By using the special forms for EPZA-registered enterprises it is possible to be exempted from filing requirements for forms a), b) and c) for exports and of the approval formalities at the Central Bank for imports.

In addition to the above merits, the common facilities of the EPZs are better equipped than those of normal industrial estates, and security inside the zones such as the EPZA police and fire fighting services are also better.

(2) Inconvenience to the Zone Enterprises

Zone enterprises have various merits mentioned above. On the other side, however, there are some inconvenient conditions for zone enterprises operating in the EPZs. Those inconveniences can be divided roughly into two factors. One is related to the legislative systems for the EPZ and the other is related to the location of the existing four EPZs.

1) Inconvenience Related to the Legislative Systems for the EPZs

a) Sales Limitation to Domestic Market

EPZA-registered enterprises are obliged to export 100% of products in principle, including indirect exports, and as an exception, are only allowed to sell up to 30% of total production to domestic market. EPZA-enterprises have a limitation on domestic sales.

b) Land Allotment by Leasing Contract

Whatever nationality or company, zone enterprises can not own land in an EPZ because the only lease contract is made with the EPZA. Thus, zone enterprises have some limitation on collateral for financing.

2) Inconvenience due to Geographical Conditions

a) In-land Transportation

Three EPZs (especially BEPZ and BCEPZ) except MEPZ are located far from an international seaport or airport. It takes a time to transport raw material and products and also transportation cost becomes rather high.

b) Administrative Procedure

All of four EPZs are located outside of Metro Manila (the closest EPZ is the CEPZ some 30 km away). Some inconvenience is encountered concerning administrative procedures or business activity.

c) Difficulties for Recruitment and Welfare Management

At the EPZ located in a far distance from urban areas such as BEPZ, zone enterprises often suffer from difficulties in keeping engineers and senior staff and have difficulties when securing accommodations, commuter transport and welfare facilities.

d) Difficulties for Personnel Management

Since many companies operate in the same area, they are often influenced by outside labor disputes, and also face difficulties in personnel management.

3-5 Main Tasks Facing the EPZA and EPZs

Problems facing the EPZA can be roughly divided into two groups. The first group concerns such infrastructure as telecommunications and road networks, the second group connected with management and administration systems of the EPZs. The following problems were identified during the present study as common to all the EPZs at the present.

(1) Provision of Infrastructure

1) Insufficient road network between the EPZs and the harbor and city

2) A qualitative and quantitative insufficiency of telecommunication facilities exists

3) Problems relating to the provision of housing and commuter transport for employees

4) Instability of electric power supply

5) Inadequate maintenance of facilities in the EPZs (for example, repairs of zone roads, damage to boundary fences, etc.)

(2) Management and Systems Problems

1) Shortage of employees for facilities maintenance and services in some EPZ

2) Export and import procedures are too complicated

3) Insufficient conditions and system for handling small and medium enterprises

4) Inadequacy of the EPZA's Public Relations and Sales Promotion Activities both in the Philippines and abroad

5) Need for measures to further linkage effects

Countermeasures to a number of the above problems have already been partially considered. Nevertheless, there are complaints raised by some zone enterprises that although proposals have been put forward for improvements by the EPZA to date no actual measures have been taken. Present conditions of the environs of the CEPZ has been mentioned in Section 3-3. In addition the above problems are shared by all of the EPZs although the degree of these problems may vary from one to another. The following is an examination of the present situation regarding the management and systems problems.

1) Personnel Placement in Each of the EPZs

There is an imbalance existing between the assignment of personnel in the BEPZ and the other three EPZs, as is shown in Table 3-1-1. The development of the BEPZ involved not only that of the industrial facilities but also incorporated auxiliary facilities such as housing, a hospital and other facilities. The BEPZ is also considerably larger in terms of land area than the other three EPZs. In order to manage and control this large number and wide variety of facilities, a high number of administrative personnel have been assigned at BEPZ. However, it is necessary to rethink the positioning of personnel in view of the present stage of development of each EPZ. During the present study the request for an increase in the number of maintenance and administrative personnel was voiced by a number of the zone enterprises in the BCEPZ and MEPZ.

It is necessary to draw up a personnel placement plan which takes into account the area administered, scale of facilities, number of zone enterprises, number of staff employed, etc. The staff numbers at CEPZ are presently one-tenth of those of the BEPZ, but since the number of zone enterprises are expected to increase in the future it is necessary to reinforce staff numbers in facilities maintenance and in the Enterprises Service Division (ESD) at CEPZ.

Another important matter to be examined would be the basic plan for overall staffing. Alternatives include a) a repositioning of existing EPZA staff b) recruitment of required personnel independently by each EPZ and c) consignment of recruiting for each EPZ to an outside private company. It is essential of course that personnel planning be organized to ensure that the best working conditions for each zone enterprise are attained but this should be done in a way by analyzing each job description and to increase efficiency, in order to avoid an increased burden on the management of the EPZA.

2) Simplification of Import Procedures

Export and import procedures through the EPZA are comparatively simple compared to general procedures for import and export. However, zone enterprises pointed to a number of problems in the current system during the present study. In particular two issues were often mentioned, namely a) that there were too many forms involved in the procedures and b) procedures for textile exports could only be completed at the Garments and Textile Export Board (GTEB) in Manila.

Documents normally required for import and export procedures of an EPZ are, for importation, an Import Permit (IP) EPZA Form 8101, Import Tally EPZA Form 8102, and for exportation an Export Permit (EP) EPZA Form 8103 and Export Tally EPZA Form

8104. Each document is eight pages long. However, for importation generally there are a large number of Documents against Acceptance (DA) and Open Account (OA) arrangements which require the prior approval of the Central Bank. Also, in the case of the textile industries application forms must be filed with the GTEB. Therefore in addition to the EPZA forms these other documents must be prepared.

All of these documents require the signature of the person responsible on every page, so that the general impression regarding these procedures is not so much that there is an excess of forms but too many signatures are required. Compared to the amount of paperwork and forms required of general companies outside of the EPZs the burden is relatively light. However, in order to facilitate the procedures from the applicants viewpoint it is necessary to make changes, such as allowing copies of signed documents to be used.

With regard to the second issue, although textile companies (which represent more than half of the zone enterprises) can carry out all customs formalities inside the EPZ when exporting goods, a prior application to the GTEB regarding Export Quotas of textiles and garments is required. At present, all GTEB procedures must take place at its office in Manila and cannot be undertaken inside the zone. Further, acceptance of applications and approval only take place on specified days and this often means that despite the simplified procedures inside the EPZ, completion of procedures takes the same time as with the normal route in many cases, because it is required to wait for the approval of GTEB. The textile factories operating in the EPZ see this as harmful to competitiveness and emphasize the need to examine proposals for the opening of a GTEB-EPZA office, the establishment of regional GTEB branch offices or undertaking of agency functions by the EPZA on behalf of the GTEB.

Also the unification of the Permit and Tally documents for import and export, and the joint implementation of Central Bank and EPZA procedures are desirable. Many of the tasks involved in a further simplification of procedures will require the cooperation of administrative agencies and a mutual adjustment with the EPZA. It is therefore necessary that the government undertakes the necessary adjustments and that the DTI takes the lead in improving these aspects.

3) Establishment of a System Conducive to Small- and Medium-Scale Industries

Recent investment trends in the Philippines show that there is an increase in investment from Japan, Taiwan, Hong Kong, and elsewhere is increasing. One aspect of this trend is that the scale of a given investment is much smaller than that previously typical of US multinational company investments. Also, the Philippine government has adopted policies for the promotion of domestic small- and medium-scale parts manufacturers. It is therefore anticipated that the majority of the factories to be located in the EPZ in the future will be of

small- or medium-scale. In the past the EPZA has given favorable consideration to small- and medium-scale investments in its provision of the SFB. However, it has focused its attention on large scale investments which occupy a large land area.

With the exception of the CEPZ, the SFB in the three EPZs are standard three-story factory buildings (with floor space divided for lease). In the case of the CEPZ a standard workshop section (not an entire building) is provided on a building purchasing scheme with the land leased. Leaving aside the problem of superannuation of a part of the BEPZ buildings, the user industries find the system generally satisfactory since commencement of operations can be started without any time delay.

The demand for such SFB facilities hereafter is expected to be high from Taiwan and Hong Kong companies, because they prefer to start operation in small scale at the initial stage and also to cut the preparation period before starting operations to a minimum. To meet these requirements it is necessary to consider an expansion of SFB facilities and the installation of common warehouses. Further, in order to make financial assistance available for small and medium enterprises it is necessary to examine financing systems. For example, the Export Industry Modernization Program (EIMP) is a financing program designed to provide long-term loans with low interest rates to non-traditional and export-oriented small and medium industries. The Technology and Livelihood Resources Center implements this program under the OECF loan. This program can be utilized. It is recommended to examine the system for assisting the enterprises in taking out such program loans, including the examination of joint insurance system. In the case of EPZA enterprises the collateral capacity is low since land is leased and so bank borrowing is difficult.

4) EPZA Public Relations and Sales Promotion in the Philippines and Abroad

At present, the Information and Promotion Dept. of the EPZA undertakes public relation and sales promotion activities. Details of its program include:

a) Public Relations Activities

i) Examination and response to inquiries
ii) Publication and distribution of a quarterly journal
iii) Newspaper advertisements
iv) Gathering and organization of data
v) Publication of a newsletter

b) Sales Promotion Activities

i) Guidance for investors

ii) Receiving missions
iii) Dispatch of responsible personnel to the BOI-OSAC
iv) Guidance to investment agencies, trading corporations and banks

There are five members of staff in the Public Relations Section and four in the Sales Promotion Section. Also, the budget is limited to 2.5 million pesos (in all cases, in 1989). Further, the person in charge of sales promotions in each of the EPZ offices is chiefly concerned with the reception of investors visiting the sites. This results in a certain passivity on the part of the Information and Promotion Dept. and its activities for sales promotions to potential investors are limited. During the present study, interviews were carried out with the Chamber of Commerce and trading corporations of various countries, with financial institutions, etc. and it was found that few actually possessed accurate information concerning the Export Processing Zones. These agencies and organizations are investing intermediaries of the various countries they represent and are therefore possible clients of the EPZA. It is necessary to make use of these agencies stationed in the Philippines as a target for public relations and sales promotions activities of the Export Processing Zones within existing budgetary and personnel limits.

5) Promotion of Linkages

The promotion of linkages between industries inside and outside the EPZs would lead not only to encourage more effective utilization of the capability of the EPZs but also to activate domestic industry generally. The geographical conditions of the CEPZ in particular suit it to furthering linkages within the country.

However, the total value of factory shipments from the EPZs within the country for 1989 were a mere 0.7% of the total production value in the EPZs, while the domestic purchase value was 2% of the total purchase value in the EPZs. (As the number of factories in the CEPZ carrying out full operations is very small, actual statistics are nearly nonexistent.) The EPZs have very little linkage with domestic industries, and it is necessary to strengthen and reinforce linkages through indirect exports especially, with a view to developing domestic industry.

It is noted, however, that linkage promotion does not depend solely on the efforts in the EPZs, and it is clearly important from a consideration of the example of other countries to have governmental supporting policies inside the Philippines. Concrete proposals for the promotion of linkages in domestic industry are given in Section 6-3.

Table 3-1-1 NUMBER OF EPZA EMPLOYEES

as of Dec., 1989

	Permanent	Temporary (1 year contract)	Casual (3 months contract)	Zone Total
Manila Central Office	229	17	64	310
BEPZ	246	17	280	543
BCEPZ	29	2	26	57
MEPZ	51	8	30	89
CEPZ	31	1	21	53
Special Zones (Leyte)	11	1	8	20
Total	597	46	429	1,072

Souce: EPZA

Table 3-2-1 STATUS OF THE EPZ LAND UTILIZATION

Feb., 1990

Name of EPZ	Location	Year of Est.	Developed Area (ha)				Developed Area Ratio (%)		No. of Operating Firms
			Original Target (A)		Developed (B)				
			Total	(Industrial Land)	Total	Industrial Land	Total	Industrial Land	
Bataan EPZ	Mariveles, Bataan	1972	1,600	(345)	1,209	(254)	75.6	(73.6)	26
Baguio City EPZ	Baguio City, Benquet	1980	66	(42)	28	(20)	42.4	(47.6)	12
Mactan EPZ	Mactan, Cebu	1979	119	(90)	58	(38)	48.7	(42.2)	25
Cavite EPZ	Rosario, Cavite	1986	283	(174)	75	(52)	26.5	(29.9)	13
Total			2,068	(651)	1,370	(364)	66.2	(55.9)	76

Source: EPZA

Table 3-2-2 SUMMARY OF PERFORMANCE OF ZONE ENTERPRISES (1987 - 1989)

Name of EPZ	Year	No. of Enterprises	Exports (US$'000)	Imports (US$'000)	Trade Balance (US$'000)	Total Employment	Salaries & Wages (Pesos'000)	Local Sales (Pesos'000)	Local Purchase (Pesos'000)
BEPZ	1989	31	79,838	39,617	40,221	13,802	491,256	55,202	49,888
	1988	32	70,410	49,411	20,999	15,183	428,835	45,040	49,732
	1987	34	64,739	24,395	40,344	15,901	348,870	44,442	71,076
BCEPZ	1989	12	206,367	156,094	50,273	5,114	241,538	4,110	28,051
	1988	12	223,021	168,529	54,491	4,340	211,783	2,107	26,018
	1987	12	215,310	181,578	33,732	4,019	95,129	2,973	15,169
MEPZ	1989	21	142,627	114,360	28,267	9,395	250,159	10,103	33,700
	1988	16	134,088	110,095	23,993	5,177	151,393	10,394	30,449
	1987	12	114,483	124,629	-10,146	4,075	105,123	5,539	15,364
CEPZ	1989	11	15,306	11,631	3,675	3,294	43,497	1,364	4,418
	1988	5	3,021	2,843	177	323	6,017	0	277
	1987		739	712	27	99	876	0	0
TOTAL FOR	1989	75	444,139	321,702	122,436	31,605	1,026,451	70,779	116,057
	1988	65	430,539	330,878	99,661	25,023	798,029	57,542	106,476
	1987		395,271	331,314	63,957	24,094	549,998	52,953	101,609

Sources: EPZA

Table 3-3-1 1988 ANNUAL AVERAGE DAILY TRAFFICE (AADT)
(REVISED NATIONWIDE TRAFFIC COUNTING PROGRAM)

REGION IV-A
CAVITE

Station No.	Class	Km. No.	Road Section	Car	Jeepney	Mini Bus	Big Bus	Rigid Truck	Articulated Truck	Total	Others
2100	CUV	25	Kawit - Noveleta	5,476	3,342	1,341	680	248	61	11,148	1,702
2120	CUV	48	Noveleta - Tagaytay	1,069	866	164	300	1,766		4,165	
2112	CUV	22	Zapote - Kawit	6,860	4,456	1,671	794	1,651		15,432	
2102	CUV	60	Noveleta - Tagaytay	118	347	20	12	61		558	
2122	CUV	53	Maragondon Jct. - Ternate	647	385	336	357	2,230		3,955	
2114	CUV	28	Noveleta - Cavite City	4,917	1,692	1,686	547	714		9,556	
2113	CUV	27	Zapote - Silang	3,499	4,186	868	703	921		10,177	
2115	CUV	28	Noveleta - Tagaytay	2,869	3,780	1,768	495	2,114		11,026	
2125	CUV	75	Indang - Mendez	420	495	106	68	34		1,123	
2117	CUV	34	Dasmarinas - Carmona	2,359	928	10	82	1,076		4,455	

Source: DPWH

Table 3-4-1 DIFFERENCES OF THE SYSTEM AND INCENTIVES BETWEEN EPZA AND BOI

	EPZA-Registered Firms	BOI-Approved Firms
a) Apply for	EPZA	BOI
b) Ownership of Equity	No limitation	Basically, firms are obliged to attain the status of Philippines nationals within a certain period
c) Import Duty	Exemption from the payment of taxes	• Duty-free importation of capital equipment until Aug. 14, '92 • Duty-free importation of raw materials used in export products
d) Municipal Tax	Exemption from Municipal Taxes except real estate tax	No exemption
e) Simplification of Export Procedures	• 3 documents + supporting documents • Special procedures at ESD & ECDU	6 documents + supporting documents
f) Simplification of Import Procedures	• 4 documents will be required	6 documents will be required
g) Foreign Exchange Allocation	Having priority in the allocation	Depend on export ratio
h) Zone Security	Provided by EPZA	Required own security system
i) Development of Infrastructure	Construction and maintenance shall be done by EPZA	Basically done by the firms

Sources : EPZA, BOI

Figure 3-1-1 EPZA ORGANIZATIONAL STRUCTURE

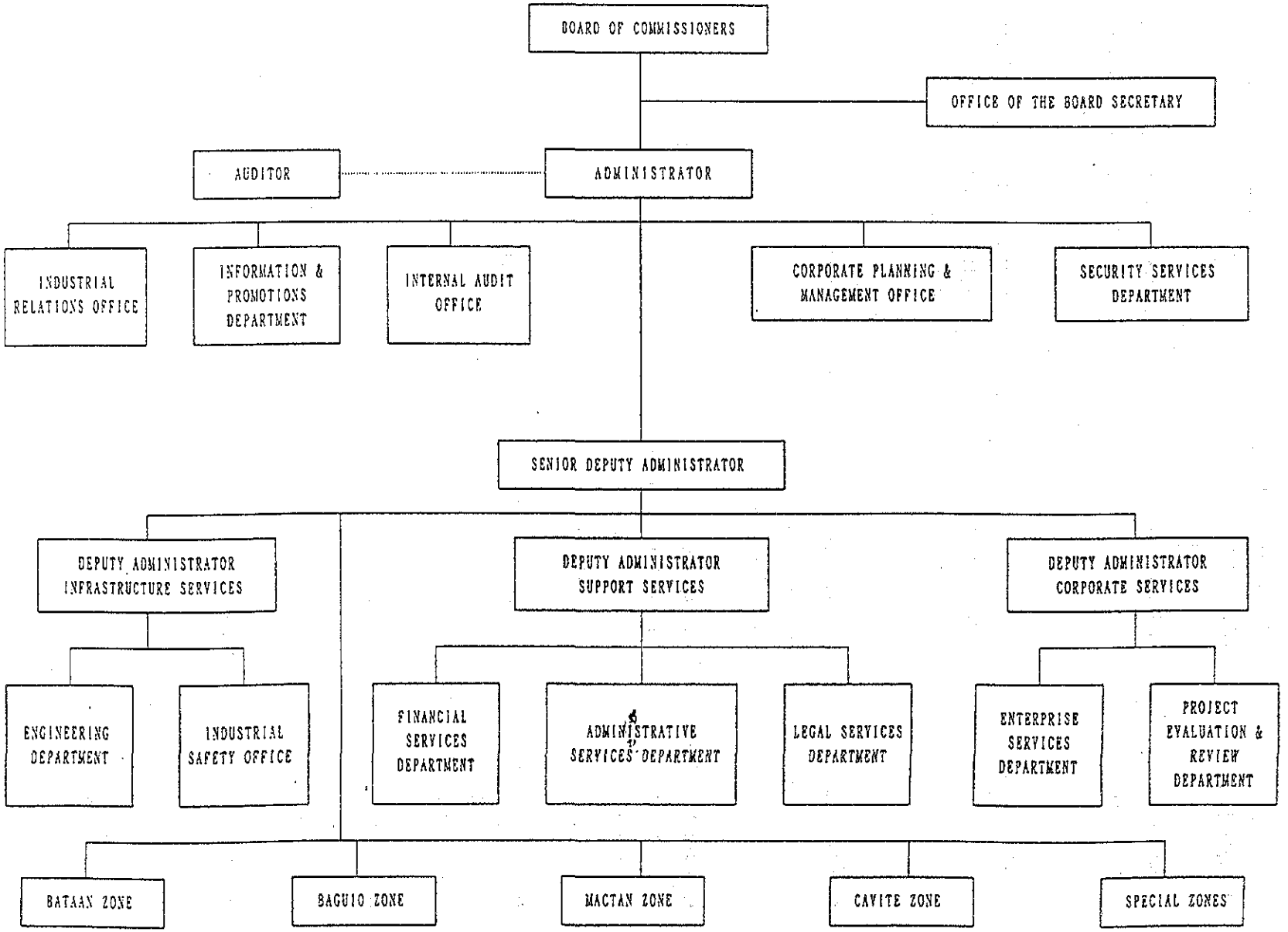


Figure 3-1-2 FLOWCHART OF INVESTOR TO EPZA

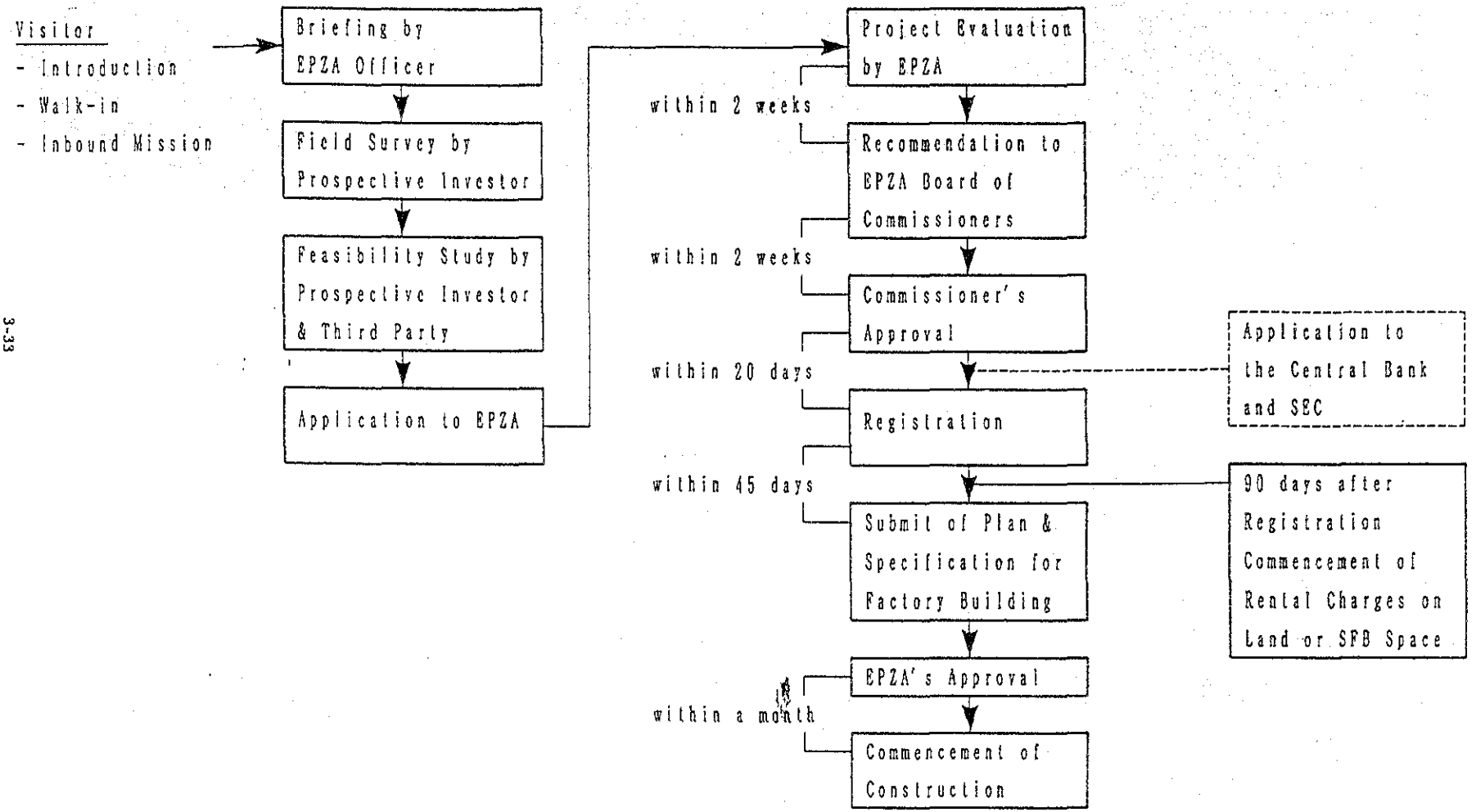
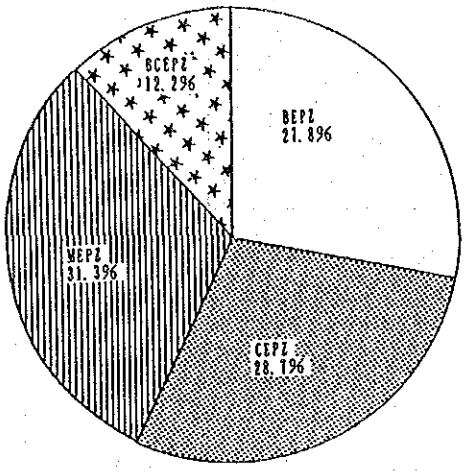


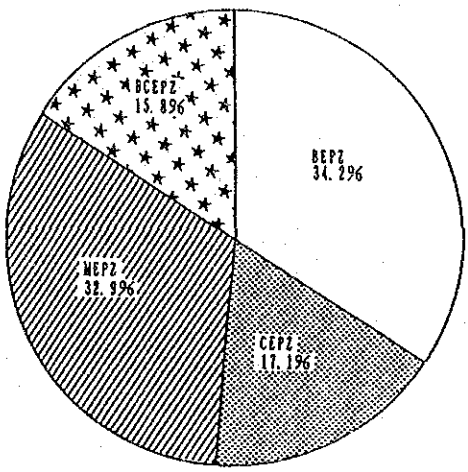
Figure 3-2-1 FEATURES OF EPZS

1) NO. OF ENTERPRISES

1989 (76 Companies)

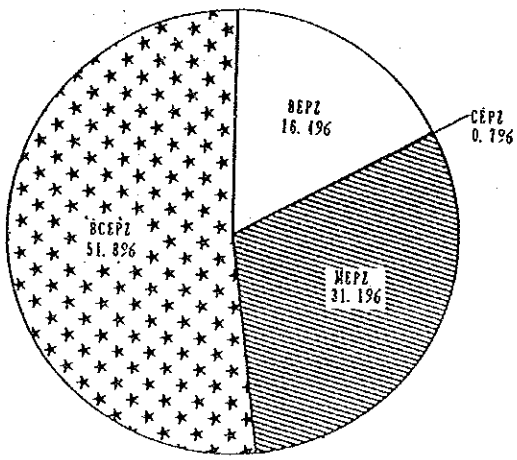


1990 (115 Companies)

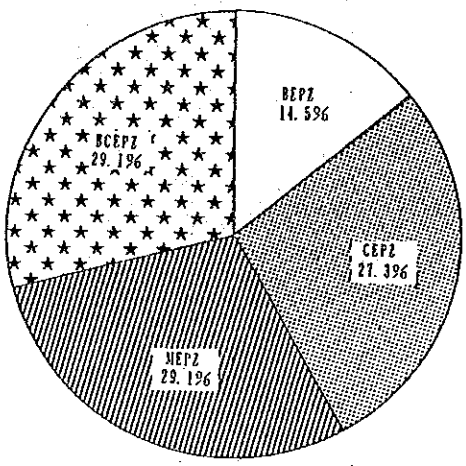


2) EXPORT VALUE OF EPZs

1989

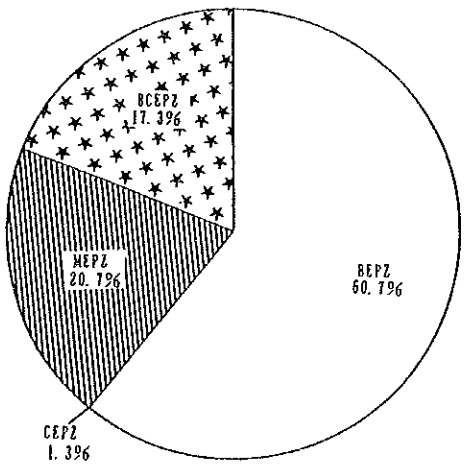


1990



3) TOTAL EMPLOYMENT OF EPZs

1989



1990

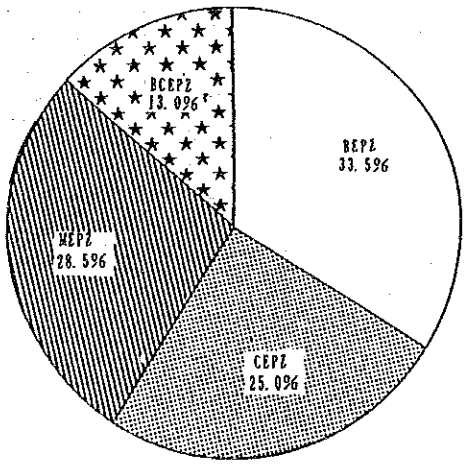


Figure 3-3-1 ROAD MAP FOR METRO-MANILA AND CAVITE PROVINCE

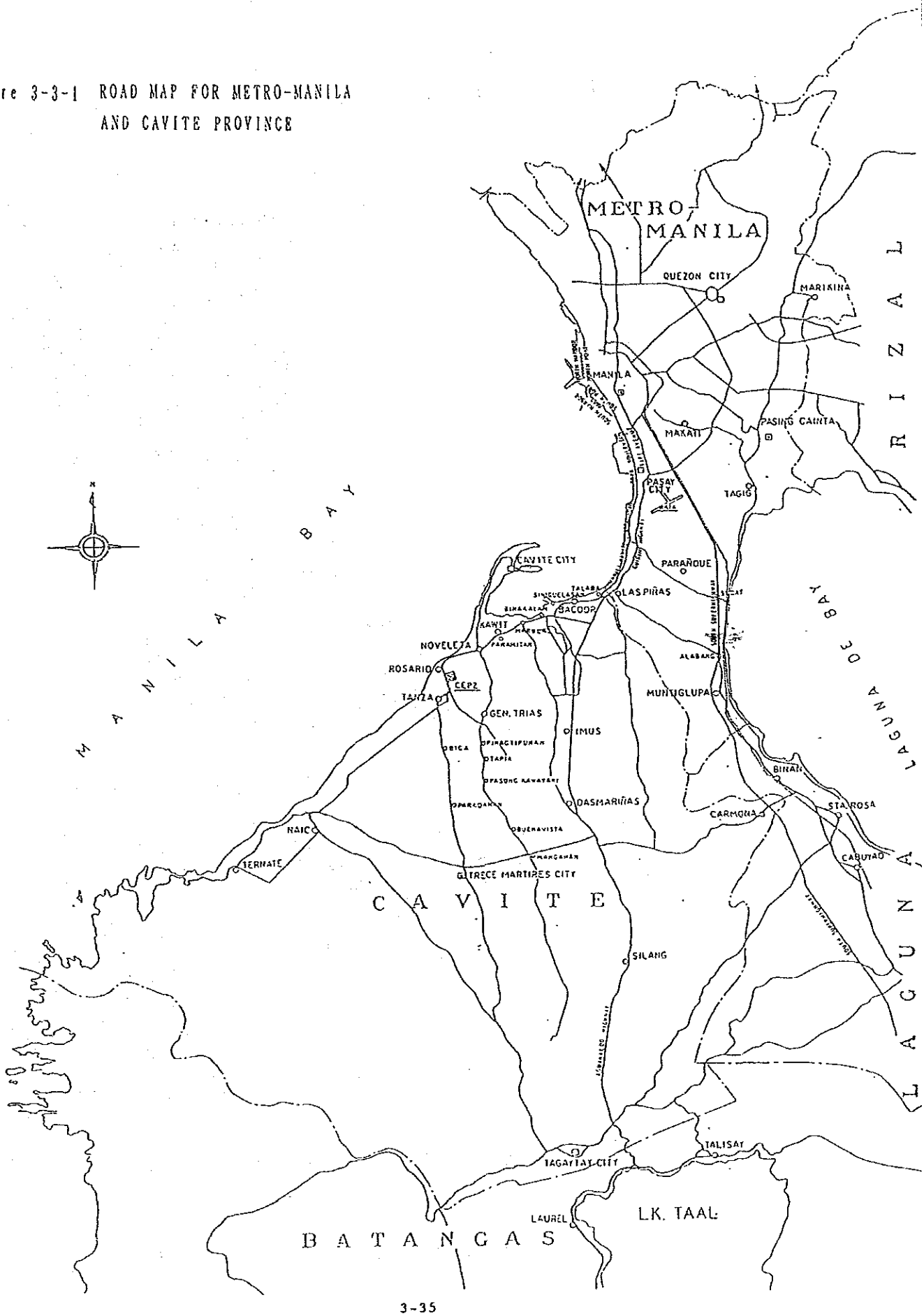
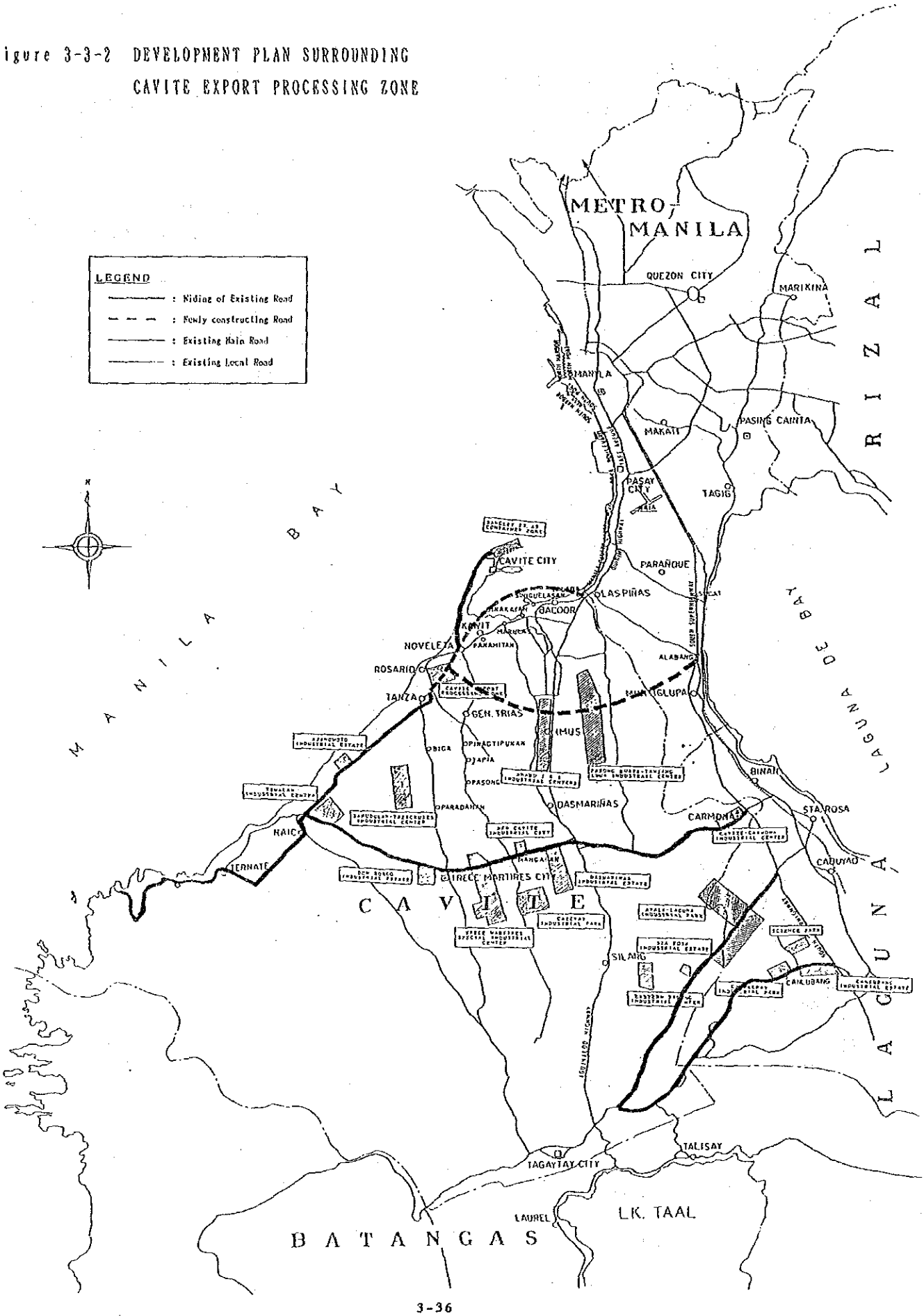


Figure 3-3-2 DEVELOPMENT PLAN SURROUNDING CAVITE EXPORT PROCESSING ZONE



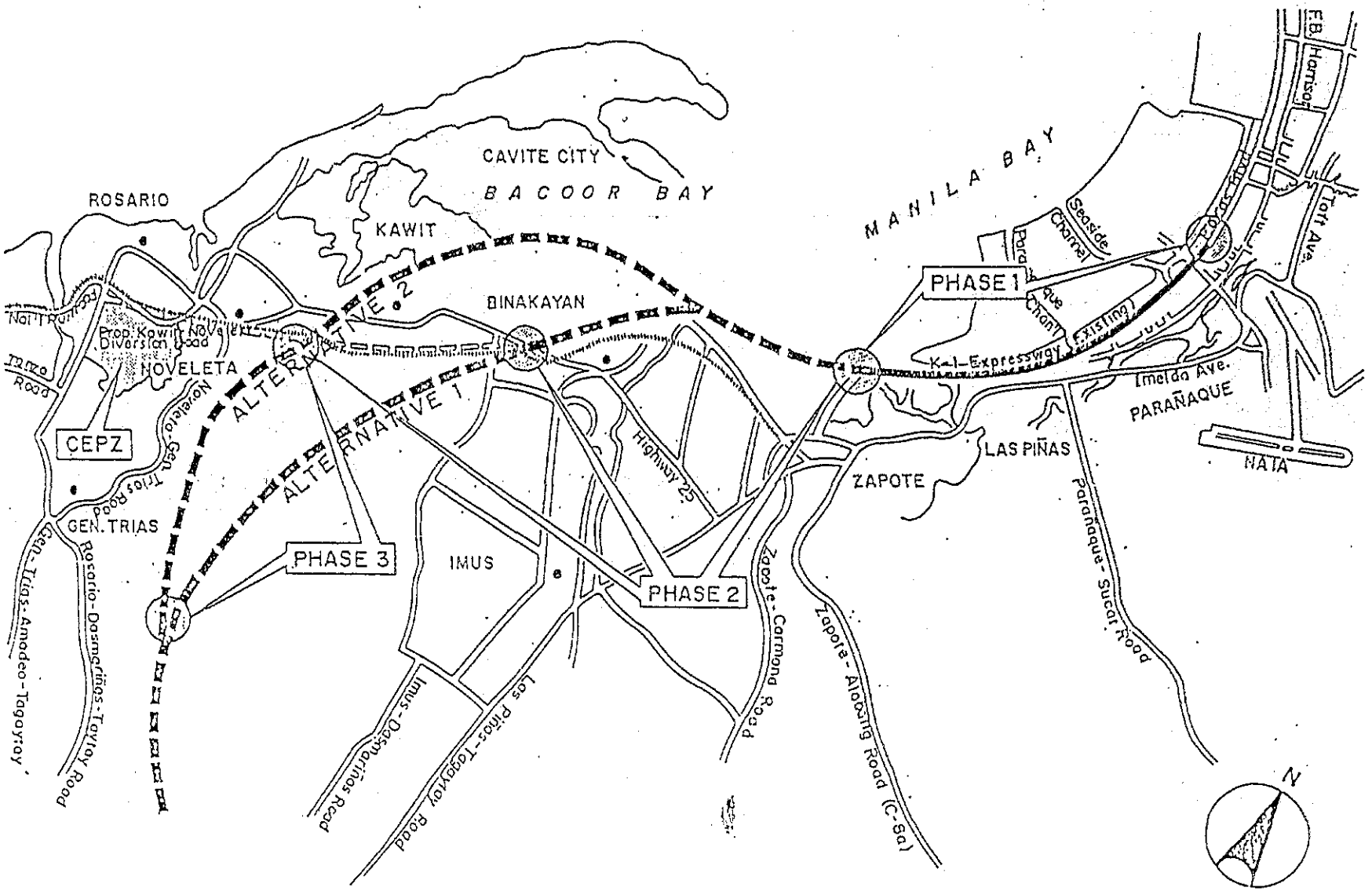
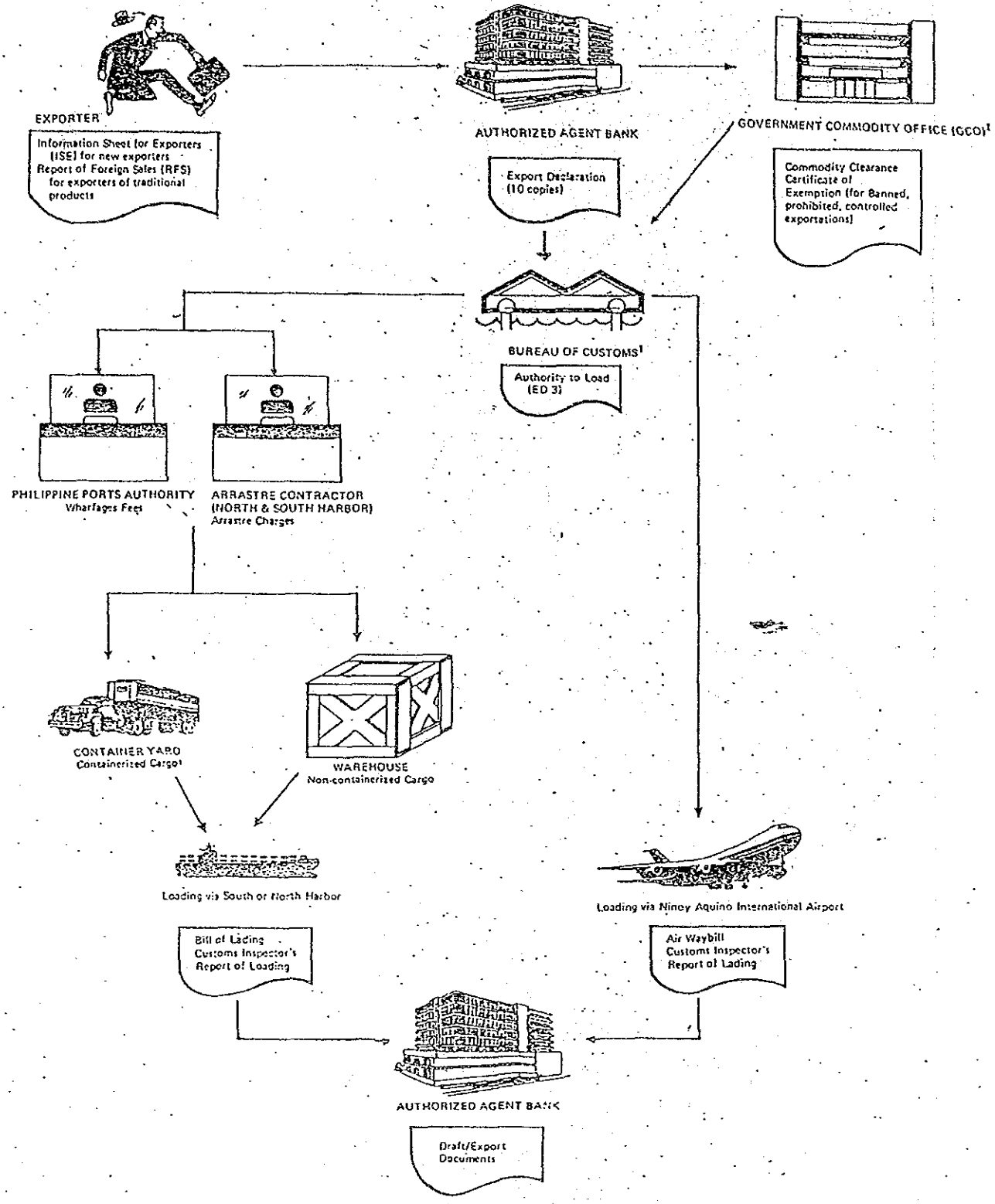


Figure 3-3-3 PROPOSED R-1 EXPRESSWAY SOUTH EXPANSION PROJECT

Figure 3-4-1 EXPORT PROCEDURES FLOWCHART



Source: Philippine Exporter's Manual Volume I
Department of Trade & Industry
Bureau of Export Trade Promotion

Figure 3-4-2 BATAAN EXPORT PROCESSING ZONE
ORGANIZATIONAL CHART

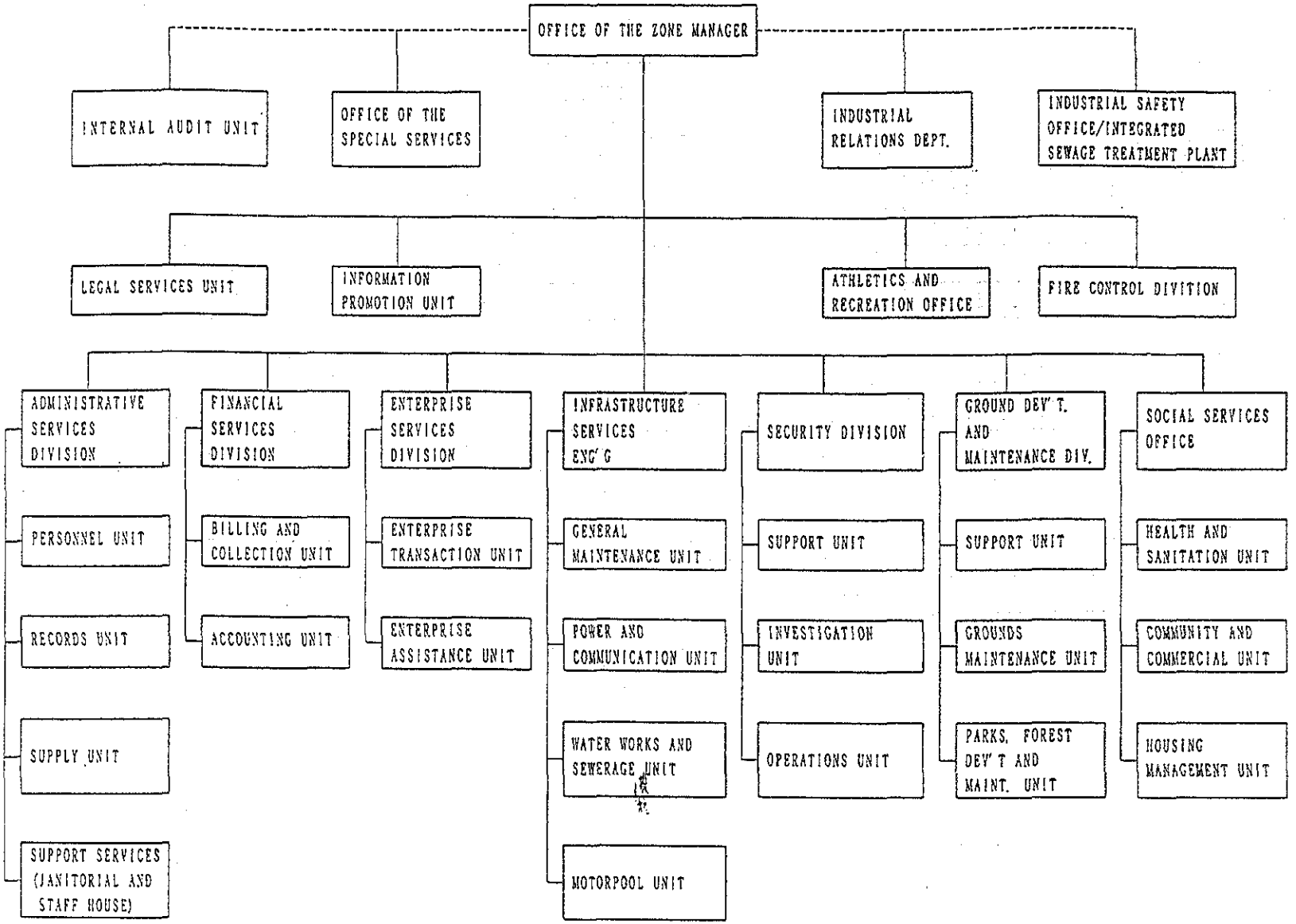
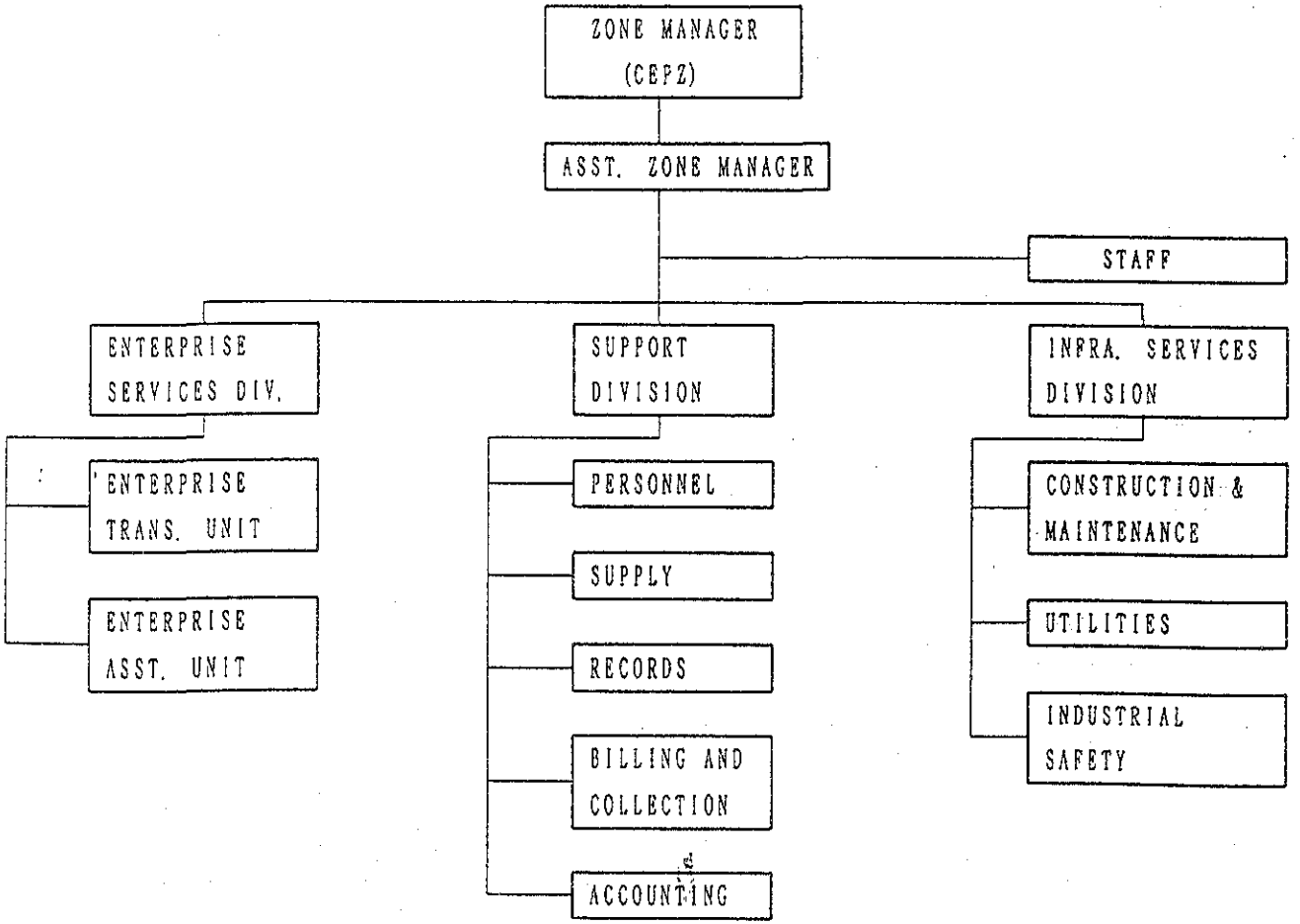


Figure 3-4-3 ORGANIZATIONAL CHART OF CAVITE EXPORT PROCESSING ZONE



Chapter 4
FUTURE DEMAND FOR FACTORY SITES IN CEPZ, AND FUNDAMENTAL CONDITIONS TO BE CONSIDERED IN FORMULATING THE CEPZ DEVELOPMENT PLAN

Chapter 4 FUTURE DEMAND FOR FACTORY SITES IN CEPZ, AND FUNDAMENTAL CONDITIONS TO BE CONSIDERED IN FORMULATING THE CEPZ DEVELOPMENT PLAN

4-1 Forecast of Future Demand for Factory Sites in CEPZ

(1) Method of Forecasting Demand

A forecast of the future demand for factory sites in the CALABAR area for the six years of 1990-1995 is attempted with a view to predicting the supply and demand situation of factory sites area, to provide the basis for formulating the CEPZ development plan. Methodology applied to the forecast is as follows:

1) Forecast of foreign investment in the Philippines' manufacturing industry

2) Forecast of domestic investment in the same sector

3) Forecast of investment in the manufacturing industry in the CALABAR area and of the demand for factory sites in the area which is made on the basis of 1) and 2) above

4) Outlook of the supply and demand for factory sites in the CALABAR area which is done by taking the result of 3) above into account while comparing with the possible supply of industrial site areas in the existing industrial estates and those being constructed or planned. Methodology applied to the forecast of 1), 2) and 3) above is summarized below.

(2) Forecast of Foreign Investment to the Philippines' Manufacturing Industry

In recent years there has been a remarkable growth of investment to the manufacturing industry in the Asian NIEs and in the four ASEAN countries (the Philippines, Thailand, Indonesia and Malaysia). Foreign investment in the Philippines principally in the manufacturing sector has also shown conspicuous growth since 1988. Japan has become the biggest investor to the NIEs and ASEAN countries in recent years. Also, Japan became the largest investor to the Philippines as of 1989, and in the manufacturing sector Japan and Taiwan were the two largest investors.

It is in the light of this context, examination is made of Japanese investment in the manufacturing industries of the NIEs and ASEAN countries since 1985 particularly as to scale of investment in each industrial sector in each of these countries, and an analysis is made of the current trends of the main industries and their motives which acted as factors promoting the relocation of production bases abroad and which thus produced the rapid surge of investment.

Based on the foregoing examination and analysis the future outlook of Japanese investment in manufacturing industry abroad is assessed, and referring to the result of the questionnaire survey conducted in the present study and also to the results of the questionnaire surveys previously conducted by Japanese governmental organizations a forecast is made for the value of Japanese investment in the manufacturing sectors in the Philippines for the years of 1990 to 1995, based on which a forecast is made for the value of total investment (equity base) to the Philippines from Japan between 1990 and 1995. Next the share of Japanese investment in the overall foreign investment to the Philippines, by year, is estimated, and on the basis of the thus-estimated share of Japanese investment and the forecast value of Japanese investment to the Philippines, the value of foreign investment to the Philippines is estimated. The number of incidents of foreign investment in the Philippines is calculated from the estimated value of total foreign investment in the country, dividing the total value by the average value of one investment which has been assessed from the past records in Japan and also taking into consideration of current trend of increasing investment scale. The future investment trends of the other main countries investing in the Philippines have been assessed with the qualitative analysis of current trends and consideration of likely changes in the future. The assumptions and basis taken for the forecast are discussed in detail in Section 4-2.

(3) Forecast of Domestic Investment to the Manufacturing Industry

In recent years the Philippines' domestic investment also shows a conspicuous growth in the manufacturing industry. This current trend is examined by using BOI statistics. Based on this examination and referring to the result of the questionnaire survey conducted to Philippine export manufacturing enterprises in the present study, a forecast is made of the value and number of Philippine domestic investments in the manufacturing industry between 1990 and 1995.

(4) Forecast of Future Demand for Factory Sites in the CALABAR Area, and Future Outlook of the Supply and Demand of Factory Sites in the Area

Based on the forecast of foreign and domestic investment in the manufacturing industry in the Philippines made in (2) and (3) above, a forecast is made of the demand for factory sites over the country as a whole and in the CALABAR area in particular. For this forecast, the share of manufacturing industry in the number of total investments, combining domestic and foreign investments in the Philippines, is estimated by assessing recent records. Next the concentration of investments in the CALABAR area where the CEPZ is located and the average land area of a site for individual factories and the SFB are estimated. For the domestic investment in manufacturing industry the average land area for a site is estimated by taking into account a portion of site requirements in new locations.

On the basis of the above estimates a forecast is made of the demand for sites for investment by manufacturing industries in the CALABAR area between 1990 and 1995. At the same time the

site area supply in the industrial estates (excluding CEPZ) in the CALABAR area is estimated on the basis of results of an on-site survey. An annual comparison of the balance of supply and demand is then drawn up for the period of 1990-1995. Based on the above forecast a possible demand scale for new site area development is estimated and then assessment is made on feasibility of the industrial area planned for each of Phase I to V in the master-plan of the CEPZ development project prepared by the EPZA. The assumptions and basis taken for the forecast is discussed in detail in Section 4-4.

4-2 Current Trends and Future Outlook in Foreign Investment to the Philippines

(1) Japanese Foreign Direct Investment, Particularly in Manufacturing Industry in the Four ASEAN Countries

After the Plaza Agreement reached among the G5 in September, 1985, Japanese direct foreign investment has continued to increase year by year, influenced by the sharp appreciation of the Japanese yen. It increased to 47 billion US dollars in 1988[1/], 3.8 times the 12.2 billion US dollars of 1985. This increasing trend continued in 1989 (Table 4-2-1).

In the current investment increase the following trends are noticeable:

1) A rapid expansion of investment to the Asian NIEs[2/] from 1986 onwards (Table 4-2-2).

2) A rapid increase in the investment to the four ASEAN countries[3/] from the latter half of 1987 onwards (Table 4-2-2).

3) A rapid increase in the investment stemmed from relocation of production sites abroad which took place largely in the manufacturing industries; the share of manufacturing industries in total investment increased from 17.1% in 1986 to 29.4% in 1988 (Table 4-2-3).

Furthermore, the following trends are observed on the investment of Japanese manufacturing industries to the four ASEAN countries:

1) Most of the investment directed to the NIEs and the four ASEAN countries was made in the manufacturing industries, in which from 1988 the majority of the investment shifted to the four ASEAN countries from the NIEs countries. This can be seen from the fact that the ratio of the four ASEAN countries to the NIEs in share of the investment to the manufacturing industries changed from 4:6 in 1985 to 6:4 in 1988 (Table 4-2-4). The share accounted for by investment in the manufacturing industries in the four ASEAN countries in total Japanese manufacturing investment abroad increased from 5.1% in 1986 to 8.4% in

Notes: 1/ The year quoted for the amount of investment in this section denotes the Japanese fiscal year starting at the beginning of April and ending at the end of March in the succeeding year.

2/ The Asian NIEs mean Hong Kong, Singapore, South Korea and Taiwan.

3/ The four ASEAN countries are the Philippines, Thailand, Malaysia and Indonesia.

1988. The investment amount increased about six times in that period from 193 million US dollars in 1986 to 1,160 million US dollars in 1988 (Tables 4-2-3 and 4-2-4).

2) The Japanese investment to the manufacturing industries in the four ASEAN countries in 1988 was made in order of importance, in the sectors of electrical machinery (accounting for 24% of the total), followed by general machinery (16%), wood and pulp (14%), ferrous and nonferrous metals (12%) and textiles (9%) (Table 4-2-5).

3) Thailand accounted for a majority of the Japanese investment in manufacturing in the four ASEAN countries. In 1988, the investment of Japanese manufacturing industries to that country amounted to 626 million US dollars accounting for 54% of the total of the four ASEAN countries. However, investment to Thailand showed a lull in 1989 and investment is gradually extending to the three other ASEAN countries (Table 4-2-4).

(2) Japanese Investment in the Philippines' Manufacturing Industries

In line with the gradual shift of focus of Japanese manufacturing industry investment away from the NIEs towards the four ASEAN countries as outlined above, the level of investment, largely in the manufacturing industries, destined to the Philippines showed a rapid increase from 1987 onwards. In 1988, the Japanese investment to the Philippines reached 134 million US dollars, over 6.4 times that of 1986 (Table 4-2-2). In the past, the amount of Japanese direct investment to the Philippines had reached its peak in 1979, at 102 million US dollars (Table 4-2-6). It accounted for 2% of the Japanese total direct investment abroad in that year. However, the Japanese direct investment to the Philippines sharply decreased thereafter until 1988 when the investment amount finally recovered enough to exceed the level of 1979. The investment in 1979 was mainly in the non-manufacturing industries, that absorbed 64% of the total Japanese investment to the Philippines in that year. The main component in the recently increased Japanese investment is that of the manufacturing industries, and the share represented by these in total investment has reached 67% as of 1988. However, the share of total Japanese foreign investment taken up by investments to the Philippines is still low at only 0.3% of the total.

As in the case with investment to the NIEs and other ASEAN countries, the Japanese investment to the manufacturing industries in the Philippines in 1988 was led by the electrical machinery sector accounting for 22% followed by transportation machinery (12%), and chemicals (11%). This leading share of electrical machinery further increased so as to become the dominating share, 36%, in the first half of 1989 (Table 4-2-6).

Particularities of Japanese investment in the manufacturing industry of the Philippines are as follows.

1) Majority of the investments was effected by large-scale projects.

For example; Asahi Glass, Uniden, Matsushita Group, Tsukiden, Kao Chemicals, Toyota Automobile, Yazaki Sogyo, Dai Ichi Seikoo, Fujikoshi, Kyoritsu, Arimoto Yakuhin Kogyo, Ajinomoto, etc.

2) An increase in investments which induce investment by relevant companies.

For example; Uniden (Electrical and Electronics) which has induced investment from seven related companies in Taiwan and three in Japan.

Matsushita Electric (Floppy disk sector) which has induced investment from three relevant companies in the die making and plastic processing sectors.

Nissan Automobiles which has induced investment for related parts manufacturing by Fujikoshi, Dai Ichi Seiko, Kyoritsu, etc.

3) A relocation of production sites from the NIEs.

For example; Uniden, Taiyo Yuden, Minami Sangyo, etc.

4) Investments to export-oriented industries account for a majority of the investment.

5) Increasing trend in investment seeking not only cheap labor sources but also opportunities for international horizontal division of labor.

(3) Background to the Increase in Foreign Investment of Japanese Manufacturing Industries for Relocation of Production Bases Abroad and Recent Trends in Major Industries

1) Background to the Increase in Foreign Investment of Japanese Manufacturing Industries

As has been reviewed in the previous section, there has been a rapid increase of foreign investment by the Japanese manufacturing industries. The following are the main causes for accelerating the foreign investment by the Japanese manufacturing industries:

a) International Competitiveness of Japanese Export-Oriented Manufacturing Industries which Have Been Lowered by the Appreciation of Yen Currency

The significant appreciation in the yen's value since 1985 has resulted in reduced international competitiveness of Japanese manufactured exports. This has caused an

increase in investments to the NIEs and the four ASEAN countries for the relocation of production bases abroad in order to secure cheaper labor especially in the labor intensive manufacturing industries.

b) Keen Competition in the Japanese Domestic Market with the Goods Made in the NIEs of which Imports have Increased in Recent Years

As countermeasures to the intensified trade friction accompanying trade imbalances, which were the root cause of the appreciation of yen, policies for the promotion of domestic demand and expansion of imports were adopted in Japan. These policies, together with an effect of the strong yen, accelerated imports from the NIEs. The Japanese manufacturers producing those items were faced with keen competition with those imports and hence they had to seek the ways for substantial cost reduction. Under this situation there was an increase in Japanese investments for the relocation of production bases to the NIEs and ASEAN countries where cheap labor forces were available.

c) Shortage of Labor in the Japanese Manufacturing Industries Effected from Current Changes in Industrial Structure

The changes in industrial structure in Japan resulting from the information revolution meant an increasing relative importance given to service and software industries and an increased shift of labor from the manufacturing to the information/software industries. This not only caused a tight labor supply and an increase in wages but also produced an shortage of young labor in Japan. The Japanese labor-intensive manufacturing industries demanding plentiful and cheap labor increased their foreign investment.

d) Moves by the ASEAN Countries to Relaxa Restrictions on Foreign Investment and to Actively Encourage Its Introduction

All of the four ASEAN countries pursue policies for active promotion of foreign investment. For this end they relaxed restrictions on direct investment.

In the above context, Japanese investment for relocating production bases abroad continues to increase. Trends of foreign investment in the NIEs and the four ASEAN countries in electronics and electrical machinery industries, textile industries in which the Asian position as the supplier to the world market has substantially risen in recent years and finally in the automobile industry which manifests the increasingly international horizontal division of labor chiefly in parts production are assessed in the subsequent sections.

2) Investment Trend of Japanese Electronics and Electric Machinery Industries

In the past, investments by Japanese electronic and electric machinery industries in South East Asia were largely initiated for embarking as countermeasures to the import restrictions and high import duties imposed in those countries. In the 1970s, the further motive of a demand for cheap labor was added to the initial impetus for investment. Items thus produced by Japanese firm abroad were initially electric fans, black and white televisions, refrigerators, electric rice cookers and irons but then expanded to audio equipment, color TVs, telephones, washing machines and, semiconductors including ICs. The majority of these were domestic electric appliances and parts of a labor-intensive, low value added nature. The finished products were also destined for the domestic market of those countries. Later however, exports to the USA and Europe were begun. The rush of investment consequent to the appreciation of the yen has meant that the range of products concerned has been extended to include high-technology items such as personal computers and printers, etc. Another particularity is the large increase of exports to Japan in addition to the advanced western countries. Increased labor costs and the rise in the value of local currencies in the NIEs has meant that the countries investing abroad have tended to shift investment to Thailand, and this in turn has gradually led to a similar shifting of investment towards the other three ASEAN countries as well.

According to statistics published by the Japanese Association of Electronic and Machinery Industries, in 1989 there were 345 manufacturing establishments of Japanese electronic and electrical industries located in the South East Asian region. In order of relative importance, these were located in Taiwan, South Korea, Singapore, Malaysia and Thailand, and these five countries taken together accounted for 85% of the total investment of these industries to the South East Asian region (Table 4-2-7).

By sector, electronic parts take up about 65%, electric appliances for domestic uses 28%, and industrial devices and machinery represent 7% of the total. Electronic parts industries are concentrated in Taiwan, South Korea, Singapore and Thailand, production of household electric appliances is concentrated in Taiwan, Singapore, Malaysia, and Thailand while industries for industrial devices and machinery are numerous in Taiwan and South Korea.

The Japanese electronic and electric machinery industries will continue to increased investment in the South East Asia. Future investment trends are expected to be for a continued relocation of production bases for finished products in the labor-intensive domestic appliance sector to the ASEAN countries away from the NIEs, depending on the degree of development reached in the electronic and electrical machinery industries and the economic situation of the ASEAN countries. From the NIEs countries which have suffered an erosion of their cost advantages, a shift is taking place whereby finished products with a higher value added such as popular-price VTRs, personal computers and related devices are

being made in Taiwan.

In this way, as is evident from the example of investment in the electronic and electrical machinery industries, industrial strategies of globalization and multinationalization will be furthered and the establishment of the multilateral supply of parts and intermediates between a number of countries will be effected. Investments will progress in the direction of an international system for the horizontal division of production which will prominently include the ASEAN and NIEs countries.

3) Investment Trend of the Japanese Textile Industries

The textile exports from the NIEs, China and the four ASEAN countries are becoming the major source of supply of textiles in international trade, accounting in total for one-third of world textile exports. Moreover, not only is there a continuing progress of division of labor by process and by product but also there is an increasing trend towards a system of labor division between the various countries and regions involved.

In Europe and the United States the control over export quota achieved through the Multination Fiber Agreement acts to prevent any rapid progress of labor division. However, between Japan and South East Asia a system of labor division has developed whereby high grade products and specialist products are exported from Japan while woven fabrics and clothes (chiefly natural fabrics) and general-use, popular-price garments are imported by Japan. The increase and expansion of Japanese involvement through direct investment, technology transfer and more recently the consignment to local manufacturers or joint ventures by the Japanese apparel companies have increased the impetus from the vertical division of labor between the production processes to a labor division by actual products.

Table 4-2-8 illustrates the changes in trade balance of (i) fabrics, (ii) garments and (iii) total textile products combining the above two in Japan, USA, China, South Korea, Taiwan, Thailand, Indonesia and Malaysia, using trade statistics of each country in 1965 and 1987. Whereas in 1965 Japan had a trade surplus for all of the above three categories, by 1987 the trade balance turned to a deficit except for fabrics and thus had become a textile importer. In 1987 the USA also showed a deficit in the trade balance of textile except for fabrics and thus similarly was an importer. On the other hand, China, South Korea, Taiwan, Thailand and Indonesia are exporters for all categories of textiles, while Malaysia also is an exporter of textile products except for fabrics. This shows that the main production center for textiles had shifted to the NIEs, China and some ASEAN countries. At present in terms of production and export volume Taiwan and South Korea considerably outdo Thailand, Indonesia and Malaysia but with the higher appreciation of currencies and increase in labor costs of Taiwan and South Korea since 1986 the comparative advantage of the ASEAN countries has been strengthened. This has resulted in a furthering of the shift of the labor-

intensive garment industries to the ASEAN countries.

Table 4-2-9 shows the number of foreign investments made by the Japanese textile industry as of the end of 1987. This shows that nearly 70% of the investment was made to Asia. The up- and mid-stream textile industries such as synthetic fiber manufacturing, spinning and weaving are located mainly in Thailand, Indonesia, Taiwan and Malaysia with joint ventures established mainly with Japanese textile manufacturers.

Downstream textile industries centering on the garment industry have been established mainly in South Korea, Taiwan and Hong Kong with joint ventures established with Japanese apparel companies. In recent years the export-oriented garment industry in the Philippines also shows a conspicuous growth and Japanese apparel companies show interests of doing business in the Philippines.

In 1987 the man-made textile production of the six countries of South East Asia (South Korea, Taiwan, China, Thailand, Malaysia and Indonesia) in total represented 25% of the world production, and the balance of trade in textiles for the same six countries was a surplus of 27 billion US dollars. Exports have reached a level approximately four times those of imports. This reveals that these countries form a major textile supply center in the world and thus the textile industry is an important industry for earning foreign exchange.

4) Investment Trends of the Japanese Automobile Industry

The automobile industry in the ASEAN countries entered a phase of development again after the long slump which had been experienced after the second oil shock. Sales figures for new vehicles in 1989 outstripped those for 1981 which had set the record. Sales of approximately 600,000 vehicles in the ASEAN in 1989 represented a 30% increase over the previous year. When this record is compared to the USA which showed a decline, West Europe where sales were virtually unchanged and even to the favorable increase of 11-12% achieved in Japan the buoyancy of the ASEAN figure is underlined. Indonesia's place at the head of the main countries was taken by Thailand which achieved sales of 201,000 followed by Indonesia with 170,000 and Malaysia with 120,000 vehicles. The Philippines with 47,000 vehicles is expected to be three times over the figure for the precedent year. Looking at the production situation of the countries, the local content ratio is being gradually increased and there is a move away from assembly of imported parts. Beginning with the success of Malaysia in exporting its domestically made model (Proton Saga; 10,000 to Great Britain) these trends are also apparent in the strengthening of policies for domestic automobile production in Indonesia and the Philippines.

The automobile industry is based on a wide range of industries including iron and steel, petrochemicals, textile, rubber, glass, electronics, etc. Hence the development of the automobile industry is the object of strong enthusiasm for individual countries wishing to carry out an integrated upgrading of domestic industrial levels. Recently, the memorandum on "Mutual Supplementation of Automobile Parts" agreed on at the ASEAN Economic Ministers Meeting in October, 1988, has attracted much attention. It represents a trend in the area towards the promotion of a division of labor for the automobile parts.

Recent developments in the Japanese automobile industry represent a response to the above trends. Toyota Motors, which has joint venture assembly companies and parts production factories in Thailand, Indonesia, Malaysia and the Philippines, has decided to specialize, by making diesel engines in Thailand, gasoline engines in Indonesia, steering gears in Malaysia and transmissions in the Philippines. Toyota announced to implement this overall plan with a total project cost of 30 billion yen, and anticipates that the value of trade in mutually-exchange components and parts will reach more than 100 million US dollars in 1992.

Mitsubishi Motors, having joint venture operations in the same four countries, also has a plan for mutually coordinating parts supply through specialized production, with transmission and machined parts from the Philippines, press parts from Malaysia, and forged and cast basic materials from Thailand. Further, Nissan Motors also has a plan for a system of mass production and mutual supplementation of parts which will involve the installation of new factories for transmission in the Philippines, for diesel engine and press parts in Thailand, for steering gears in Malaysia, and for gasoline engines in Indonesia.

As can be seen from the above the main trends are for a nationally differentiated horizontal division of parts productions within the area in pursuit of economies of scale and implementation of plans to effect a mutual supplementation of parts. It is expected that investment along these lines will expand hereafter.

5) Future Trend of the Relocation of Production Bases to the ASEAN Countries

As can be seen from the above examples in the electronic and electric machinery, textile and automobile industries, it is anticipated that there will be a continuing trend in the NIEs and ASEAN countries in the future for the vigorous implementation of systems for the division of labor according to specific product items and by manufacturing steps and also for the mutual supplementation of parts, increasing international horizontal division of production in the area. According to a questionnaire survey conducted on Japanese companies by the Economic Planning Agency of the Japanese Government, an increase is anticipated in the percentage of overseas production in each industrial sector in the future. Estimated increases in overseas production between 1988 and 1993 show an increase from 14.4% to 18.7% in electric machinery industry representing an increase of 29.9%, from 6.6% to 8.5%

in textile industry representing a 28.8% increase, and an increase from 5.4% to 9.2% in automobile industry representing an increase of 70.4%. As a result of this continuing relocation of production bases to the ASEAN countries the investment in the manufacturing industries in these countries is expected to continue to expand for the time being.

Moreover, the move to an increasing international horizontal division of production between Japan and the ASEAN countries, resulting from this relocation of production bases, is expected to create similar developments in the relations between the NIEs and ASEAN countries. This will mean that a greater impetus will be given to the expansion hereafter of the NIEs countries' investment in the manufacturing industries in the ASEAN countries.

Within these trends the future investment to the ASEAN countries is expected to be led by precision processing industries including metalworking and plastic processing which manufacture parts, components, intermediates for electronics and electric machinery industries, automobile industry, and other various machinery industries. The majority of these precision processing companies are small and medium enterprises. According to the questionnaire survey of Japanese companies made for the present study (refer to Annex 8), the majority of companies that stated they have an interest in relocating a factory to the ASEAN countries are small and medium enterprises manufacturing electronic and electrical machinery, doing metalworking, or making precision machinery, automobile components and parts, other machinery, etc.

(4) Current Trend of the Other Major Investing Countries Including the USA, EC Countries, and NIEs

According to the JETRO's Report on Foreign Direct Investment, the world direct investment, after having reached a peak in 1979 of 45.3 billion SDR, decreased to a level of 21.8 billion SDR in 1982. After that, investment increased and after exceeding the 1979 peak level in 1985, expanded further. However, one important particular is the rapid increase in investment directed to the NIEs, while these NIEs themselves have been investors in overseas countries particularly to the ASEAN countries since 1987.

The major countries investing in the Philippines are the USA, Japan, the Asian NIEs and European countries, but recently the NIEs countries led by Taiwan have shown the most remarkable increase in investment (Table 4-2-10).

The majority of the foreign investments currently made in the Philippines is in manufacturing, and accounts for 69.8% of the total foreign investment in 1989. Within the manufacturing industries, the electric machinery and electronic parts sector has an overwhelming share accounting for 33.5% of the total, followed by the textile sector which accounts for 16.5%, the petroleum products sector for 8.8%, the synthetic fibers and yarns sector for 6.4% (Table 4-2-11).

Investment trends of the foregoing countries to the Philippines are outlined below.

1) U.S.A.

The U.S.A. was consistently the biggest investor to the Philippines until 1988. There are a large number of export-oriented investments made by multinational companies in the food sector and chemical sector as well as in the electricaly and electronic-related sector. The investment amount for each case is extremely large. Investment from the U.S.A. made by five companies including that of 882 million pesos for raw rubber invested by the TSR International, accounted for 76% of total investments from U.S.A. in 1988. A survey of the US multinational companies operating in the Philippines shows the prospect of investment on the order of 600 million US dollars in the next three years. However, it would seem that large-scale investment from the U.S.A. has begun to decline. In 1989, however, the investment from the U.S.A. decreased to 130 million US dollars, 16% less than in the previous year. Although the U.S.A. had been the largest investor up to 1988, it declined to the fourth place in 1989. In view of such trends, it seems to manifest a trend showing slower growth.

2) Taiwan

Taiwan has recently emerged as the investor country showing the most remarkable increase in investment. Its investments significantly increased from only 0.4 million US dollars in 1986 to 147.6 million US dollars in 1989. Investment in the manufacturing industries accounts for 90% of the total, in which the petrochemical project of the USI Far East group occupies 80% and 40% of the total from Taiwan respectively in 1988 and 1989. Besides, there were a considerable number of investments for small-scale labor intensive operations such as garments manufacturing. Investments furthermore expanded in 1989 to include such areas as machine parts, wire harnesses, electronic devices, toys, ceramics and real estate investment. Further, investment increases are expected to occur hereafter including the investment for relocation of production to comply with changes in the United States' GSP policy.

3) Hong Kong

Investments are numerous in hotels, real estate, and financial services. Major investments in 1988 were for the BOT-based power project sponsored by Hopewell, and also for the acquisition of the Hilton Hotel. In 1989, besides a large investment in hotels, a large-scale investment amounting to about 500 million pesos was made for a textile project by South Sea Textiles Co. Investment by the Chinese of Hong Kong, Taiwan, Singapore, etc. is a marked feature of recent trends.

4) South Korea

The amount of investments from South Korea is on the increase but still remains small in scale. It accounted only for 2% of the total foreign investment in the Philippines in 1989. However, the strong appreciation of the Won, as well as the rise in labor and raw materials costs has resulted in a rapid increase in Korean foreign investment. In particular, investment in Indonesia and Thailand has increased rapidly. Sectors of a labor intensive nature such as shoes, toys, textiles as well as domestic electric appliances have seen a rapid increase of investment, as in the case of Taiwan. An increase in the number and amount of investments is expected to continue.

5) Europe

Investments are increasing largely from the U.K., the Netherlands, West Germany, and France. The investment in the Philippines made by the West European countries taken together accounted for 9.1% of the total foreign investment in the Philippines in 1989. However, it is expected that the EC countries' investment will be increasingly directed to Europe and no large or significant increase in investment in the Philippines is expected in the near future.

(5) Outlook of Foreign Investment in the Philippines up to 1995

1) Forecast of Direct Investment of Japanese Manufacturing Companies to Overseas Countries, Particularly Asian Countries

According to the macroeconomic forecast made by the OECD and other international authorities, it is a commonly held that there will be a gradual slowing down in the economic growth in Japan, USA and western countries, although, in the immediate one or two years, a moderate expansion of business activity can be expected to continue.

In 1986 JETRO conducted a questionnaire survey of major manufacturing companies in Japan to ascertain their plans or interest regarding direct investment abroad and, based on this survey, forecast a growth rate of Japanese foreign direct investment by major industrial sectors and by countries. Table 4-2-12 tabulates the JETRO's forecast of the growth rate of Japanese foreign direct investment as cited above. The forecast, as is shown in that table, indicates that the Japanese foreign investment in manufacturing in the Asian countries will grow at 10.1% per year during the period of 1990 to 1995. The electric machinery industry will have the largest growth of investment, 13.1% per year, followed by the chemical industry at 11.9% per year and the transportation machinery industry and the general machinery industry both at 9.9% per year.

The Economic Planning Agency of the Japanese Government conducted a similar questionnaire survey of major Japanese manufacturing companies in 1988 and, based on the result of the survey, attempted an estimate of the percentage of total production that will be done by major industrial sectors in 1988 and a forecast of possible changes in the percentage in 1993. The result of this forecast is shown in Table 4-2-13. The forecast indicates that the percentage of overseas production of the Japanese manufacturing industries will rise as a whole by 1.7 times from 3.0% in 1988 to 5.2% in 1993. It means an average growth rate of 11.6% per year. The electric machinery industry and precision machinery industry had the highest percentages in 1988 and are expected to continue to increase them at a comparatively high rate through 1993; 1.6 times from 8.3% in 1988 to 13.6% at a growth rate of 10.4% per year for the former sector and 1.7 times from 6.5% to 11.2% at a growth rate of 11.5% per year. The industries which had a comparatively low percentage of overseas production in 1988 and are expected to have a considerable growth by 1993 are the non-ferrous industry (2.4 times; growth of 19.3% per year), the automobile and automobile parts industries (2.2 times; growth of 17.2% per year) and the general machinery industry (1.9 times; 13.8% per year).

In view of the trends of Japanese investment in manufacturing industries in the NIEs and ASEAN countries as reviewed in the previous section, and the outlook of future growth of Japan's economy, it is judged that the growth rate of investment by the Japanese manufacturing industries in the Asian region forecast by JETRO may be applicable for the period of 1990 to 1993. However, for the year 1994 onward, it is predicted that the growth of the Japanese foreign investment may be far lower than the growth forecast by JETRO because of a slowdown of the economy, and thus it is forecast that foreign investment in 1994 and 1995 will decline yeqr to year. Assuming an annual growth rate based on the foregoing view and on the basis of the amount of investment (in terms of equity) of Japanese manufacturing industries to the Asian region in 1989, the investment of Japanese manufacturing industries to the Asian region is forecast for the period of 1990-1995 as follows:

	Rate of Change (%)	Direct Investment Amount (US$ Million)
1988	41.2	2,370 (Actual)
1989	31.0	3,105 (Estimate)
1990	10.8	3,440
1991	10.1	3,787
1992	10.1	4,169
1993	10.1	4,590
1994	-5.0	4,367
1995	-8.0	4,015

2) Forecast of the Investment of Japanese Manufacturing Industries to the NIEs and the Four ASEAN Countries

Looking at investment by Japanese manufacturing industries to the NIEs and the four ASEAN countries in terms of its share in total foreign investment in the Asian region in 1988 and 1989, it is found to be about 82%. The ratio of the NIEs and the four ASEAN countries in Japanese investment, as reviewed in the previous section, is currently 40:60 under the increasing investment to the four ASEAN countries. In view of the recent investment shift from the NIEs towards the four ASEAN countries, it is predicted that the percentage of the four ASEAN countries in Japanese investment will further increase henceforward. Given that the aforesaid percentages are maintained, it is assumed that the Japanese investment to the four ASEAN countries will be 50% (0.6 of 82%) of that to the Asian region. Taking this assumption the Japanese investment in the manufacturing industries in the four ASEAN countries is estimated as follows.

	Investment Amount[1/] to 4 ASEAN Countries (US$ Million)
1988	1,159 (Actual)
1989	1,528 (Estimate)
1990	1,720
1991	1,894
1992	2,086
1993	2,296
1994	2,184
1995	2,008

Note: 1/ 50% of the amount of direct investment to the ASEAN region shown in 1) above.

3) Forecast of the Investment by Japanese Manufacturing Industries in the Philippines

From the past trend of the direct investment of Japanese manufacturing industries to the four ASEAN countries between 1985 and 1988 which is given in Table 4-2-4, the share of each of the four countries is estimated as follows:

(Unit: %)

	1985	1986	1987	1988	1986-1988 (Average)
Philippines	25.4	7.7	7.3	7.7	7.6
Thailand	15.2	45.2	29.8	54.0	43.0
Malaysia	19.7	33.4	21.0	12.6	22.3
Indonesia	39.7	13.7	41.9	25.7	27.1
Total	100.0	100.0	100.0	100.0	100.0
(Amount; 1985=100)	(100.0)	(116.0)	(422.9)	(696.6)	

As can be seen from the above figures the investment by Japanese manufacturing industries in the four ASEAN countries has substantially increased during the given period; 4.2 times in 1987 and 7 times in 1988 compared to the investment in 1985. Among these four countries Thailand's share considerably increased and reached 54% in 1988; it averaged 43% for the three years of 1986-1988.

The Japanese investment in the Philippines substantially increased in recent years. Nevertheless its share was 7.3 to 7.7% during the period of 1986-1988. The investment in the Philippines is forecast to increase by 38% and 33% in 1989 and 1990 respectively, while the investment in Thailand is likely to slow down, so that the share of the Philippines will relatively rise to 9.6% in 1990.

It is predicted that the investment by Japanese manufacturing industries in Thailand will slightly increase up to 1991 and will be steady after 1992. This means that Japanese investment will increase to a greater extent in the other three countries. How much the Philippines' share can be expanded among the three countries greatly depends on the efforts of the Philippine Government to improve the investment climate including infrastructure as well as foreign investment promotion activities. Given that the government will positively pursue these efforts and activities, it is assumed that the Philippines' share will rise until 1993 and thereafter slightly decrease because of the cycle of investment. The forecast based on this assumption is referred to as Projection I. At the same time there is a pessimistic view that even with these efforts the share will not rise because of reluctance of companies to commit capital to the Philipines. The forecast based on such a pessimistic view is referred to as Projection II. The result of these two forecasts is given below:

	Projection I		Projection II	
	Share (%)	Investment Amount (US$ Million)	Share (%)	Investment Amount (US$ Million)
1988 (Actual)	7.7	90	7.7	90
1989 (Estimate)	8.1	124	8.1	124
1990	9.6	165	9.6	165
1991	9.7	183	9.6	181
1992	11.8	247	9.6	200
1993	13.8	317	9.6	220
1994	12.8	280	9.6	210
1995	11.0	221	9.6	193

4) Forecast of Japanese Investment in the Philippines

Based on the investment of Japanese manufacturing industries to the Philippines as presented in 3) above and assuming the percentage of the above investment in the total of Japanese investment to the Philippines, the total of Japanese investment to the Philippines is estimated by dividing the estimated investment of Japanese manufacturing industries with the thus assumed percentage.

From the figures given in Tables 4-2-2 and 4-2-4, the percentage of the investment of Japanese manufacturing industries to the Philippines in the total investment from Japan is estimated as follows:

1985	68.9%
1986	71.4%
1987	70.8%
1988	67.2%

The average percentage of the past three years is about 70%, and it is estimated to be about 71% for 1989 and 1990. It is predicted that the percentage will gradually rise until 1993 along with the increase in industrial investment, and will not rise thereafter.

The total investment (in terms of equity) from Japan, forecast on the basis of this assumption, is given below:

	Percentage 1/	Total Investment Amount (US$ Million) Projection I	Projection II
1988 (Actual)	67	134	134
1989 (Estimate)	71	175	175
1990	71	234	234
1991	73	252	248
1992	75	331	267
1993	76	417	289
1994	75	373	280
1995	75	295	257

Note: 1/ Same percentages both for Projection I and Projection II.

5) Forecast of Total Foreign Investment in the Philippines

After assuming the percentage of the total of Japanese investment to the Philippines as a share in the total foreign investment, the total foreign investment is estimated by dividing the total of Japanese investment estimated in 4) above with the assumed percentage of the Japanese investment to the total foreign investment.

Table 4-2-10 shows the investment by major investing countries to the Philippines between 1986 and 1989. The figures given in the table are cited from BOI statistics. These statistics are the only data available for analyzing the share of major investors in the foreign investment in the Philippines. The following are the share of those countries thus estimated from the BOI statistics:

(Unit: %)

Major Investment sources	1986	1987	1988	1989
Japan	28.6	17.2	21.0	19.6
NIEs	10.2	20.7	31.2	40.2
USA	28.7	21.6	33.9	16.3
European Countries	21.1	15.9	7.8	9.1
Others	11.4	24.6	6.1	14.8
Total	100.0	100.0	100.0	100.0
(Investment Amount: 1986=100)	(100)	(213)	(586)	(1,023)

The Japanese investment in the Philippines rapidly increased in recent years, and became the largest investor in 1989, supplanting the USA which had been the largest investor. It is estimated that the share of Japan will increase to 26% by 1990 because of private industrial estate development projects and large industrial projects. If those large projects are excluded, the share of Japan may be about 20%. BOI statistics (Table 4-2-10) are differ from those of the Ministry of Finance in Japan (MOF) (Table 4-2-2), because of differences in compilation. The forecast of the Japanese investment has been made on the basis of the MOF statistics. Here, use of the share estimated from the BOI statistics means that estimates are made by using sources that are not readily compatible. Nevertheless in view of the recent trend indicated in the BOI statistics, it is judged that the 20% share estimated for Japanese investment is reasonable. Since the Japanese investment in the Philippines is expected to increase, while the growth of investment from other countries gradually slows down, it is assumed that the share of Japan will show a slight annual rise. The following is the total foreign investment (in terms of equity) to the Philippines forecast taking the above assumption.

	Share of Japan (%)	Total Investment Amount (US$ Million)	
		Projection I	Projection II
1989	19.6	800	800
1990	26.6	880	880
1991	21.0	1,200	1,181
1992	21.6	1,530	1,236
1993	22.5	1,850	1,284
1994	23.6	1,578	1,186
1995	23.6	1,250	1,089

The amount of Japanese investment recorded in recent years is 1.91 million US dollars (in equity) per project. Taking this amount as the base figure and assuming that the investment amount per project will increase in the future, the number of investments is estimated by dividing the estimated total investment amount by the thus assumed investment amount per project as shown below:

	Investment Amount per Project (US$ Million)
1989	1.91
1990	2.10
1991	2.31
1992	2.54
1993 and onwards	2.79

6) Foreign Investment in the Philippines up to 1995

Summing up the foregoing forecasts, the number and amount (in equity) of the foreign investment to be made in the Philippines between 1990 and 1995 are presented below.

	Projection I			Projection II		
	Number	Amount (US$ Million)	year/year change (%)	Number	Amount (US$ Million)	year/year change (%)
1989	419	800	-	419	800	-
1990	420	880	+10.0	420	880	+10.0
1991	520	1,200	+36.4	511	1,181	+34.2
1992	603	1,530	+27.5	487	1,236	+4.7
1993	663	1,850	+20.9	460	1,284	+3.9
1994	565	1,578	-14.7	425	1,186	-7.6
1995	448	1,250	-20.9	390	1,089	-8.2
Total (1990-1995)	3,219	8,288		2,693	6,856	

In view of the growth rate shown above, Projection II seems to be somewhat conservative. On the other hand, although Projection I is located within an attainable range, realization will depend on the efforts made to improve infrastructure, attract investors, and other measures discussed later.

The number of investments is presented for use in estimating land requirements for factory sites. Thus the given number is out of the forecast. The amount of investment per project varies widely. If there are more large-scale projects the number of investments should be smaller than that given here. Nevertheless the number of investments is useful for calculating average land space for a project as the basis for estimating total land requirements.

4-3 Domestic Investment in the Philippines

Domestic investment in the Philippines (either 100% Philippine ownership or joint ventures with under 40% foreign capital equity) increased from 3,475 million pesos in 1987 to 4,782 million pesos in 1988, representing a 1.4 times increase over the previous year. Further, in 1989 the total considerably increased to 14,715 million pesos, a 3.1 times increase over the previous year. These figures are shown in Table 2-1-10. The MTPDP targeted a growth of the investment in private construction and durable equipment at 6.9% in 1988 and 9.6% in 1989. 99 companies (approximately 64% of the total answering the questionnaire (Annex 9) for potential domestic investors) stated that they have production expansion plans to meet the increases in the domestic and export market demand. It would therefore seem that investment enthusiasm continues to be strong.

However, the environment for domestic Philippine investors is not all bright by any means. For example, the high domestic interest rates, the increase in labor costs due to the raising of the minimum wage in 1989 (representing about 40% increase from 64 to 89 pesos per day), and the rise in land prices in the CALABAR area caused by the CALABAR Special Development Project are worrisome domestic factors. At the same time there are gaps relative to foreign competitors regarding quality control and other technology, financial capacity, and capacity to develop overseas markets. These gaps together with the above, result in a relative loss of opportunities for new undertakings and an increased participation of foreign capital (in terms of investment cases and foreign equities).

It is predicted that the total number of domestic investments will grow at 6% per year up to 1993. This falls slightly below the growth for investment in private construction and durable equipment targeted in the MTPDP. After 1993, the effect of a change in the international economy is expected to result in a drop in foreign investment, and of domestic investment under the influence of foreign investment. This is the basic scenario foreseen.

Table 4-3-1 shows the number of total domestic investments and ratio of investment in the manufacturing industries approved by BOI from 1984 to 1989. Forecast of the number and amount of total domestic investments up to 1995 is made on the basis of the number of investment in 1989, shown as 2,398 in that table. The result of this forecast is shown in Table 4-3-2, together with the number of foreign investments forecast as Projections I and II.

4-4 Industrial Investment and Demand for Factory Sites in the CALABAR Area and CEPZ

(1) Assumptions for Forecasting Demand for Factory Sites

In sections 4-2 and 4-3 forecasts have been made of the foreign and domestic investments in the Philippines until 1995. Here, a forecast is made of the amount of investment, both foreign and domestic, which could be directed to the CALABAR area as a whole and to the CEPZ in particular, and on that basis estimates are made of the demand for factory sites in that area and zone which would be generated by such investments. Assumptions for these forecasts are discussed below.

1) Percentage in the Manufacturing Industries

Table 4-3-1 shows the number of investments and of the investment in the manufacturing industries in the Philippines which have been approved by BOI in the six-year period from 1984 to 1989. Recent records indicate that the share of investment made in the manufacturing industries within all investment is approximately 42 to 47% in terms of the number of investments. The percentage in terms of investment amount is estimated to be about 65 to 70% in the case of foreign investment (Table 4-2-10). For present purposes, this percentage may be applicable also to domestic investment.

In order to forecast the demand for factory sites needed by anticipated investors in the CEPZ or industrial estates, it is necessary to exclude the site demand for factories to be located outside the EPZs and IEs. Large-scale projects with foreign investment in general are located at independent sites. The percentage of such large projects is estimated to be 5% of the total in number and 40% in amount. Thus, deducting this demand, the site demand for the manufacturing industries to be located in the EPZs and IEs is estimated to be 40 to 45% of the whole investment.

2) Percentages by Region

As is shown by Table 4-4-1 some 75 to 80% of the manufacturing industries which received BOI approval in 1984-1989 clearly designated Region III, NCR or Region IV near to CEPZ as the sites for location of factories.

Taking (1) and (2) above together, it is estimated that the percentage of investment for the manufacturing industries which could be located in the CALABAR area comprehending the CEPZ is estimated to be 30 to 35% of the whole investment in the Philippines.

3) Land Area Required by Project

There is a wide range of industrial sectors covered by the term of manufacturing industry. Projects range from such large-scale cases as automobiles or domestic electric appliances to small scale projects such as garments or accessories. Further, the scale of investment varies by project. For these reasons the area required for a factory site differs greatly by project.

Examination is made on the conditions of the existing industrial estates in the Philippines. The Canlubang Industrial Estate has 22 companies on 292 hectares, with an average site area of 13.3 ha. per factory. The companies located here are of international standard, such as San Miguel Beer, Coca Cola, Westinghouse, and Monsanto, and thus their site areas are considerably large compared to other sites and seem to be too large for reference here. Another possible example is the People's Technology Complex of Carmona. 55 companies have plans for location in the 52 ha. here (33 companies, representing 66% of the total, have completed entry). The average area per factory is 1 ha. which seems to be of small scale, and is because the factories belong to light- and medium-scale industries.

The EPZs are the estates where the highest number and greatest variety of factories are located. Appendix I to the "Study on the Cavite Export Processing Zone" (August 1989) prepared by the EPZA indicates the various indexes relating to the scale of the 71 industries located in the EPZs. The following describes an average area cited from these indexes.

- Average occupancy area of the 49 locators : 2.0 ha.

- Average occupancy area of the 22 locators in SFB: 3,402 sq. m (0.35 ha.)

The average occupancy area allocated for the macro target factories (embracing the three categories A, B and C indicated in Table 5 of the above report) takes 2.0 ha. per factory. Thus the present forecast assumes a site area of 2.0 ha. for land lease and 0.35 ha. area for building lease.

4) Occupancy Area and New Site Demand for the Philippine Enterprises

Assuming that there are differences in the scale of factory between the foreign-affiliated enterprises and the Filipino general enterprises, 20% of the above figures (i.e., 0.4% ha. for the lease area and 0.07 ha. for the building lease) is applied to the sites for Filipino enterprises. This assumption is based on the following investigation of the average investment scale per project for Filipino and foreign affiliated companies:

	No. of Investments	Total Investment Amount (million pesos)	Average Amount of Investment per Project (million pesos)
Investments by Foreign Affiliated Companies	1,062	40,933	38.5
Investments by Filipino Companies	6,015	44,070	7.3

One more factor which must be taken into consideration when estimating the demand of Filipino companies for such sites is the fact that, in contrast with foreign affiliated companies, they do not necessarily require new sites. The Survey on the Demand for Industrial Estates carried out by the US Consultant Louis Berger International in February, 1986, commissioned by the ADB, shows that 76% of Filipino companies showed no interest in the I.E. and that only about 25% of companies in the Philippines need the sites. As shown in Annex 9, in the questionnaire survey concerning potential investors to which 155 companies answered, 41 companies representing approximately 26% of this total, expressed an interest in transferring to one of the EPZs, I.E.s or RICs.

5) Plans for Expansion of Existing I.E.

Research conducted by the JICA Study Team found that there is only one existing IE which has an expansion plan. This is, as shown in Table 4-4-2, the expansion plan of the Canlubang I.E. (presently named the Carmelray Industrial Park). The industrial area which has been allocated for sale or lease as of September, 1989 is 161.2 hectares.

The Carmelray Industrial Park plans to develop 500 ha. before the end of 1993, the final target date. 94 hectares are currently being prepared as Phase I of the plan. According to the developer, 85 ha., representing 90% of the Phase I area, have already been sold. The same source has indicated that subsequent development on a similar scale to that of Phase I will commence as soon as the complete sale of the prepared lots is assured. It is estimated that an annual expansion of 100 hectares will take place.

6) Development Projects for New Industrial Estates

As shown in Table 4-4-3, the development of 812 hectares is planned for new industrial estates. These projects are concentrated in Region IV.

In addition to the above, development plans for new industrial estates in more than 10 sites, largely in the Cavite province, have been reported by newspapers, etc. However, a large

number of these lack concrete development plans and it seems that even the relevant offices of the Cavite provincial government and the Region IV office of the DTI are without a clear idea of their nature. For present purposes, those plans which are without any clear concrete plan have been excluded from the estimates.

(2) Forecasts of Supply and Demand for Sites in the CALABAR Area

As noted above, together with a continuously increasing domestic and foreign investment in the CALABAR area, it is also expected that the supply of sites will increase because of the development of industrial estates.

Tables 4-4-4 and 4-4-5 indicate forecasts for site demand in the CALABAR area which have been made on the basis of the number of investments (Projection I) and taking into consideration the assumptions discussed in 1) to 4) above. The forecasts made on the basis of Projection II are not presented in the table. It is anticipated that there will be a steady increase in the demand for sites along with the growth in the number of investments, particularly from abroad. For the demand forecast, the site demand for factories to be located in independent sites has been excluded. Thus, the given demand figures are only for the CEPZ and IEs in the CALABAR area.

With regard to supply, as noted in 4) to 6) above and also in Tables 4-4-2 and 4-4-3, there are already plans for supply at the new and existing IEs. Supply plans of the CEPZ have not been included because the CEPZ development plan for Phase III onwards are to be evaluated as the result of the present study.

Table 4-4-6 indicates the estimated balance between supply and demand for sites in the CALABAR area. It includes the balance based on Projection II as well. As stated above, the indicated demand is only for factories to be located in the CEPZ and IEs. The question of the diversion of agricultural land to industrial use which has led to serious discussions since 1990 may be taken into consideration. As of March, 1990 no suspension nor delays in implementation were reported from the private industrial estate development projects. However, considering approval for the diversion of agricultural land and following environmental assessment it is anticipated that each project will be delayed by one to two years. In the case of the First Cavite IE Project a reduction in the area for development has been announced. The above estimations were carried out on the basis of information collected by the Study Team up to March, 1990.

The supply area of the new IEs which is shown in Table 4-4-6 has been estimated on the basis of the land area planned for development in the six private IEs projects which have firm development plans. The supply and demand balance has been estimated assuming that the developed land will be made available for use in the year of development and any surplus or deficit in balance will be carried forward to the next year. The basis for this estimation is given in Table 4-4-7. The estimated balance indicates that, although there will be a deficit of supply in

1990 and 1991 because only a part of three IEs out of the six new IEs will be made available, 314 ha. and another 310 ha. of new sites will be supplied in 1992 and 1993 respectively. These additional site areas appear to be inadequate to meet the demand if it grows as per Projection I, while having a surplus of 37.7 ha. in 1992 and 181.2 ha. in 1993 if the demand growth remains as per Projection II. For both projections, the supply is expected to turn to a deficit again in 1994 with annual expansion of deficit thereafter because of continuously increasing demand.

If the mean of the two demand projections (Projections I and II) is taken as the likely demand, the supply and demand balance based on this demand level indicates that there will be a deficit of 133.8 ha. in 1991 and 55 ha. in 1992, and then, after a surplus of 16.4 ha. in 1993, there will a deficits of 280.4 ha. in 1994 and 526.2 ha. in 1995.

The supply and demand balance discussed above implies that there will be room for new site development on the order of about 190 ha. for the years of 1991 and 1992, and also another 280 ha. for the year 1994 which remains after deducting a surplus expected for the year 1993.

According to the EPZA's master-plan for the CEPZ development project cited in Chapter 3, the industrial area planned for the development is as follows:

Phase	Industrial Area to be Developed (ha.)
I	39.6
II	39.5
III	27.9
IV	39.1
V	27.9
Total	174.0

The development of Phase I has been mostly completed and the development will proceed with Phase II onwards. The supply and demand balance cited above reveals potential capacity for the development of more phases from II onwards. Nevertheless, should the demand growth stay as per Projection II as the worst case, there may be a surplus of 181 ha. in 1993. Hence, if a conservative decision is made in order to minimize risks, it would be better to determine the plan for Phase IV or V after reviewing the progress of investment in the next one or two years. Further, since competition with the private IEs is anticipated, it would be essential to take immediate steps for the improvement of infrastructure in the surrounding area and the facilities in the CEPZ, and the improvement of relevant systems and management, as well as the investment promotion activities as discussed in Chapters 6 and 7.

It would be unrealistic to assume that all the developed lands are immediately sold or leased out. It is usually takes four years to sell out all the developed area. Assuming the sales plan for the private IEs as indicated below, estimations have been made of the annual supply of sites (Table 4-4-8) and then on the supply and demand balance (Table 4-4-9).

Case	1st Year	2nd Year	3rd Year	4th Year
I	30%	30%	30%	10%
II	20%	30%	40%	10%
III	20%	30%	30%	20%
IV	10%	30%	40%	20%

The above balance indicates a deficit of supply over the years in all cases. Nevertheless, in Case I the balance shows a surplus of only 4 ha. in 1993 in the case of demand based on Projection II. This implies that the development based on any optimistic view may involve risks to some extent.

4-5 A Comparative Analysis of Matters of Concern to Potential Domestic and Foreign Investors, and Fundamental Conditions to Be Considered for the Development of CEPZ

There are certain fundamental differences between the stance of potential Japanese and Philippine investors with regard to investment in the Philippines and to the CEPZ. For Japanese investors the Philippines is one of alternative countries to be considered for relocation whereas for the potential Philippine investors it represents the base for their business. This difference of stance explains the differing nature of the matters of concern to the two groups of investors.

The main areas of concern for the potential investors in Japan and the Philippines which emerged from the "*Questionnaire Survey of Potential Japanese Investors*" cited in Annex 8, and the "*Questionnaire* Survey of Potential Philippine Investors" cited in Annex 9, are summarized below.

(1) Matters of Concern to the Potential Japanese Investors

At present since Japanese foreign investment takes place on a global scale the matters of concern of Japanese investors in any particular country, whether in Asia or an ASEAN nation, are best examined by cross section comparison.

With regard to questions concerning the criteria for foreign investment, 164 companies, representing 76% of those answering, gave "political stability" as the most important. Other important criteria were, in order, plentiful labor supply, provision of infrastructure facilities, and government policies regarding investments. Compared to the above, such matters as economic growth, stability of foreign exchange, plentiful raw materials, or provision of exporting zones and industrial estates attracted little concern.

With regard to political stability, when asked about their reaction to the coup d'etat of December, 1989, of the 42 companies which answered, the largest group (18) showed a calm attitude affirming that they felt need to watch the situation carefully and act accordingly. 16 companies answered "there were some problems but investment would proceed according to plan" thus affirming a readiness to continue to plan with investments. Negative reactions came from four companies who said they would "put a stop to direct investments to the Philippines" and four companies who said they would "transfer investments to other ASEAN countries". It is true that there are a number of companies which have fear of political unstability in the Philippines.

With regard to the topic of "plentiful labor," when asked whether this had been a motive for relocating production bases to South East Asia, 50% of the 75 companies answering gave a positive reply. 18 companies specified that this move was due to insufficient labor supplies originally, and another 18 stated that it was due to the low cost of labor.

With regard to the topic "provision of infrastructures", companies were asked "What do you consider to be the necessary conditions for Export Processing Zones in the Philippines", and also to rank in priority a list of conditions. In order of priority the criteria chosen were a stable supply of electricity, followed by provision of telecommunication facilities (telephone, fax), and access roads.

With regard to the topic "government investment policies" using a similar approach as in the above, companies gave as desired policies a simplification of export and import procedures and the provision of investment incentives.

Regarding industrial linkages, when asked whether they had plans to set up subcontractor firms, 29 companies, representing 13% of those who answered, said they have such plans. Of these companies (multiple answers) 20 said such plans are for supply of raw materials, 18 for parts supply and 16 for delivery of packaging materials.

In the future any activities undertaken to lure investment from potential Japanese sources should take note of the above areas and ensure that adequate provision of information in these field is provided. Also it will be necessary to provide for the supporting facilities and systems in these areas.

At the same time, since it is a widespread practice for potential Japanese investors, before investing in a new area, to first gather information from companies (not necessarily in the same industry) that have experience of working in the area before making a decision on investment, it is important to improve services to be provided to such companies who are already operating in the EPZAs so that the EPZs' services are highly appreciated by them.

(2) Matters of Concern to the Potential Philippine Investors

The desire to invest has increased among Philippine industries largely due to a growth in demand centering on the export market. 31 companies, representing 20% of those answering, showed an interest in the CEPZ. Six of the companies said they have plans to implement their projects before 1994.

The areas given as of concern to the potential Philippine investors who sent in answers to the questionnaire were concrete and realistic, indicating first-hand knowledge. The matters of concern which were expressed in the form of criteria for the selection of an industrial site were infrastructure, facilities, the cost and rental fees of sites, law and order, and access to labor, followed by maintenance services, proximity to raw material sources and markets, etc. which were given less importance.

The matter of greatest concern for them at the present time is the problem of the diversion of agricultural land to industrial use. As the Philippine government has not indicated clear guidelines or a basic policy on this matter it is to be feared that the actual realization of investment will be slow to proceed.

(3) Fundamental Conditions to Be Considered for the Development of CEPZ

1) Conditions to be Considered in Promoting Investment by Japanese Investors

Summing up the points indicated in (1) above, it is necessary to note that the Japanese investors will regard the following conditions in selecting the country to relocate their production base:

i) Political stability

ii) Availability of cheap and plentiful labor sources

iii) Availability of infrastructure (particularly a stable supply of electric power, and existence of well-developed telecommunication systems and road)

iv) Government policy for investment

The matter of political stability in the Philippines cannot be taken up within the scope of this study. It can be noted, however, that it is important to take measures to improve the investment conditions including infrastructure as well as publicity activities for providing proper information to potential investors. These would contribute to attracting potential investors to promote their investment to the Philippines and eventually to the CEPZ. The Philippines has ample high-quality and low-cost labor. This is one of a great advantage for the Philippines to attract foreign investors. If infrastructure facilities are improved, the Philippines could further to attract investors.

The recent trend of large-scale manufacturers who are seeking to start or expand overseas operations in the Asian region is motivated not only by desire to undertake assembly operation by utilizing low-cost labor, but more widely, the intention to promote international division of labor and globalization including the procurement of local-made parts and intermediates.

The questionnaire survey also shows such an indication to some extent. In order to attract more foreign investors, it will become important not only to supply cheap labor but also develop small- and medium-scale industries which are capable of producing high-quality parts and intermediates at economical cost to supply these in time to the mainstream

factories established by foreign companies. The development of such type of supporting industries or linkage industries is an important matter for promoting foreign investment and, at the same time, would contribute to industrial development particularly through the expansion of domestic production and import substitution for foreign exchange savings.

2) Conditions to be Considered for Promoting Domestic and Foreign Investments to the CEPZ

The result of the questionnaire survey cited in (2) above reveals that the Philippine companies regard the following points as the basic criteria for selecting factory sites:

i) Infrastructure and a stable supply of utilities

ii) Acquisition cost or lease cost of site

iii) Peace and order

iv) Stable supply of labor

These conditions, as stated earlier, are matters of concern for foreign investors as well. When compared with the private IEs located in the CALABAR area, the CEPZ is more attractive for investors as far as the lease charge is concerned. However, the CEPZ has the problems of the access road and maintenance of the common facilities in the zone, as pointed by the locators of the zone in response to the questionnaire (which is described in more detail in Annex 6). The improvement of these is urgently needed to gain an advantage in competition with the private IEs.

4-6 Identification of the Priority Industries to Be Induced to the Philippines and to the CEPZ

(1) Priority Industries to Be Induced to Meet the Goal of the Economic Development and Industrial Development Policies of the Philippines and in View of Economic Impact

In view of the Economic Development and Industrial Development Policies in the Philippines and their effect on the country's economy as reviewed in Chapter 2, priority industries to be induced to the Philippines are categorized into five industries; namely, firstly "export oriented" industries, secondly, "labor-intensive" industries which can efficiently utilize the ample low-cost labor available in the Philippines and so contribute to the expansion of employment; thirdly, "indigenous-resource-oriented" industries which can efficiently utilize indigenous resources so as to contribute to increases in value added; fourthly, "high-technology-oriented" industries which will give synergetic effect to the upgrading of Filipino industry, and lastly, "linkage" industries which could contribute to the expansion of local industries and import substitution.

The EPZA give priority to the following industries as criteria for evaluating projects to be located in the EPZs.

1) Export-oriented industries

2) High technology/high employment industries

3) High value added industries

Following are the representative industries belonging to the foregoing five priority industries:

1) Export-Oriented Industries: Garments, Electronics, Electric Machinery, Automotive parts, Wood working, Furnitures, Accessories, Food processing, Footwear and Gifts and handicrafts

2) Labor-Intensive Industries: Garments, Woodworking, Furniture, Assembling (Electronics, Electric machinery, Automotive parts), Accessories, Footwear, and Gifts and handicrafts

3) Indigenous-Resource-Oriented Industries: Woodworking, Furniture, Accessories, Food processing, Ceramics, Cocochemicals, Natural fibers and fabrics such as ramie, Gifts and handicrafts

4) High-Technology-Oriented Industries: Electronics, Electric machinery, Automotive parts, Precision machinery, Metalworking, Drugs and pharmaceuticals, Plastic processing, Computer software

5) Linkage-Based Industries: Electronics, Electric machinery, Automotive parts, Garments, Metalworks, Precision machinery

Priority industries listed by BOI in the Investment Priority Plan are as follows:

Marine and aquaculture, Garments and Textile, Computer services, Gifts and housewares, Processed food and Beverages, Furniture and wood products, Semiconductors and Electronics, Ceramics, Steel, Metal products and machinery.

The top 11 industrial fields of projects which were given incentives by BOI in 1988 (the number of projects are given in parentheses) are as follows:

Garment (83), Textile and textile products (52), Electric and electronics (41), Wood products (37), Plastic processing (29), Food processing (28), Metalworking (18), Rubber goods (14), Building materials (9), Basic industrial chemicals (6), Automotive parts (5).

(2) Industries Showing Interest of Foreign Investment as Identified by Several Surveys

Industries showing interest of foreign investment which have been identified by the present questionnaire surveys and other similar surveys are enumerated below.

1) Industry fields which showed interest for CEPZ in the questionnaire survey in the Philippines (the number of responding companies given in parentheses):

   Garments (10), Plastics and rubber (4), Textiles (4), Gifts and housewares (3).

2) Japanese firms which stated that they have a plan to relocate to the South East Asian countries, per industry classification; according to the survey conducted by JETRO in 1988 (the percentage of relative firms to total given in parentheses):

   Electronics (30.0%), Machinery (13.3%), Food processing (10.0%), Automotive parts (6.7%), Pulp and paper products (3.7%), Non-ferrous metal processing (3.7%), Wood and wood processing (3.3%), Furniture (3.0%), Chemicals (3.0%).

3) Number of potential investors, grouped by industry, who visited the Embassy of the Philippines in Japan for getting information for investment through the term of January to August, 1988 (the number of companies given in parentheses):

   Electronics and its components (21), Machinery (12), Chemicals (12), Iron and metals (12), Automotive parts (9), Precision machinery (8), Textile and garments (7), Food processing (3).

4) Number of industries which showed interest in relocating in the ASEAN particularly to the Philippines in the questionnaire survey in Japan (the number of companies given in parentheses: left side for the companies showing interest to ASEAN, and right side for companies showing particular interest to the Philippines):

Electrics (7/3), Metalworks (5/3), Precision machinery (5/3), Automotive parts (3/3).

(3) Prospective Industries to Be Attracted to the Philippines, and Priority Industries to Be Attracted to CEPZ

Judging from the above data, the following industries are identified as the targets to be attracted to the Philippines which are anticipated by the Government of Philippines and are expected by Japanese potential investors:

- Electronic machinery
- Electric machinery and appliances
- Automotive parts
- Metalworks
- Precision machinery
- Plastic processing
- Food processing
- Garments
- Woodworking and furniture
- Computer software

The above listed industries basically match those judged to be suitable for the CEPZ. Nevertheless, in the case of food processing industry and woodworking and furniture industries, proximity to the supply sources of agriculture and marine resources or wood resources which are used as raw materials is an important factor in selecting location of factories. The location of CEPZ may be geographically unfavorable for these industries. For the CEPZ, also, these industries may be unsuitable to the zone in view of constraints on traffic in the vicinity and water supply and also requirement for treatment of effluvia to meet the environmental conditions of the zone as it is located close to residential areas.

All the industries listed above except two, food processing industry and woodworking and furnitures industry, are non-polluting and less-utility-consuming industries satisfying the criteria stated in 4-6, and therefore are acceptable for the zone. Limiting the variety of industries to be induced to the CEPZ may obviously result in reducing the number of factories to be located in CEPZ. On the other hand, if a wide variety of industries are located in the zone without restriction, it would to reduce efficiency of the common service facilities and, further, create complex problems involving differences in the nature or level of labor and environmental

problems at individual factories which are engaged in different industries and have different level of technologies. These would result in lowering attractiveness of the CEPZ. In this context it is more efficient to attract as many as possible of similar types of factories because they may have inter-relations each other.

In order for the CEPZ to have characteristics attractive to potential investors in competition with the private IEs, the EPZA should take up the establishment of functional common service facilities and provision of a variety of services as well as the necessary measures for promoting linkages between the factories operating in the zone and local industries located in the vicinity. For this end it is effective to induce similar types of factories in the zone.

In order to attract such industries that factories operating in the CEPZ can enjoy the locational advantage of proximity to the NCR including the supply of skilled technical workers, and also maintain efficient operation by utilizing common service facilities and linkage with outside industries while minimizing any adverse effect derived from constraints in traffic and power and water supply, priority should be given to high-technology-oriented industries for direct or indirect exports. These industries are:

- Electronic machinery and parts
- Electric machinery and appliances, and parts
- Automotive parts
- Metalworking (excluding casting and forging)
- Precision machinery
- Plastic processing
- Computer software

Garments industry is also an important export industries. There are a few garment factories operating in the CEPZ at present. Further, about half of the Philippine companies which showed interest of locating their factories in the CEPZ in response to the questionnaire survey conducted for the present study are engaged in garment and textile industries. In view of this situation, it would not be necessary to exclude these industries for the CEPZ. However, it is recommended to take measures to avoid mixing garment and textile factories with high-technology factories. Such measures should include preparation of a separate block specialized for these factories.

Another alternative is to promote the location of garment and textile factories in the BEPZ, in order to locate such low-value-added industries as garment and textiles in a separate place in consideration of possible rise of labor costs in the future. Toward this end, however, it would be necessary to pursue the improvement of conditions, including the set-up of GTEB office in the zone and improvement of transportation facilities.

4-7 Criteria for Assessment of Industries Applying for Location in CEPZ (Existing and Supplementary Criteria)

Along with the promotion of factory location in the CEPZ it is necessary to set up criteria for the evaluation of projects in order to be able to approve or reject their location in the zone.

The existing criteria of the EPZA for the evaluation of projects are those setting target industries as follows:

1) Export-oriented industries:

   In principle 100% export is required, but domestic sales are allowed up to 30% in case the product is a substitute for imports or there is no competing manufacturer domestically.

2) High technology/High employment industries: 1st priority
   High technology/Not-so-high employment industries: 2nd in priority
   Low technology/High employment industries: 3rd in priority

3) High-Value-Added Industries:

   Present criteria target at 35%, but the EPZA hopes to raise it to 50% in the future.

In addition to the above, it is desirable that the following target criteria be added:

- Industries which have industrial linkages should get preference

- Companies which are able to pay wages and salaries to employees at least in a level comparable to other companies located in the CEPZ should get preference

- Companies which rent the minimum size lots of sites and SFB already prepared by the EPZA for the purposes of inviting small and medium companies should get preference

It is also recommended to set up screening criteria including the following conditions:

- Preference is to be given to industries which do not pollute (or at least industries which do not discharge or generate liquid/gaseous effluents, create noise or vibrations which, either directly or indirectly, have an adverse effect to other factories located in the CEPZ and peoples residing in the vicinity.

- Preference should be given to industries which do not consume large quantities of utilities not only with regard to the water consumption which is already a problem at BCEPZ and to industries which consume comparatively small quantities of electric power or other energy resources

In order to set up screening criteria relating to pollution, it is recommended that the EPZA prepare standards for pollution control which are applicable to the factories located in the CEPZ. It is advisable to establish these standards by taking into consideration the standards for environment assessment which are now being examined by the authorities in the Philippines.

As a basis for examining screening criteria of utilities consumption, the figures shown as Exhibit A13-III in Annex 13 are cited. That exhibit tabulates such basic data as number of employees, and unit consumption of utilities like electricity and water, which have been collected through industrial census surveys in Japan, covering 20 main manufacturing industries and 144 product groups.

There is no absolute criteria applicable for judging one industry or product group as a utility-consuming one. It could be judged only by relative comparison of different industries and product groups. The gross volume of utility consumption depends on the scale of a factory. In this context the census also conducted a survey on the area of each factory site and calculated water consumption per area (second column from right) and power consumption per area (third column from right).

The high utility-consuming industries selected from the data cited are enumerated below.

Industries which have high water consumption per area	Average Water Consumption (cu. m/day/M sq. m)
- Pulp, paper and paper products	173.9
- Chemical and allied products	58.6
- Textile products	46.5
- Food manufacturing	42.0

Industries which have high power consumption per area	Average Power Consumption (M Yen/sq. m)
- Non-ferrous metals and products	4.1
- Publishing, printing	3.4
- Iron and steel industries	3.0

The top 14 utility-consuming product groups selected on the same criteria are enumerated below.

Product groups which have high water consumption per area	Average Water Consumption (cu. m./day/M sq. m)
- Lubricating oil and greases	257.4
- Paper	257.1
- Pulp	203.4
- Chemical fibers	134.0
- Medical instruments and apparatus	123.9
- Dyeing and finishing textiles	114.9
- Chemical fertilizers	79.0
- Seasonings	74.2
- Miscellaneous food products	66.5
- Industrial organic chemicals	59.9
- Newspaper industries	56.9
- Sugar processing	56.1
- Other paper products	47.8
- Paper coating and glazing	46.8

Product groups which have high water consumption per area	Average Water Consumption (cu. m./day/M sq. m)
- Newspaper industries	13.0
- Secondary non-ferrous metals smelting	8.9
- Steel with rolling facilities	6.9
- Iron smelting without blast furnace	5.8
- Primary non-ferrous metals smelting	5.8
- Publishing industry	3.7
- Industrial inorganic chemicals	3.6
- Coke	3.6
- Paper	3.6
- Flour and grain mills	3.2
- Rolling of non-ferrous metals and alloys	3.1
- Glass and its products	3.0
- Printing	2.8
- Carbon and graphite products	2.8

Observing the industries and product groups listed above, it can be said that industries and product groups categorized as heavy and chemical industry in general are high utility consumers. Among industries recommended in Section 4-5 above as those to be induced to the Philippines, food processing industry alone is the fairly high water-consuming one but others do not consume much water. Texas

Instruments (T.I.) located in BCEPZ has been criticized for high water consumption. However, the electronics industry which is T.I.'s main line is categorized as medium-volume consumer of water. It seems that the problem of T.I. has resulted from a particular condition in Baguio City which is short of water.

The criteria of utility-consumption should be used for reference as sub-criteria, less important than the others, for the purpose of judging the degree of utility consumption in evaluating suitability of a project to be located in the CEPZ.

The computer software industry is a low utility consumer, although unit rates of utility consumption in this industry are not indicated in the cited data.

In the same data, average building space by industry or product group is presented. This data serves to judge space requirements by industry or product group so that types of industry or product group suitable for SFB can be identified.

Industries which have comparatively small factory area	Average Factory Area
- Publishing, printing and allied industries	2,872 sq. m
- Apparel and other finished products	3,060
- Leather tanning and products	5,209
- Precision instruments and machinery	8,429
- Furnitures and fixtures	10,303
- Electrical machinery equipments	12,290
- Miscellaneous manufacturing	12,316
- Fabricated metal products	12,483

Most of the above industries are included in those to be induced to the CEPZ as mentioned in Section 4-5. This shows the necessity of setting up SFB as a measure to promote factory location in the zone.

Table 4-2-1 JAPAN'S FOREIGN DIRECT INVESTMENT

Unit: US$ million

Fiscal Year (Apr. ~Mar.)	Amount	Increased Amount	Rate of Increase (%)
1970	904		
1971	858	△ 46	△ 5.1
1972	2,338	1,480	172.5
1973	3,494	1,156	49.4
1974	2,395	△ 1,099	△31.5
1975	3,280	885	37.0
1976	3,462	182	5.5
1977	2,806	△ 656	△18.9
1978	4,598	1,792	63.9
1979	4,995	397	8.6
1980	4,693	△ 302	△ 6.0
1981	8,932	4,239	90.3
1982	7,703	△ 1,229	△13.8
1983	8,145	442	5.7
1984	10,155	2,010	24.7
1985	12,217	2,062	20.3
1986	22,320	10,103	82.7
1987	33,364	11,044	49.5
1988	47,022	13,658	40.9
1989 (Apr. ~Sep.)	30,824		
	(60,000 yearly estimate)	(12,978)	(27.6)

Source: MOF (Ministry of Finance, Japan) Report

Table 4-2-2 JAPAN'S FOREIGN DIRECT INVESTMENT TO ASEAN 4 COUNTRIES & ASIAN NIES

Unit: US$ million, %

Fiscal Year / Area	1985			1986			1987			1988			1989 (Apr.～Sep.)			Total (1951～1989/Sep.)		
	Number	Amount	%	Number	Amount	%	Number	Amount	%	Number	Amount	%	Number	Amount	%	Number	Amount	%
Philippines	9	61	0.5	9	21	0.1	18	72	0.2	54	134	0.3	53	101	0.3	725	1,221	0.6
Thailand	51	48	0.4	58	124	0.6	192	250	0.8	382	859	1.8	204	579	1.9	1,889	2,571	1.2
Malaysia	60	79	0.6	70	158	0.7	64	163	0.5	108	387	0.8	68	286	0.9	1,249	2,120	1.0
Indonesia	62	408	3.3	46	250	1.1	67	545	1.6	84	585	1.3	70	338	1.1	1,648	10,142	4.7
Sub-total (ASEAN 4 countries)	182	596	4.8	183	553	2.5	341	1,030	3.1	628	1,966	4.2	395	1,304	4.2	5,544	16,054	7.4
Hongkong	105	131	1.1	163	502	2.2	261	1,072	3.2	335	1,662	3.5	191	940	3.1	3,355	7,108	3.3
Singapore	110	339	2.8	85	302	1.4	182	494	1.5	197	747	1.6	87	810	2.6	2,325	4,622	2.1
Korea	75	134	1.1	111	436	2.0	166	647	1.9	153	483	1.0	47	379	1.2	1,759	3,627	1.7
Taiwan	68	114	0.9	178	291	1.3	268	367	1.1	234	372	0.8	86	201	0.7	2,213	1,992	0.9
Sub-total (Asian NIEs)	358	718	5.9	537	1,531	6.9	877	2,580	7.7	919	3,264	6.9	411	2,330	7.6	9,659	17,349	8.0
Others	145	121	1.0	99	243	1.1	124	1,258	3.8	189	339	0.7	92	272	0.9	1,122	2,730	1.3
Total Asia	685	1,435	11.7	819	2,327	10.5	1,342	4,868	14.6	1,736	5,569	11.8	898	3,906	12.7	16,325	36,133	16.6
U.S.A.	921	5,395	44.2	1,232	10,165	45.5	1,816	14,704	44.1	2,434	21,701	46.2	1,284	13,215	42.9	19,291	84,985	39.1
Europe	313	1,930	15.8	404	3,469	15.5	587	6,576	19.7	692	9,116	19.4	434	7,690	24.9	5,987	37,854	17.4
Others	694	3,457	28.3	741	6,359	28.5	839	7,216	21.6	1,214	10,636	22.6	664	6,013	19.5	12,460	58,108	26.7
Grand Total	2,613	12,217	100	3,196	22,320	100	4,584	33,364	100	6,076	47,022	100	3,280	30,824	100	54,063	217,180	100

Source: MOF Report

Table 4-2-3 JAPAN'S FOREIGN DIRECT INVESTMENT ACCORDING TO BUSINESS SECTORS

Unit: US$ million, %

Fiscal Year / Sector	1985			1986			1987			1988			1989 (Apr.～Sep.)		
	Number	Amount	%	Number	Amount	%	Number	Amount	%	Number	Amount	%	Number	Amount	%
Manufacturing	718	2,352	19.3	981	3,806	17.1	1,528	7,832	23.5	1,798	13,805	29.4	954	8,242	26.7
Foods	87	90	0.7	97	127	0.6	135	328	1.0	169	419	0.9	79	488	1.6
Textiles	40	28	0.2	45	63	0.3	94	206	0.6	146	317	0.7	80	254	0.8
Wood & Pulp	16	15	0.1	23	57	0.3	49	317	0.9	82	604	1.3	45	186	0.6
Chemicals	87	133	1.1	83	355	1.6	154	911	2.7	180	1,293	2.8	101	1,265	4.1
Ferrous & Non-Ferros	57	385	3.2	71	328	1.5	150	786	2.4	194	1,367	2.9	108	1,033	3.3
Machinery	107	352	2.9	144	626	2.8	190	687	2.1	253	1,432	3.0	119	866	2.8
Electric Machinery	133	513	4.1	212	987	4.4	322	2,421	7.3	316	3,041	6.5	156	2,168	7.0
Transportation Machinery	49	627	5.1	97	828	3.7	146	1,473	4.4	128	1,281	2.7	77	1,157	3.8
Other	140	208	1.9	209	435	1.9	288	703	2.1	330	4,051	8.6	189	825	2.7
Non-Manufacturing	1,857	9,536	78.0	2,166	17,949	80.4	2,985	25,080	75.2	4,189	32,634	69.4	2,293	22,321	72.4
Branches	38	329	2.7	49	565	2.5	71	452	1.4	89	583	1.2	33	261	0.9
Real Estate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	2,613	12,217	100	3,196	22,320	100	4,584	33,364	100	6,076	47,022	100	3,280	30,824	100

Source: MOF Report

Table 4-2-4 JAPAN'S MANUFACTURING INDUSTRIES' INVESTMENT TO ASEAN 4 COUNTRIES AND ASIAN NIES

Unit: US$ million, %

Fiscal Year	1985		1986		1987		1988	
	Amount	composition (%)	Amount	composition (%)	Amount	composition (%)	Amount	composition (%)
Philippines	42.3	25.4	14.8	7.7	51.3	7.3	89.6	7.7
Thailand	25.3	15.2	87.3	45.2	210.2	29.8	626.1	54.0
Malaysia	32.8	19.7	64.6	33.4	147.8	21.0	146.2	12.6
Indonesia	66.1	39.7	26.5	13.7	294.9	41.9	297.9	25.7
Sub-Total	166.5	100.0	193.2	100.0	704.2	100.0	1,159.8	100.0
(ASEAN 4 Countries)		(39.7)		(25.2)		(44.5)		(60.0)
Hongkong	14.0	5.5	52.4	9.1	108.0	12.3	84.8	10.9
Singapore	92.3	36.6	104.5	18.2	268.1	30.5	173.2	22.4
Korea	36.9	14.6	142.6	24.9	247.2	28.1	253.9	32.8
Taiwan	109.3	43.3	273.5	47.8	254.9	29.1	262.7	33.9
Sub-Total	252.5	100.0	573.0	100.0	878.2	100.0	774.6	100.0
(Asian NIES)		(60.3)		(74.8)		(55.5)		(40.0)
Total (ASEAN + Asia NIES)	419.0	(100.0)	766.2	(100.0)	1,582.4	(100.0)	1,934.4	(100.0)

Source: MOF Report

Table 4-2-5 JAPAN'S MANUFACTURING INDUSTRIES' INVESTMENT TO ASEAN 4 COUNTRIES AND ASIAN NIES IN 1988

Unit: US$ million, %

Fiscal Year / Sectors	ASEAN 4 Countries 1/		Asian NIEs 2/	
	Amount	Composition (%)	Amount	Composition (%)
Manufacturing Industries	1,159.8	100 (57.2)	774.6	100 (22.7)
Foods	37.4	3.2	35.8	4.6
Textiles	104.4	9.0	24.9	3.2
Wood & Pulp	164.4	14.2	8.1	1.0
Chemicals	88.3	7.6	102.2	13.2
Ferrous & Non-Ferros	136.8	11.8	41.5	5.4
Machinery	182.9	15.8	71.3	9.2
Electric Machinery	280.0	24.1	269.5	34.8
Transportation Machinery	59.8	5.2	71.0	9.2
Others	105.8	9.1	150.3	19.4
Non-Manufacturing Industry	806.2	(39.8)	2,489.6	(72.9)
Branches	61.2	(3.0)	148.7	(4.4)
Real Estate	—	—	—	—
Total	2,027.2	(100)	3,412.9	(100)

Notes : 1/ Philippines, Thailand, Malaysia and Indonesia
2/ Hongkong, Singapore, Korea and Taiwan

Source: MOF Report

Table 4-2-6 JAPAN'S MANUFACTURING INVESTMENT TO THE PHILIPPINES

Unit: US$ thousand, %

Fiscal Year	1979		1985		1986		1987		1988		1989 (Apr-Spt)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Manufacturing Industries	36,071	35.3	42,335	69.8	14,813	71.9	51,325	70.9	89,557	66.6	62,132	61.2
Foods	265	0.3	11,243	18.5	—		30,300	41.9	—		—	
Textiles	54	—	—		—		828	1.1	4,794	3.6	166	0.2
Wood & Pulp	306	0.3	—		—		—		856	0.6	243	2.4
Chemicals	4,734	4.6	5,600	9.2	—		2,887	4.0	14,675	10.9	8,751	8.6
Ferrous & Non-Ferrous	11,230	11.0	—		—		516	0.7	3,581	2.7	4,243	4.2
Machinery	1,107	1.1	165	0.3	—		—		5,146	3.8	1,217	1.2
Electric Machinery	447	0.4	—		907	4.4	14,069	19.4	29,489	21.9	35,989	35.5
Transportation Machinery	12,757	12.5	23,198	38.2	13,137	63.8	—		16,461	12.2	6,729	6.6
Others	5,170	5.1	2,127	3.6	768	3.7	2,723	3.8	14,552	10.8	4,796	4.7
Non-Manufacturing Industry	65,657	64.2	17,594	29.0	5,405	26.3	21,053	29.1	43,268	32.2	39,259	38.7
Branches	400	0.4	725	1.2	362	1.8	—		1,563	1.2	—	—
Real Estate	70	—	—		—		—		—	—	—	—
Total	102,200	100	60,654	100	20,581	100	72,379	100	134,480	100	101,389	100

Source: MOF Report

Table 4-2-7 JAPANESE DIRECT INVESTMENT TO ASIAN COUNTRIES IN ELECTRICAL & ELECTRONIC INDUSTRIES SECTOR

	Consumers' Electronic & Electrical Equipment													Industrial Electronic Equipment										Electronic Components																Grand Total
	a	b	c	d	e	f	g	h	i	j	k	l	m	a	b	c	d	e	f	g	h	i	j	k	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	
Korea	1		1	5	3	1	2					2	7	1				2	2	1	1	1	5	12	4	14	16	5	4	2	4	9	4	6		3	4		5	3	8	54	68
China	2		1	2					1			4	6							1		2	1	4		1		2		2	2	2	1			2		1	1	1	2	9	16
Taiwan	6	3	6	11	9	6	2	1	4	3	2	8	20	5			1		3	1			6	14	13	15	18	6	6	6	5	11	6	8		4	2	1	6	2	12	73	99
Hongkong			1	1								2	3	2		1							2	1	1	1	1		1		2	1	1					1	3	3	10	15
Thailand	6			2			1	1	4	6	2	8	13	1								2	3	6		2	1			1				1	1	1	1		1	1	3	10	25
Singapore	5		3	6	5	2	4	1			1	8	16	2			1		2				4	8	3	6	6	3	1	2	1	1	2	3		3	3	1	11	4	3	37	56
Malaysia	6		3	5	3	2	4	1	2	3	1	5	16										3	3	4	5	8	1	2	1	1	2	4			4	2		5	3	1	27	45
Philippine	4	1	1	1	2					2	3	4	7		1				1				2	3		1	1		1	1		1		2		1			1	1		4	10
Indonesia	2		1	2	1				2	2	1	3	3				1						1	2																		5
India		1										3	4										1	1																		5
Iran												1	1																													1
Asia	32	5	17	35	23	11	23	4	13	16	10	48	98	11	1	1	3	2	8	3	1	6	25	55	25	45	51	18	14	16	13	28	18	21	1	18	12	3	31	18	32	224	345

Notes :

Consumer
a. T. V.
b. VTR
c. Radio
d. Tape Recorder
e. Stereo
f. CD Player
g. Car Audio
h. Electronic Range
i. Electric Fan
j. Refrigerator
k. Washing Machine
l. Other Consumers Equip.
m. Total

Industrial
a. Telephone
b. Pocket Bell
c. Car Telephone
d. Movable Tele-Communication Equipment
e. Computer
f. Computer related Machinery
g. Desk Calculater
h. PPC
i. Electric Measuring Instrument
j. Other Industrial Electronic Equipment
k. Total

Electronic Components
a. Resistor
b. Condencers
c. Coil etc.
d. Speaker etc.
e. Magnet Heads
f. Mini Motors
g. Connecters
h. Switches
i. Mini Machine Parts
j. Components
k. Magnet Tape
l. Semiconductor
m. I. C.
n. TV Tube
o. Other Parts for Consumers Machinery
p. Other Parts for Industrial Machinery
q. Other Electronic Parts
r. Total

Source : "Latest Trends in Electronic & Electric Industries in S. E. Asia"
by Mr. Ikuo Hiraguchi in RIM No. 5 of Mitsui Resarch Institute.

Table 4-2-8 EXTERNAL TRADE BALANCE OF TEXTILE PRODUCTS

(Surplus=S, Deficit=D)

	1965				1987		
	Textile	Apparel	Total	→	Textile	Apparel	Total
Japan	S	S	S		S	D	D
USA	S	D	S		D	D	D
China	S	S	S		S	S	S
Korea	D	S	S		S	S	S
Taiwan	D	D	S		S	S	S
Thailand	D	D	D		S	S	S
Indonesia	D	D	D		S	S	S
Malaysia	D	D	D		D	S	S

Source : "Latest Trends in Textile Industries in S. E. Asia"
by Mr. Toshiaki Nagatsu in RIM No. 6 of Mitsui Research Institute.

Table 4-2-9 JAPANESE FOREIGN INVESTMENT IN TEXTILE INDUSTRIES

(No. of Investment, end of 1987)

	Up Stream & Middle Stream	Secondary Products	Down Stream	Total
Korea	9	4	20	33
China	—	—	5	6
Taiwan	18	4	14	36
Hongkong	6	3	9	18
Thailand	25	3	5	33
Singapore	2	1	3	6
Malaysia	10	2	—	12
Philippine	3	2	3	6
Indonesia	20	2	—	22
Other Asia	8	—	2	11
Total Asia	101	21	61	183
Others	50	30	8	89
Grand Total	151	51	69	271

Notes : Up Stream & Middle Stream = Man-made Fiber Manufacturing, Spinning, Weaving, Dyeing, Finishing, Industries

Secondary Manufacturing = Fishing Nets & Ropes, Fastners, Other Secondary Products (except Apparel)

Down Stream = Fabric, Knitapparel, Underwears, Socks & Stockings, Gloves Manufacturing

Source : "Latest Trends in Textile Industries in S.E. Asia" by Mr. Toshiaki Nagatsu in RIM No.6 of Mitsui Research Institute.

Table 4-2-10 FOREIGN INVESTMENT TO THE PHILIPPINES

Unit: US$ million, %

	1986		1987		1988		1989		1989 (Manufacturing)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	% to whole
Japan	22.3	28.6	28.7	17.2	96.0	21.0	156.5	19.6	128.9	82.4
Asia NIEs	8.0	10.2	34.5	20.7	142.8	31.2	320.6	40.2	227.7	71.0
┌Taiwan	0.4	0.5	9.0	5.4	111.5	24.4	147.6	18.5	133.2	90.2
│Hongkong	7.3	9.3	17.9	10.8	27.3	6.0	131.8	16.5	71.1	53.9
│Singapore	0.3	0.4	0.9	0.5	2.5	0.5	23.5	3.0	8.7	37.0
└Korea	—		6.7	4.0	1.5	0.3	17.7	2.2	14.7	83.1
U.S.A.	22.4	28.7	35.9	21.6	155.3	33.9	130.2	16.3	97.9	75.2
Europe	16.5	21.1	26.4	15.9	35.8	7.8	72.8	9.1	48.6	66.8
┌U.K.	6.5	8.3	10.6	6.4	23.4	5.1	17.7	2.2	7.7	43.5
│The Nether-lands	0.1	0.1	7.0	4.2	1.4	0.3	20.3	2.5	20.0	98.5
└Germany	4.3	5.5	0.7	0.4	4.5	1.0	15.1	1.9	13.7	90.7
Others	8.9	11.4	40.9	24.6	28.0	6.1	118.5	14.8	53.7	45.3
Total	78.1	100	166.4	100	457.9	100	798.6	100	556.8	69.7

Note : Exchange Rate: 1986=20.4, 1987=20.6, 1988=20.8, 1989=21.9

Source: BOI

Table 4-2-11 FOREIGN INVESTMENT TO MANUFACTURING INDUSTRIES IN THE PHILIPPINES

Unit: Item, Pesos million, %

	1989	
	Amount	%
		(69.8)
Manufacturing	12,195	100.0
Processed Foods	208	1.7
Wood Products	138	1.1
Paper & Paper Products	77	0.6
Textiles	2,015	16.5
Other Textiles & Textile Products	152	1.2
Wearing Apparel	433	3.5
Footwear	89	0.7
Basic Industrial Chemicals	181	1.5
Synthetic Yarns & Fibers	783	6.4
Drugs & Pharmaceuticals	111	0.9
Misc. Chemical Products	281	2.3
Plastic Products	264	2.2
Petroleum Products	1,706	8.8
Construction/Housing Components	442	3.6
Fabricated Metal Products	410	3.4
Machinery & Equipment	187	1.5
Electrical & Electronic Products	4,086	33.5
CVDP	308	2.5
Others	954	7.8
Agriculture	326	(1.9)
Fishery	319	(1.8)
Mining	795	(4.5)
Others	3,845	(22.0)
Total	17,480	(100.0)

Source: BOI

Table 4-2-12 MEDIUM & LONG-TERM FORECAST OF JAPAN'S MANUFACTURERS' FOREIGN DIRECT INVESTMENT

%=Annual Increase Ratio

	Sectors	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Asia	10.8	9.3	3.3	6.3	11.5	15.1	11.5	6.5
1985	America	10.1	7.8	10.0	7.5	17.1	12.8	17.1	7.5
～1990	Europe	7.0	4.6	2.5	2.5	8.3	9.7	8.3	10.0
	World	9.7	7.5	8.3	5.8	14.0	12.9	14.0	9.5
	Asia	10.1	11.9	4.5	7.5	9.9	13.1	9.9	5.5
1990	America	8.1	7.8	4.2	7.5	10.2	10.4	10.2	5.0
～1995	Europe	7.0	5.7	2.5	4.2	7.5	8.3	7.5	7.5
	World	7.1	8.1	3.3	7.5	9.7	10.4	9.7	6.5
	Asia	9.1	9.0	3.5	6.3	9.6	11.3	9.6	5.5
1995	America	6.9	6.3	3.3	6.3	8.1	9.0	8.1	5.0
～2000	Europe	5.4	4.9	2.5	4.2	6.9	7.5	6.9	5.0
	World	7.3	6.6	2.5	7.5	8.9	9.3	8.7	5.5

Notes : (1) Manufacturing Industry
(2) Chemicals
(3) Iron and Steel
(4) Non-Ferrous Metal
(5) Machinery
(6) Electric Machinery
(7) Transportation Machinery
(8) Precision Machinery

Source: Quetionnaire Survey 1986/July by JETRO & JOEA (Japan Overseas Enterprises Association) to 424 Firms.

Table 4-2-13 FORECAST OF OVERSEAS PRODUCTION OF JAPAN'S MANUFACTURING INDUSTRY

	Percentage to Overseas Production to Total Production					
	All Firms Answered			Expect Firms with no Overseas Production		
	1988 (A) (%) Estimated	1993 (B) (%) Forecast	B / A Ratio	1988 (A) (%) Estimated	1993 (B) (%) Forecast	B / A Ratio
Total Manufacturing Industries	3.0	5.2	1.7	9.5	12.0	1.3
Material	1.5	2.9	1.9	6.2	7.8	1.3
Processing & Assembling	4.8	8.5	1.8	10.9	15.1	1.4
Others	2.0	3.1	1.6	8.9	9.2	1.0
Foods	1.2	2.1	1.8	5.9	7.3	1.2
Textiles	1.1	1.8	1.6	6.6	8.5	1.3
Pulp & Paper	1.6	2.8	1.8	6.0	10.0	1.7
Chemicals	1.6	2.9	1.8	6.8	7.0	1.0
Petroleum & Coal	—	—	—	—	—	—
Rubber	9.4	10.1	1.1	20.4	17.4	0.9
Ceramics & Earth Stone	1.9	3.2	1.7	9.9	11.1	1.1
Iron-Steel	1.1	2.0	1.8	5.4	7.5	1.4
Non-Ferrous Metal	2.4	5.8	2.4	6.6	10.7	1.6
Metal Products	1.0	1.8	1.8	5.3	6.9	1.3
Machinery	2.2	4.2	1.9	7.2	12.2	1.7
Electric Machinery	8.3	13.6	1.6	14.5	18.7	1.3
┌ Heavy	6.8	10.2	1.5	12.9	14.1	1.1
└ Light	8.6	14.4	1.7	14.8	19.6	1.3
Transportation Machinery	2.3	4.9	2.1	5.4	8.7	1.6
┌ Automobile & Parts	2.9	6.4	2.2	5.4	9.2	1.7
Shipbuilding	1.1	1.0	0.9	4.5	3.5	0.8
└ Others	—	0.7	—	—	5.0	—
Precesion Machinery	6.5	11.2	1.7	13.1	16.5	1.3
Other	2.5	4.5	1.8	8.3	7.9	1.0
Firm with Capitalization less than ¥ one billion	0.3	1.1	3.7	7.3	9.1	1.2

Note : Questionnaires sent to all listed companies in the Stock Exchanges in Japan except finance & insurance companies. 1,744 sent, 1,127 answered (64.6%).

Source: Economic Planning Agency (Japan) Questionnaire Survey (1989/Jan)

Table 4-3-1 NUMBER OF MANUFACTURING PROJECTS AMONG TOTAL PROJECTS APPROVED

Unit: No., %

Year	No. of Total Projects	No. of Manufacturing Projects	Share
1984	412	168	40.8
1985	378	164	43.4
1986	501	148	29.5
1987	1,435	513	35.7
1988	1,337	631	47.2
1989	2,398	1,002	41.8
Total	6,461	2,626	39.7

Note : Number of Projects include "Domestic Producers" and "Export Producers" with incentives, and "Manufacturing' without incentives. The figures do not include "Existing Projects" and "Increase in Equity"

Source: BOI: "Selected Statistics on Projects Approved under E.O. 226, by Type of Project and by Sector"

Table 4-3-2 ESTIMATED NUMBER AND EQUITY OF INVESTMENTS IN THE PHILIPPINES

Year	Total Investments		Foreign Investments		Domesic Investments			
	No.	Amount (P Million)	Projection I (No.)	Projection II (No.)	Projection I (No.)	Amount (P Million)	Projection II (No.)	Amount (P Million)
1989	2,398	38,004	419	419	1,979	20,478	1,979	20,748
1990	2,542	40,284	420	420	2,122	20,960	2,122	20,960
1991	2,694	42,701	520	511	2,174	16,000	2,183	16,850
1992	2,856	45,263	603	487	2,253	11,721	2,369	18,173
1993	3,027	47,979	663	460	2,364	7,469	2,567	19,873
1994	2,573	40,782	565	425	2,008	6,260	2,148	14,814
1995	2,033	32,218	448	390	1,585	4,845	1,643	8,389

Source: Estimated by the Team

Table 4-4-1 NUMBER OF PLANTS AND PROJECT COST IN REGION Ⅲ, Ⅳ AND NCR

Unit: No., Pesos million, %

Year	RegionⅢ	NCR	RegionⅣ	Sub Total	Share to National Total	National Total
1984	6 (316)	64 (1,777)	24 (384)	94 (2,477)	75.8	124 (7,203)
1985	14 (191)	69 (1,504)	17 (490)	100 (2,185)	69.9	143 (2,742)
1986	—	60 (1,121)	18 (429)	78 (1,550)	66.1	118 (2,192)
1987	38 (1,377)	255 (4,519)	60 (2,742)	353 (8,638)	82.3	429 (9,844)
1988	57 (6,580)	306 (13,122)	108 (4,577)	471 (24,279)	72.8	674 (28,720)
1989 (1- 6)	36 (3,382)	292 (13,477)	102 (15,202)	430 (32,061)	73.8	583 (49,107)
(7-12)	56 (1,592)	199 (7,253)	106 (9,872)	361 (18,717)	82.0	440 (22,197)
1989 (Total)	92 (4,974)	491 (20,730)	208 (25,074)	791 (50,778)	77.3	1,023 (62,304)
Total	207 (13,438)	1,245 (42,773)	435 (33,696)	1,887 (89,907)	76.0	2,484 (113,005)

Source: BOI "Selected Statistics on New and Expansion Projects, Approved by BOI, by Region"

Table 4-4-2 EXISTING I.ES. IN REGION III, IV AND NCR

(As of September, 1989)

Name of I.E.	Implementing Agency	Location				Developed Area (ha)	Industrial Area (ha)	Available Industrial Area		Area for Expansion (ha)
		From Makati by Car	Municipality	Province	Region			(ha)	Price (P/m²)	
Sapang-Palay I.E.	NHA	1 hr	Sapang-Palay	Bulacan	III	19.5	16.7	7.5	200 for sale	—
Meycauayan I.S.	NHA	1 hr	Meycauayan	Bulacan	III	24	15	9	600 for sale	—
Luisita I.P.	TDC	2.5 hr	San Miguel	Tarlac	III	120	96	96	250 for sale	—
F.T.I. Agro-Commercial	FTI	0.5 hr	Taguig	Metro Manila	NCR	120	51	0	(80 for rental per year)	—
VFP Industrial Area	P.I.A.	0.5 hr	Taguig	Metro Manila	NCR	50	46	6	3.5 for rental per month	—
Dagat-Dagatan I.E.	NHA	50 min	Novotas	Metro Manila	NCR	30	25	0	(1,000 for sale)	—
Bagong-Silang I.E.	NHA	1.5 hr	Bagong Silang	Novaliches	NCR	6.4	6.0	6	300 for sale	—
Dasmarinas I.E.	NHA	1 hr	Bagong Silang	Cavite	IV	12.8	12.8	4.5	200 for sale	—
Canlubang I.E.	LEDC	50 min	Canlubang	Laguna	IV	400	340	10.5	820 for sale	415～
Cavite-Carmona I.E.	TLRC	35 min	Gen. M. Alvarez	Cavite	IV	53	45	0	(250 for sale)	— —
Carmona I.E.	NHA	45 min	Gen. M. Alvarez	Cavite	IV	9.7	9.7	8.7	90 for sale	—
New Cavite I.C.	SLIC	1 hr	Gen. Trias	Cavite	IV	44	39	13	210 for sale	—
First Cityland Heavy I.C.	CDC	1 hr	Dasmarinas	Cavite	IV	24	24	0	—	—
Total								161.2		

Notes : FTI: Food Terminal Inc. LEDC: Laguna Estate Development Corp. TLRC: Technology and Livelihood Resource Center

PIA: Phividec Industrial Estate CDC : Cityland Development Corp. TDC : Tarlac Development Corp.

NCR: National Capital Region (METRO MANILA) NHA : National Housing Authority

Source: Survey by the Team

Table 4-4-3 NEW I.ES. TO BE DEVELOPED

Name of I.E.	Location	Development Area (ha)	Industrial Area (ha)	Completion
Ayala-Laguna Industrial Park	Sta. Rosa, Laguna	344	173	April, 1991
Sta. Rosa Industrial Estate	Sta. Rosa, Laguna	180	150	April, 1991
First Cavite Industrial Estate	Dasmarinas, Cavite	155	117	April, 1991
Science Park	Cabuyao, Laguna	143	100	Dec., 1990
Engineering Industrial Estate	Bauan, Batangas	160	112	Dec., 1990
Gateway Industrial Complex	Gen. Trias, Cavite	400	160	50…Jun., 1990 110…Dec., 1992
Total		1,465	812	

Source: Survey by the Team

Table 4-4-4 ESTIMATED LAND DEMAND IN CALABAR AREA (30% CASE)

Unit: No., ha

Year	Foreign Investments							Local Investments							Total
	No. of Investments	Manufact'ing CALABAR	No. of Total Area of SFB		No. of Total Area of Land		Total Land	No. of Investments	Manufact'ing CALABAR	Interested	No. of Total Area of SFB		No. of Total Area of Land		Total Land	Demand of Land
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	P	Q
1989	419	126	38	13.3	88	176	189.3	1,979	594	149	45	3.2	104	41.6	44.8	234.1
1990	420	126	38	13.3	88	176	189.3	2,122	637	159	48	3.4	111	44.4	47.8	237.1
1991	520	156	47	16.5	109	218	234.5	2,174	652	163	49	3.4	114	45.6	49.0	283.5
1992	603	181	54	18.9	127	254	272.9	2,253	676	169	51	3.6	118	47.2	50.8	323.7
1993	663	199	60	21.0	139	278	299.0	2,364	709	177	53	3.7	124	49.6	53.3	352.3
1994	565	170	51	17.9	119	238	255.9	2,008	602	151	45	3.2	106	42.4	45.6	301.5
1995	448	134	40	14.0	94	188	202.0	1,585	476	119	36	2.5	83	33.2	35.7	237.7

Notes : B = A x 30% D = C x 0.35ha F = E x 2ha I = H x 30% K = J x 30% M = J - K P = L + N Q = G + P
C = B x 30% E = B - C G = D + F J = I x 25% L = K x 0.07ha N = M x 0.4ha

Source: A, H: Estimated by the Team

Table 4-4-5 ESTIMATED LAND DEMAND IN CALABAR AREA (35% CASE)

Unit: No., ha

Year	Foreign Investments							Local Investments							Total
	No. of Investments	Manufact'ing CALABAR	No. of Total Area of SFB		No. of Total Area of Land		Total Land	No. of Investments	Manufact'ing CALABAR	Interested	No. of Total Area of SFB		No. of Total Area of Land		Total Land	Demand of Land
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	P	Q
1989	419	147	44	15.4	103	206	221.4	1,979	693	173	52	3.6	121	48.4	52.0	273.4
1990	420	147	44	15.4	103	206	221.4	2,122	743	186	56	3.9	130	52.0	55.9	277.3
1991	520	182	55	19.3	127	254	273.3	2,174	761	190	57	4.0	133	53.2	57.2	330.5
1992	603	211	63	22.1	148	296	318.1	2,253	789	197	59	4.1	138	55.2	59.3	377.4
1993	663	232	70	24.5	162	324	348.5	2,364	827	207	62	4.3	145	58.0	62.3	410.8
1994	565	198	59	20.7	139	278	298.7	2,008	703	176	53	3.7	123	49.2	52.9	351.6
1995	448	157	47	16.5	110	220	236.5	1,585	555	139	42	2.9	97	38.8	41.7	278.2

Notes : B = A x 35% D = C x 0.35ha F = E x 2ha I = H x 35% K = J x 30% M = J - K P = L ÷ N Q = G ÷ P
C = B x 30% E = B - C G = D ÷ F J = I x 25% L = K x 0.07ha N = M x 0.4ha

Source: A, H: Estimated by the Team

Table 4-4-6 SUPPLY/DEMAND BALANCE OF LANDS IN CALABAR AREA

Unit: ha

Year	Demand	Supply			Balance
		Existing	New	Total	
1989	58.5 1/ ~68.4 2/	120.9 3/	—	120.9	52.5 ~62.4
1990	237.1 ~ 277.3	115.0	50.0 4/	165.0	▲59.8 ~▲ 9.7
1991	279.5 ~330.5	100.0	106.0	206.0	▲ 184.3 ~▲83.2
1992	293.1 ~377.4	100.0	314.0	414.0	▲ 147.7 ~ 37.7
1993	266.5 ~410.8	100.0	310.0	410.0	▲ 148.5 ~ 181.2
1994	241.9 ~351.6	—	—	—	▲ 500.1 ~▲60.7
1995	213.3 ~278.2	—	—	—	▲ 778.3 ~▲ 274.0

Notes : 1/ 234.1ha x 1/4 (Demand for Oct. to Dec., 1989)
2/ 273.4ha x 1/4
3/ 161.2ha x 3/4 (1/4 assumed to be sold for Oct. to Dec., 1989)
4/ Gateway Phase I

Source: Estimated by the Team

Table 4-4-7 SUPPLY PROJECTION OF PRIVATE I. ES.

Unit : ha

Name of I. E.	1990	1991	1992	1993	Total
Ayala-Laguna	—	—	73	100	173
Sta. Rosa	—	—	50	100	150
First Cavite	—	—	85	—	85
Science Park	—	50	50	—	100
Engineering	—	56	56	—	112
Galeway	50	—	—	110	160
Total	50	106	314	310	780

Table 4-4-8 ESTIMATED DISTRIBUTION OF SALES VOLUME BY I.E., BY YEAR

Unit : ha

Cace	Name of I.E.	1990	1991	1992	1993	1994	1995	Total
Case I	Ayala-Laguna	—	—	52	52	52	17	173
	Sta. Rosa	—	—	45	45	45	15	150
	First Cavite	—	—	26	26	26	7	85
	Science Park	—	30	30	30	10	—	100
	Engineering	—	33	33	33	13	—	112
	Gateway	48	48	48	16	—	—	160
	Total	48	111	234	202	146	39	780
Case II	Ayala-Laguna	—	—	35	52	69	17	173
	Sta. Rosa	—	—	30	45	60	15	150
	First Cavite	—	—	17	26	33	9	85
	Science Park	—	20	30	40	10	—	100
	Engineering	—	22	33	46	11	—	112
	Gateway	32	48	64	16	—	—	160
	Total	32	90	209	225	183	41	780
Case III	Ayala-Laguna	—	—	35	52	52	34	173
	Sta. Rosa	—	—	30	45	45	30	150
	First Cavite	—	—	17	26	26	16	85
	Science Park	—	20	30	30	20	—	100
	Engineering	—	23	33	33	23	—	112
	Gateway	32	48	48	32	—	—	160
	Total	32	91	193	218	166	80	780
Case IV	Ayala-Laguna	—	—	17	52	69	35	173
	Sta. Rosa	—	—	15	45	60	30	150
	First Cavite	—	—	9	26	33	17	85
	Science Park	—	10	30	40	20	—	100
	Engineering	—	11	33	46	22	—	112
	Gateway	16	48	64	32	—	—	160
	Total	16	69	168	241	204	82	780

Source : Estimated by the Team

Table 4-4-9 CASE STUDY OF SUPPLY/DEMAND BALANCE OF LANDS IN CALABAR AREA

Unit : ha

		1989	1990	1991	1992	1993	1994	1995
DEMAND		58.5～ 68.5	237.1～ 277.3	279.5～ 330.5	293.1～ 377.4	266.5～ 410.8	241.9～ 351.6	213.3～ 278.2
Base Case	Supply (Existing)	120.9	115.0	100.0	100.0	100.0	—	—
	Supply (New)	—	50.0	106.0	314.0	310.0	—	—
	Supply (Total)	120.9	165.0	206.0	414.0	410.0	—	—
	Balance	52.5～ 62.4	△59.8～ △9.7	△184.3～ △83.2	△147.7～ 37.7	△148.5～ 181.2	△500.1～△60.7	△778.3～△274.0
Case I	Supply (Existing)	120.9	115.0	100.0	100.0	100.0	—	—
	Supply (New)	—	48.0	111.0	234.0	202.0	146.0	39.0
	Supply (Total)	120.9	163.0	211.0	334.0	302.0	146.0	39.0
	Balance	52.5～ 62.4	△61.8～ △11.7	△181.3～ △80.2	△224.7～ △39.3	△333.5～ △3.8	△539.1～ △99.7	△778.3～△274.0
Case II	Supply (Existing)	120.9	115.0	100.0	100.0	100.0	—	—
	Supply (New)	—	32.0	90.0	209.0	225.0	183.0	41.0
	Supply (Total)	120.9	147.0	190.0	309.0	325.0	183.0	41.0
	Balance	52.5～ 62.4	△77.8～ △27.7	△218.3～△117.2	△286.7～△101.3	△372.5～ △42.8	△541.1～△101.7	△778.3～△274.0
Case III	Supply (Existing)	120.9	115.0	100.0	100.0	100.0	—	—
	Supply (New)	—	32.0	91.0	193.0	218.0	166.0	80.0
	Supply (Total)	120.9	147.0	191.0	293.0	318.0	166.0	80.0
	Balance	52.5～ 62.4	△77.8～ △27.7	△217.3～△116.2	△301.7～△116.3	△394.5～ △64.8	△580.1～△140.7	△778.3～△274.0
Case IV	Supply (Existing)	120.9	115.0	100.0	100.0	100.0	—	—
	Supply (New)	—	16.0	69.0	168.0	241.0	204.0	82.0
	Supply (Total)	120.9	131.0	169.0	268.0	341.0	204.0	82.0
	Balance	52.5～ 62.4	△93.8～ △43.7	△255.3～△154.0	△364.7～△179.3	△434.5～△104.8	△582.1～△142.7	△778.3～△274.0

Source : Estimated by the Team

Chapter 5
PRESENT SITUATION AND PROBLEMS OF ACTIVITIES FOR INVESTMENT PROMOTION

Chapter 5 PRESENT SITUATION AND PROBLEMS OF ACTIVITIES FOR INVESTMENT PROMOTION

5-1 Present Situation of Activities for Investment Promotion

(1) Role of the BOI

At present investment activities in the Philippines are pursued in accordance with the Omnibus Investments Code of 1987. This code consolidates and integrates basic laws on investment which have previously been promulgated in the Philippines, with the intention of clarifying and harmonizing their provisions for the guidance of domestic and foreign investors. The declaration of investment policy accompanying this code states that both domestic and foreign private sector investment to the sectors of industry, agriculture, forestry, mining, tourism is to be promoted, and toward that end a framework for investment works is to be established so as to ensure a favorable environment and offer preferential measures.

The BOI was set up as the organization responsible for the regulation and promotion of investment in the Philippines on the basis of this code. The BOI is under the control of DTI and belongs to the Industry and Investment Group of the DTI (Figure 5-1-1 shows DTI's organization chart). The BOI is composed of seven board members, with the DTI Secretary acting as its Chairman. Under this executive body there is an administrative organization with about 400 personnel. The main powers and duties of the BOI are established by the above Code as follows:

1) Prepare the annual Investment Priorities Plan

2) Process and approve applications submitted to the BOI, and provide investment incentives as necessary

3) Make recommendations to the Commissioner of Immigration and Deportation on the entry of foreign nationals for employment

4) Periodically check and verify the compliance by registered enterprises

5) Formulate guidelines for progressive manufacturing programs, local content programs, mandatory source requirements and dispersal of industries

6) Extend the period of availment of incentives by any registered enterprises

7) Provide, directly or through Philippine diplomatic missions, such information as may be of interest to prospective foreign investors

8) Enter into agreements with other agencies of government for the simplification and facilitation of systems and procedures involved in the promotion of investments, operation of registered enterprises and other activities necessary for the effective implementation of this code

(2) Revision and Preparation of the Investment Priorities Plan (IPP)

Every year before the end of March the BOI conducts meetings, as necessary, with the appropriate governmental bodies and private sectors. After the meetings it is requested to submit the Investment Priorities Plan (IPP) to the President. The IPP defines the preferred areas of investment, which have been selected from the viewpoint of long-term comparative advantage; economic soundness, contributions to development goals, appropriate production capacity measured in light of market scale, and other important factors. Projects (companies) which are included in the IPP and approved by BOI are given incentives on the basis of the Omnibus Investment Code of 1987.

The draft of 1990's IPP has already been prepared and will come into effect after President approval soon. There are 264 investment areas mentioned in the draft. 195 of these are continued from the IPP of 1989, 19 are new areas while the other 50 are revisions of previous areas which are continued. Many of the priority sectors are related to the manufacturing industries and account for 47% of the total.

An important theme basic to the 1990 IPP is the promotion of regional industries. The strengthening of agriculture, livestock industries, agricultural product processing and auxiliary sectors was also specified. Also, another particularity was the reiteration of the promotion of investments to industrial estates and industrial infrastructure which had been stated in 1989.

Foreign investment with an equity share less than 40% does not require the prior permission of the BOI; it is only required to submit a notification. However, in such cases these will not be eligible for BOI incentives. On the other hand, cases with more than 40% foreign equity come under the regulation of the Omnibus Investment Code of 1987, and one stipulated condition is that they are deemed to be compatible with the IPP. Figure 5-1-2 shows the flow of foreign capital in conjunction with BOI incentives for investment in the Philippines. The decision to apply the incentives depends on whether an investment is deemed to be in a pioneering or non-pioneering field as these terms are defined in the IPP. (Other parameters for such a decision include the ratio of exports and investment region.)

(3) Organizational System for Activities for Investment Promotion

As part of the current investment promotion policy of the Philippines the BOI plans and implements a concrete action plan on the basis of the annual IPP.

BOI's organization chart is shown in Figure 5-1-3. The Council for Investments deliberates all policy issues concerning investment promotion. Actual activities are undertaken in accordance with the Council's decision by Investment Information Center, Investment Promotion Center or the One Stop Action Center, which are placed under the Council for Investments. Functions of these three sections is summarized below (refer to Figure 5-1-4).

1) Investment Information Center (IIC)

The primary function of IIC is to collect and prepare relevant data and information concerning investment in the Philippines and provide or disseminate them to potential investors. In addition to directly providing investors with this information, the BEMB and OSAC, mentioned below, also act as channels. The dispatch of information to Philippine Embassies abroad is also carried out. The data and information distributed covers a wide range of materials which are needed by potential investors with respect to basic business information about the Philippines. Nevertheless, for more detailed information, inquiries to the relevant agencies are required.

2) Investment Promotion Center (IPC)

IPC is responsible for the following investment promotion activities:

a) Promotion of cooperation networks between domestic/foreign industries and the relevant institutions

b) Preparation of investment missions and seminars

c) Identification and introduction of joint venture partners

d) Planning and implementation of advertising and publicity activities

According to the 1989 Report on Activity Achievements of BOI there were 58 investment missions handled, of which three were dispatched abroad and 55 received from abroad (17 from South Korea, 14 from Japan, 8 from Taiwan). There were 138 foreign investors introduced to joint venture partners, and 323 Philippine investors introduced in the same context. Also, provision of information to foreign agencies in overseas was carried out.

3) One Stop Action Center (OSAC)

OSAC's function is an advisory service for potential investors. In addition to BOI staff, the OSAC is staffed with personnel from eight agencies relating to investment including the EPZA and Bureau of Customs, and gives advice and information to potential investors. In other words, it is possible for a potential investor to get all the information needed concerning the investment system in the Philippines by visiting the OSAC. Similar agencies for the promotion of investment exist in other countries but the amalgamation of nine organizations is exclusive to the Philippines. The main tasks of each organization which is involved in the OSAC is shown in Table 5-1-1.

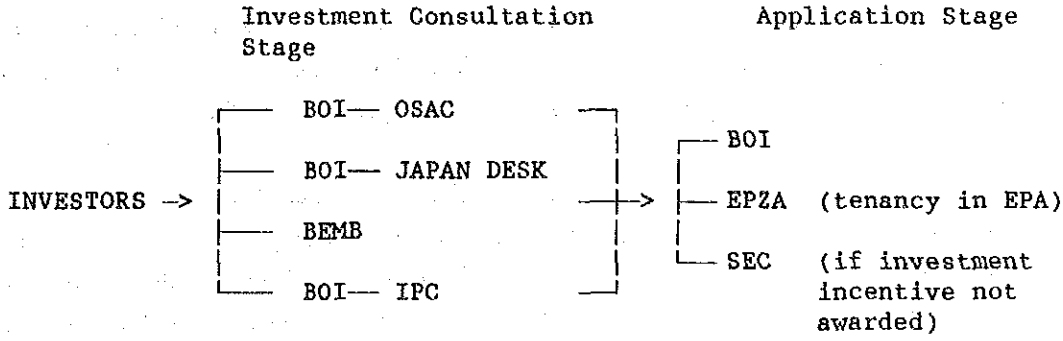
Thus, the three major functions of the BOI given its present organization are the supply of information to potential investors, the promotion aof investment, and provision of consulting about investment.

(4) Channels for Investment Consultation

The majority of potential investors who plan investment in the Philippines visit the BOI to obtain necessary information or consultation. There are two routes of approach to the BOI in this case. One is the Investment Promotion Center (IPC) which handles potential investors visiting in groups (such as missions, etc.) and the other is the One Stop Action Center (OSAC) which looks after potential investors visiting individually. OSAC began operations in December, 1986 and initially focused on the provision of information but gradually had its powers extended and at present, on behalf of some agencies, receives applications submitted by investors.

Besides the above routes there are two more for Japanese investors (refer to Figure 5-1-5). The first is through the Japan Desk established in the BOI in November, 1989 manned by two Japanese investment advisors dispatched from JICA. The second route is the Bonded Export Marketing Board (BEMB) which belongs to the DTI. The BEMB is an independent agency originally set up to promote the establishment of bonded manufacturing and trading facilities, and has the same role as the BOI with regard to attracting foreign investment. The office of the BEMB is in the same building as that of the BOI, and it works closely with the BOI (especially with the OSAC) to attract investors. In particular it provides an airport-to-airport accompanying service to particular companies in addition to supplying investment information and advice. These services include arrangements for their visits and assistance in contact with relevant agencies in the Philippines. In this way extremely meticulous services are provided, although it is only to a limited number of promising investors, and these services are highly appreciated by investors. As may be seen also in other countries, the need to provide this kind of consulting service to individual companies will increase in the future.

As can be seen from the above there are few routes for investment consultation. Foreign investments with an equity more than 40% are subject to BOI approval in accordance with the Omnibus Investments Code of 1987, and such foreign investors are compelled to submit an application to BOI. However, investors applying for a factory location in EPZ are exempted from need to apply to BOI if they apply for EPZA. Foreign investors with an equity less than 40% which require no incentives, are only obliged to apply for SEC and to submit a notification to BOI.



There are disadvantages and advantages both for the Philippine government and investors in the fact that several sections or organizations provide investment consultation. Merits of this for both parties are that a wider range of investors can be covered and a larger number of opportunities for investment consultation can be offered. Existence of multiple several routes, however, causes some confusion among investors as to which approach is most appropriate for a given case. In fact frequent questions were raised by a number of Japanese potential investors to clarify the distinction in the functions of the BOI and BEMB. Further, there is an organizational problem that from the viewpoint of the function of attracting investment there is a duplication of BOI and BEMB activities in the information management, investment promotion, and investment consulting functions.

Bearing the present situation in mind the division of roles of each section needs to be clarified hereafter, to achieve a more effective operation of the overall system. An important issue to be resolved is the nature of the linkage to be organized between the three routes of the OSAC, BEMB and Japan Desk which all serve Japanese investors.

(5) Overseas System for Investment Promotion

At present, the BOI of the Philippines does not possess any overseas offices of an independent institutional nature such as those of Thailand or Malaysia. In addition to the stationing of DTI investment advisors in West Germany and Japan, the commercial section of overseas Philippine embassies carries out investment promotion activities (an investment advisor is assigned to the offices of the Embassies abroad). Both Malaysia and Thailand have independent overseas offices for the purposes of investment promotion. Malaysia has 12 Overseas Investment Promotion

Centers under the Malaysia Industrial Development Authority (MIDA) while the Board of Investment of Thailand has four overseas offices and another two are being planned.

The overseas offices of both Thailand and Malaysia, after identifying potential investors, carry out a follow-through program involving investment counseling and acceptance of applications, although the actual evaluation of the application details and granting of approval is carried out in the mother countries. Other duties of the overseas offices include support for obtaining visas for the employees of the investing company, and planning of investment promotion proposals for the country of the office. In the case of the Japanese offices of Thailand and Malaysia there are two home nationals in charge of investment matters who are dispatched from their country and work together with a two-to-three person supporting staff of Japanese nationals.

The major merit of such independent overseas offices for investment promotion is that it allows an expert staff to provide an integrated investment promotion program which can respond effectively to the needs of investors. In addition to its overseas Embassies the Philippines also dispatches expert personnel to the UNIDO's Investment Promotion Office and ASEAN Center in Japan, similarly to Thailand and Malaysia. In principle, it is desirable that the BOI have its own overseas offices but if this is difficult it is recommended to strengthen the systematic ties between the above-mentioned existing agencies. The organizational layouts of the investment promotion agencies of Thailand and Malaysia are presented in Annex 4 for reference.

(6) Main Activities of BOI for Investment Promotion

At present, the main activities carried out by the BOI for investment promotion are as follows:

1) The Dispatch and Reception of Investment Missions

The dispatch of investment missions and of high officials of the DTI to assist in investment seminars form the central activities. Investment missions by the private sector of the Philippines are infrequent. More missions are received than dispatched. The performance of 1989 is mentioned on page 5-4.

2) Seminars

In many cases, both in the Philippines and abroad, seminars are held jointly in cooperation with external agencies. There are no detailed data on frequency of seminars but when the four-day Philippine Investors Forum held in November, 1988, in conjunction with the United Nations Industrial Development Organization (UNIDO) it attracted about 500 participants, and a total of 184 projects were considered.

3) Provision of Investment Information

This is not simply the provision of published printed material but involves the dispatch of staff from external investment related agencies to the One Stop Action Center of the BOI, who provide a thorough investment counseling service. Further, the introduction of local suppliers of materials and parts is carried out.

4) Listing and Introduction of Joint Venture Partners

The listing of these was started in 1988 in conjunction with industrial trade organizations. This is processed as a data base inside the BOI (160 companies are listed, as of 1989).

5) Advertising Activities

In addition to the placing of advertisements in foreign publications and newspapers, journalists of foreign economic publications were invited.

Also, periodic revision of investment incentives, procedures and documents as well as several efforts for investment promotion is carried out.

The working budget for 1989 for the IIC, IPC and OSAC which form the core for the investment promotion activities of the BOI, was 5,971,000 pesos for the three sections taken together, of which 3,731,000 pesos were allocated for salaries, office expenses, and other administrative costs, so that the actual amount remaining for promotion activities was 2,240,000 pesos. For 1990 it was budgeted at 6,295,000 pesos, including 4,004,000 pesos of salaries and administrative costs. In view of advertising costs for newspapers and magazines such an activity budget seems small. Bearing the above in mind, in addition to the activities based on the BOI budget the BOI contemplates to achieve more effective activities through a joint program with other domestic and foreign trade and investment promotion agencies.

5-2 Investment Activities in the Philippines

The fundamental conditions for the early stages of investment promotion activities comprise an analysis of the requirements of potential investors and the establishment of policies and measures suited to those requirements. For setting out in order the major issues and subjects for investment promotion activities, the trend of future investment and the problems involved in present activities for promoting investments which will form the basis of future activities are summarized below.

(1) The Main Patterns and Particularities of Foreign Investment in South East Asia

The following points have emerged in the last few years as fundamental to the background of the investments by Japan, Taiwan, South Korea and Hong Kong which are the major countries investing in the South East Asian region

1) Background of the Investing Countries

   a) The upward valuation of the currencies of the investing countries and the rise in labor costs have resulted in a weakening of their competitive power.

   b) An increase in trade friction (import restrictions) because of the high level of dependence on exports to the USA

   c) Activation of productive reorganization of the existing product supply bases by export-oriented enterprises

   d) Ease of transfer of industries because of the increased industrial power of the ASEAN countries

2) The Flow of Investment in ASEAN Area

   a) Since 1984, the value of investments in the four largest ASEAN countries (Thailand, Malaysia, the Philippines and Indonesia only) has substantially increased, and Thailand, Malaysia and Indonesia received the investment exceeding the equivalent of 20% of the GNP.

   b) The total investment value coming from the Asian NIEs (taken to be South Korea, Taiwan, Hong Kong, Singapore) is larger than the investment value of Japan, in Malaysia, Indonesia and the Philippines.

   c) The greatest investor in the ASEAN countries is Japan.

d) There is a continuing slight absolute increase in the value of investments from Europe and the USA, although the relative weight of this is becoming smaller.

e) The industries in which investments are made have a high export ratio in the investing countries and are of a labor-intensive nature.

(2) The Main Patterns of Foreign Investment in the Philippines and Its Characteristics

As reviewed in Chapter 4, the leaders of foreign investment to the Philippines are shifting from Japan and the U.S.A. to Japan and Asian NIEs. And the share in foreign investment contributed by Japan and Asian NIEs is expected to increase from 40-50% at the present to 60-65% after 1990. Further analysis on this trend follows.

1) Particularities of Industry

The manufacturing industries form the main focus for investments and account for about 70-75% of foreign investment in the Philippines. Export-oriented industries which seek to benefit from the merits of cheap and plentiful labor and export incentives available in the Philippines are prominent. These include domestic electrical appliances, electrical devices and parts, automobile parts, toys, sporting goods, textile goods, and processed plastic products. Besides these, it is expected that the automobile and energy related industries will follow although these will be primarily for the domestic supply. Further, in view of the increased investment in Thailand and Indonesia over the last few years a period of rapid investment in the construction and real estate sectors is expected. A similar development is expected to arise hereafter in the Philippines.

2) Particularities of Scale

In the case of the NIEs and Japan forming the core of foreign investment in the Philippines in the future the following particularities of scale can be noted.

a) Japan

Foreign investment in all countries by the small and middle enterprises which started in the mid 1980s increased by 281 cases in 1986 from 318 in 1985. In 1987 464 more investments were made and the annual total became 1,063, continuing the rapid increase. In 1988 the pace was further accelerated with an increase of 562 cases to 1,625. Whereas the foreign investment by all investors including large-scale enterprises increased by 28.1% over the previous year, the investment of small- and middle-scale industries achieved higher growth of 52.9%. An extremely strong trend was that of investment in Asia from the small- and medium-scale manufacturing industries which

accounted for 66.9% of the total for 1988 (according to the White Paper of JETRO, section on investments). The result of the questionnaire survey for Japanese potential investors conducted in the present study also indicates that small and medium manufacturers have strong interest of overseas investment.

b) South Korea

In 1988 there were 118 cases of investment made in the South East Asian region, which increased from 23 in 1987. However, the investment amount decreased from 171 million US dollars to 75 million US dollars. This reveals that the investment by small and middle enterprises increased rapidly. In the case of South Korea investments of large enterprises engaged in such sectors as electrical appliances have reached a saturation level and recent investment has been by small and medium enterprises engaged in subcontract manufacturing of parts. Further, the government of South Korea relaxed regulations on foreign investment, simplifying overseas investment procedures, and this also is expected to result in increased overseas investment by the small and medium industries.

c) Taiwan

There were 109 cases of foreign investment officially registered in 1988 with a total amount of 218.73 million US dollars, which both represent two-fold increases over the previous year. According to the 1987 Revision of the Foreign Exchange Control Regulations, overseas remittances up to 5 million US dollars were liberalized, and the applications to the government to carry out overseas remittances increased rapidly. Further, since there are few large-scale companies in Taiwan it would seem that most of the investment comes from small and medium companies.

It is expected, in view of the above trends, that the increase in investment from small and middle companies from each of the investing countries, will continue to grow.

(3) Main Issues to be Considered for Accelerating Foreign Investment in the Philippines: Opinions of Foreign Affiliates Located in the Philippines

The following is a summary of the views and comments on the main issues to be considered for the investment promotion which have been raised by foreign affiliate companies located in the Philippines or by the foreign Chambers of Commerce, during the interviews conducted for the present study.

1) Many companies emphasized the importance of political stability and the security of companies and employees.

2) Many companies expect to see a relaxation of land ownership restrictions, favoring foreigners, and on foreign capital equity, and they have the view that such relaxation would result in an increased investment from abroad.

3) There was little expression of dissatisfaction concerning the BOI foreign investment policies or with the incentives. However, there was a certain dissatisfaction with the frequent changes made in details of these.

4) Many companies have a positive evaluation of the English fluency of Philippine workers and the ease of communication as a positive merit.

5) While many companies evaluate highly the excellent geographical advantage of the Philippines with regard to international division of production, they point out the need for certain improvements in administration if these are to be used to advantage and to expand foreign investment.

(4) View of Potential Japanese and Foreign Investors

The following is a summary of the main opinions regarding the promotion of foreign investment to the Philippines obtained from potential Japanese and foreign investors at interviews.

1) Information sources most frequently used by potential investors include:

   i) In Japan and South Korea, in order of importance: JETRO, KOTRA, trading corporations, financial institutions, while

   ii) In the case of Taiwan and Hong Kong, personal routes and financial institutions predominate

2) In comparison with such competitors as Thailand and Malaysia overseas promotion activities are weak and require intensification.

3) The amount of information concerning Philippine economic affairs available in Japan is small. Improvements need to be made in this direction. For example, comparing articles published in the Japanese Economic Newspaper (Nikkei Shinbun) concerning the Philippines and Thailand between January, 1989 and April, 1990 for the 160 concerning the Philippines there were 230 for Thailand. In 1990 alone there were 11 articles for the Philippines as against 59 for Thailand.

4) The major concern of potential investors in evaluating investment in the Philippines is that of political and social stability. Therefore, an appeal and action in this direction is most important.

5) Potential investors require information and investment counseling in their own national languages as far as this is possible.

(5) Main Issues for Strengthening Investment Promotion Activities

In view of the present situation of foreign investment promotion by the Philippines and the trends, characteristics and problems of foreign investment, the strengthening of investment promotion activities should be a vital issue for the Philippines. The following are the main issues to be considered in the above context.

1) Need for Establishing Promotion Strategies Adapted to the Prevailing Trends of Investment

Bearing in mind that the current flow of foreign investment comes from the East Asian countries of Japan, South Korea, Taiwan and Hong Kong as well as Australia rather than from the USA or European countries it is necessary to adopt the strategies for investment promotion focused on these countries, and also the strategies for promoting investment by small and medium enterprises. The business communities of small and medium manufacturers are extremely diverse, reflecting differences in location raw materials and markets, and even information routes. Therefore a more extensive response is required from the BOI. Further, as most of the small and medium manufacturers have little experience in overseas operations, it would be required to provide them with meticulous services and information in a timely manner and so as to meet their needs.

2) Strengthening of Overseas Activities for Investment Promotion

A reinforcement of the overseas activities for investment promotion is necessary. It is not only an expansion of the quantity of overseas institutions or of promotion activities but also the upgrading of services, such as the reception of investment applications at the overseas offices and services in the mother language in those countries.

3) Review of Information to be Provided for Investment Promotion

At present, the pamphlets and information provided to investors are general, and insufficient to satisfy the investors' requirements for conducting pre-investment studies of projects. Further, the pamphlets for general potential investors are not so attractive. It would be necessary to review the variety and contents of pamphlets and information, and also strengthening the system of data collection and planning of the printed materials are needed.

4) Establishment of a Supporting System in BOI and Overseas Networks

For the effective implementation of the above activities, it is necessary to improve and strengthen supporting system in the BOI as well as overseas networks, and also to study the organization of BOI from the view point of the optimum arrangement for effective activities on behalf of investment promotion, including review of the role and function of BEMB and the Japan Desk.

Table 5-1-1 CONSTITUENT MEMBER AND MAJOR ROLE OF THE ONE-STOP ACTION CENTER

1. BOARD OF INVESTMENT (BOI)
   - Processes & acts on applications of more than 40% foreign investments.
   - Processes & acts on applications for incentive availment.
   - Processes special investor resident visa.

2. CENTRAL BANK (CB)
   - Accepts & processes applications for confirmation of inward remittance, of Special Investor Resident Visa.

3. SECURITIES AND EXCHANGE COMMISSION (SEC)
   - Registers domestic corporation / parthership with more than 40% equity.

4. BONDED EXPORT MARKETING BOARD (BEMB)
   - Develops international subcontracting.
   - Account executive Airport-to-airport services.

5. EXPORT PROCESSING ZONE AUTHORITY (EPZA)
   - Assistance in the registration of EPZA firms.

6. GARMENTS AND TEXTILE EXPORT BOARD (GTEB)
   - Attends to inquiries on quota allocation.
   - Accepts & processes applications for GTEB clearance.

7. DEPARTMENT OF TOURISM (DOT)
   - Accepts application of tourism' oriented projects —initial processing.

8. COMMISSION ON IMMIGRATION AND DEPORTATION (CID)
   - Evaluation / Verification of special investor resident visa applications.
   - Coordination / Processing of specific visa requirements.
   - Assistance / advice on visa problems.

9. BUREAU OF CUSTOMS (BOC)
   - Endorsement of bonded marketing warehouses for tax - exempt industries.
   - Assistance/facilitation in the importation of raw materials and capital equipment.

Figure 5-1-1 ORGANIZATION CHART, DEPARTMENT OF TRADE AND INDUSTRY, REPUBLIC OF THE PHILIPPINES

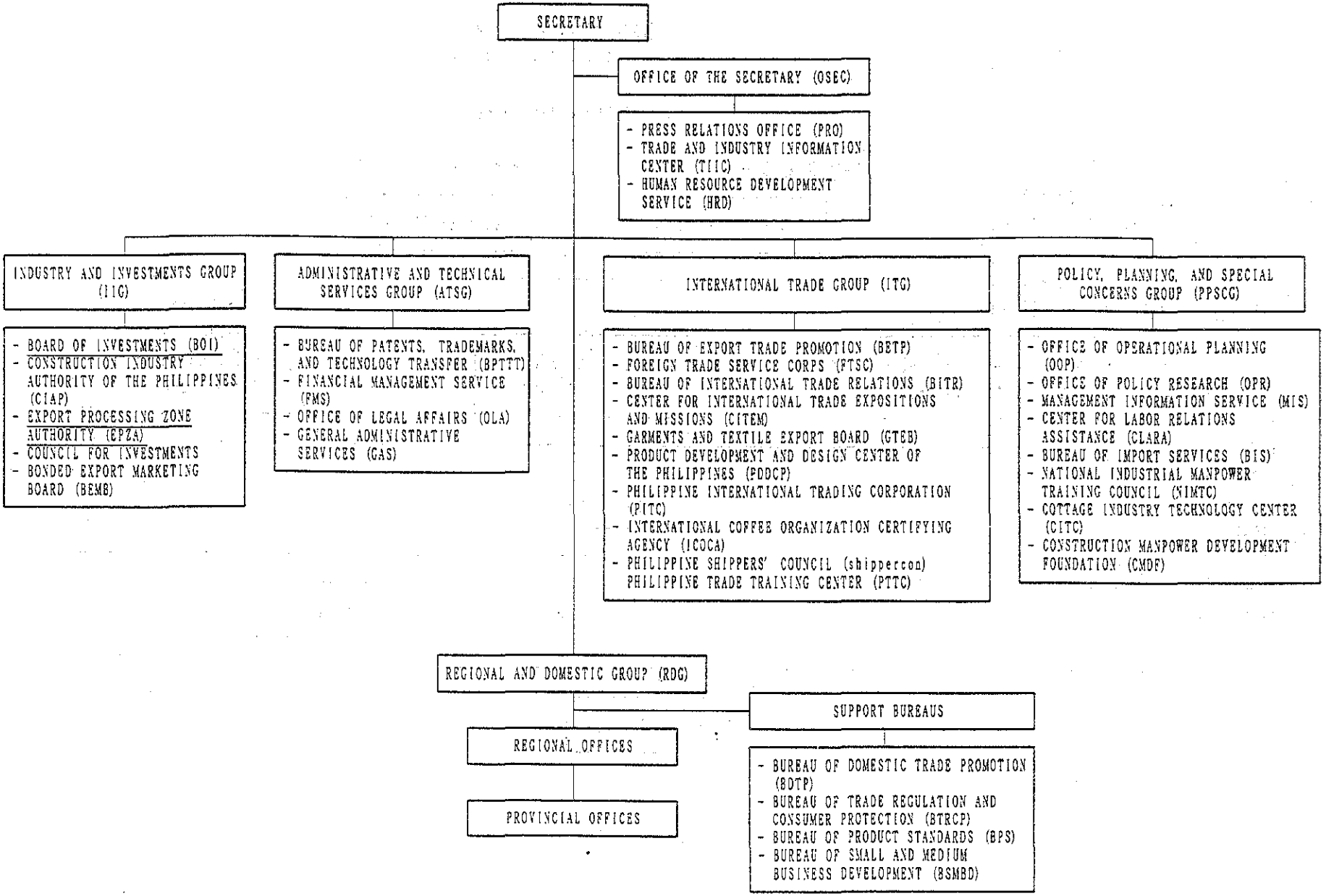
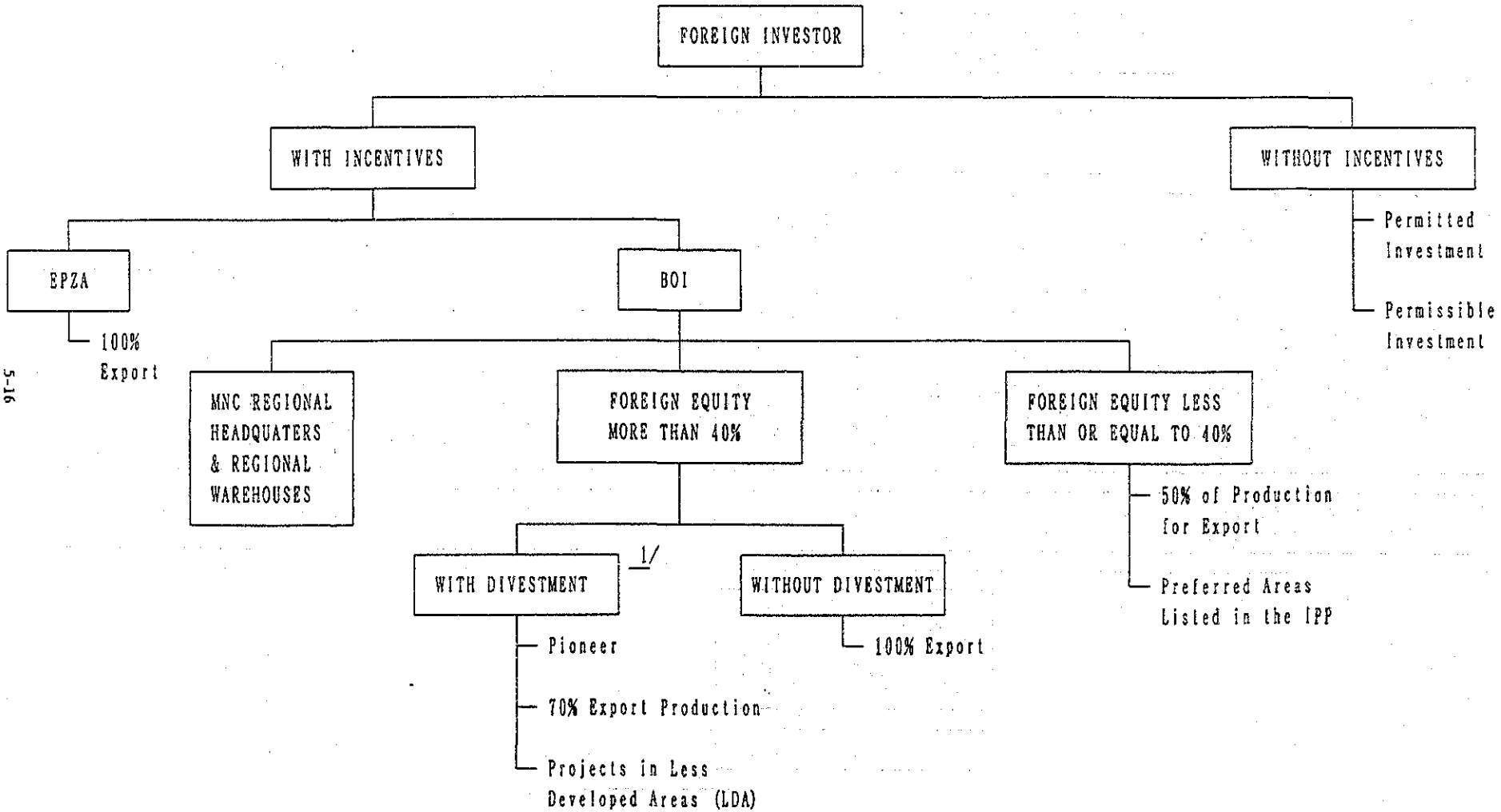


Figure 5-1-2 INVESTMENT OPTIONS TO FOREIGN NATIONALS



1/: These enterprises are obliged to attain the status of a Philippine national within 30years or within a longer period as prescribed by the BOI.

Figure 5-1-3 BOI ORGANIZATIONAL CHART
OF THE PHILIPPINES

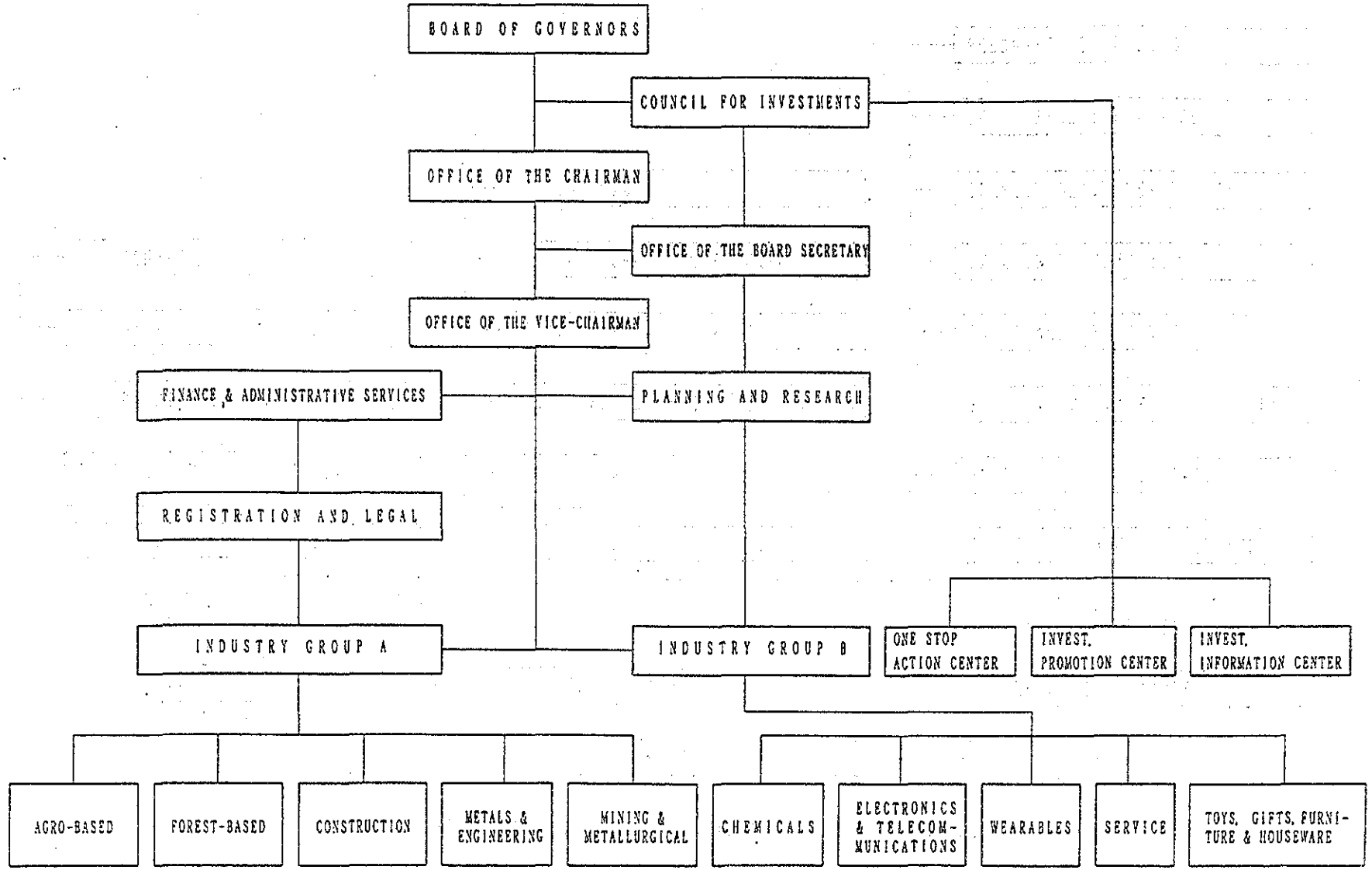


Figure 5-1-4 ORGANIZATION CHART OF COUNCIL FOR INVESTMENTS

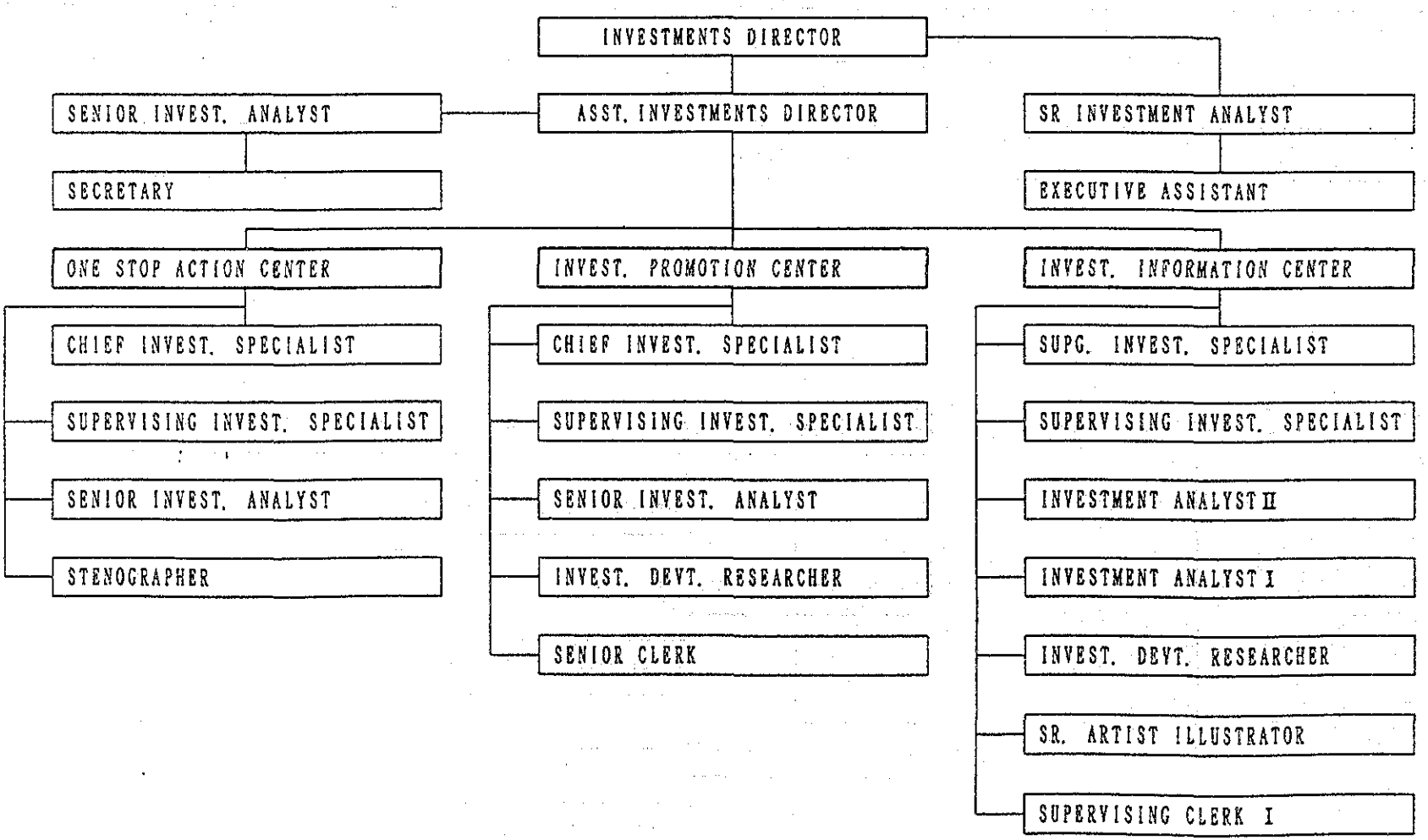


Figure 5-1-5 FLOW CHART OF INVESTOR TO BOI