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A Review of the Components of the Medium-Term National Action Agenda for Productivity: Industrial Sector

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A Review of the Components
of the Medium-Term National Action
Agenda for Productivity: Industrial Sector

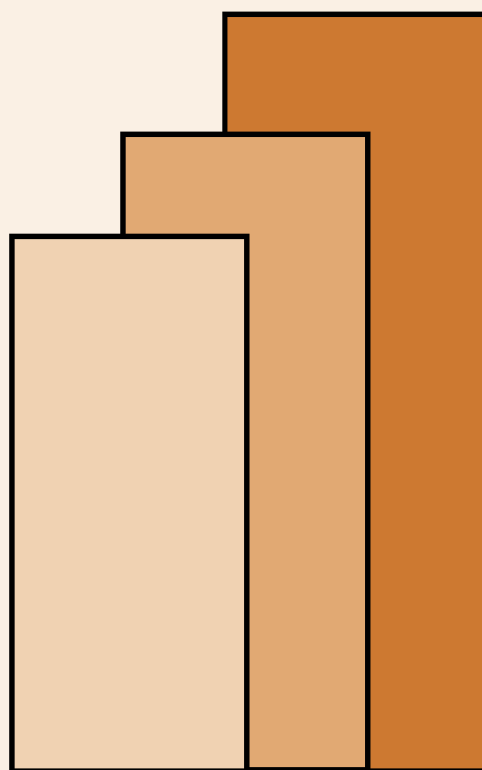
Erlinda M. Medalla

DISCUSSION PAPER SERIES NO. 2000-23

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ABSTRACT

The paper looks into the major factors which affect the efficiency of product market. In particular, the paper examines the policy environment, which could induce better resource allocation, foster dynamic efficiency and thereby increase the productivity of the industrial sector. This policy environment comprises three layers: 1) the trade policy that determines the general terms of trade; 2) other government policy measures and regulations that will hinder a well-functioning market; and 3) measures and regulations intended to govern the conduct of firms. Gaps and issues with respect to these three layers of policy environment are also discussed in the paper.

Much has already been done with respect to the first layer of policy environment. Trade reforms beginning in the 1980s have been substantial and contributed positively to improving the competitiveness of the manufacturing sector. The more open trade regime made possible by trade reforms has led to increased market contestability. However, in many cases, the mere threat of import competition is sufficient to keep monopolistic tendencies in check. Perhaps, the main concern in this area is to safeguard the reforms that have already been implemented and prevent policy reversals. Another area for improvement is related to improvements in institutions that would enable the Philippines to take full advantage of the opportunities in the larger world market offered by the more open trade regime. In particular, the government should continue to pursue administrative measures that will lower the costs of importing and exporting.

While competition issues regarding the conduct of firms are important, the more crucial and urgent concern is the second layer of the policy environment--- the government policies with anti-competition effects. As pointed out earlier, a lot has already been done in terms of implementing reforms as regards to trade policy (first layer), and perhaps, it is timely to shift some of the focus on the other government policy-induced anti-competitive elements. There is a clear need to re-evaluate policies and review whether such policies and regulations could pass a "competition" test or, if not, if they could be justified on public welfare grounds.

With respect to the third layer of policy environment, many studies point out a need for a more effective anti-trust legislation for the Philippines. These include most notably the studies by Patalinghud (1998), Cabalu et al (1999), an earlier study by Lamberte et al (1992) on barriers to entry, and an ongoing study by Anthony Abad (not to mention studies done under the auspices of CRC and AIM). All point to the weakness of the existing legislation and mechanisms for implementation.

In developing economies, implementation is the Achilles' heel of competition law. Thus, in designing a competition law, careful attention must be focused on its implementation concerns. Successful implementation requires not only the careful design of substantive prohibitions and the construction of an effective competition body, but would also entail improvements in other institutions such as the judicial system. Sadly, the institutional ingredients that make ambitious competition system feasible in developed countries rarely exist in developing settings and which will take long years (decades) to build.

In the long run, the government should work towards creating an implementing body or commission. Ideally, this commission will be responsible not only for the prevention of anti-competitive behaviour of firms or simply anti-trust legislation, but also for the broader area of competition policy and law.

A Review of the Components of the Medium-Term National Action Agenda for Productivity: Industrial Sector

1. Introduction

While studies show positive effects of trade reforms, especially with respect to the increasing competitiveness of industries, the performance of the industrial sector in terms of growth during the recovery period starting in 1993 has been very modest, even excluding the period during the Asian financial crisis. This, however, is not entirely surprising, considering the adjustment period required for any kind of reform. It has even been encouraging to note that the adjustment period exhibited little of the anticipated adjustment costs in terms of massive plant shut downs. Nonetheless, the question that remains in one's mind is when the industrial sector is finally going to reap the full benefits of the reforms. This event becomes even more impatiently awaited after weathering almost three years of difficulties in the aftermath of the Asian crisis.

Tables 1 and 2 show the changes in production structure of the Philippine economy over the past 20 years. The tables indicate a sluggish industrial sector reflected by manufacturing growth rates consistently lower than the overall economic growth. This is also reflected by the almost constant share of manufacturing. Hence, past industrial policies did not seem to have induced rapid industrial growth, but neither has the reforms appear to have made much of an impression as yet. There is, however, some positive signs in manufacturing performance during the third quarter of 1999.

A principal objective of the Philippine trade reforms is to reduce, if not eliminate, the bias against exports inherently arising from the past protectionist policy. Thus, a logical question is how this has been translated in terms of actual export performance.

As Table 3 indicates, the export sector on the whole has performed well, with a growth rate averaging at more than 20 percent during the period 1993-96. The performance of manufactured export sector is even better, with manufactured exports growing by an average of almost 24 percent during the same period. The machinery and transport equipment exhibited the highest growth rate at around 47 percent during the same period, followed by electrical equipment/semi-conductors which grew on average by around 38 percent. The garments sector has slowed down in the 1990s, but another good performer is the textile sector, with exports growing on average by around 21 percent during the period.

These trends resulted in a dramatic shift in the composition of exports during the past decade. (See Table 4) The share of agriculture and primary products declined. On the other hand, the share of manufactured exports

(starting out in 1970 at less than 7 percent) grew from around 55 percent in 1985 to around 70 percent in 1990 to more than 83 percent in 1996.

Even more optimism could be gathered from the Philippines' export performance which did not falter even during the crisis period. Exports continued to grow, by an average of 23 percent in 1997, 17 percent in 1998 and 14 percent during the first three quarters of 1999. (See Table 5)

Thus, on the whole, the trade reforms have been accompanied by a creditable export performance.

Despite these encouraging signs in the overall performance of manufactured exports, some apparent weaknesses remain. Most obvious is the heavy concentration on electronics exports. While some may consider this, instead, a strength due to its sustained and increasing competitiveness and considering the bright future foreseen for the sector, the weakness lies in the lack of strong linkages with the rest of the country, especially backward linkages to supplying industries. Another disturbing observation is that such export robust growth has not as yet translated to corresponding growth in the economy in general and in the manufacturing, in particular. Industrial growth has remained lackluster.

This disappointing performance of the manufacturing sector could be traced to a number of factors. Possibly the main factor is the fact that the industrial sector is still in the process of adjustment and restructuring. Much of new investments happened only in the last three to four years prior to the crisis. Another factor cited by previous studies for the delayed response has been the failure of government to implement readily the necessary complementary measures. This refers particularly to the exchange rate policy which has, before the Asian crisis broke out in mid-1997, led to a real appreciation of the peso since 1990. (Medalla 1998) Businessmen cite the poor infrastructure in the country and high power rates. And finally, another important factor is the increasing Philippine labor costs and declining labor productivity which contribute to eroding Philippine comparative advantage (Jurado 1998, Austria 1998, and Cororaton 1998). These are indeed probably the major reasons for the failure of the industrial sector to fulfill its potential.

These observations also suggest key areas of concern for the Medium Term National Action Agenda for Productivity for the industrial sector. The first key area would be the policy environment for a well functioning market. This is considered to be a major factor affecting the performance of the industrial sector. The second key area covers the necessary complementary measures. This includes, most importantly, measures related to HRD, Infrastructure, R & D/ S & T. Finally, there is a need for more efficient monitoring and information system. This paper is primarily concerned with the first area, that is creating the policy environment which would enable a well functioning market. The other concerns

are discussed in more details in the other papers, particularly those dealing with issues on HRD, infrastructure, R and D and science and development.

2. The Policy Environment for a Well Functioning Product Market

A policy environment which induces better resource allocation, promotes efficiency in the use of resources (i. e., being able to produce more with less), and foster dynamic efficiency (e. g., by encouraging innovation) would lead to increased productivity. In general, this implies the existence of a well functioning market.

Basically, such a policy environment governing the functioning of the product market could be considered to have three layers. The first, and perhaps, the most pervasive and comprehensive is trade policy, which determines the general terms of trade, especially as far as a small country is concerned. The second layer of the policy environment includes the other government policy measures and regulations which, in themselves, wittingly or unwittingly, tend to distort prices and hinder competition (and consequently a well-functioning market). The third layer of policy environment involves measures and regulations intended to govern the conduct of firms themselves to limit any abuse of market power that these firms might possess.

For a small country like the Philippines, relative prices, not only amongst tradable commodities but also between tradables and non-tradables, are basically set by world prices and how much trade taxes are imposed (both explicit and implicit, the former through duties and the latter as a result of some form of quantitative restrictions). It is thus not difficult to comprehend how trade policy would affect competition and the functioning of product markets.

Substantial trade reforms have been implemented since the 1980s. With the reforms, the Philippine economy is gradually shifting from a bias for inward-looking industries relying mainly on “protection” toward a more open, outward-oriented industrialization strategy.

PIDS studies noted improvements in the tariff and protection structure brought about by the series of trade policy reforms. The average level of Effective Protection (EPR)¹ and the variation across industries has gone down significantly since the pre-reform period. The gap in EPRs especially between agriculture and industry, and between the exporting sector and the import-substituting sector has been significantly reduced. By year 2000, the average

¹The EPR is a measure of net protection considering the tariffs on both output and inputs. It is the percentage difference between "protected" domestic value added (value added given the tariff on both output and inputs) and free-trade value added (value added without tariffs).

EPR for the whole economy will be down to 14.6 percent. However, although showing continuing trends, there occurs a switch in the relative protection between agriculture and manufacturing starting in 1996. That is, the average EPR for agriculture has become higher than that for manufacturing – 21.8 percent for agriculture and 18.2 percent for manufacturing in 1996. (See Table 6)² Thus, agriculture has become the relatively more protected sector. This is primarily due to the tariffication of QRs in agricultural products under EO 313.

More importantly, PIDS studies show that basic improvements have occurred in the manufacturing sector after the reforms. The manufacturing sector has become more competitive and on the whole there is better resource allocation as indicated by the Domestic Resource Cost (DRC) estimates over the years. For example, the average DRC/SER (domestic resource cost as a ratio to the shadow exchange rate)³ went down from around 1.7 in 1983 to around 1.18 in 1994, clearly an indication of an increase in the overall level of competitiveness of the manufacturing sector. Furthermore, the share of establishments whose DRC/SER ratio fall within the range of zero and one (i. e., those with allocative efficiency) rose substantially, in terms of both value of output and number of firms. In terms of value of output, the share of efficient firms increased significantly from 18.8 percent in 1983 to 41.6 percent in 1994. (See Table 7)

These results are consistent with studies by Cororaton (1998) which indicate rising total factor productivity for manufacturing during the period considered.

The second layer of the policy environment encompasses the other government policy measures and regulations which, in themselves, whether intentionally or not, tend to distort prices and hinder competition. Such policies could therefore prevent markets to function as efficiently as they should. This includes, for example, (a) direct government intervention in the buying and selling of commodities, as in the case of sugar, (b) government procurement policies, and (c) investment policies. Such policies or regulations, if they are to contribute positively to society, should be justifiable on public welfare grounds.

²These estimates do not include the effects of the more recent EOs which has altered the tariffs of some products. However, the conclusions should remain the same.

³The measure of efficiency used in this project is the ratio of the domestic resource cost (DRC) to the shadow exchange rate (SER). The former indicates the value of domestic resources used to produce a unit of net foreign exchange while the latter indicates how society truly values foreign exchange. Thus, a ratio of one, or less than one, indicates efficiency since the activity is using domestic resources, whose cost is lower than value of the net foreign exchange it earned or saved. The lower the DRC/SER ratio, the higher the allocate efficiency.

Finally, the third layer of policy environment involves the conduct of firms themselves. This is what many perceive as the core of competition policy. In general, competition policy should lead to diffusion of economic power among producers and consumers. The elements of such a competition policy governing the conduct of firms would cover the following:

- a. Anti competitive behavior of firms, e. g.
 - price fixing
 - market sharing agreement
 - “tie -in” arrangement
 - resale price maintenance
- b. Rules governing public enterprises
 - need for competitive neutrality
- c. Rules governing bottleneck facilities
 - this refers in particular to access to essential facilities, and
- d. Rules governing monopolies
 - justification, e. g. in terms of efficiency
 - checks and balances that could be resorted to.

All three layers of policy could be considered the basic elements of a rational competition policy. The goal of a rational competition policy, of course, is not competition, per se. Rather, it should seek to promote effective competition only for as long as it encourages efficiency and growth and is consistent with social objectives.

Gaps/Issues

As discussed above, a lot has already been done with respect to the first layer of policy environment. Trade reforms beginning in the 1980s had been substantial and have contributed positively to improving the competitiveness of the manufacturing sector. The more open trade regime made possible by trade reforms has led to increased market contestability. In many cases, the mere threat of import competition is sufficient to keep monopolistic tendencies in check. Perhaps the main concern in this area is to safeguard what reforms have already been implemented and prevent policy reversals. Another area for improvement would be related to improvements in institutions that would enable the Philippines to take full advantage of the opportunities in the larger world market offered by the more open trade regime. In particular, the government should continue to pursue administrative measures that will lower the costs of importing and exporting.

With respect to the third layer of policy environment, many studies point out a need for a more effective anti-trust legislation for the Philippines. These include most notably the studies by Patalinghud (1998), Cabalu et al (1999), an

earlier study by Lamberte et al (1992) on barriers to entry, and an ongoing study by Anthony Abad (not to mention studies done under the auspices of CRC and AIM). All point to the weakness of the existing legislation and mechanisms for implementation.

In designing a competition law, careful attention must be focused on implementation concerns. In developing economies, implementation is the Achilles heel of competition law. Successful implementation requires not only the careful design of substantive prohibitions and the construction of an effective competition body, but would also entail improvements in other institutions such as courts and the judicial system. Sadly, the institutional ingredients that make ambitious competition system feasible in developed countries rarely exist in developing settings and which will take long years (decades) to build.

The whole process should be done on a gradual basis. We can begin with an austere law, which can be augmented over time and emphasize the establishment of implementing institutions and promotion of competition advocacy. Another approach would be to create a central body (such as the Fair Trade Commission) which could be designed to develop as such.

It is difficult to decide at the moment which is the more effective approach. The problem with the latter approach is that the requisite foundation may not be there. The bureaucracy may not be ready to perform such a function and might even cause more harm than good at its current state of development. Initial efforts should focus on the development of physical and human capital, training of judges, education of consumers, business community and government officials on the rationale for and content of antitrust statute. We should allow the institutional foundations for the competition policy system to be established first and the enforcement of comprehensive set of commands to be introduced and this could take some time. The drafting of the law and creation of such a commission should follow efforts to study the major sources of market failure and to identify distinctive institutional conditions that affect the choice of strategies for correcting such failures.

In the long run, the government should work towards creating such a commission. Ideally this commission would be responsible not just for the prevention anticompetitive behaviour of firms, or simply anti-trust legislation, but rather for the broader area of competition policy and law.

While competition issues regarding the conduct of firms are important, perhaps the more crucial and urgent concern is the second layer of the policy environment-- the government policies with anti-competition effects. This is due to several reasons. As pointed out earlier, a lot has already been done in terms of implementing reforms with regards to trade policy (first layer), and perhaps it is timely to shift some of the focus on the other government policy-induced anti-competitive elements. There is a clear need to re-evaluate policies and review

whether such policies and regulations could pass a "competition" test or, if not, if they could be justified on public welfare grounds. Not much has been done towards this end. Also, since they are policy-induced, there is a more concrete policy handle and possibly an existing mechanism to work with (in contrast with the third layer of competition policies governing the conduct of firms which would need more institution and capability building for it to be properly administered). Of course, this does not necessarily guarantee greater ease in implementing reforms. There have been ample research in some cases (e. g. studies on NFA, oil deregulation, local content programs) but reforms have been difficult if not impossible to carry out. Perhaps the first order of action could even be to identify the major policies, which have important implications on competition.

3. Complementary Measures

Undoubtedly, there is a host of other policies and factors affecting productivity aside from policies aimed at promoting a well-functioning product market as discussed in the previous section. Infrastructure development, S&T and R and D activities , and HRD and labor management relations affect productivity even more directly. Over and above the more orthodox policies of correcting for market failures (which, in essence, is the underlying principle of the framework for a rational competition policy discussed above), there is a need to address the fundamental weaknesses in these other areas.

These concerns are discussed in greater detail in the other parts of the study. The new, more open trading environment requires dynamic export sector in particular and tradable sectors in general. This implies a need for continuous productivity enhancement measures in the area of HRD, infrastructure development, and S&T/R&D. For example, the more global orientation and investments in newer technology would require a highly trained/skilled manpower. In other words, having put in place trade policy reforms, the government cannot then just sit back and "do nothing else besides." In the area of S&T/R&D, the primary role of government should be one of coordination and serving as a catalyst for interaction among the economic players so as to promote technological development most suited to our country's needs. This implies a need to clarify the role of public and private sector in R and D activities. Finally, the government also has a primary role in providing needed infrastructure and aiding human resource and skills accumulation.

Table 1
PRODUCTION STRUCTURE OF THE ECONOMY
Average Growth Rates
In Real Terms

INDUSTRY	75-80	80-85	85-90	90-95	90-96
1. AGRI.FISHERY,FORESTRY	4.50	0.38	1.96	1.30	1.66
a. Agriculture industry	6.22	1.76	2.60	2.14	2.38
b. Forestry	-2.59	-11.35	-6.00	-23.26	-18.98
2. INDUSTRY SECTOR	7.45	-2.27	1.54	2.25	2.85
a. Mining & Quarrying	8.84	6.94	4.40	-1.98	-1.51
b. Manufacturing	5.07	-1.77	2.91	2.17	2.66
c. Construction	18.20	-6.90	-1.50	2.20	3.45
d. Elect,Gas and Water	7.65	6.14	2.14	5.78	6.02
3. SERVICE SECTOR	5.48	1.97	4.40	2.96	3.45
a. Trans., Comm. & Stor.	6.99	2.12	4.28	2.77	3.43
b. Trade }	6.29	1.84	4.30	3.12	3.46
c. Finance }	10.66	-2.83	7.43	3.76	5.19
d. O. Dwellings & R. Estate}	1.70	1.22	3.57	1.91	2.23
e. Private Services }	4.78	5.77	3.81	2.62	2.96
f. Government Services }	3.68	2.56	4.66	3.75	4.06
GROSS DOMESTIC PRODUCT	5.99	-0.09	2.74	2.33	2.83
GROSS NATIONAL PRODUCT	5.88	-0.61	3.36	3.05	3.65

Source: National Income Accounts, NSCB

Table 2
PRODUCTION STRUCTURE OF THE ECONOMY
Percent Distribution
In Real Terms

INDUSTRY	1975	1980	1983	1985	1988	1990	1993	1996
1. AGRI.FISHERY,FORESTRY	24.74	23.55	22.04	25.28	23.80	22.19	22.37	20.29
a. Agriculture industry	21.06	20.54	20.00	23.66	22.07	21.18	21.90	20.08
b. Forestry	3.68	3.00	2.05	1.62	1.73	1.01	0.47	0.21
2. INDUSTRY SECTOR	38.48	40.59	41.01	36.06	35.56	35.28	33.67	34.17
a. Mining & Quarrying	1.27	1.50	1.41	2.14	1.79	1.53	1.55	1.15
b. Manufacturing	28.39	27.65	26.49	25.87	25.95	25.39	24.27	24.27
c. Construction	7.01	9.41	10.70	5.22	5.09	5.78	5.13	5.58
d. Elect,Gas and Water	1.82	2.04	2.41	2.84	2.73	2.58	2.71	3.17
3. SERVICE SECTOR	37.04	36.05	38.44	41.50	41.56	42.02	42.26	41.57
a. Trans., Comm. & Stor.	4.77	4.79	4.97	5.69	5.81	5.67	5.75	5.75
b. Trade }	12.55	13.04	13.68	14.90	14.59	14.83	15.06	14.73
c. Finance }	3.36	3.94	3.80	3.08	3.65	4.14	4.00	4.36
d. O. Dwellings & R. Estate}	6.49	5.20	5.29	5.78	5.62	5.54	5.53	5.15
e. Private Services }	5.18	4.91	6.45	7.04	6.94	6.81	6.83	6.59
f. Government Services }	4.69	4.17	4.24	5.02	4.95	5.03	5.10	4.99
GROSS DOMESTIC PRODUCT	100.26	100.19	101.49	102.84	100.92	99.49	98.29	96.03
Net factor income from abroad	-0.26	-0.19	-1.49	-2.84	-0.92	0.51	1.71	3.97
GROSS NATIONAL PRODUCT	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: National Income Accounts, NSCB

Table 3
AVERAGE ANNUAL GROWTH RATE OF EXPORTS
(in %)

Commodity	86-88	89-92	93-96
Coconut Prods.	8.0	4.7	7.9
Sugar and Prods.	-23.7	13.4	15.2
Fruits and Vegetables	6.2	5.3	7.2
Other Agro-based Prods.	21.8	-2.0	4.5
Forest Prods.	9.8	-30.3	-1.6
Mineral Prods.	15.2	-4.0	5.8
Petroleum Prods.	22.2	5.1	19.2
Manufactures	20.0	13.9	23.8
Electrical Equipment.	13.6	16.9	38.2
Garments	28.9	13.0	3.3
Textiles	23.9	14.5	21.5
Footwear	17.3	17.4	5.7
Travel goods & handbags	30.3	28.4	24.3
Wood Manufactures	22.6	10.2	8.1
Furnitures & fixtures	31.2	-0.1	12.9
Chemicals	22.4	1.8	7.4
Non-metallic mineral mftr.	15.7	25.2	4.9
Machinery & transport eqpt.	30.9	55.8	47.0
Processed foods & beverages	21.4	4.9	11.4
Misc. Mfrd. articles, nes	17.7	12.6	7.9
Others	23.9	12.8	17.1
Special Transactions	80.0	38.0	45.3
Re-Exports	55.6	6.5	38.5
TOTAL	15.5	8.6	20.3

Source : Selected Philippine Economic Indicators, CB-DER

Table 4
Exports by Major Commodity Group
Percent Distribution

Commodity	1986-1988	1989-1992	1993-1996
Coconut Prods.	9.30	6.16	4.66
Sugar and Prods.	1.47	1.43	0.70
Fruits and Vegetables	4.98	4.07	3.01
Other Agro-based Prods.	6.96	5.29	3.47
Forest Prods.	4.03		0.25
	10.00	8.19	5.17
Petroleum Prods.	2.19		1.12
	58.82	70.69	79.56
Electrical Equipment.		25.08	39.83
Garments		21.16	16.03
Textiles		1.15	1.19
Footwear		1.40	1.26
Travel goods & handbags	0.28		0.56
	1.07	1.26	0.85
Furnitures & fixtures		2.19	1.64
Chemicals	4.31		2.06
	0.41	0.73	0.64
Machinery & transport eqpt.		2.07	4.31
Processed foods & beverages	2.40		1.98
	1.42	1.63	1.33
Others	6.05		7.88
	0.22	0.24	0.57
Re-Exports	2.02		1.49
	100.00	100.00	100.00

Source: Selected Philippine Economic indicators, CB-DER

Table 5
Exports by Major Commodity Group
Growth Rates

Commodity	1993	1994	1995	1996	1997	1998	Jan-Jul 98-99	1993-1997	1993-1998
Coconut Prods.	-17.26	20.11	54.77	-26.19	14.38	-0.48	-57.89	9.16	7.56
Sugar and Prods.	17.27	-40.31	-3.90	87.84	-28.78	1.01	-27.37	6.43	5.52
Fruits and Vegetables	18.33	-2.28	6.76	6.11	-5.56	-2.83	0.37	4.67	3.42
Other Agro-based Prods.	10.19	11.34	8.49	-12.00	0.00	-8.10	1.53	3.60	1.65
Forest Prods.	-21.05	-42.22	46.15	10.53	7.14	-46.67	-42.86	0.11	-7.69
Mineral Prods.	8.37	13.70	14.49	-13.55	-1.04	-22.64	-9.21	4.40	-0.11
Petroleum Prods.	-9.33	-2.94	29.55	59.65	-5.86	-49.81	-7.41	14.21	3.54
Manufactures	19.61	21.61	30.65	23.35	25.62	20.37	16.99	24.17	23.53
Electrical Equipment.	28.99	40.35	48.74	34.76	30.65	31.44	20.18	36.70	35.82
Garments	6.17	4.53	8.21	-5.72	-3.05	0.30	-7.78	2.03	1.74
Textiles	-2.48	46.61	20.23	21.63	18.18	-19.06	-19.87	20.84	14.19
Footwear	16.67	25.00	-1.43	-17.39	13.45	-24.23	-42.27	7.26	2.01
Travel goods & handbags	1.89	40.74	44.74	10.00	42.98	5.20	-20.00	28.07	24.26
Wood Manufactures	-7.08	22.86	3.88	12.69	-11.26	-11.94	-18.31	4.22	1.52
Furnitures & fixtures	12.15	18.23	15.00	6.16	9.90	0.62	5.49	12.29	10.34
Chemicals	-2.24	16.79	12.09	2.92	8.50	-11.49	-10.31	7.61	4.43
Non-metallic mineral mftr.	8.75	10.34	12.50	-12.04	10.53	0.95	8.33	6.02	5.17
Machinery & transport eqpt.	26.04	29.20	58.00	74.90	107.25	23.53	45.85	59.08	53.15
Processed foods & beverages	23.18	11.81	-3.63	14.38	3.59	-11.56	-20.54	9.87	6.30
Misc. Mfrd. articles, nes	14.72	3.74	3.09	10.00	-5.00	-2.87	3.48	5.31	3.95
Others	40.57	-2.57	19.43	11.06	-12.09	-13.51	-2.44	11.28	7.15
Special Transactions	-5.00	94.74	45.95	45.37	67.52	18.25	57.14	49.71	44.47
Re-Exports	71.88	9.70	50.83	21.61	54.22	43.16	26.16	41.65	41.90
TOTAL	15.72	18.53	29.40	17.75	22.81	16.92	13.70	20.84	20.19

Source: Selected Philippine Economic indicators, CB-DER

Table 6
WEIGHTED EFFECTIVE PROTECTION RATE (EPR)

Description		1988	1992	PRE95	POST95	2000
0-169 All sectors		21.9	25.1	17.7	17.4	14.6
	Importables	36.2	41.0	29.1	28.5	23.4
	Exportables	-4.7	-4.5	-3.5	-3.2	-1.6
1-27 Agriculture, Fishing & Forestry		19.4	19.6	18.7	18.4	14.7
	Importables	31.1	31.8	29.6	29.1	23.1
	Exportables	-1.9	-2.6	-1.3	-1.2	-0.8
	1-23 Agriculture	22.3	22.4	22.1	21.8	20.4
	Importables	35.9	36.1	35.5	35.0	32.7
	Exportables	-0.9	-0.7	-0.6	-0.5	-0.4
38-169 Manufacturing		24.3	28.9	18.5	18.2	15.7
	Importables	38.4	44.9	29.2	28.6	23.9
	Exportables	-6.3	-5.7	-4.7	-4.3	-2.1

Notes: Sectors 71-81 (garments) and 146 (semi-conductors) enjoy duty drawbacks
PRE95 before effectivity of E.O. 264
POST95 after effectivity of E.O. 264

Source: Tan (1997)

Table 7
RESOURCE ALLOCATION AND EFFICIENCY

DRC/SER Range	Efficiency Classification	Share in Production Value (%)				Share in Number of Establishment (%)			
		1983	1988	1992	1994	1983	1988	1992	1994
0<DRC/SER<1	Highly efficient	18.84	39.51	43.95	41.63	19.60	30.25	33.22	22.38
1.0<DRC/SER<1.5	Efficient-Mildly Inefficient	28.75	22.76	29.48	37.86	17.16	27.73	31.17	40.45
1.5<DRC/SER<2.0	Inefficient	12.30	14.68	8.36	7.56	14.20	13.00	12.69	16.30
DRC/SER>2.0	Highly Inefficient	39.58	21.77	18.07	12.94	46.01	26.61	21.87	20.76
DRC/SER<0	Negative foreign exchange earner/saver	0.53	1.28	0.14	0.01	3.03	2.41	1.06	0.10
Average DRC/SER		1.72	1.54	1.21	1.18				

Sources:

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