotiated at the 26th meeting of the Codex Committee on Food Additives and Contaminants in Netherlands.

Direct export promotion. Market presence was further fostered through outbound trade exhibits and missions as well as commercial representation in key markets.

The Department organized Philippine participation in 31 fairs abroad. Among these were the Heimtextil Fair and Frankfurt Ambiente in Germany, the Tokyo International Gift Show and the Hong Kong Fashion Week. Philippine exhibitors generated actual sales of P130.6 million from these fairs and came in contact with 5,609 buyers. Initiatives of the Center for International Trade Expositions and Missions through fairs, trade missions, market weeks, festivals and showrooms abroad brought Philippine exporters in touch with 19,109 buyers from all over the world, leading to sales of P303.6 million in 1994.

The trade and selling missions dispatched to 16 countries boosted already growing awareness and acceptability of Philippine products abroad. A number of Australian buyers signified their intention to visit Philippine garment manufacturers as a result of an apparel mission to that country, while furniture and furnishing exporters found good prospects in Israel. On the other hand, high tariff rates on imported food items was seen as the major constraint for Filipino food exporters wishing to develop the Korean market. Majority of booked orders realized by the food selling missions to Korea, Hong Kong, USA and People's Republic of China were for nata de coco, accounting for 70% of total sales.

Man on the spot. Through our foreign trade service officers abroad, some 1,841 potential investors were contacted. New commercial posts were opened up - in Hamburg (Germany), Chicago and Seattle (US), Milan (Italy), Kuala Lumpur (Malaysia), Guangzhou (PROC), Fukuoka (Japan) and Tel Aviv (Israel). This increases to 33 the number of foreign trade service offices based in more than 20 countries.

World-class quality. Two key programs address the quality and design goals of Philippine exports. The ISO 9000 certification program brings up to accepted international standards the quality systems of large and medium-sized firms. The 32 seminars held in 1994 attracted 1,000 participants from 427 companies. Todate, 23 firms have earned ISO 9000 certification. The certified firms are engaged in the manufacture of flint and amber glass containers, beer and petroleum products, lubricants, semi-conductors, chemicals, abrasives and adhesive tapes, desiccated coconut, graphics and packaging.

Meanwhile, 6,646 users took advantage of the department's design and technical assistance services. They were provided information on product design and market trends and given skills in product evaluation and forecasting. Seven design awareness dialogues reached 3,483 manufacturers, would-be producers and people involved in livelihood projects.

Export-expertise build-up. To build up exporter excellence needed for keen competition in the global marketplace, training programs were put in place.

One hundred forty-nine seminars were conducted for 5,120 exporters and would be exporters, 24.7% of whom were based in the regions. Among the courses offered were export management and key developments in international trade, product quality and testing procedures, as well as exhibition participation and management.

Training courses on specific competencies were also arranged, such as those for packaging; gifts, toys and housewares; designing for furniture; and food packaging and labelling requirements.

Export facilitation. With delivery speed or shipping turn-around now a key factor in the game of global competition, facilitative services in the documentation and shipping process are crucial.

One-stop documentation centers in Manila, Baguio, Cebu, Davao and Iloilo handled 4,113 export papers during the period.

A Public Assistance and Complaints Desk was set up and an additional terminal installed at the Garments and Textile Export Board's (GTEB) One-Stop Action Center to speed up processing of garment shipping documents. As a result, a 64% decrease in complaints/inquiries was noted for the period.

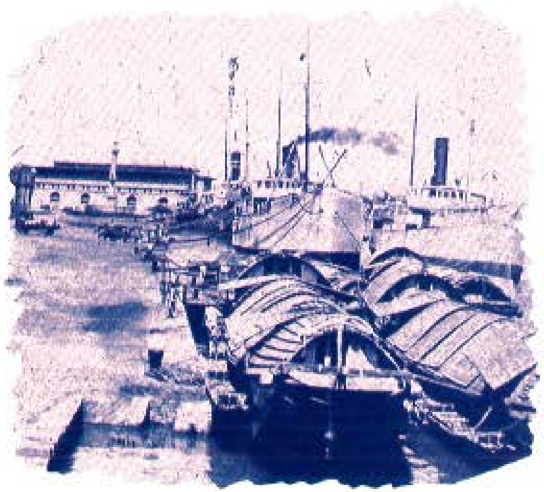
For 1,000 exporters/shippers, DTI also held 11 workshops/clinics to familiarize them on export shipping, cargo consolidation and international freight forwarding. Those in the regional outposts of Cagayan de Oro, Davao, Iloilo and Cebu were especially taught the rudiments of cargo consolidation and networking.

Countryside development - Bringing growth to the people

The third key result area of the DTI - countryside growth and development - implies that the department take direct responsibility for the process of bringing growth where the people are - in the countryside.

In the measure of the Ramos government, economic growth would be meaningless if in the end it does not eradicate poverty and bring a better life to every Filipino. Thus the central challenge as articulated by the President, is to prove that "economic gains are sustainable, policies (are) good for the long-term and (that) growth redounds to the welfare and well-being of all our people."

A thriving industry centuries ago was the refurbishing of cargo vessels. Today, shipbuilding is a more technically sophisticated industry, particularly with the world-class facilities available at the Subic Freeport.



These goals are pursued through policy measures and programs that raise people capability and skills. Small and medium enterprise growth are also part of the desired bottomline.

Bias for countryside locations. Investment policy at the BOI has been so shaped to bring investments and export projects to the countryside. Happily this year, many investors have heeded the call: some 85.2% of BOI-approved projects chose regional locations over a traditional preference for Metro Manila sites. Favored regional sites were Central Luzon (Region 3) which bagged 16.4% of approved BOI projects in terms of cost. Southern Tagalog (Region 4) got 15.8% and the Ilocos region (Region 1) 12.5%. The other gainers were Central Visayas (Region 7) and Northern Mindanao (Region 10) which took fifth place.

Four existing regular export processing zones, 11 special EPZ's and other growth centers spread out in various regions make it easier and convenient for incoming investors to choose rural locations. Among these are the Bataan, Mactan, Baguio City and Cavite Export Processing Zones, the Subic free trade zone, the Calabarzon, the Cagayan de Oro-Iligan Corridor and the Northwestern Luzon Growth Network.

Together with the 19 regional growth centers which are now in various development stages, they provide ready-to-occupy sites for investors who wish to start commercial operation almost at once. Other industrial centers are the Northwestern Luzon area, Panay Island and the South Cotabato-General Santos-Saranggani growth area.

SME growth and promotion. It is not easy to measure small business and livelihood growth because they have a way of sprouting up all over the country. But if business name registrations are an acceptable indicator, respectable growth can be seen. There appears to be a predominant trend for Metro Manila locations among business name registrants but large percentage increases were also obvious in the Ilocos, Southern Tagalog and Bicol regions. However, the Cordilleras and Central Visayas suffered declines in new business name registrants-locators.

To encourage small enterprise growth, DTI provides full service assistance spanning the full business cycle from production to financing to marketing.

Low-cost financing. Non-collateralized loans are the main financing help. Among the major DTI programs are:

- The Tulong-sa-Tao Self-Employment Loan Assistance
- The Non-Government Organization-Micro Credit Project (NGO-MCP)
- The Micro Enterprise Development Project (MEDP)
- The Credit Program for the Poorest of the Poor and the Micro Credit Project.

BOI-approved New and Expansion Projects Regional Distribution, 1994/1993 (in Peso billions)

Region	Value of Investments 1994	1993
1	P 56,637.7	P 6,127.0
2	1,090.0	24.0
3	73,864.8	4,443.0
4	71,145.6	21,049.0
5	1,017.9	39.0
6	830.6	2,994.0
7	45,472.4	7,717.0
8	14,121.9	14,565.0
9	10,733.1	332.0
10	15,671.1	21,287.0
11	4,477.8	4,647.0
12	6,371.1	-
ARMM	-	1,701.0
NCR	58,091.5	4,528.0
CAR	1,553.9	-
No specific/ several locations	90,275.5	724.0

Business Name Registration

Region	1994	1993	% Change
1	5,447	2,427	124.4
2	4,616	4,201	9.9
3	14,203	12,791	11.0
4	23,681	20,240	17.0
5	6,167	5,132	20.2
6	5,465	5,038	5.5
7	8,995	9,929	(9.4)
8	1,724	3,430	(98.9)
9	2,912	3,002	(3.0)
10	4,409	4,283	2.9
11	8,356	8,289	0.8
12	4,774	5,250	(0.1)
NCR	69,209	58,898	17.5
CAR	627	5,034	(87.5)
Total	160,585	147,944	8.5

During the year, a total of P324.3 million in loans were approved for 907 NGO's. This was then re-lent to 25,565 micro-entrepreneurs for livelihood projects.

Likewise, the Small Business Guarantee and Finance Corporation (SBGFC) increased its regular and automatic guarantee coverage for SME loans in 1994 by 53%. In actual terms, P452.5 million in guarantees was approved (compared to P295.7 million in 1993) for 560 SME projects in 46 provinces nationwide. To augment the resources of banks for the financing requirements of small enterprises engaged in manufacturing (especially the export winners), processing, agribusiness (except farm-level agricultural production) and services (except trading), the SBGFC operationalized the Small Enterprise Financing Facility (SEFF). Last year, 17 financial institutions were accredited by SBGFC for this program. Together, they now have an approved credit line of P161 million.

As of 30 June 1994, under the mandatory allocation provision of the Magna Carta for SMEs (RA 6977), lending institutions were able to set aside 14.1% or P49.8 billion out of their total loan portfolio of P354 billion for the financing needs of SMEs. Out of this, 91% of P45.5 billion were actually lent out to SMEs.

Linking small producers to big buyers. DTI organized the third National Trade Fair in 1994 which enabled 161 entrepreneurs from all over the country to connect with 837 buyers. Gross sales reached P55.6 million. Moreover, 72 regional and provincial fairs conducted in practically all regions and in such provinces as Pampanga, Tagbilaran City and Leyte in conjunction with the 50th Leyte Landing rites generated gross sales of P73.8 million. Subcontractors benefited from linkages with six industry associations, 272 subcontracting arrangements facilitated and 1,248 market matching activities.

Focusing attention on small enterprises. Small and Medium Enterprise Week was successfully conducted last July, highlighting and stimulating awareness of the critical role of SMEs as the backbone of countryside growth and development.

Moreover, the SMED Council, in coordination with ILO-Manila, conducted a study on the establishment of the Small Business Promotion Corporation (SBPC). SBPC is envisioned to augment existing services given small enterprises in the areas of marketing, technology transfer, training and credit.

Foreign funding for small businessmen. In 1993, 44 entrepreneurial assistance programs were endorsed to the National Economic and Development Authority (NEDA) and other foreign agencies for funding. As of the third quarter of 1994, 43 more projects had been recommended. Among these were the school-based production centers, establishment of a shippers' assistance center, the product specialist program and design awareness training, among others.

*In the 1800s,
the key shopping districts of Manila
were located along the Pasig River
in the suburb of Binondo
with its enclave of Chinese stores
and on the Escolta
where Europeans set up bazaars,
cafes and apothecaries.
Now, most of Metro Manila and
key cities of the Philippines
are burgeoning centers of retail
trade, reflecting a strong consumer
market and openness to global
trade. Retail trade may be the
next area of economic activity
to be opened to foreign
participation in the coming year.*

Loan Approvals for Cottage, Small and Medium Enterprises 1994

Program	Loans Approved (in Pm)	Repayment Rate (%)	No. of Entrepreneurs Financed	Employment Generated	Participating NGOs
TST-SELA/ NGO-MCP II	P213.4	87.0%	14,229	28,458	248
MEDP*	51.6	48.0	10,065	11,867	404
Credit Program for Poorest of the Poor	22.9	-	1,171	5,971	57
MCP Locally Funded	36.3	-	100	250	198
Total	324.3	-	25,565	46,546	907

* *Micro Enterprise Development Project*

Empowering the farmer. Not least among the programs to stimulate countryside growth is the DTI-CARP program which gives assistance to farmers and landowners affected by the Comprehensive Agrarian Reform Program (CARP). Extension services through 422 training workshops were held in 1994. Other activities under the CARP umbrella: 108 pre-investment and feasibility studies, 319 marketing linkages and 83 trade fairs conducted/facilitated for 39,924 agrarian beneficiaries as of 30 September 1994. Moreover, 201 common service facilities and agro-prototype projects were set up to augment rural production capacities.

Consumer welfare and protection

Consumer welfare and protection is the fourth key result area assigned to the DTI. Approaches to carry out this task include product standards formulation, price and supply monitoring backed by vigilant enforcement of fair trade laws, and most importantly, a consumer education and information component.

Product safety and quality. Increasingly, DTI has widened the scope for product standards formulation, but priority is given to products with high impact on public health, safety and environmental factors. Last year, 432 standard codes were adopted, up from 292 in 1993. Covered were processed foods, stuffed toys, paint and related coatings and materials, chemical and petroleum products, and construction materials.

A total of 85 companies were certified and awarded licenses to use the PS Quality Certification mark after having met the rigid quality and safety criteria prescribed under the Philippine National Standards Code.

A 98.7% standards compliance rate was posted by firms which were monitored in 1994.

To help ensure that work on infrastructure projects are completed on time and at the desired quality, the Constructors Performance Evaluation System (CPES) was developed by the Construction Industry Authority of the Philippines (CIAP) for road, bridge, housing and building projects. The system was accepted and adopted by five agencies: the Department of Public Works and Highways (DPWH), Department of Transportation and

Communication (DOTC), Philippine Tourism Authority (PTA) and Export Processing Zone Authority (EPZA).

Price and supply watch. Following the implementation of the Price Act of 1992, the department took the initiative in setting up and monitoring the activities of Local Price Coordinating Councils (LPCCs) in key cities, towns, municipalities and provinces of the country. These Councils track the price and supply situation of basic goods, and act on problems and issues that crop up, particularly during periods of calamity or emergency. From 211 in 1993, the number of LPCCs rose to 265 in 1994.

Close coordination with the manufacturing sector was maintained, especially during the period when the exchange rate was under speculative attack and when the expanded value-added tax (VAT) Law was passed by Congress. As a result of the continuing dialogue with producers, suppliers and retail outlets, no unusual gyrations in prices and supplies occurred.

To facilitate the flow of basic goods especially in depressed communities, DTI mobilized and accredited 277 rolling stores, *bantay bilihin tindahan* and *bagsakan* centers in 1994.

Fair trade law enforcement. Vigilant enforcement of fair trade laws kept the incidence of violations at less than 1% among the 178,899 firms monitored. This was lower than the 5% target set and the 2.5% violations rate in 1993.

It helped that DTI had set up some 781 Consumer Welfare Desks (CWDs) and Suggestion/Complaint Boxes (SCBs) in DTI regional and provincial offices as well as inside selected business establishments all over the country. Some 70% of consumer complaints were resolved at the CWD level while the balance was referred to the action agencies concerned for resolution.

The first nationwide search for the Best of the Best CWDs was launched in 1994 to recognize business outlets that swiftly take action on consumer complaints.

Consumer choice is consumer power. Under the DTI consumer education program, 1,707 seminars, meetings and public hearings on the Consumer Code of the Philippines and rights and responsibilities of the consumer were held. Print and broadcast materials were prepared and distributed. Moreover, 141 consumer organizations were established while 463 groups from various parts of the country were assisted.

Every first week of October each year, Consumer Protection Week is celebrated as a special time to highlight consumer issues and concerns. Last year's theme was "Consumer-Business-Government: Partners in Progress" to emphasize trisectoral coordination in the promotion of consumer interest.

Compliance Report 1994

Law	No. of firms monitored	Compliance Rate
Price Tag	44,988	97.5%
Mislabelling	28,548	99.7
Unfair Competition (Articles 188 & 189)	4,511	97.7
Price Act	18,017	99.9
Sales Promotion	3,044	99.3
Business Name	32,495	99.6
Product Standards	5,724	98.7
Operation Timbangan	28,769	97.5

Fair Trade Law Enforcement 1994/1993

Activity	1994	1993	Variance (%)
No. of firms monitored	178,899	146,831	22
No. of firms penalized	2,320	1,592	46
Amount of fines imposed	P 556.0m	P 1,454.7m	162

A development that is seen to empower Filipino consumers is the Senate ratification of the Uruguay Round of the General Agreement on Tariffs and Trade. In leading the advocacy campaign for ratification, DTI was particularly sensitive to its impact on consumers. Why is the Uruguay Round (UR) good news for consumers?

The basis lies in the boost the UR gives to trade, economic growth and incomes everywhere. Consumers do not act in isolation any more than do producers. As spenders and earners, both gain from economic growth. Increased trade means more investments, more jobs in better paying industries, more disposable incomes in the consumer pocket. By opening up markets, consumers in the end gain: supply sources are enhanced and more choices given in the quality and price of goods purchased.

Personnel Complement
Department of Trade and Industry
1994

Office of the Secretary (OSEC)	18
Industry and Investments Group (IIG)	1,467
International Trade Group (ITG)	1,155
Regional Development Group (RDG)	200
Policy, Planning and Special Concerns Group (PPSCG)	63
Industrial Learning Centers (ILCs)	135
Management Support Services Group (MSSG)	237
Proprietary Entities	96
Regional and Provincial Offices	1,918
Total	5,289

Energizing the DTI bureaucracy

A word about the DTI team. As in the past, the operative guide followed by the DTI work team remains "service to people."

Department accomplishments in 1994 are a result of its effective response to challenges within and outside the organization. Internally, the challenge was to manage exponentially growing external demand for services using severely limited budgetary resources that was compounded by tight manpower brought about by the attrition law. In 1994, the Department was a team of 5,289 from 5,399 in 1993. Aside from the DTI head office, they man the 15 attached agencies and corporations, 14 regional and 78 provincial offices.

The institutional response was to streamline operations, focusing on greater efficiency and productivity to serve the public more quickly and effectively. In effect, DTI worked on less to produce more. Output was maximized by improved processes and greater capabilities acquired through the agency's premium on training, both formal and on-the-job. A system for measuring and rewarding exemplary performance through the System on Performance Awards and Incentives (SPRints) served to inspire excellence in the DTI work place. The year's awardees included 87 individual achievers and two teams at the bureau level plus two hall of fame awardees. Hall of fame awards are given to performers who top a category three years in a row.

Last year's accomplishments also mirror the excellent interface and teammanship between the operating and support groups, with the planning and management services groups providing the key directional thrusts, the logistical, financial and communications back-up for the attainment of DTI's key results.

ORGANIZATION CHART

SECRETARY

INDUSTRY AND INVESTMENTS

- Board of Investments
- Bonded Export Marketing Board
- Bureau of Import Services
- Construction Industry Authority of the Philippines
- Export Processing Zone Authority

INTERNATIONAL TRADE

- Bureau of Export Trade Promotion
- Bureau of International Trade Relations
- Center for International Trade Expositions and Missions
- Foreign Trade Service Corps
- Garments and Textile Export Board
- International Coffee Organization - Certifying Agency
- Philippine International Trading Corporation
- Philippine Shipper's Bureau
- Philippine Trade Training Center
- Product Development and Design Center of the Philippines

MANAGEMENT AND SPECIAL SERVICES

- Bureau of Patents, Trademarks and Technology Transfer
- Center for Labor Relations Assistance
- Financial Management Service
- General Administrative Service
- Human Resources Development Service
- Office of Legal Affairs
- Press Relations Office
- Trade and Industry Information Center

PROPRIETARY ENTITIES

- National Development Company and subsidiaries

POLICY PLANNING SERVICES

- Management Information Service
- Office of Operational Planning
- Office of Policy Research
- Office of Special Concerns

REGIONAL DEVELOPMENT

- Bureau of Domestic Trade Promotion
- Bureau of Product Standards
- Bureau of Small and Medium Business Development
- Bureau of Trade Regulation and Consumer Protection
- DTI-CARP National Program Office
- Small Business Guarantee and Finance Corporation
- Small and Medium Enterprise Development Council
- Regional/Provincial Offices

INDUSTRIAL LEARNING CENTERS

- Construction Manpower Development Foundation
- Cottage Industry Technology Center
- National Industrial Manpower Training Council

DTI EXECUTIVE COMMITTEE

Tomas I. Alcantara
Undersecretary

Cesar B. Bautista
Undersecretary

Ernesto M. Ordoñez
Undersecretary

Rizalino S. Navarro
Secretary

Edsel T. Custodio
Assistant Secretary

Ma. Aurora F. Timbol
Assistant Secretary

Renato V. Navarette
Assistant Secretary

HEADS OF BUREAUS/AGENCIES

Industry and Investments Group

Tomas I. Alcantara
Vice Chairman/Managing Head
Board of Investments

Marissa F. Concepcion
Caretaker
Bonded Export Marketing Board

Jesus S. Niedao
Director
Bureau of Import Services

Alicia A. Tiongson
Executive Director
Construction Industry Authority of the Philippines

Tagumpay Jardiniano
Administrator
Export Processing Zone Authority

International Trade Group

Luis M. Berrei
Director
Bureau of Export Trade Promotion

Jose Antonio S. Buencamino
Director
Bureau of International Trade Relations

Araceli Maria Pinto-Mansor
Executive Director
Center for International Trade Expositions and Missions

Deo A. Reyes
Coordinating Officer
Foreign Trade Service Corps

Escolastica B. Segovia
Executive Director
Garments and Textile Export Board

Antonio R. Reyes
Executive Director
International Coffee Organization- Certifying Agency

Jose Luis U. Yulo, Jr.
President
Philippine International Trading Corporation

Antonio R. Reyes
Officer-in-Charge
Philippine Shippers' Bureau

Ma. Angelina V. Angeles
Executive Director
Philippine Trade Training Center

Minerva P. Franco
Executive Director
Product Development and Design Center of the Phils.

Regional Development Group

Zenaida Cuison-Maglaya
Director
Bureau of Domestic Trade Promotion

Renato V. Navarrete
Director
Bureau of Product Standards

Zoila Pedro-Elevado
Director
Bureau of Small and Medium Business Development

Jesus S. Motoomull
Director
Bureau of Trade Regulations and Consumer Protection

Manuel B. Abad
Officer-in-Charge
DTI-CARP National Program Office

Dr. Paterno V. Viloria
Chairman/Chief Executive Officer
Small Business Guarantee and Finance Corporation

Regional Directors

Armando P. Galimba
Cordillera Administrative Region (CAR)

Florante O. Leal
Region 1

Jose V. Hipolito
Region 2

Oliver B. Butalid
Region 3

Richard Albert I. Osmond
Region 4

Monina Lily Claveria
Caretaker, Region 5

Dominic Abad
Region 6

Alberto T. Gumarao
Caretaker, Region 7

Cynthia Nierras
Region 8

Nazrullah B. Manzur
Region 9

Ninfa A. Albania
Region 10

Merly M. Cruz
Region 11

Ibrahim K. Guiamadel
Region 12

Fatima Irene Rasul
Secretary
Autonomous Region for Muslim Mindanao (ARMM)

Imelda J. Madarang
National Capital Region (NCR)

Policy Planning Services Group

Alfredo M. Torres
Officer-in-Charge
Management Information Services

Ma. Aurora A. dela Rea
Caretaker
Office of Operational Planning

Joseph H. Francia
Director
Office of Policy Research

Arnaldo A. del Rosario
Officer-in-Charge
Office of Special Concerns

Industrial Learning Centers

Rodolfo C. Menguita
Caretaker/Deputy Exec. Director
Construction Manpower Development Foundation

Emeline R. Navera
Executive Director
Cottage Industry Technology Center

Norma L. Roque
Caretaker
National Industrial Manpower Training Council

Management and Special Services Group

Ignacio S. Sapalo
Director
Bureau of Patents, Trademarks and Technology Transfer

Federico G. Luchico Jr.
Executive Director
Center for Labor Relations Assistance

Lourdes R. So
Director
Financial Management Service

Amando T. Alvis
Director
General Administrative Service

Ma. Lourdes Baua
Director
Human Resource Development Service

Virgilio A. Sevandal
Director
Office of Legal Affairs

Romeo J. Pajarillo
Director
Press Relations Office

Minerva R. Fajardo
Director
Trade and Industry Information Center

National Development Company Group

Arthur Aguilar
General Manager
National Development Company

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Published by the Trade and Industry Information Center • Department of Trade and Industry • 385 Sen. Gil J. Puyat Avenue • Makati, Metro Manila • Tels. 895-3611/895-6487

PHILIPPINES 2000

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