

Chapter 6
ACTION PROGRAM FOR PROMOTION

Chapter 6 ACTION PROGRAM FOR INVESTMENT PROMOTION

6-1 Objectives and Framework of the Action Program for Investment Promotion

(1) Objectives of the Program

Presented in this chapter is the proposal of an action program to be undertaken for investment promotion. The eventual objective of this action program is to promote investment for location of factories in the CEPZ. Nevertheless for foreign investors the decisive issue is evaluation of the Philippines in comparison to the other ASEAN countries. Therefore it is proposed to undertake the action program for foreign investment promotion by means of two programs; firstly, the overall general program to promote the foreign investment which will be implemented by the BOI on a national level, and secondly, the promotion program for EPZ which will be implemented by the EPZA to convince foreign investors to locate their factories in the EPZ. This second program will be a sub-program of the first. For domestic investment, as there is no particular need for a comprehensive promotion program, to promote investors to locate their factories in the EPZ would be necessary. From this point of view, a program for attracting local companies could be included in the action program which will be implemented by the EPZA to promote foreign investors for location in the EPZ.

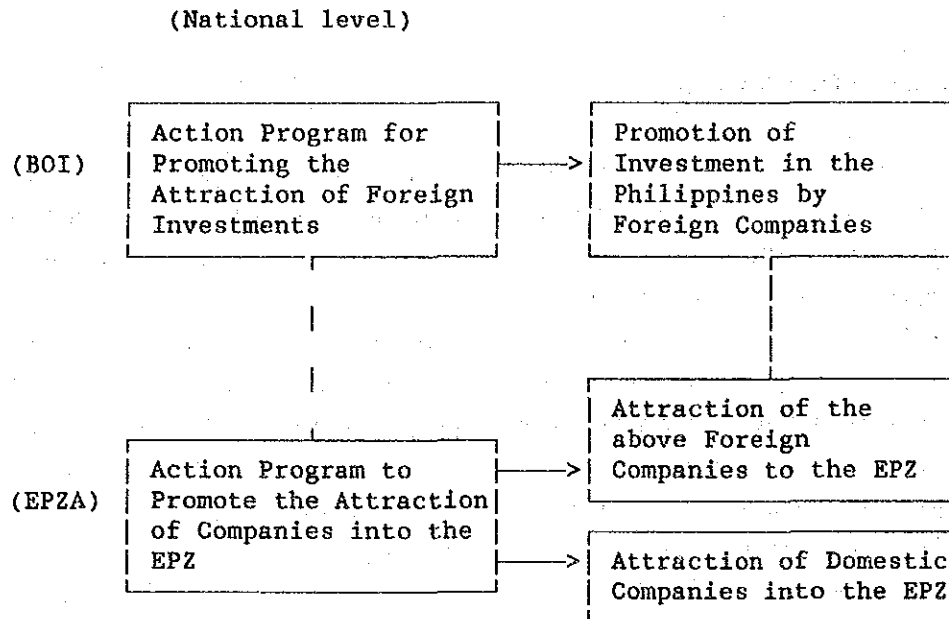
(2) Program Targets

The targets of the action program to attract foreign investment implemented on a national level by the BOI are to be Japan, Taiwan, South Korea and Hong Kong. These shall be the targets for some time to come. Further, bearing in mind the flow and characteristics of foreign investment to the Philippines as outlined in the previous chapter, the main areas concerned will be export-oriented small- and medium-scale manufacturers engaged chiefly in electrical and electronics parts, automobile parts, toys, sports goods, accessories, garments and other textile products, plastic processing, precision machinery and metalworking.

The program for promoting investment to the EPZ is to be carried out as the sub-program of the general promotion program, so the target for foreign activities will be the same as that of the overall action program for foreign investment promotion. For domestic investors the program will seek to promote the location of those investors which meet the EPZ's objective of furthering export-oriented manufacturing industries, and to attract domestic investors which manufacture parts, intermediate goods and packaging materials to be supplied to factories in the EPZ.

(3) Coordination of the Two Programs

The coordination and relations of the two programs is indicated in the following diagram.



As these two programs are interrelated, the efficient implementation with close communication and coordination is important so as to avoid duplication of activities.

(4) Implementation Period of Program

An analysis of similar cases in other countries shows that there is a three-to-four year cycle involved in investment of foreign capital. In view of recent investment trends, there are sufficient indications to conclude that if the attraction measures are actively implemented a foreign investment boom in the Philippines (in particular from Japan and the NIEs) would result. It is desirable that concentrated activities for promoting foreign investment be carried out over a two year period so as not to lose this opportunity. For this reason the implementation period for the program proposed here is assumed to be for two years.

(5) Basic Strategies of the Program for Investment Promotion

1) Program to Attract Foreign Investment

On the basis of the issues involved in strengthening activities for luring investment which were outlined in Chapter 5 (5), the following aspects are to be given emphasis in the basic strategies developed in the BOI-led action program for attracting foreign investment.

a) **Establishment of Action Bases in Target Countries**

In order to proceed with promotion measures intensively it is necessary to set up bases for activities in the countries which are targeted for promotion. Since the target countries of the present program are Japan, South Korea, Taiwan and Hong Kong, it is desirable that action bases be established in each of these. If restrictions or limits preventing these are found to exist, then a base should first be set up in Japan which could also undertake activities for the promotion of investment from South Korea. Similarly, the head office of the BOI in the Philippines could be used as the base for activities directed toward Taiwan and Hong Kong.

b) **Overall Control and Support Systems by BOI/EPZA Headquarters**

For the success and effective progress of the above promotion activities focused around the overseas action bases, it is vital to establish the overall control and support systems for the BOI/EPZA Headquarter in the Philippines. The main functions and role of such systems are as follows.

- i) Overall supervision and coordination of promotion activities at the overseas action bases
- ii) Coordination with relevant ministries and other government agencies concerning promotion activities, and liaison and coordination with foreign agencies located in the Philippines
- iii) Accumulation and dissemination of information required for promotion activities of the overseas action bases. Preparation and support for seminars, dispatch of lecturers, and other support activities
- iv) Responses to inquiries from the overseas action bases concerning policy matters
- v) Services for the potential investors during visits to the Philippines

c) **Main Activities of the Overseas Action Bases**

The following represent the action targets for the promotion activities of the overseas action bases.

- i) To make known the country's conditions, investment environment and comparative advantages of industrial conditions to industries at large and also to upgrade the image of the Philippines and increase interest among industries to the

Philippines with special effort given to arousing an interest in investment to the Philippines for industrial operations.

When selecting a country where investment is made for industrial operations, industries generally evaluate in a comprehensive way the investment environment, giving special attention to political stability and the security of both companies and individual personnel, together with production and marketing advantages. There are a large number of companies which regard the Philippines with uncertainty in terms of political stability. Efforts must be directed to dispelling such fears. Further, activities will be focused on making known as widely as possible the superiority of the Philippines as a production base.

- ii) Identification of potential investors having an interest (taken to include investors whose interest is weak but could be further activated by promotion) in the Philippines will be pursued in conjunction with the above activities.

In the case of the Japanese small- and medium-scale industries the following two industrial groupings can be described.

- Final consumer goods manufacturers who depend mainly on distributing companies (including trading corporations) for sales. In some cases these also receive financial support.
- Parts and intermediate goods manufacturers; in many cases depend on large industries which are users of the parts or intermediate goods.

It is necessary to devise identification methods which take into account the above structural characteristics and are suited to each group.

- iii) In order to follow up the contact established with companies thus identified, specific information and consultation shall be provided to assist the company's pre-investment study of project. In this way the investment of the company to the Philippines and realization of a concrete undertaking will be promoted. Such services are especially needed and effective in the case of small and medium companies which have little or no experience of overseas ventures.

2) Program for Attracting Investors to the EPZ

The following factors are to be given emphasis in the basic strategies of the program led by the EPZA for attracting investors to the EPZ.

a) Definition of the Investors to be Attracted to the EPZ

Foreign investors to be attracted to the EPZ will have been identified as a result of the program for attracting foreign investment outlined above. However, it will be necessary to define the domestic investors to be attracted. It is obvious that the main core will consist of investors who undertake production of exportable manufactured goods but the core will also involve such linkage-type manufacturers as those to provide parts, intermediate goods and packaging materials to the factories operating in the EPZ. In the latter case the attraction is not so much a question of locational attraction as one of business linkage.

b) Collaboration with Various Manufacturers' Associations

Through collaboration with the various manufacturers' associations and Chambers of Commerce in the Philippines established by the DTI and BOI, efforts have to be made for attracting their member firms.

c) Main Promotion Activities

Since there are restrictions on both personnel and budget available it is desirable that promotion activities begin with those which are most easily initiated.

i) Appeal by Visit to Companies Interested Locating in the CEPZ

Table A9-2 of Annex 9 is a list of 31 companies who have an interest of location in the CEPZ. These should form the first target for attraction.

ii) Appeal to Companies Selected for the Questionnaire Survey in the Philippines

It is possible to use the list of 500 companies singled out for the questionnaire survey in the Philippines (180 companies replied). Even if these companies do not actually locate or envisage to locate many could be candidates as linkage industries as outlined in a) above.

iii) Appeal to Members of the Manufacturers' Associations or Chambers of Commerce in the Vicinity of the NCR

Since the scope of activities which are undertaken by the EPZA staff is limited it will be necessary to efficiently utilize the assistance of the various associations and Chambers of Commerce.

iv) Appeal to Companies Engaged in the Traditional Manufacturing and Other Sectors

The cooperation not only of the DTI but of other governmental and private organizations will be necessary.

6-2 Program for Promotion of Foreign Investment

(1) Outline of the Program Functions

The action program for the foreign investors which are chosen as the object of the program will make up the following activities and functions. The activities are identified from the viewpoint of complementing the existing functions of the BOI and EPZA, and must be integrated with these.

1) Advertising Activities

The objectives of public relation activities consist of the following two. First, to make an appeal for the investment merits and superiority of the Philippine environment through the mass media and its own independent network, and secondly, to create and encourage interest among investors considering investment to the Philippines. In particular, efforts must be directed to change the negative image regarding social and political stability in the Philippines and convey a true picture of the investment environment in the Philippines. At present such PR activities to excite and develop interest among investors are of prime importance.

2) Followup and Marketing Activities

For the followup to identified investors, at first screening of the identified individual investors is to be undertaken on the basis of the policies of the BOI/EPZA and the degree of interest of investors, in order to select target investors to be persuaded by means of followup contact. Once such target investors are selected then a system for followup measures can be set up. To date the screening of potential investors as well as response to those was left to the decision of the person in charge and there was no organizational system to handle these matters. In order to both widen the range covered and increase the thoroughness so as to obtain a detailed response it is essential to followup and marketing activities that a BOI/EPZA network actively employing outside agencies be set up. Further, marketing activities directed to the regional industries or small and medium industries have been insufficient to date. Therefore the program will include this area of activities.

3) Information Services

In conjunction with the followup and marketing activities of 2) above, the provision of information tailored to the differing needs of investors is needed. This basic function will be carried out by an information center which will activate the network with external agencies. Various ways of information transmission include the use of the mass media, seminars held by the BOI/EPZA, and the use of a network tied in with external bodies such as trading

companies and banks. The sub program is to coordinate these effectively.

4) Consulting Activities

For the potential investors who have been identified through the PR and marketing activities, consultation, guidance, persuasion and support are to be continuously undertaken in line with individual needs until the investment decision is finally made by the investor. In particular, consultation to regional export manufacturers or small/medium manufacturers requires a wide variety of expertise and, further, requires considerable time and expense. Therefore, it is necessary to formulate a sub-program for action by defining main groups to be promoted and taking into consideration the characteristics and specialities as well as expertise required for consultation to match the locality, industrial sectors and structures of the potential investors in order to render consultation efficiently and effectively. Toward this end the employment of consultants will be useful to make them assist the preparation of this action program. The sub-program for the consultation will be formulated in linkage with the program for the information services as stated in 3) above, so as to specify the content of information to meet the needs for the above activities.

5) Monitoring Activities

A monitoring center needs to be set up in the BOI and the main overseas action bases to scrutinize investor trends, as well as check on the progress achieved in the action programs. At the same time it will function as an information network. Therefore this center will be located the center of the overall action program as well as the center of the information network and dissemination system.

(2) Outline of the Sub-Programs of the Various Activities

1) Advertising Activities

a) Program for Employing Mass Media

This will involve publicity regarding the advantages of the Philippine investment environment via newspapers, magazines and broadcasting media both at home and overseas. The main activities will be press meetings and advertising.

Press meetings will take place either in Manila or in major cities overseas. Conducted by high government officials, they will provide comprehensive coverage including the release of information showing the advantageous conditions of the Philippines, government policies and preferential measures, and data comparing the Philippines to competitor countries. Also, such press meetings should be timed to coincide with the

visits abroad of high-level officials, or the holding of seminars. In principle they should be held either in the Philippines or in the hosting country, once every month.

Advertising is to be done via the media directly by the BOI or EPZA. The central aim will be to increase the interest among investors in the Philippines. Articles will focus on the positive attractiveness of the Philippines, the cheap labor cost and its geographical advantages. Moreover, a coupon system can be used for requests for investment data and printed information for the Philippines.

The main media employed will be newspapers but besides general circulation editions specialist industrial newspapers can be used. This will help increase the effectiveness of publicity appeals to the industries targeted and to small and medium industries.

Invitation tours for journalists will concentrate on Philippine tours for newspaper and magazine journalists. The main aim will be to promote an accurate portrayal of the national situation and to encourage articles presenting a positive attractive image. The BOI and EPZA should seek the support of the Ministry of Tourism, Philippine Airways, Hotel Associations, the Philippine Chamber of Commerce, etc. It is important to show a national stance which welcomes foreign investment. Invitations should be extended to one journalist of each of the major daily papers and to economic newspapers, with each Tour Group consisting of between 10 and 15 members. With regard to Japan it is expected that the total number to be invited would be about 30 members to include magazine journalists.

b) Preparation of Pamphlets

In addition to the pamphlets now being distributed by the BOI/EPZA, the following four types of new pamphlet should be produced.

i) "Guidelines for Potential Investors"

Since this is directed at the wide range of potential investors it should employ a large number of charts, tables and diagrams presenting the advantages of the investment environment in the Philippines, and be easy and quick to assimilate.

The main contents are to include;

- Key economic indicators
- Investment policies (Laws, Acts)
- Resources
- Advantages of the Philippines

- Price and cost information
- Promotion privileges
- Security and safety measures

ii) "Profiles of Specific Industries"

This pamphlet is to summarize the world trends in a given industrial sector and introduce measures for the promotion of investment in the ten major sectors of Philippine industry. This pamphlet will supplement the general profile issued to date and also further the attraction of industries which are favored.

Main contents include:

- Export, import and production
- Resources for sub sectors
- Incentives for sub sectors
- Advantages in the sub sectors

iii) "Question and Answers"

After collating the various inquiries and questions received to date by the BOI and EPZA, 30-40 main issues are to be selected and these are to be explained to provide a useful guide for inventors which can be used during followup procedures with promising investors.

iv) "Management Guide Book"

Mostly relating to the running of the workshops inside the main Export Processing Zones, this will summarize the main issues in a guide book form. It can be used as a complementary document for investors interested in locating factories in the EPZ. It should also introduce advice and experience from the existing Zone Enterprises.

All four of the above pamphlets should be written (translated) in the various languages of the investor countries, and should be of the same cover design and format. A colorful and active presentation of the Philippines should be sought.

2) Followup and Marketing Activities

a) Seminars

Seminars have been held to date jointly between the BOI and external bodies. These have been in the major cities and in many cases the participants have not been restricted to industrialists nor in terms of the industrial size of participants. As the above format is considered appropriate and effective for gathering potential investors from an unspecified number of participants these should be continued.

In addition to these, seminars should be held which restrict or specify the industrial sector or organizational nature of the industries chosen, including small-scale seminars for local industries. Taking the example of Taiwan and Japan as reference, there are certain particularities of foreign investment flow. In the case of Japan, the subcontractors of large manufacturers tend to enter overseas markets in groups. Further, small-scale companies of the same industrial sector in Taiwan enter overseas markets as groups also. It is therefore an extremely effective approach to determine the targeted area in the case of seminars for these countries. For example, the industries related to automobile parts manufacture in and near Toyota city, casting industries of Kawaguchi city, or engine re-builders of Toyama are appropriate targets for seminars.

b) Group Meetings and Programs for Introducing Joint Venture Partners

The identification and selection of joint venture partners is a vital issue for investors. In this sub-program the investors whose profile has been clarified in the seminars will be further screened and investor groups classified. More specialized investment guidance will be provided to the industrial groups thus defined and small seminars focusing on central themes will be held.

Further, foreign companies searching for joint venture partners in the Philippines will be listed with the aid of the Chambers of Commerce and the lists will be divided into groups according to objectives and requirements. The BOI network will provide for an exchange of information between the parties, and for introductions. Also through opportunities such as investment missions a program for introducing joint venture partners will be set up.

Seminars and group meetings should take place once a month, and should be held so as to attain a regional balance. Investment missions should enroll participants from throughout the nation and should be undertaken in accordance with Philippine conditions.

3) Information Services

a) Setting up of Foreign Advisor Groups

It is proposed to set up advisory groups for the BOI, consisting of members from foreign enterprises and foreign chambers of commerce located in the Philippines. These groups are to hold monthly discussions on subjects such as the BOI systems, preferential treatment measures, and promotion activities. These meetings will serve as a venue for the exchange of views, and contribute to the ongoing activities of the BOI.

b) Establishment of an Information Center

An information center will have two main supports. On the one hand it will have a list of foreign potential investors interested in becoming joint venture partners in the Philippines and the list of parts suppliers. For example, for Japanese potential investors, data bases should be built up by the BOI in Tokyo concerning Japanese companies and in Manila for Philippine companies, and it would be most desirable to have the two bases linked. If this is difficult in practice then at least each party should possess a bank of data and answer questions by fax. The second task is the establishment of a data base for the information package for the potential investors. The operations currently in progress at the Investment Information Center should be employed to construct a system in line with the above framework.

c) Creation of Sales Tools, Such as Pamphlets, Etc.

For details see section (2)-1)-b).

4) Consulting Activities

a) Comprehensive Consulting Services

This involves the dispatch of replies and documentation in response to the inquiries and demand for data received during the publicity and seminar activities. At the time of response a questionnaire should be enclosed in order to establish details of the investor concerned. Also, response or contact by telephone and visits to companies might take place in connection with specific investment consultation. The data thus assembled is to be recorded in the information center and used later as back-up data. Further, it is advisable that consultants who have good knowledge and experience related to the local businesses be designated as investment advisers, because of need for special knowledge such as communications and the business environment.

b) **Circulating Consultant Services**

In cooperation with the regional Chambers of Commerce and local banks a team consisting of BOI staff and local consultants should carry out circulating consultant services to local investors. After setting dates and venues in concert with local cooperative bodies these will be dispatched to serve the local investors once whatever preparations deemed necessary are completed. In principle, such consulting services should be planned to start the day after the seminars in regional locations.

c) **Follow up Consulting Services**

Among the potential investors who have been identified by the publicity program, direct mail and seminars, etc. a first screening is carried out to draw up a followup list. Regular checks should be made as to the status of the investors of this list, and if necessary contact made by telephone or letter to promote investment to the Philippines. Also, information should be regularly dispatched and a check made on their response. These activities form an integrated part of the followup activities and will be implemented in the latter half of the action program.

5) **Monitoring Activities**

In connection with the establishment of the Information Center referred to above, a General Information Center is to be set up to coordinate the progress of action programs undertaken by the overseas action bases (the Embassy of the Philippines in the case of Japan). The major tasks of this center will be the work of the progress monitoring desk, including management of data concerning investors, and investment related data, and keeping a check on programs in progress.

The responsible personnel for monitoring services will make regular reports back to the Manila BOI Head Office of the progress of each sub program. On the basis of this data, detailed adjustments of plans and confirmation of major items can be carried out, and a feedback of information created. The center will also monitor investor information which can be used in the consultation activities.

6-3 Organizational Systems for Implementing the Promotion Programs to Attract Investment

(1) BOI Support Systems

The Industry and Investment Group (IIG) centered in the BOI is responsible for the promotion of investment in the Philippines inside the DTI organization. However, due to the organizational problems pointed out in Section 5-1 there is a need for a new organizational framework to support the creation of an overseas network.

This is necessary since cooperation and liaison with overseas agencies is indispensable for the implementation of the promotion program outlined above. However, the present framework of the BOI is considered insufficient for the purposes of creating such an overseas network as it stands.

Therefore it is necessary to re-assess the existing organization from the viewpoint of its functions, and to reform the organization in a more desirable way, from the viewpoint of effective implementation of new promotional programs. These functions and the corresponding items for action are as follows.

Function	Item
1) Information Management	a) Collection and processing of investment-related information b) Supply of information to the mass media c) Supply of information to investors d) Production of pamphlets for promotion of investment e) Filing of lists of local suppliers and prospective investors f) Filing of investment-related regulations and systems
2) Investment Promotion	a) Planning and placing advertising in the media b) Coordination with outside cooperating agencies (Trading companies, banks, Chambers of Commerce, JETRO) c) Planning and holding investment seminars d) Identifying investors by use of direct mail, telephone calls, etc.
3) Investment Consultation	a) Consulting services for investors b) Introduction of partners and suppliers c) Follow-up contact with prospective investors d) Orientation regarding procedures

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|--|---|
| 4) Monitoring and
/Supervising
/Coordination | a) Monitoring progress of each program
b) Monitoring of program results
c) Liaison and coordination of overall investment promotion activities
d) Liaison and coordination with outside cooperating agencies |
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In addition mention should be made of the use of the Foreign Advisor (Country Desk) and Overseas Centers for supplementary functions of the support organization. The Foreign Advisor (Country Desk) is to be positioned as part of the overseas control function as the headquarters in Manila, and is to be given the functions primarily of administrative support for investment promotion programs carried out overseas as well as planning and implementation of investment promotion programs for foreign investors within the Philippines, and liaison with outside cooperating agencies.

The relations between these functions and each program are described in Table 6-3-1. There are specific relationships for the functions at each phase. Further, it is necessary to carry out the activities so that there is a synergetic effect. It is therefore of vital ultimate importance that there be coordination and control of the relations between the functions and overall programs.

It is recommended that the reorganization in order to provide an overall support system for the new promotional programs be as follows (see Figure 6-3-1).

- 1) There should be separation of regions targeted for activity into two groups, domestic and foreign, which has developed from the present framework of the BOI under the Industry and Investments Group (I IG) of DTI.
- 2) Overseas Centers (they may be given a different designation than this) should be established in major countries as part of the improvement of overseas investment promotion activities.
- 3) In addition to being engaged in planning and promoting promotional activities overseas, the Foreign Advisor (Country Desk) should be considered as having responsibility for providing investment-related consulting for their own countries investors in the Philippines.
- 4) Liaison and control of investment promotion activities overseas and inside the country should be undertaken under the supervision of Undersecretary of DTI, and coordination between related institutions such as EPZA, BEMB should be accomplished here.
- 5) Using the functions of the existing BOI Investment Information Center for management of information, a Management Information System (MIS) extending to overseas coverage should be set up.

- 6) Investment Advisors stationed as the BOI Overseas Centers should be under the control of this new organization, and the organizational linkage with investment promotion agencies should be strengthened.
- 7) The BOI Overseas Centers shall have primary importance in the planning and implementation scheduling of investment promotion activities, and in the coordination with cooperating agencies.
- 8) Major target countries as sources of investment are to be selected on an annual basis, and budget allocations should reflect a ranking of them in relative importance, while full use is made of support and cooperation from the subject countries.

(2) EPZA Support Systems

In order to allow the EPZA to take a more active role in the action programs the following reorganization is proposed. The main aim of reforms is to effect a change from the present passive role to a more active one in promotion activities. The present Information and Promotion Department will form the core of the new system but in addition to the existing two divisions a new Corporate Consulting Division is to be set up. Further, the staff dispatched on a monthly basis to the BOI - OSAC are to become exclusively posted as BOI-liaison officers and be responsible for the planning and demands of the programs to promote attraction of investment, and for the followup services to investors visiting the BOI.

The functions of the three divisions to compose the newly organized Information and Promotion Dept. are as follows:

1) Information Division

In addition to issuing an official bulletin, publication of the newsletter, collection and organization of EPZ related material the Division will also be responsible for liaison with the Investment Information Center of the BOI, and will file information in the EPZA concerning investment and industrial data. As well as making this information available to investors it will organize seminars and group meetings.

2) Promotion Division

This division is to coordinate and control the various activities of the EPZA for promoting investment. It is to organize seminars, missions, and the planning and implementation of other programs as part of its approach to external investing agencies. Further, acting as the EPZA's promotional agent for the EPZ overseas it is to provide information to overseas bodies and be responsible for administrative coordination.

3) Corporate Consulting Division

It is to act as the consultative window on investment for the EPZA. In addition to complementing the information service function of the BOI-OSAC, it will provide consulting functions in the survey stages before preparation of applications.

By devoting the efforts of the Promotion Division to promoting an attraction of investment will not only make possible for the EPZA to take a more active role but is seen as a way to strengthen the overseas support activities. As the Information and Promotion Department will be raised to Divisional status an expansion by five or six new members of staff will be necessary.

(3) Overseas Network for Implementing the Program to Attract Investment

The setting up of a overseas network centered on the BOI/EPZA is to supplement the insufficient area or function of the existing overseas network by effectively utilizing the external institutions and resources available. In the present chapter, particularly for the implementation of promotion activities in Japan, those institutions and bodies in Japan (both public and private) which are considered as likely elements of a feasible network are introduced, and a framework and approach for setting up a network with those institutions are presented.

1) External Institutions which can be Utilized for Programs

First, those institutions in Japan which are considered as feasible elements for the creation of a future network are introduced. These include public and private bodies and the scope of support which they can offer is restricted. The major bodies, including those already having cooperative relations with the BOI, are as follows;

Name of Organization	Program	Procedures
a) JETRO (Japan External Trade Organization)	a) Seminars b) Dispatch of missions	A proposal for the implementation of programs is made to JETRO Manila by the DTI or BOI
b) ASEAN Center (ASEAN Promotion Center on Trade, Investment and Tourism)	a) Japanese publications b) Seminars c) Invitation to persons responsible	Written request by the DTI or BOI to the ASEAN Center

c) Chamber of Commerce and Industry (Tokyo and other regions)	a) Seminars	Request made through the Philippine Embassy in Japan to the various Chambers of Commerce from the DTI and BOI.
d) Yokohama Industrial Institute	a) Seminars b) Japanese publications	
e) Financial institutions	a) Seminars	Requests made via the Philippine Embassy in Japan. These take the form of joint seminars or cooperation.
f) Trading firms	a) Seminars	These are formally decide upon after negotiation with the Philippine branch of the various trading firms
g) Japan Small Business Public Corporation	a) Seminars b) Newletters c) Publication	Written requests from the DTI or BOI to the International Office of the Japan Small Business Public Corporation.
h) AOTS (Association for Overseas Technical Scholarship)	a) Technical training for engineers	Request to the Administrative Offices of the AOTS for guarantee of reception procedures for overseas students relating to status, fees and intake systems with the cooperation of investor companies of Japan.

All of the above have in common the fact that a decision is reached after a formal request has been made either by the DTI, BOI or the Philippine Embassy in Japan. Generally, however, the share of costs and program details are to be discussed prior to the making of an official request.

In addition to the above, in those private sectors which have strong links with the Philippines (airlines, manufacturers, department stores, etc.), cooperation with a full range of functions relating to the Philippines is possible. Even if such cooperation has no direct relation to investments an indirect contribution to investment promotion is expected to result from the appeal made in favor of the Philippines' attractiveness. In such cases the costs incurred for the advertising agencies for planning and coordination are usually borne by the private sector. Approaches for the implementation of actual programs in collaboration with these bodies is examined in the following section.

2) Approaches to the Relevant Organization for Collaboration

a) Collaboration System with Japan External Trade Organization (JETRO)

One of JETRO's main tasks is extension services for business information. It organizes information gathered at 30 locations inside Japan and at its 77 overseas locations and through its various offices passes this information on to interested parties. JETRO is the agency most frequently visited by Japanese companies when they are considering overseas investment. This was also proved by the questionnaire survey conducted on Japanese companies in the present study which indicated JETRO as the number one body consulted for advice. The on-the-spot interviews with Japanese companies also show the same result. Further, the information services of JETRO are not limited only to provision of data but also include business consultation. Therefore, it represents the most effective vehicle for making known and promoting investment information concerning the Philippines to Japanese companies.

It is first necessary to explain and discuss the program which is planned for implementation to either the JETRO offices in Manila or the Head Office in Tokyo in order to establish collaboration on a concrete basis with JETRO. The Investment Promotion Division should act as liaison with the JETRO head office in Tokyo. Generally it is usual to establish a preparatory office with the collaborating partner at the Philippine Embassy in Japan, etc. or elsewhere on the hosting side in cases of programs such as joint seminars which require time for preparations. The share of costs incurred for such seminars, etc. are to be discussed beforehand.

It is necessary to establish a routine network with the Regional Offices of JETRO in Japan so that the dissemination of information and consultation to potential investors can be done through these offices. In such events, attention should be paid to establishing smooth communications with them so that the BOI can make immediate response to potential investors through the JETRO Regional Offices. Inquiries and questions addressed to the Regional Offices are normally passed on to the Information Services Division or the Regional Divisions (for the Philippines this is the Asian Pacific Division) of the Head Office of JETRO. It is therefore necessary to link the BOI overseas office in Japan with the Information Services Division of the Head Office of JETRO and to maintain close communication by having regular meetings (refer to Figure 6-3-2).

b) ASEAN Promotion Center on Trade, Investment and Tourism (ASEAN Center)

This center was set up to promote the trade, investment and tourism of the ASEAN region. It is run with funds from the various ASEAN countries and Japan, and also

with subsidy provided by the Japanese government. The main work of the ASEAN Center carried out in connection with investment is as follows:

- i) Collection, printing and distribution of investment data
- ii) Joint seminars on ASEAN investment and support for these
- iii) Exchange and support of human resources for joint ventures and technology transfer
- iv) Sharing of the costs incurred for provision of investment information
- v) Sharing of the costs incurred for organizing and processing investment information as a data base
- vi) Sharing of the costs incurred for revision of films promoting investment to ASEAN countries
- vii) Sharing of the costs for the advisory services to Japanese investors

The larger half of the above program has already been implemented for the Philippines. Actual details of program implementation are determined either through discussion with the Philippine parties concerned on the occasion of the visit of ASEAN Center staff to the Philippines or through discussions with the Philippine personnel stationing in Tokyo. Further, the partner for joint seminars, etc. is not necessarily the government of the Philippines. However, for the final decision in such cases an official request from a governmental body of the Philippines is required before such projects can be given the go-sign for implementation. Therefore, for those parts of the BOI's action program which can be implemented in collaboration with the ASEAN Center, an official request is made to the ASEAN Center after pre-discussion is made by the BOI local office (Philippine Embassy). Nevertheless, for the implementation of new programs the ASEAN Center requires consent of all the ASEAN member countries, and for this preliminary contact to the ASEAN member countries may also be necessary. Further, it is recommended to set up a network with the above Center to obtain access to information relating to potential investors who have visited or approached the Center.

c) Collaboration System with Major Banks

As part of their customer service major banks in Japan distribute printed investment and trade inquiries information, hold investment seminars, and operate investment

advisory desks. There are many cases of joint seminars held in collaboration with the investment promotion agencies of countries concerned. This is usually arranged through Embassies including discussion on details of the seminar topic, venue, lecturers and sharing of costs.

Collaboration with major banks for organizing such investment seminars will benefit the BOI through the dissemination of investment information to potential investors, the identification of potential investors and the opportunities for promotion they create. This is because the followup activities with regard to the seminar participants are usually carried out by the banks themselves. This is most helpful since it is difficult for the BOI to enjoy the same close and binding relations which exist between the banks and their clients. It is therefore necessary to build up a collaboration network with the banks and establish a system for responding to the demands of the banks in regard to followup services.

The preparatory arrangements for the joint seminars differs from one bank to another. In some cases several sections are involved and a preparatory period of six - eight months is generally needed for the overall arrangements. It is necessary for the BOI to establish close relations with the various contact personnel. Annex 12 shows the result of preliminary contact made with the major banks by the Study Team in May of 1990 to explore such collaboration possibilities.

d) Collaboration Network with Industrial Communities and Private Business Associations

It may be possible to organize some fairs or events under the auspices of the industrial communities, private business associations or other private business groups. For example, various functions and events for industry, tourism and luring investment could be timed to occur at the time of festivals in the Philippines. Sports events and cultural functions are also conceivable. Planning and budget estimation need to be carried out by the Philippines in preparatory stages and search for sponsors through the mass media (including newspapers, etc.) or advertising agencies be followed by a discussion of the full details.

Industries which could be targeted for encouragement include those already investing in the Philippines or those with the Philippines as a market. A preliminary contact can be done through the person in charge of public relations in these organizations but they may finally need an official request made by the Philippine Embassy in Japan.

e) Communication Network with the Mass Media

This is the most effective way of disseminating information to an unspecified majority.

In order to make an appeal by showing favorable aspects of the investment environment of a country, one method often used is to invite journalists. In this case, invitations are made not only by investment promotion agencies but are determined in close liaison with the Ministry of Tourism and other related bodies.

Recently, most of news on the Philippines reports on political and social unrest. For example at the time of the attempted coup d'etat of December last year the fact that the EPZs continued to function normally was not reported overseas. It is therefore necessary to rectify false impressions which are promoted by an excessive concentration on only negative social issues or aspects.

It is also important to maintain continuous communication with them even after their return. The regular provision of documentation in a form which will easily form material for articles needs to be considered. As a venue for the regular exchange of opinions and for the suggestions it provides for future directions the mass media needs to be used effectively.

f) Taiwan and Hong Kong

The above description presented, for example, the routes in Japan which can be effectively used by the BOI for the dissemination of investment information to potential investors in Japan. Similar setups can possibly be made in South Korea for access and approach routes to potential investors in South Korea. On the other hand, in the case of Taiwan and Hong Kong potential investors seem to use personal routes for the collection of investment information. Further, the fact that Taiwan does not have formal diplomatic relations makes it difficult to set up official network for activities. Therefore in these cases it is proposed that BOI functions and activities be delegated to some banks or to influential industrialists located in these countries.

In fact, in the case of Thailand which finds itself in the same position similar functions to those of the BOI (mostly for information services and investment counseling) are carried out by the Bangkok Bank in its Taipei branch, while active support for investment consulting is undertaken by the Taiwan and Thai Industrial Development Service Center (ITT) in order to respond to the needs of Taiwan investors.

It is possible to employ the services of the Metropolitan Bank and Trust Co.'s Taipei Branch or use the overseas Chinese routes.

6-4 EPZA Promotion Activities

The present public relations and sales activities of the EPZA are outlined in Section 3-5. It is observed that to date these have mostly been of a passive nature and little active promotion has been undertaken. It is necessary in the future firstly to increase the quantity of information to be provided to potential investors. Further, there must be more measures taken to set up channels for the dissemination of information. It is necessary also to establish promotion policies to attract to not only export manufacturers but also domestic manufacturers of parts, materials, and packaging materials to be supplied to the factories operating in the EPZs. The following represents a proposal for concrete programs in this direction.

1) **The Issuing of Investment Guidebooks**

At present, the guidebooks issued by the EPZA for the investors concerning the Export Processing Zones (in three volumes) are a compact digest of a wide range of information. This activity needs to be continued and extended. Moreover, although of interest to potential investors, the opinions of the operators in the EPZs and presentation of the present problems are not given space in the guidebooks. The individual EPZ should undertake the publication of prospectus guides, newsletters, posters, etc. which can be sponsored by the EPZ operators.

2) **Issuing of an EPZ Management Manual**

In conjunction with overall information services a manual for management inside the EPZs needs to be made. The contents should concentrate on any points requiring special attention because of the particular systems of the EPZs and should outline and explain the special characteristics of each individual EPZ.

3) **Improvement of the Managerial Staff**

The EPZA staff are given the task of setting up channels with the foreign affiliate trading corporations and foreign financial institutions operating in the Philippines. Attraction of investment to the EPZ takes place through a regular exchange of information and the creation of a network of human relations between personnel responsible for these tasks is undertaken.

4) **Strengthening of Networks with the Philippine Embassies Abroad and Investment Promotion Agencies**

In the same way as that outlined in the previous section for the BOI investment promotion

program, the strengthening of overseas networks is to be carried out. This can be done jointly with the BOI or through the BOI's program, including the distribution of information, and the dispatch of seminar lecturers. Also, the EPZA staff dispatched to OSAC could assist the BOI - International Promotion Center in carrying out their duties.

5) Joint Seminars

Beginning with the BOI, joint seminars could be held with Chambers of Commerce and the various related groups in the country. Also, provision of information to the seminars directed by overseas investment promotion agencies, trading corporations, banks, etc. is to be carried out. In particular, it is necessary to make a stronger appeal for the merits to be enjoyed by companies that open up in the Export Processing Zones. Seminars directed to the supporting domestic industries are also to be incorporated into programs.

6) Reinforcement of Consulting Services

In general, the feasibility study report needed for application to the EPZA is to be prepared by the applicant through collaboration with a third party. At present this is usually done by certified public accounting offices or consultant firms. By strengthening the in-house consulting functions of the EPZA itself on the basis of its experience to date the cost burden to applicant industries could be lightened.

7) Implementation of Joint Investment Campaigns between the Provincial Government of Cavite and the Private Sector

The stimulation of investment within the province should be made a policy of the Cavite Province. This is already the case in Cebu Province where overseas investment and tourist promotion is carried out via the provincial government and a budget is allocated to that end. Also, active provision of information to the overseas media is pursued and creation of a favorable environment promoted as far as possible in Cebu. CEPZ should adopt a similar stance and methods in collaboration with the Cavite Province, and undertake publicity activities for the province while encouraging the participation of the private sector at the same time.

8) Followup Promotion for the Companies Responding to the Questionnaire Survey

By reviewing the questionnaire survey carried out on companies in the Philippines and in Japan for the present study, followup promotion should be conducted to the companies which expressed strong interest in overseas investment or particularly those interesting in investment to the EPZs. Personal contacts can be carried out on the basis of the list which gives many company names or responsible sections.

9) **The Establishment of a Company Data Bank**

The registration of personnel currently in progress is to be extended to registration of companies interested in doing business with EPZA registered companies such as through supply of parts and materials, and also to companies eager to provide other services. This is to be recorded in the EPZA Zone Offices, and used for consulting to the factories operating in the EPZs.

6-5 Implementation Program and Schedule

As an operational model of the proposed action program, the implementation and schedule of the program being carried out in Japan are illustrated hereunder. The program is planned on the assumption of a period of 24 months for program implementation. The program is designed to be accomplished by the setting up of a collaboration network with external associate groups, preparation of activities and carrying-out of marketing activities in the early part of the program period, so that followup services can be proceeded with as early as possible. Figure 6-4-1 indicates the flow of operations of the program and the mutual relations and links between the various aspects of the program. Outline of activitie steps are as follows:

Step 1 Formation of Associate Group

Main activities at this stage are forming the collaboration network with external associate groups inside and outside of the country to operate the Action Program. Main programs are as follows:

- Establish In-house Service Center (including an Information Data Bank)
- Preparation of "Marketing" Aids (pamphlet, etc.)
- Press Meeting
- Media Invitation Tour
- Contact with Associate Group

Step 2 Identification Activities of Potential Investors

Main activities are promotion for associate organizations and marketing to individual investors.

- Direct Mail Program
- Advertising Program
- Seminar/Group Meetings
- Identification of Local Partners
- Preparation of Information Data Bank

Step 3 Identification of Prospective Investors

To promote the formulation of investment projects through effective consulting activities.

- Coordination and Arrangement of Investment Mission
- Group Meetings/J.V. Matching
- Individual Follow-up Services
- In-house Consulting

Step 4 Followup and Assistance Activities

To assist in making investment applications, as well as re-approaching to potential investors.

- Circulating Counseling
- Follow-up Operation
- Monitoring
- In-house Consulting

Detailed work steps of the three main activities, namely, marketing activities, seminars and in-house services of the Action Program are illustrated in Figure 6-4-2, and the work schedule for the foregoing implementation program is shown in Figure 6-4-3.

6-6 Budget for Implementation of the Program

(1) Provisional Budget for Direct Costs

The direct costs required for implementing the investment promotion program in Japan as presented in Section 6-3 is estimated. The indicated sum is a provisional estimate. A detailed estimation will be needed once the concrete aspects of the sub-programs are defined for implementation. Costs for BOI staff and operating expenses of BOI local office are not included in this estimation.

Direct costs made up by following main items; advertising cost, preparation and printing cost of pamphlets, direct mail and communication cost, invitation cost for media people, outgoing and incoming mission subsidies, transportation and trip expenses, and seminar holding expenses. Total direct expenses is estimated at Yen 114,550,000, the breakdown of which is given in Table 6-4-1.

(2) Computer Installation Cost

It is necessary that computers and other new office equipment be installed in the proposed Information Center of the present action program. This will involve costs for hardware, software and installation of equipment. As a rough estimate for such costs in the case of installation of two work stations an estimate of between 2,500,000 to 3,000,000 Yen is given.

(3) Fees for External Consultants

The employment of consultants is recommendable to support BOI staff. Man-month allocation for consulting services, in case of 12 - 18 month contract terms, are estimated as follows.

- | | |
|--------------------------------|---------------------|
| 1) Experts(3 persons): | total 24 man-months |
| 2) Assistant staff(4 persons): | total 24 man-months |

Assuming remuneration of Yen 2,400,000 man/month for experts, and Yen 1,200,000 for assistant staff plus 10% provisions, the total consultant fees will be at Yen 95,000,000.

6-7 Alternative Program and Priority of Implementation

In the realization of the action program proposed in this report, need for special budgetary measures is noted. Such measures require that certain administrative procedures be followed, and require time. Nevertheless it is necessary to carry out investment promotion activities lest the opportunities presented by the increasing demand for investment in the Philippines be lost.

This section advocates an alternative program which is believed to be workable.

The following four points are used as the basis for formulating the alternative the program so that workable recommendations could be made.

- 1) Degree of priority for each program (urgency)
- 2) Synergistic effect of each programs
- 3) Foreseeable extent of effects of the programs
- 4) Presently available resources

(1) Advertising

1) Trade and Business Magazines as an Advertising Medium

A huge sum would be required if ordinary popular magazines were to be used as a medium for promoting investment. But because there is a degree of urgency in attracting investment, advertising must be used to interest investors in the Philippines and abroad. The reasonable decision therefore is to make selective use of magazines as an advertising medium and place ads in trade and business magazines as well as periodicals published by appropriate organizations. In spite of relatively little expense is required to provide contributions or place ads in these trade and business magazines and publications issued by governmentrelated institutions, they can be expected to yield a certain amount of results. Directories with detailed information of these publications can be readily examined at trade and industrial promotion offices such as JETRO of any country.

2) Invitation of Journalists, Press Meetings

There is a particularly urgent need at this time to improve the image of the Philippines in the minds of potential foreign investors. By the some means as the mass media have created an exaggerated negative image of the Philippines, they can be used to correct that image. While it is thought that a portion of the costs of accomplishing this can be borne by public entities such as the ASEAN Center, it is of special importance that the government and private sectors cooperate in this activity and show a unified, favorably-impressive approach. PAL, the Philippines hotel industry and chamber of commerce and industry could

participate in these activities. Financial cost sharing by such private-sector groups is to be used to invite foreign journalists to the Philippines. By also using press meetings to provide a continuing flow of information to the media, it can be expected that coverage of the Philippines that is favorable to the effort to attract investors would result.

(2) Follow-up and Marketing Activities

1) Marketing Activities Aimed at Companies that Responded to the Questionnaires

Marketing activities aimed at companies that replied to the questionnaires sent to Philippine and Japanese companies as part of the present study are recommended to be undertaken. The methods to be used are direct mail, telephone contact and personal visits. The addresses and key departments in these companies have been ascertained, and basic information on the companies' policies and intentions regarding investment is in hand. In addition to using this information for direct marketing to those companies, it is to be used in planning and carrying out review of policies related to industrial site development, intraregional linkage and investment promotion.

2) Small-scale Seminars and Group Meetings

Seminars and meetings are to be held for specific regions, industrial categories, and grouping of business according to scale. Using chambers of commerce and industry, industrial associations, financial institutions and the like as partners will mean leaving the decisions on venue, invitees, and date to the partner bodies. Identification of suitable candidate partners can be done most early by working with representatives of such entities in Manila, organizations such as JETRO and the BOI Country Desk staff.

For implementation of these activities, creation of a network that includes domestic and foreign private-sector organizations is an urgent matter.

3) Investment Promotion Campaign Aimed at Expansion Projects by Foreign Companies Now Operating in the Philippines

A promotion campaign to solicit new investment by foreign companies already operating in the Philippines is recommended. Regularly scheduled meetings are to be held for members of each country's chamber of commerce and industry having an office in Manila, or on an industrial region-by-region basis. In addition, meetings with individual companies are to be held. In order for this campaign to be effective, it will be necessary to make presentations emphasizing newly added or improved incentives, simplification of procedures, and improved financial arrangements available.

(3) Information Service Activities

1) Preparation of a Data Base with JETRO's Corporation

Lists are to be prepared of parts and materials suppliers in the Philippines and local companies seeking joint venture partners, and with groupings according to category of industry. Cooperation of JETRO is to be sought, for sharing printing and some research costs because JETRO undertakes regular studies of similar nature. The information and printed materials thereby obtained are to be used inside and outside the Philippines.

2) Printing of Pamphlets with the Cooperation of Foreign Companies

Pamphlets are to be prepared by BOI, including the opinions and experience of foreign companies presently active in the Philippines, taking up the investment environment in particular. The names of these companies are to be printed in the pamphlets. These companies will be asked to defray part of the printing cost because of the favorable publicity they will receive. The pamphlets are to be prepared with the American, Japanese, European and Taiwanese companies in Manila for the present.

Table 6-3-1 INTER-RELATIONSHIP OF THE PROGRAM AND FUNCTION

Programs	Functions	Information Management	Investment Promotion	Investment Consulting	Monitoring & Supervising	Foreign Advisory	Integration by Country
Step 1. Formation of Associate Group							
- Data & Information Collection	⊙ (main function)	△	△	△	□	△	△
- Preparation of Selling Aids	○	○	⊙	△	□	△	⊙
- Contact with Assoc. Group	△	△	○, ⊙		□	△	⊙
Step 2. Identification Activities							
of Potential Investors							
- Media Publicity	△	△	○		⊙	△	⊙
- Media Tour	△	△	○, ⊙	△	○	△	△
- Direct Mail	△	△	○	△	□	△	⊙
- Seminar/Group Meeting	△	△	○, ⊙	△	□	△	○
- Investment Mission	△	△	○, ⊙	○	□	△	△
Step 3. Identification Activities							
of Prospective Investors							
- Information Services	○	△	△	⊙	□	⊙	⊙
- Individual Guidance	△	△	△	○, ⊙	△	⊙	⊙
- Match Making	△	△	○	⊙	□	△	○
- Assistancce of Project Preparation	△	△		○, ⊙	□	⊙	⊙
Step 4. Follow-up & Assistance Activities							
- Circulating Counselling	△	△	○	△, ○	△	△	⊙
- Assistance of Application	△	△	○	⊙	□	⊙	⊙

Notes: ○: Plan and Preparation, ⊙: Operation, △: Support and Advice, □: Coordination

Table 6-4-1 BUDGET FOR THE ACTION PROGRAM IN JAPAN
(DIRECT EXPENSES)

1) Media Publicity

a) Advertising Costs

- Newspaper	15cols × 3times	¥ 36,000,000
(Major)	(Full Page)	
	7cols × 5times	30,000,000
	(about half page)	
- Magazine	Full Page × 15times	15,000,000
(Nikkei Business, Toyo Keizai, Weekly Diamond)		
- Trade Publication	3.5cols × 9times	6,300,000
(Denpa Shinbun, Jidosha Shinbun, Nikkei Electronics)		

2) Preparation and Printing of Selling Aids

a) Guideline for Potential Investors	650,000
(10pages × 3,000copies)	
b) Profile of Specific Industry	300,000
(5pages × 10industries × 500copies)	
c) Question and Answers	250,000
(10pages × 2,000copies)	
d) Inquiry Sheet	40,000
(2pages × 3,000copies)	
e) Management Guide Book	100,000

3) Communication	
a) Phone Call — Domestic (Phone, Fax)	¥ 1,100,000
— Overseas (Phone, Fax, Telex, Mail)	
b) Mail to Potential Investors	360,000
(Letter/Inquiry Card : 3,000)	
(Postal Charge)	
4) Transportation and Trip for Promotion	
a) Media Tours	7,500,000
@250,000 × 30peoples	
(Transportation/Accommodation)	
b) Outgoing/Incoming Mission Subsidiary	12,000,000
@ 80,000 × 150peoples	
c) Transportation in Japan	1,650,000
(in/other than Tokyo area)	
5) Seminar/Group Meeting Expenses	2,000,000
(30 ~ 40times)	
6) Miscellaneous and Provisions	1,300,000
(5% of (2) ~ (5))	
T o t a l	¥114,550,000

Figure 6-3-1 FUNCTIONAL ORGANIZATION CHART

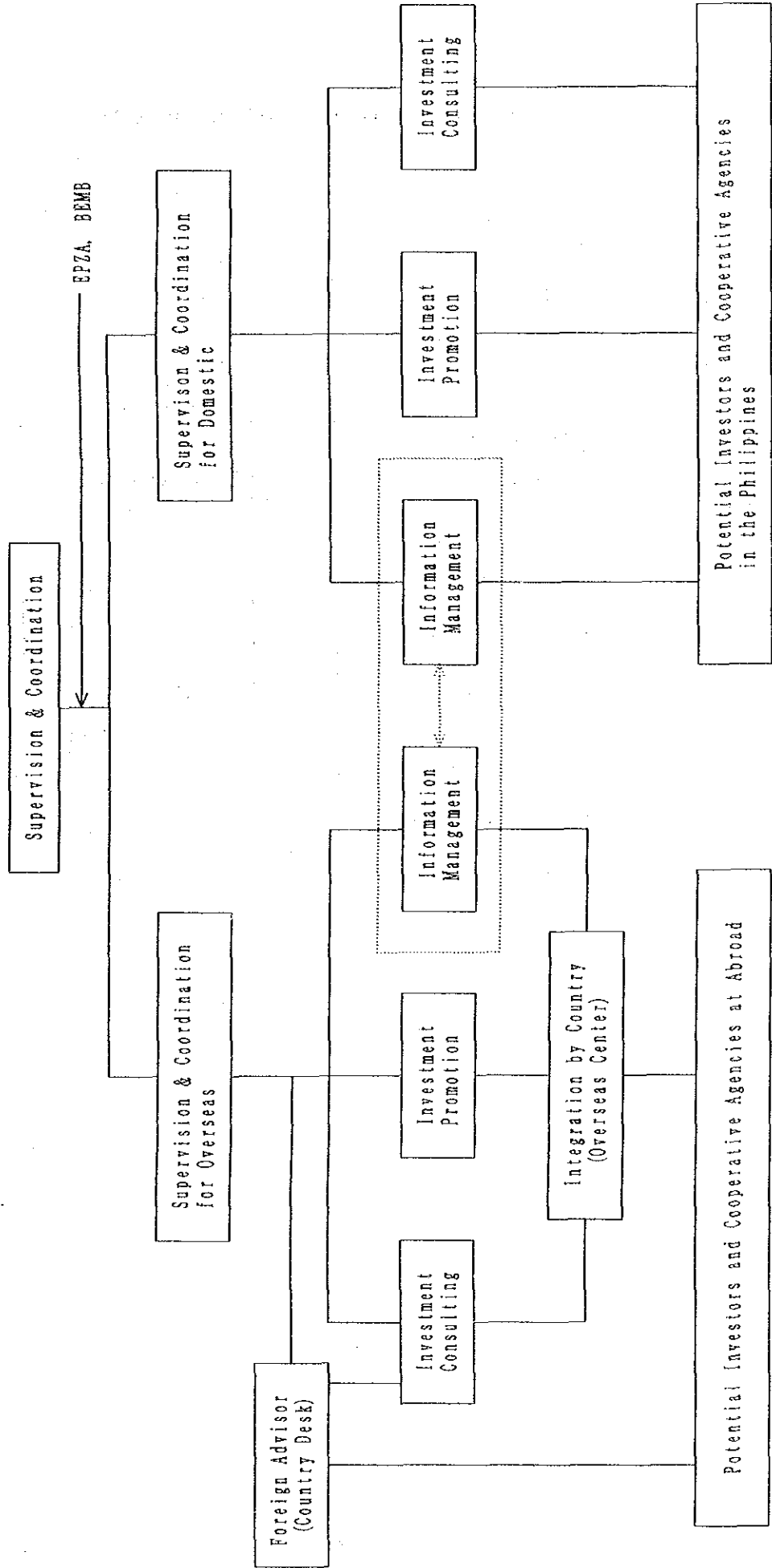


Figure 6-3-2 INQUIRY PROCESSING IN BOI-JETRO

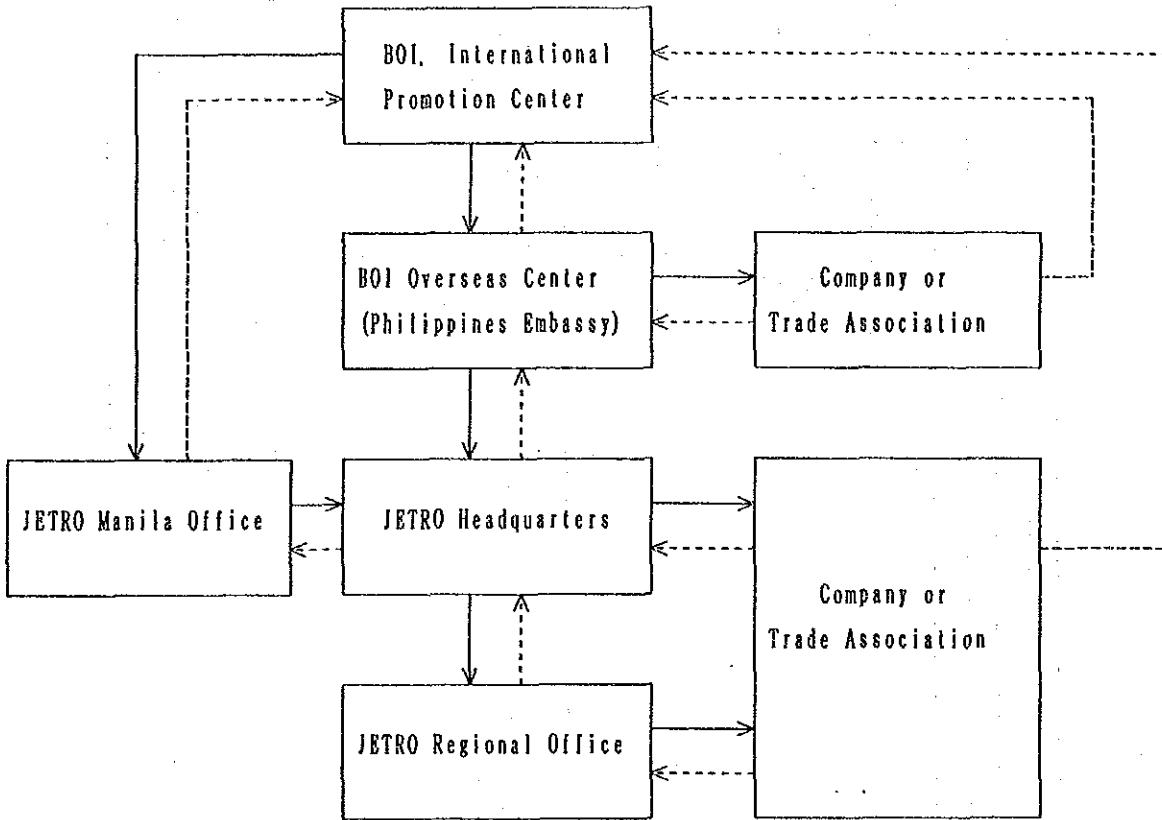


Figure 6-4-1 WORK FLOW AND PROGRAM LINKAGE

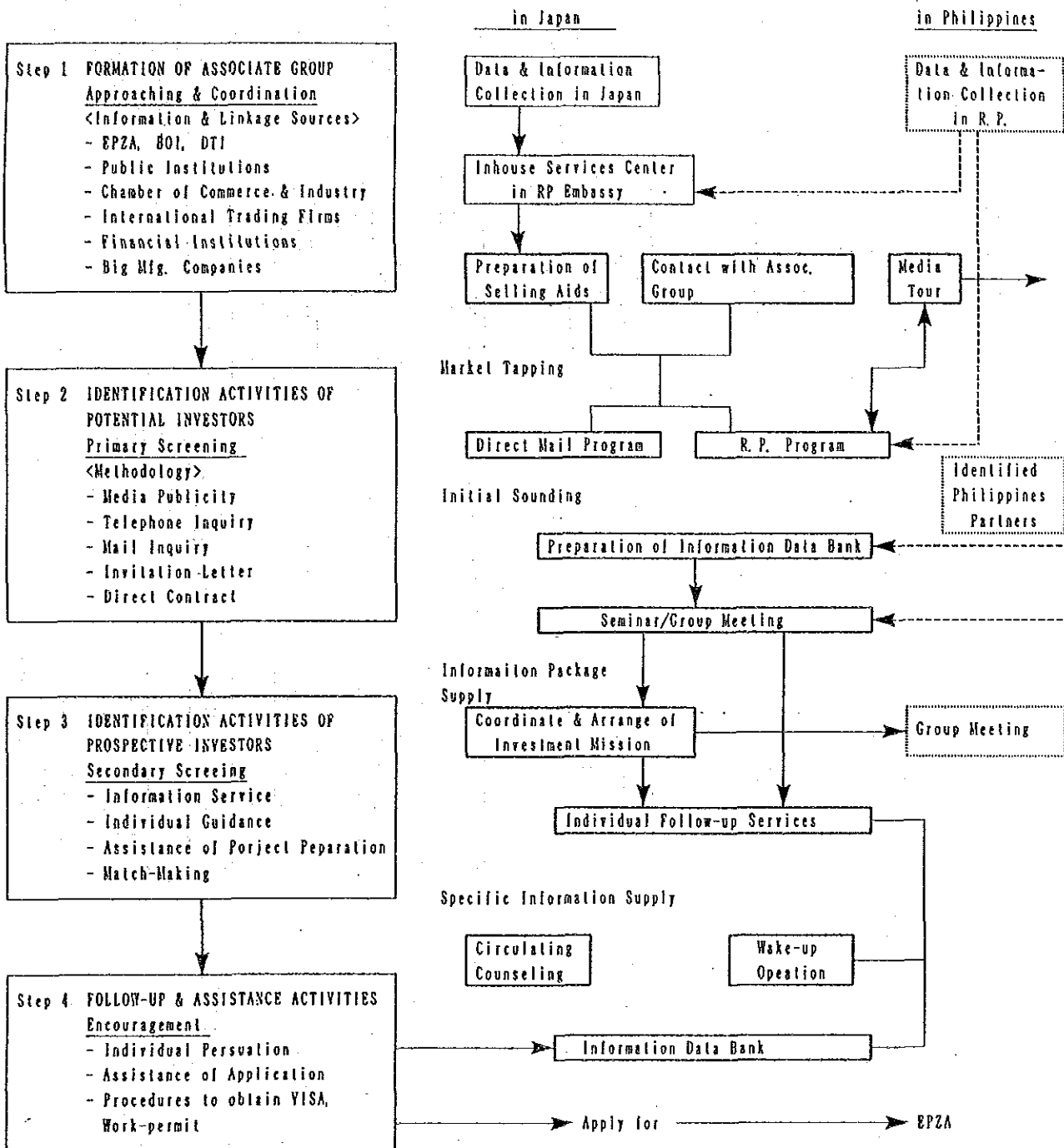


Figure 6-4-2 WORK FLOW OF ACTION PROGRAM

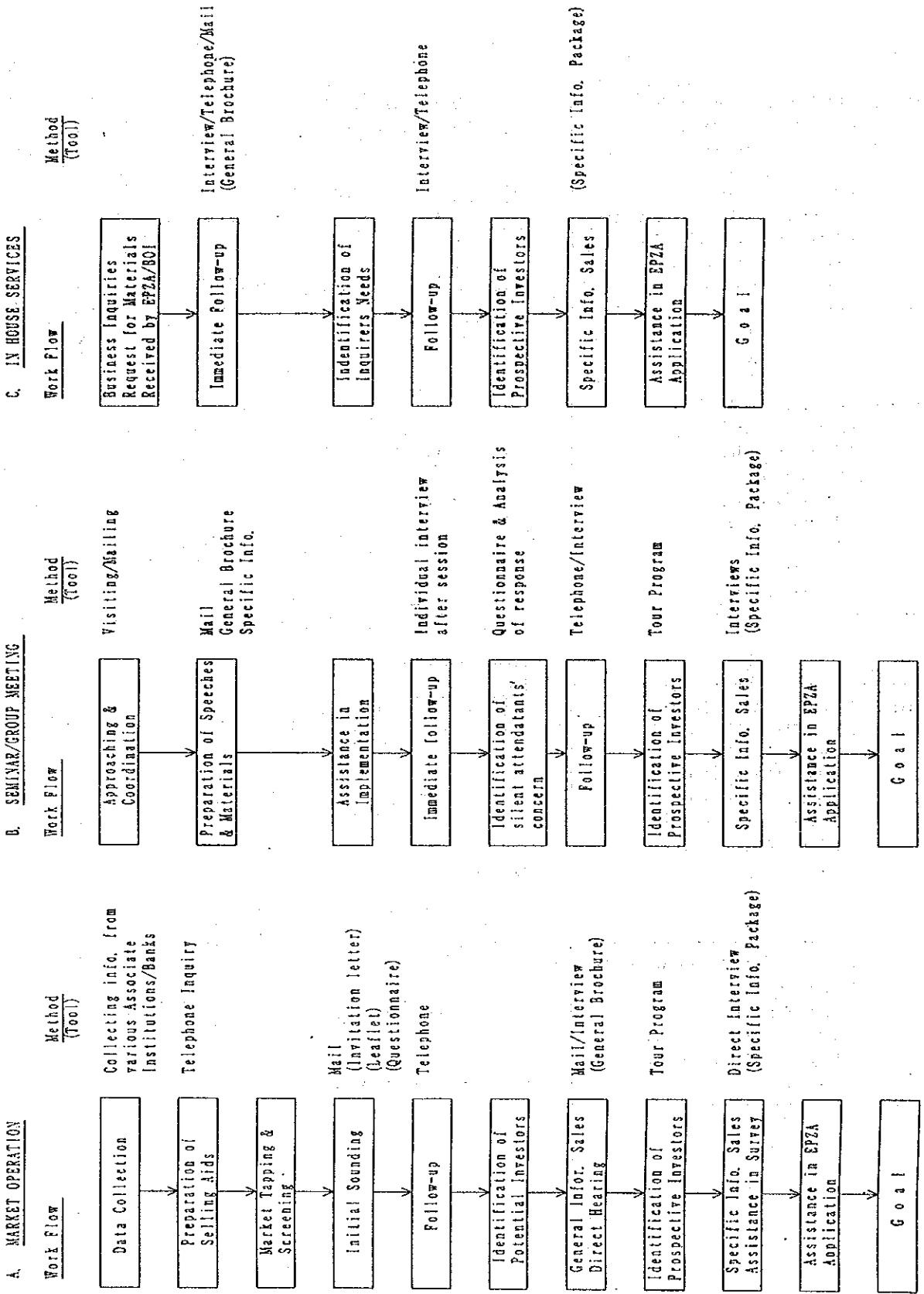


Figure 6-4-3 WORK SCHEDULE OF THE PHILIPPINE INVESTMENT CAMPAIGN

ACTIVITIES	ELAPSE TIME (MONTHS)																							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1) Media Publicity • Press Meeting • Advertisement • Media Tour	▲	▲	▲	▲			▲	▲																
2) Formation of Association Group • Contact with Assoc. Group • Data Collection • Market Tapping																								
3) Preparation of Selling Aids • Collection and Arranging of Material Information • Translating and Editing • Printing																								
4) Initial Sounding & Follow-up • Direct Mail • Screening																								
5) Seminar/Group Meeting				▲				▲	▲	▲							▲	▲	▲					
6) Coordinate and Arrange Investment Missions									▲															
7) Establish Information Data-Bank																								
8) Follow-up Services • Circulating Counseling • Wake-up Operation																								

Remarks: ▲ Intensive Work _____ Full Time Work ----- Occasional Work

Chapter 7
ESSENTIAL MEASURES FOR PROMOTING INVESTMENT
TO THE CEPZ

Chapter 7 ESSENTIAL MEASURES FOR PROMOTING INVESTMENT TO THE CEPZ

7-1 Basic Direction for Improving and Preparing Facilities and Systems

(1) Outline of Necessary Improvements and Preparation of Related Facilities and Systems

Proposals for action programs to promote foreign investment in the Philippines and attract domestic and foreign investors to the EPZ are presented in Chapter 6. However, in order to implement investment promotion activities on behalf of the CEPZ, improvements and preparation in the facilities and systems of the CEPZ will be necessary in addition to above-mentioned programs. The present chapter is concerned with these improvement and preparation proposals.

The proposed improvements and preparation can be roughly divided into the following categories:

- 1) Improvement and reinforcements of the infrastructure related to the CEPZ and existing common service facilities in the CEPZ
- 2) Improvements in the systems and management aspects of the EPZ, together with creation of the various facilities and systems whose installation or establishment in the CEPZ is considered desirable
- 3) Practices to be taken for promotion of the linkage of the CEPZ with surrounding industries

(2) Coordination Systems for Pursuit of Required Actions

The Steering Committee consisting of the following five members is presently functioning as the coordination board for the CEPZ development project, and is responsible for project coordination as well as monitoring of the progress of projects concerning the development or improvement of infrastructure and utility facilities related to the CEPZ.

- Assistant Secretary of DPWH
- Vice President of NPC
- Deputy Administrator for Engineering of MWSS
- First Vice President of PLDT
- Deputy Administrator of EPZA

The development or improvement of infrastructure often involves issues which require political decisions relating to national planning. It is therefore recommended to set up an "Inter Agency Organization" to act as a superior body for project coordination which will be composed of higher ranking officer (for example, coordinating by DTI Secretary and Undersecretary for Industry and Investments of DTI, DPWH Secretary, PEA Secretary, Governor of Cavite Province, NEDA Secretary of Department of Finance). There are other issues involved in the proposed measures which will require decisions on the national level and the establishment of a similar coordination system is recommended for handling these too.

7-2 Improvements and Reinforcements of the Infrastructure Related to the CEPZ and Existing Common Service Facilities in the CEPZ

(1) Improvements of the Infrastructure Related to the CEPZ

- 1) Undertaking of the Project for the Extension of the Strip of Coastal Road between Bacoor and Noveleta, and the Project for New Construction of the Noveleta-CEPZ Strip.

As is set forth in Annex 13 (1)-3) the existing strip of road between Metro Manila and the CEPZ is narrow and congested, and because of a daily six hour restriction to passage of heavy vehicles these are forced to make a detour. This state of affairs means that a one-way journey from Manila harbor to the CEPZ takes 4 to 5 hours. This is the major factor dampening enthusiasm of potential investors to the CEPZ.

To ease this congestion, the implementation of a project for the extension of the Bacoor-Noveleta strip of the coastal road and a project for the new construction of the Noveleta-CEPZ strip of road is a vital and urgent issue. The Urban Road Project Office (URPO) of DPWH is currently examining the coastal road extension plan. According to comments from the URPO, no funding source has been found as of March, 1990. Also, according to documents provided by URPO, even if a funding source is found in 1990, the project could not be completed before mid-1994. The Public Estates Authority (PEA) reports that there is a plan for construction of the same strip by private firms on a BOT basis (build, operate and transfer). However, so far no plans have been approved. Emergency measures for materializing these plans are required.

- 2) Improvement of Telecommunication Facilities and System

As mentioned in Annex 13 (1)-6), at present, there are 12 Long Distance Direct Dial lines (LDD) and 50 local lines installed in the CEPZ. The 12 LDD Lines are linked directly to Manila by microwave. Further, the 50 local lines are linked to the Rosario telephone exchange circuit. The number of lines, especially of LDD lines, is insufficient for the number of zone enterprises served.

The switchboard of the Rosario telephone exchange is an old type manufactured by the German company Siemens. This only has a capacity for 950 terminals to which 1,123 lines are connected, so that there is no spare capacity available. The quality and capacity of telecommunication facilities and systems must be improved.

3) Dispelling Uncertainties of Power Supply

As is noted in the Appendix 13 Section (1)-5) there are few power cuts generally speaking since the CEPZ is supplied with electricity directly from the NPC. However, large fluctuations in voltage occur often. The following can be given as reasons for such fluctuations:

- a) There is a gap between the demand for electricity and power generated, or there is not sufficient generating equipment to respond in times of peak demand
- b) There is sufficient generating equipment but ability to meet the specified standards for generated electricity has deteriorated due to superannuation

With regard to supposition a) it was noted from a newspaper notification by the NPC calling for cooperation in saving electricity that whereas the estimated generating capacity for an average day in early September of 1988 was set at 3,120 MW the demand at peak time was on the order of 2,880 MW so that the excess electricity was only 240 MW representing about 10%.

With regard to b), except for the Angat Aux hydroelectric power station completed in 1986, the hydroelectric power station of Magat M.E. in 1984, and the geothermal power stations of Calaca, other power stations are old ones constructed from 1960 to 1970. Some power stations were constructed in the 1940s and 1950s and even if regular maintenance has been carried out it is likely that their generating capacities have deteriorated.

The industrial development of the CALABAR area will mean that this situation will become more of a problem, and will have a considerable influence on the CEPZ. Unlike the issue of roads which is a sectional problem as pointed in 1) above, this matter necessitates a wider response involving the entire Luzon Grid.

4) Assurance of Water Supply

The estimated quantity of water to be consumed by the CEPZ at the final stage, Phase V, will be 10,600 sq. m per day as pointed out in Appendix 13 Section (2)-4). This scale of water supply needs to be guaranteed.

Even if the drilling of deep wells is an adequate short-term expedient, in the long term it will be necessary to consider some comprehensive water resource program which will include use of the Laguna de Bay water.

(2) Temporary Measures for Infrastructure during Improvement Work Period

The above-mentioned countermeasures for infrastructure are absolutely necessary, but, in addition it is desirable to implement the following temporary measures.

1) Systems Support for the Diversification of Telecommunication Channels

As the operators of the CEPZ are export-oriented manufacturers, orders from foreign buyers often come in via telephone, telex, or facsimile. Further, it is a world trend for information on the design and specification of products to be exchanged via these channels. Therefore, the demands of companies operating in the CEPZ for these services will continue to grow and diversify. Looking at the private sector industrial estates of the CALABAR area one notes that these have all reached contracts with the PLDT and plan to install microwave communication systems.

The Rosario telephone exchange office is pushing ahead with expansion works for new switchboards to total 1,250 lines which are scheduled to be available by September, 1991. Until that time, however, telecommunication services will be poor. The installation of microwave equipment, and arranging for use of portable telephones such as car phones is recommended. Moreover, the possibility of authorizing communication services by the private sector or even by the CEPZ administrative offices could be considered.

2) Support for the Introduction of Emergency Electric Generators to the Zone Enterprises

Many industrial estates in neighboring countries often provide support for the installation of emergency or stand-by generators so that there is no anxiety about a stable supply of electricity. Such an approach, given the current situation of electric supply in the Philippines (examined in Annex 13 (1)-5); especially in Luzon) is an effective countermeasure.

In the medium term, participation in the program for installation of power generation capacity by the collaborative public-private efforts outlined in Annex 13 (1)-5)-c) is considered the most effective line of action.

(3) Reinforcement of the SFB

The development of linkage industries is one of the important tasks given to the CEPZ. In this context, one possible line of measures is to accommodate in the SFB small and middle manufacturers which produce the intermediate goods, parts and consumables to be supplied to the Zone Enterprises of the CEPZ for their use; in other words, those engaged in indirect exports. At present, the six SFBs which are available in the CEPZ are all of a flat roof type

because of budget limitations. In other EPZs, with exception of part of the MEPZ, these are all three-story buildings. Further, the SFBs built in the CEPZ are crude buildings. It would be necessary to examine an expansion and upgrading of SFBs in the CEPZ.

7-3 Improvements in the Systems and Management Aspects of the EPZ, together with the Various Facilities and Services to be Considered for the CEPZ

(1) Systems and Management Aspects to be Improved

It would be important for the EPZA to improve both the services to be provided to the zone enterprises, and the administration of the EPZs. The role of the EPZA would be to reduce any difficulties which may be encountered by the zone enterprises relating directly to their activities for the import of raw materials, processing or export of products, and to provide a favorable environment where they can devote their attention to their primary tasks.

There are a large number of improvements of systems and management aspects which could be implemented by the DTI or EPZA.

1) Increase in CEPZ Personnel

It is necessary to carry out the assignment of EPZ personnel with due consideration given to the size of the EPZ administered, scale of facilities, number of factories operating, number of employees, etc. At present, the CEPZ personnel number one-tenth of those of BEPZ. In the case of CEPZ, as a future increase is anticipated in the number of factories, the number of personnel in charge of maintenance and service sections must be increased.

2) Simplification of Export and Import Procedures

The demand most commonly voiced by Zone Enterprises in relation to the simplification of import and export procedures is improvement of mutual tie-up and coordination between the agencies concerned.

In this sense consideration of the following points is recommended:

- a) Examine the possibility of reducing the number of original documents (8 copies) now required for both export and import procedures
- b) Examine the possibility of reducing the number of signatures necessary for the export and import documents
- c) Examine the possibility of unifying the Permit and Tally which are needed for export authorizations
- d) Unify the procedures required independently by the CB and EPZA

Further, with regard to the GTEB it is being studied whether an office can be set up inside the EPZ. It is recommended to do this, to make it possible for the procedures to be carried out in the individual EPZ.

3) **Closer Communication with the zone enterprises**

In order for there to be understanding of the problems which are faced by the zone enterprises and the solutions which they adopt to solve them, it is necessary to have a venue for regular contact and dialogue. Assignment of a counselor to handle consultations with the zone enterprises is necessary. Meetings between the zone enterprises representatives and the EPZ management have taken place in each EPZ on an as-needed basis but at present such meetings have become a simple formality. A reason for this is that although the zone enterprises took the trouble to pinpoint problems these were rarely taken up by the EPZA head office and very few were tackled. This resulted in a certain despondency among zone enterprises, which was expressed in interviews.

Besides, the creation of a venue for communication between zone enterprises and the Cavite provincial government within the EPZA would be an effective means of unifying the CEPZ and surrounding area. Not only parties and contests, but also the exchange of opinions with the outside industrial community (industrial associations, the tenant associations of other industrial estates, etc.) and invitations to experts in technical and managerial fields to participate in seminars, etc. would be effective measures.

(2) Facilities, Systems and Services whose Installation or Provision in the CEPZ is Considered Desirable

1) **Examination of Joint Construction of Residential Facilities**

With regard to residential facilities there is a prevalent view that if there is a demand the private developers will cope. However, such construction tends to be biased toward luxury housing for foreign managers. In the future as development of not only the CEPZ but also of private industrial estates progresses in the Cavite Province it is foreseeable that the problem of residential facilities for the estate personnel will arise. It is therefore necessary for the EPZA in conjunction with the Cavite provincial government to consider approaches to residence construction. One possible strategy is for the EPZA to supply the sites, and to construct facilities jointly with the zone enterprises. Another idea is for construction to take place in collaboration with the HUDCC (Housing and Urban Development Coordinating Council).

Another idea is to promote house ownership by the employees by introducing a scheme for financing house loans at low interest. The Unified Home Lending Program has a special

housing loan program at a low interest rate 6%^{1/} per annum for middle and low income bracket groups. In 1988 it achieved the loan of a total of 139 million pesos for 1,540 homes.

2) Installation of Technical Training Facilities

It is expected that due to geographical conditions the CEPZ will be the key EPZ regarding electrical products, machinery and automobile parts. The installation of facilities aiming to upgrade the level of the work force and engineers will act as an incentive to potential investors.

The 80 secondary schools of the Cavite Province (4 year system) had 70,147 pupils in 1987/88, 17,537 one-fourth of these graduated in the same year. These graduates are considered to be a sufficient labor supply of general workers for the above production.

The number of university graduates in 1987/88 for the combined area of NCR and Region IV was 59,211 of which it is calculated that 7,995 were graduates of technical faculties. The hiring of university graduates is not expected to encounter any problems.

The problem exists in the supply of the middle range, that is of middle class technicians. Since the CEPZ is expected to host zone enterprises in the above mentioned advanced technology sectors it is thought that vacancies for intermediate level technicians will increase. It is estimated that these will represent 10% of the total estimated work force which is 34,500 so that about 3,500 posts will need to be filled.

According to data issued by the Dept. of Education, Culture and Sports there are some 865 Technical and Vocational Colleges in the Philippines which are equivalent to their Japanese counterparts. These colleges in the Philippines have a total student population of approximately 257,000 representing only one-fifth of the university student population (approximately 1,204,000). This is not sufficient to meet demand.

The graduates of technical and vocational colleges in 1987/88 for Region IV numbered 1,831 of which 1,350 were graduates in technical subjects. This represents a large insufficiency in absolute terms.

Note: <u>1/</u>	<u>Loan Amount</u>	<u>Loan Interest</u>
	less than 60,000 pesos	6% p.a.
	61,000-90,000	9%
	91,000-120,000	12%
	121,000-180,000	15%
	181,000-250,000	16%

The Cavite Provincial Government will need to respond to this gap in demand and supply. At present 10 secondary schools in the province have instituted 40 courses in technical and vocational subjects. Moreover, the Cavite East Technical High School has been set up in Imus City (with 20 classrooms) and education in industrial technology, technical studies, industrial management is planned. In addition the existing three secondary schools have a plan to open 24 technical courses in the near future.

It is necessary for the EPZA to consider the installation of technical training facilities for intermediate level technicians, while considering the maximum utilization of the existing and new education facilities of the Cavite Province.

3) Measures for the Small and Medium Companies

As the number of small- and medium-scale factories located in the CEPZ is expected to increase in the future, it is necessary to examine an expansion of the SFB and the joint use of warehouses in response. Further, the EPZA must provide a financial assistance system such as the provision of a solidarity guarantee to enable them to borrow institutional loans available, including the loan provided by the Export Industry Modernization Program (EIMP) which the Technology and Livelihood Resource Center (TLRC) implements to provide soft project loans under the OECF loan umbrella for small and medium enterprises which are engaged in export oriented manufacturing of non-traditional exports. (At present, as the land is on lease for EPZ zone enterprises it is difficult for them to obtain loans from financial institutions due to their disadvantageous collateral position.)

4) Reinforcement of the Personnel Recruitment Functions

The "Study on the Cavite EPZ" by the EPZA anticipates the recruitment of a total of 34,500 employees over the five year period from 1991. At present recruitment of personnel in the CEPZ is carried out on a company to company basis. For any vacancy there are on average 10 applicants and this has resulted in a sense of optimism as to recruiting in the EPZA. However, hereafter as private industrial estates increasingly enter into competition in the CALABAR area it is quite possible that there will not only be a struggle to attract investors but also in personnel recruitment.

It is recommended that the EPZA work together with the Cavite provincial government to have functions to evaluate the aptness of candidates to their work tasks, provide vocational training and introduce those personnel to companies. Hereafter such functions may be required more for engineers or senior staff rather than labor. This trend is indicated by interviews with zone enterprises and also current trends in Thailand and Malaysia.

5) Promotion of the Common Service Facilities Project on a Commercial Base

It is proposed that investment from the private sector be encouraged for the operation of the following common service facility projects on a commercial base. These will help to reinforce the merits of the CEPZ.

- a) **Laboratory for analysis and testing of product quality of raw materials, intermediates and finished parts, on a fee basis.**
- b) **Maintenance Center to service machinery and equipment.**
- c) **Packaging Center for handling export shipments of CEPZ products (including some production of packaging materials).**

7-4 Practices to Encourage Links between the CEPZ and Nearby Industries

(1) Practices to Encourage Linkages

As is noted in Chapter 2, Section 2-2 (3), an important issue in the Philippines is to promote the local production of the parts, intermediate goods and packaging materials which are used directly and indirectly in the final production of finished goods. Increase in the domestic production of these, as long as it is economically feasible, will further the import substitution process and eventually lead to the development of basic heavy and chemical industries in the Philippines. However, the small- and medium-scale industries which are mainly in charge of processing in these sectors operate old machines that have greatly-deteriorated precision, and the inventories are weak in processing capacity and technology as well as financial capacity. This results in a loss of competitiveness in product quality and price, and poor reliability for deliveries. Thus the assembly manufacturers who are the main buyers of these goods at present prefer to rely on imports of these parts and intermediate goods.

The development of linkage industries is a central, vital issue for the industrial development of the Philippines generally. As a first step in this direction it is proposed that practices to promote linkages between the CEPZ and the surrounding industries be adopted. This would also serve as a model case.

The CEPZ has the following merits as a base for the promotion of such linkages;

- a) The NCR, and Regions III and IV have the large-scale potential market in regard to both supply and demand, because 75-80% of the factories in the manufacturing sector of the Philippines are concentrated in these regions.
- b) Since the CEPZ is expected to serve as a contact channel with external markets, the surrounding industries have opportunities to tap export channels through CEPZ so that they can expand their business activities even in the limitations of the domestic market and in turn enhance their production facilities. Even if in the early stage access to foreign markets is only via indirect export of parts assembled into finished products for export, if the superior quality of these parts is recognized then export directly to overseas markets will be possible.
- c) The location of the CEPZ which is close to the MIRDC (Metals Industry Research and Development Center) and engineering universities makes for easy access to technical guidance and renders entrusting of research convenient. It also makes it possible to use valuable technical information accumulated in these organizations and universities from domestic and foreign sources.

- d) Most companies that locate in the CEPZ will be engaged in such high-technology fields as automobiles, electrical machinery, and electronic machinery. Parts, intermediate goods, and packaging materials of an international standard are therefore in demand and this is expected to have an upgrading influence on the technical levels of surrounding industries through transfer of technology.

The following proposals are made in connection with the practices to promote linkages.

1) Incentives to Indirect Export

At present, the zone enterprises in the EPZ are permitted to supply products to the domestic market to the extent of up to 30% of production in the EPZ, but the supply to large assemblers and processors (mostly located outside the EPZ) who do some exporting - that is, supply of "indirect exports" - is treated as exports. In order to attract foreign companies to the CEPZ, if those companies are made aware of the treatment of these indirect exports, and encouraged to make use of this condition, it will have the effect of promoting import substitution and improving the quality of the finished products that incorporate those parts.

2) Development of Surrounding Industries

By supplying parts, intermediate goods and packaging materials to the foreign zone enterprises which have possibilities for backward linkages - such as automobile parts, precision machinery, etc. - the capacities of the surrounding industries in terms of quantities, pricing and quality will be developed. Methods for furthering such development are as follows:

- a) Facilitation of EIMP loan and other financial support systems for the acquisition (import) of machinery by the surrounding industries for the modernization of facilities. Also the exemption of import duties on imported processing equipment.
- b) Technical guidance of modern processing technology available from domestic and foreign sources, including technical guidance for production and product quality control.
- c) Exemption from import duties for the raw materials which are imported for processing (by refunding customs duties) or improving competitiveness for raw materials by the introduction of a joint purchase scheme system.
- d) Awards for excellence to superior parts manufacturers

Further, another useful method for developing the industries is to attract local industries to the SFB inside the CEPZ by establishing an inspection system for finished products which can serve their needs.

3) **Establishment of Intermediary Agency for Subcontractual Processing**

It is anticipated that there will be zone enterprises among the factories operating in the CEPZ which are seeking subcontractual processors or suppliers for parts, intermediate goods and packaging materials. On the other hand, there are companies in the surrounding area wishing to supply their products to the zone enterprises of the CEPZ. According to the questionnaire survey on the Philippine companies, Annex 9, about 30% of the companies that answered were interested in supplying parts.

It is thought that the EPZA could encourage further linkages between these two groups if it establishes an office to act as intermediary. In addition to such intermediary functions the office established could be in charge of:

- a) Technical and managerial advice to the surrounding industries
- b) Tie-ups with technical universities and training centers for technical instruction
- c) Expositions and sample fairs; arrangements for joint purchase, joint production and joint sales for the small and medium manufacturers

4) **Technical Guidance to Upgrade Product Quality of Domestic Manufacturers Involved in Subcontractual Processing**

The Bureau of Product Standards of the DTI, with the cooperation of the DOST, is proceeding with the preparation for implementation of the national standardization and industrial product quality improvement program. JICA conducted a master plan study of this program in 1989, and submitted the study report to the DTI in January, 1990 (refer to "The Study Report on the National Standardization and Industrial Quality Improvement Program in the Republic of the Philippines"; January, 1990 - JICA). It is necessary to carry out technical guidance for upgrading the product quality of the domestic subcontracting manufacturers in conjunction with the BPS and DOST.

(2) **Typical Items of Parts Manufacturing to be Induced to the CEPZ**

The parts manufacturing industries are the representative area in which the linkages can be developed between the factories operating in the CEPZ and the surrounding industries. The

following represent the typical industries in this area.

1) Common Parts Manufacturing

In the machinery manufacturing industries such parts as screws, bearings, bolts, nuts, hydraulic machine parts, etc. and various components assembled from parts are used in a variety of machinery such as precision machinery, construction equipment, transportation machinery and electrical machinery. There are also accessories such as buttons, fasteners and lace parts for garments. Generally these common parts are supplied to the manufacturers of finished products operating outside of the EPZs in the Philippines. Hence foreign affiliates manufacturing these parts usually locate factories outside of the EPZ, and it may contribute to a transfer of technology to the local industries. However, another effective way is to encourage the location of the parts manufacturers in the CEPZ so that these parts can be used by other manufacturers located in the CEPD. For example, it may be effective to encourage the location in the CEPZ of the factories manufacturing buttons, fasteners and other parts for garments to be used by garment factories located in the CEPZ. The garments thus manufactured at these garment factories located in the CEPZ are for export, and so the use of the foregoing parts would result in an increase in the value added in garment exports.

2) Parts Manufacturing for the Large Assembly and Processing Manufacturers

Zone enterprises can supply 30% of production in the zone to the domestic market. Therefore, parts makers are reluctant to enter the domestic market independently, because of the small scale of that market. By attracting to the EPZ parts makers that supply assemblers, finished products will be shipped overseas as indirect exports, and the Philippines will score a significant gain in the value added of exports.

3) Parts Manufacturing to Meet International Division of Production of Large Assembly Manufacturers

The form of systems for international division of production which are planned or implemented by the large assembly manufacturers varies, depending on industries. For example, in the case of domestic electric appliances the specific models of appliances, even those belonging to the same categories, differ to meet the income level of consumers in the target markets. This particularity limits international division of production for parts, and the international division of production currently prevailing in this industry is mainly in the form of mutual complementary trade of appliances manufactured at factories which large assembly manufacturers established as their affiliates in several overseas countries. Among the parts to be used for the domestic electric appliances, there are some items of parts for which local manufacturing can be promoted to supply to the large electric appliance

manufacturers in the Philippines. In such case, however, as the parts manufactured will be destined mainly for the domestic market, as discussed in 2) above, the present restriction of domestic supply set for the EPZ products will discourage the location of such parts manufacturing in the EPZ.

In the case of automobile industry, international division of production is pursued in the form of international exchange of parts and components commonly manufactured in several overseas countries. The policy for local content production in the Philippines is in principle to allow the import of necessary parts by the automobile manufacturers to the extent that they have earned foreign exchange by their counter-exports. It seems that the location in the CEPZ of the parts manufacturing factories may be more beneficial to the large assembly manufacturers which are pursuing international division of production for parts and components, as represented by the automobile manufacturers.

4) Manufacturing of Parts Having Backward Linkages

The promotion of subcontract manufacturing of parts for local industries should be initiated by giving priority to such items as metal parts which have extensive backward linkages.

(3) Steps of Development of Linkage Industries

The first step in the development of linkages is to make arrangements for the CEPZ Zone Enterprises which are engaged mainly in the manufacturing of finished products by assembly and local manufacturers of parts so as to have opportunities to recognize each other. The DTI, EPZA or an intermediary office to be set up by EPZA as proposed earlier could act as intermediary between the above two groups.

The local manufacturers, after examining the conditions indicated by the Zone Enterprises such as specifications, pricing and delivery, would make efforts to undertake the production of parts, including acquisition of equipment and technology, improvement of quality control, financial arrangement for raw materials, etc. The DTI and EPZA would have to provide consulting services to these manufacturers for preparation and setups. This function plays an important role to promote linkage industries. The major duties and functions involved are outlined in (1)-2.

The undertaking of parts manufacturing should initially give priority to individually used simple parts or commonly used parts, which have possibility to promote backward linkages, and then move on to embrace the manufacturing of sophisticated parts and assembling of component units. A similar situation is anticipated to prevail in other sectors excluding the packaging sector and the effect of the development will extend to other EPZs and eventually over the country.

PART II
ANNEXES

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ANNEX 1
PRESENT SITUATION AND TRENDS OF
THE INDUSTRIAL SITES IN THE NCR AND ENVIRONS

ANNEX 1 PRESENT SITUATION AND TRENDS OF THE INDUSTRIAL SITES IN THE NCR AND ENVIRONS

When considering the demand for industrial sites in CEPZ it is important to look at the situation and trends in the NCR and surrounding area. In addition to examining the trends for sites in the CALABAR area (where the CEPZ is) comprising the provinces of Cavite, Laguna, Batangas and Rizal we shall also look at the three states of Bulacan, Panpanga and Bataan which border the NCR on the north.

We shall examine the investment trends in the above area for export-oriented manufacturing industries which are companies that have registered with the BOI over the last five-years (1984-1989).

(1) Changes in the Number of Investments

This follows the same pattern as that for the whole of the Philippines. It is apparent from Table A1-1 that after the steady reduction in investment cases in the 1980s which touched a low point in 1986 there was a rapid turnabout towards renewed activity after 1986. Rapid growth in investments was achieved in 1987 in Rizal, which borders the NCR region on the east side, Bulacan bordering to the north, Laguna on the south east. These were followed by Cavite on the south west, Panpanga on the north west. During this period the number of investments in Bataan Province increased by one investment only.

The importance of the trunk roads to the growth in investment in the above provinces surrounding the Manila area can not be ignored. On the east side the Manila East Road heads towards Rizal province, passing through Bulacan province while the North Super Highway extends towards the north, and the South Super Highway runs southward to the center of Luzon island passing through Laguna province and running parallel with the National Highway No.1. All of these roads act as access roads linking Manila harbor and NAIA to the industrial sites. The connection becomes clearer after perusal of the data for individual municipalities for the number of investments. All of the cities which have more than 10 investment cases are served by one of the above trunk roads, as can be seen from Table A1-2.

(2) Types of Project

As can be seen from Table A1-3, 64% of the total 295 projects are categorized as new investments while 36% are expansion projects. This shows that a movement of industry towards the areas surrounding the NCR had begun before the Philippine Government declared its policy of industrial dispersion to the provincial regions.

(3) Investment Situation by Industrial Sector

Table A1-4 indicates the situation for investments by industrial sector. In order of importance the "traditional" industries are represented by garments which accounts for 21%, sundries 18%, textiles 13%, wood processing and furniture 7%. However, the "non-traditional" sectors of machinery and metal processing, electricals, chemicals, automobile parts, plastic processing, packaging materials, etc. account for one-third of the total.

It is significant that there is considerable investment in the advanced technology sectors of electric and electronic goods, automobile parts, machinery and metal processing in Rizal and Laguna provinces.

We also investigated the Pioneer Status of the industrial fields as another parameter. We found there are nine such cases registered in Rizal (electric devices 7, machinery and metal processing 2), 7 in Laguna (3 for electric devices, 2 for chemicals, 1 each for machinery and metal processing and automobile parts), 3 in Batangas (all machinery and metal processing) and 1 in Cavite (chemicals).

(4) Scale of Projects

As can be seen from Table A1-5, of the 287 projects which have given notification of project costs some 55% of the companies have reported less than 10 million Pesos, and approximately 35% less than 100 million, so that nearly 90% of all projects are on a small investment scale. Looking at the 29 projects which are on a scale over 100 million Pesos there is an overwhelming concentration of 17 sites in the Laguna. This is followed by Rizal with 5 sites, Bulacan with 3, Batangas with 2, Cavite and Panpanga with 1 each. In terms of industrial sector there are 9 in the garments and textile sector, 5 in automobile parts (all wire harness production), 3 in electronic devices (hard and floppy disk drives and IC), 2 in chemicals, and one project concerned with printing paper. Such large scale investment is a breakthrough except in sewing and textiles where economies of scale are fundamental.

(5) National Origin of Investors

With regard to the 256 cases where origin of the investor party is clarified (refer to Table A1-6) indications are given for the principal investing country (including 100% equity investments) and the secondary investing country (inside parentheses). Japan is by far the main investor after the Philippines itself, and is followed by Taiwan, the USA, and the Common Market countries.

Considered in conjunction with section (3) Investment Situation by Industrial Sector, we note that while Japanese investment focuses on automobile parts, electricals and electronics, and machinery and metal processing sectors, investment from Taiwan, the People's Republic of China and India is concentrated in the textile and garments related areas.

Table A1-1 PROVINCE-WISE TREND OF INVESTMENTS BY
EXPORT ORIENTED MANUFACTURERS
(1984-1989 Jan./June)

	Unit: Number					
	1984	1985	1986	1987	1988	1989 (Jan. - June)
Cavite	3	3	3	4	12	9
Laguna	1	2	3	15	27	24
Batangas	—	—	—	1	7	6
Rizal	6	2	6	17	27	30
Bulacan	3	2	1	19	25	24
Panpanga	—	—	1	5	4	2
Bataan	—	—	—	—	1	—
Total	13	9	14	61	103	95

Source: BOI

Table A1-2 MUNICIPALITY-WISE NUMBER OF INVESTMENTS
(1984-1989 Jan./June)

Unit: Number					
Province	Municipality	Number of Investments	Province	Municipality	Number of Investments
Cavite	Carmona	17	Rizal	Taytay	26
	Dasmaringas	4		Cainta	26
	Imus	3		Antipolo	20
	Trece Martires	2		Angono	5
	Silang	2		Binagonan	3
	Bacoor	2		Rodriguez	3
	Other 5 Cities/Towns	4		San Mateo	2
			Other 3 Cities/Towns	3	
Laguna	Calamba	28	Bulacan	Marilao	12
	San Pedro	9		Meycauayan	12
	Canlubang	9		Guiguinto	7
	Cabuyao	7		Sta. Maria	6
	Binan	6		Venzuela	4
	San Pablo	2		Del Monte	4
	Sta. Rosa	2		Malinta	4
	Calavan	2		Mololos	4
Other 8 Cities/Towns	7	Bocaue	3		
			Other 12 Cities/Towns	18	
Batangas	Santo Tomas	6	Panpanga	Angeles	3
	Bauan	4		San Fernando	2
	Other 6 Cities/Towns	4		Other 5 Cities/Towns	7
			Bataan	Orani	1

Source: BOI

Table A1-3 PROJECT TYPES OF INVESTMENTS
(1984-1989 Jan./June)

Unit: Number, %

	New	Expansion	Total
Cavite	21	13	34
Laguna	39	33	72
Batangas	9	5	14
Rizal	61	27	88
Bulacan	49	25	74
Panpanga	8	4	12
Bataan	1	—	1
Total	188	107	295
(Share)	(63.7)	(36.3)	(100.0)

Source: BOI

Table A1-4 INDUSTRY-WISE NUMBER OF INVESTMENTS
(1984-1989 Jan./June)

	Cavite	Laguna	Batangas	Rizal	Bulacan	Panpanga	Bataan	Total (Share)
Garments	11	12	1	23	14	1		62 (21.1)
Sundries	7	9	3	12	18	3		52 (17.6)
Textile		15	2	9	11			37 (12.5)
Electrics	1			22	1			24 (8.1)
Machinery/Metal Processing	2	4	6	6	2	3		23 (7.8)
Chemicals	5	7	1	4	4			21 (7.1)
Wood Processing	1	2		6	9	2		20 (6.8)
Food Processing	2	5			6	2	1	16 (5.4)
Automotives	1	7	1	2	2			13 (4.4)
Plastic Processing	3	2		2	2			9 (3.1)
Paper/Packaging		2		1	4	1		8 (2.7)
Electronics		3		1				4 (1.4)
Building Materials	1	3			1			5 (1.7)
Computer Software		1						1 (0.3)
Total	34	72	14	88	74	12	1	295 (100.0)

Source: BOI.

Table A1-5 SIZE OF PROJECT COST
(1984-1989 Jan./June)

Unit: Number, %

	Less than 10 Thousand Peso	10 to 99 Thousand Peso	100 to 999 Thousand Peso	More than 1,000 Thousand Peso	Total
Cavite	22	11	1	—	34
Laguna	27	24	17	—	68
Batangas	8	4	2	—	14
Rizal	52	28	3	2	85
Bulacan	42	28	3	—	73
Panpanga	7	4	1	—	12
Bataan	—	1	—	—	1
Total	158	100	27	2	287
(Share)	(55.1)	(34.8)	(9.4)	(0.7)	(100.0)

Note :Among 295 total projects, project cost figures are not shown for 8 projects.
Source: BOI

Table A1-6 NATIONALITY OF INVESTORS
(1984-1989 Jan./June)

	Unit: Number									
	Filipino	Japanese	Taiwanese	Honkonese	Other Asian	American	EC National.	Other National.	Total	
Cavite	18 (-)	4 (2)	3 (-)	1 (-)	- (-)	- (2)	- (2)	- (-)	26 (6)	
Laguna	50 (9)	4 (8)	2 (3)	1 (3)	2 (5)	2 (2)	2 (6)	1 (-)	64 (36)	
Batangas	8 (4)	4 (4)	1 (-)	- (-)	- (1)	1 (-)	- (1)	- (-)	14 (10)	
Rizal	53 (19)	15 (-)	2 (6)	- (1)	2 (9)	1 (4)	3 (2)	2 (1)	78 (42)	
Bulacan	51 (8)	2 (1)	1 (2)	1 (-)	3 (4)	- (2)	1 (1)	3 (5)	62 (23)	
Pampanga	10 (1)	- (-)	- (-)	- (-)	- (1)	1 (3)	- (-)	- (-)	11 (5)	
Bataan	1 (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	1 (-)	
Total	191 (41)	29 (15)	9 (11)	3 (4)	7 (20)	5 (13)	6 (12)	6 (6)	256 (122)	

Note : Upper figures in each column shows that nationality are the top share holders

Lower figures in parenthesis shows that nationality are the second share holders

Source: BOI

ANNEX 2
OUTLINE OF THE MAJOR INDUSTRIAL SECTORS

ANNEX 2 OUTLINE OF THE MAJOR INDUSTRIAL SECTORS

There is a trend for an increase in the export value of the export manufacturing industries. However, as this is accompanied by an increase in imports of intermediate goods and producer goods there is not a great contribution to the growth in value added. Therefore, an essential task is to further the growth of the intermediate goods sectors (processed goods) which are industries related to the latter sector. The following represents an outline of the major industrial sectors focusing on the export manufacturing industries.

(1) Electrical and Electronics Industries

The basic divisions in this area of Philippine industry consist of the electronics, semiconductor, computer, software service and industrial electronic device sectors. The electrical machinery sector is largely concentrated in either private use electrical devices (home appliances) or in electrical machinery for industrial use. On the basis of actual achievements for 1987, the electric and electronic industry exports accounts for 20% of the total export value, and so it represents the largest share of exports of the export manufacturing industries. However, as 97% of these exports are of semi-conductors the exports for private sector and industrial use electrical appliances are very small. The following analysis concentrates on private sector electrical appliances and semiconductors.

1) Electrical Appliances for Private Sector Use

Major products of the electrical and electronics industries include domestic appliances. The majority of these are for the domestic market. However, because of the immature development of the market, demand is concentrated around the metropolitan Manila area. Looking at scale of domestic demand in 1987 of the important items, we note levels of production of 180,000 for televisions (both color and black and white models), for 170,000 for refrigerators and 80,000 for washing machines. As the level of regional electrification is low and the majority of citizens have low purchasing power because of low incomes the diffusion rate of domestic appliances is still at a low level. This is in sharp contrast to the situation in Thailand.

An international sharing of production is being forced upon member countries of the ASEAN group by foreign affiliates given the policies for increasing local content which prevail. Looking at the example of washing machines, while large-type models are predominant in the Philippines where large families prevail, the majority of production in Thailand and Indonesia is for small type models. This means that whereas the large models are produced domestically, the small models are assembled using imported parts. The domestic appliance manufacturers carefully consider market and cost conditions in each of

the ASEAN countries and are adopting a policy of international sharing of production.

With regard to the supply of parts if one takes the example of a Japanese affiliate manufacturer of electric appliances located in the Philippine, this is largely limited to a certain amount of metal press parts supplied by local companies, while in-house production for plastic molded parts is high. In case of molds, orders made to local suppliers are limited to those parts which are low in precision. Precision molds and molds for large plastic parts are either met by in-house production or imported from the NIEs. Foreign affiliates in the domestic electric appliances sectors have difficulties in securing parts supplies given the current policies for increasing the local content but there are recent examples of foreign affiliates exchanging their produced parts each other.

2) Semiconductors

Semiconductor industries in the Philippines are owned by American or local interests. The former are multinational affiliates. The latter produce for foreign companies on a consignment basis. Since the production of semiconductors involves a process chain from import of unfinished goods then assembly and finally re-export, it is desirable that there be conditions for smooth import and export. The EPZ provides such conditions and there are at present three such companies tenanted in the EPZ.

Production processing for semiconductors is divided into the five processes of masking, crystal pulling, wafer thinning, assembly and inspection. The first three processes are called the former processes and the last two processes the latter processes. Production in the Philippines is largely concentrated on the labor-intensive latter processes. The domestic value added between 1976 and 1983 was set at a fixed level around 35 to 40% (see Table A2-1). This figure underlines the fact that emphasis was on the latter processes. It is a particularity of the semiconductor sector that the technically sophisticated and complex former processes should be concentrated in other countries while the latter processes are carried out in the Philippines.

(2) Garment Industries

The garment industry in the Philippines is divided into that for domestic and that for export markets. Domestic orientated fabricated textile industries (upstream) operate at high costs and produce low quality, because of the protectionist policies of the government. This means in turn that the downstream garment items are also high-cost and low-quality. Further, as the garment industry for the domestic market exists in a protectionist environment and a certain profit margin is assured in the market, there is little competitiveness of items with imports and no eagerness to export.

A particularity of exports of the export garment industry export is that it works on a consignment basis which takes advantage of the relative merit of cheap labor. Production is carried out according to the specifications of the overseas buyers. The majority of manufacturers are middle and small in size and joint endeavors are common as a survival strategy. The joint purchase of equipment and investor goods, pattern making using CAD systems, and joint undertakings for cutting operations are representative examples.

The domestic value added rate is said to be around 30%. The production of buttons, fasteners, accessories etc. is looked on as a means of slightly increasing the value added in the future. Linkages between the downstream industrial sectors will contribute to the development of the clothing industries. The majority of exported products are of a medium to low quality and are mostly aimed at low income groups of the foreign markets. Multilateral agreements determine the import quotas. Table A2-2 shows the extent quotas for Philippine clothing items are fulfilled in markets of the advanced countries. There is, generally speaking, a high level of fulfillment in the case of children's clothes, coats, shirts and underwear. However, in the case of brocade underwear and blouses, and swim wear, which have a high value added, the rate of fulfillment is low. It is desirable that more attention be given to areas of high value added in the future.

(3) Furniture Industries

90% of furniture products are directed to the domestic market and use materials, board or plywood sheets of lauan or oak wood as raw materials. The remaining 10% are rattan furniture products. 70% of exports are rattan products while the remaining 30% are furniture products using other woods.

The majority of rattan furniture manufacturers are of small or medium size. In the case of furniture production specifications are decided with European and American buyers, while technical guidance is given by Japanese manufacturers, so that generally product quality awareness is high.

The share of furniture exports in the total export value is very small at 2%. Further, since rattan furniture forms the main export product but is dependent on rattan from Malaysia, Vietnam and neighboring countries, it is assumed that there are limits to export expansion. Further, with regard to furniture products from other woods, fears concerning stable supply exist since limits on felling of raw lumber, with the aim of protecting forest resources, is anticipated. However, in contrast to rattan products which depend on imports there is still some room for increasing the value added through processing technology. The largest task involved in upgrading the quality of wood furniture products is the prevention of dimensional changes which accompany the curing, especially since kiln dryers are insufficient. Cottage-industry furniture maker use natural drying. However, there is a trend to cooperative use of kiln dryers and also examples of commissioning of work to large scale companies on a basis of renting kilns when the owners do not need them.

At present, the share of furniture components is extremely small among total exports. However, since an increase in both domestic and overseas demand for assembly/processed furniture is expected to arise, important tasks exist. They include the introduction of a subcontracting system to respond to the needs of mass production and under adoption of the metal fittings for assembling. It is necessary to undertake a reorganization of regional industry to include the establishment of export targets and the introduction of processing technology from abroad which is in line with these targets.

(4) Food Industries

The food industries were the largest manufacturing sector in 1988 accounting for 10.1% of the GDP and 40.1% of total manufacturing industries. However, food processing products accounted for only 5% of the total export value. The majority of processed foods were destined for the domestic market as shown in Table A2-4 while exports were largely of processed fruit products or processed marine products.

In the processed fruit sector a large component is taken up by canned pineapple, concentrated pineapple juice, and pineapple juice. Banana chips among processed banana products have shown extremely vigorous growth in recent years. The major companies in these sectors include the two American-affiliate companies Dole and Del Monte. For pineapple cultivation the area controlled by the two companies accounts for half of the total surface area for pineapple cultivation (60,000 hectares). These undertake an integrated production from cultivation to export. In contrast to this, the middle and small manufacturers carry out raw material supplies or processing either on a cultivation contract basis or through brokers. There are also manufacturers who supply the large entrepreneurs with raw materials on a contractual basis. In order to realize diversification of fruit processed products in the future a hopeful possibility is the cultivation of seed crops for export using the commissioned cultivation system.

The major marine processed products include canned and frozen tuna, frozen shrimp and squid, and processed marine sea products. 70% of the canned tuna products are destined to America and West Germany, while 70% of the frozen products are sent to Japan. In recent years, the exports of shrimp have also been excellent. In particular, shrimp farming has shown an increase. The large black tiger variety has been farmed in large quantities. The largest national beer and food manufacturer, San Miguel has set up culturing ponds and a refrigerating plant on Negros Island with the technical cooperation of a Taiwan company and is carrying out operations for commissioned production with culture centers.

Table A2-1. EXPORTS OF SEMI-CONDUCTOR AND LOCAL PORTION OF VALUE ADDED

Unit: Thousand US\$

	Exports	Imports	Value Added (VA)	Percentage of VA (%)
1976	77,024	53,787	23,237	30
1977	104,301	64,324	39,977	38
1978	185,883	123,498	63,385	35
1979	311,804	177,822	133,982	43
1980	555,613	347,187	208,426	38
1981	729,542	439,007	290,535	40
1982	868,127	511,958	356,169	41
1983	825,190	543,368	281,322	34

Source: "The Semi-Conductor Industry as Foreign Exchange Earner"
 CB Review Feb., 1985

Table A2-2 THE RATIO OF GARMENT EXPORT TO IMPORT
QUOTA IN INDUSTRIAL COUNTRY (1985)

Unit: Million US\$

	Quota	Export	Ratio (%)
U. S. A.			
Over 75%	255.1	239.4	93.8
50~75%	148.0	87.3	59.0
Below 50%	283.7	62.7	22.1
Sub-total	686.8	389.4	56.7
Canada			
Over 75%	14.6	16.0	109.6
50~75%	17.2	10.1	58.7
Below 50%	15.1	5.2	34.4
Sub-total	46.9	31.3	66.7

Source: Garment and Textile Export Board

Table A2-3 EXPORT TREND OF FURNITURE

Unit: Million US\$

	1984	1985	1986	1987	1988
Rattan Furniture	60,233	59,181	62,537	94,912	135,207
Wood Furniture	5,780	5,801	6,579	10,600	17,541
Parts of Furniture	4,433	3,733	3,575	4,847	6,127
Bamboo Furniture	677	627	859	881	1,334
Furnishing	225	170	142	236	718
Metal Furniture	175	78	59	167	395
Plastic Furniture	0	0	2	2	0
Furniture of Other Materials	16,775	14,128	15,601	18,735	22,295
Total	88,298	83,718	89,354	130,384	183,617

Sources: Direction of Philippine Trade and Export Performance 1986/1987
 BETP, DTI
 Philippine Export Performance, Report I Jan.-Dec. 1987-1988
 BETP, DTI

Table A2-4 PERFORMANCE OF FOOD MANUFACTURING INDUSTRY

Unit: Million Peso

	1984	1985	1986	1987	1988
Food & Beverage	54,289	61,316	62,404	71,497	83,810
All Manufacturing	137,251	150,523	155,172	173,539	207,447
GDP	540,466	612,684	627,129	708,368	826,749
Export of Processed Food	2,248	2,859	2,898	3,232	4,495
Exchange Rate (Peso per US\$)	16.7	18.6	20.4	20.6	21.1

Sources: Statistical Yearbook 1989

Direction of Philippine Trade and Export Performance 1987/1988

Table A2-5 EXPORTS OF PROCESSED FOOD PRODUCTS

Unit: Thousand US\$

	1980	1982	1983	1984	1985
Canned Pineapple	82,098	87,550	73,627	87,085	88,787
Pineapple Concentrates	9,014	10,496	9,449	13,770	13,295
Pineapple Juice	5,798	9,245	4,413	6,726	5,076
Banana Crackers	4,815	6,207	7,178	10,108	10,126
Frozen Tuna	68,326	17,857	18,266	15,844	13,996
Canned Tuna	29,486	46,461	52,774	45,398	47,096
Frozen Shrimps	20,681	32,735	36,076	34,801	62,523
Frozen Cattlefish & Squid	2,338	2,894	2,955	3,988	3,917

Source: Foreign Trade Statistics of the Philippines

ANNEX 3
TABLE OF INVESTMENT ENVIRONMENT
IN FOUR ASEAN COUNTRIES

ANNEX 3 TABLE OF INVESTMENT ENVIRONMENT IN FOUR ASEAN COUNTRIES

Prepared in Jan., 1990

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
INVESTMENT PROMOTION INDUSTRIES	<p>MIDA makes a list of products as categories of promoted industries and is especially promoting the investment to the following industries.</p> <p>Rubber products, Palm oil, Foods processing, Civil engineering, Electronics, Machine tools, Chemical products, Nonferrous metals, Metalworks, Fibers, Transport equipments (parts). Additionally since Jan. 1, 1987 incentive rules for mainly export industries have been extended in form of a supplement to the Investment Promotion Law of 1986.</p>	<p>The areas of promoted industries, are of Economic & social developments, National securities, Foreign currency gaining, Capital intensive, Service industries, Domestic agricultural products, Natural resource utilizing, industries to stimulate technical invitations, etc., and should avoid any competition with local industries.</p> <p>(Examples) Agricultural products processing, Fodder; Meat processing, Cosmetics, Metalworks, Insulations, Heat proof glass, Ethyl alcohol, Lacteal products, Petrochemistry, Synthetic fibers, Medicines, Fertilizers, Paints, Autoparts, Engines, Electronic devices, Wireless transmitters and receivers, Watches Cameras, Stationeries, Shipbuilding, Ship repairing, Medical instruments, Sand papers, Gelatin, Cardboard boxes, Pre-fabricated houses, etc.</p>	<p>BOI makes the Investment Priorities Plan and also classifies pioneer firms and non-pioneer firms by the Preferred areas of investment every year.</p> <p>In 1991 IPP these expected 264 area, out of which 124 will be manufacturing industries.</p>	<p>BKPM publishes DSP=DAFTAR SKALA PRIORITAS (List of Categorical Investment Priority Order), and regulates industrial categories open to foreign investment. Its validity is three years and is reviewed annually depending on necessity. Foreign investment is allowed only when the investing amount is bigger than one million US\$ in principle, but even if it is lower than one million it will be allowed depending on the category.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
TAXATION INCENTIVES	<p>(1) 5 years tax exemption for pioneer-status firms (can be extended for more 5 years) Conditions to obtain max. 10 years exemption are;</p> <p>1) Firm's total fixed assets (except land) shall be min. 2,500M\$ at the first 5 operational years.</p> <p>2) Number of Malaysian employees shall always be superior to 500.</p> <p>3) It shall be a project which contributes to national economy and technical innovations.</p> <p>(2) Investment tax reduction: Tax will be reduced up to max. 100% of capital expenditure for 5 years after the approval of operation for non-pioneer firms.</p>	<p>(1) The distinction of investment promotion against projects for attraction shall be the precondition. In case of imports of machinery by promoted firms, import duties and business tax shall be exempted totally or by half.</p> <p>(2) Exemption of import duties for materials and of business tax upto max. 90% (for one year max.)</p> <p>(3) Exemption of corporate tax (3-8 years). If some loss is brought about during this period, an expenditure can be booked as deferred loss for max. 5 years after expiration of exemption period.</p>	<p>For the firms engages in a business of Preferred areas of investment, registered at BOI, are</p> <p>(1) Exemption of income tax</p> <p>1) For 6 years in case of pioneer firms.</p> <p>2) For 4 years in case of non-pioneer firms the period can be extended for max. 2 years more depending on its condition, so the max. period of exemption for pioneer firms will be 8 years.</p> <p>(2) Reduction from taxable income of amount corresponding to 50% of labor cost.</p> <p>(3) Tax exemption for imported capital goods (but this is subject to no similar domestic products, etc.)</p>	<p>The incentives such as reduction of corporate tax and investment allowance were abolished by the new tax law published in Jan. 1984. Consequently, the taxation incentives currently valid are the following 4 items.</p> <p>(1) Grace of value added tax for imported capital goods.</p> <p>(2) Tax exemption for initial ship registration.</p> <p>(3) Exemption or reduction of custom duties for imported machine tools and spare parts</p> <p>(4) Exemption or reduction of custom duties for imported raw materials (max. 2 years)</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
TAXATION INCENTIVES	<p>(3) Special income allowance: Followings are allowed for the firms to which above (1)(2) are not applicable;</p> <p>1) Reduction of adjusted income tax on the basis of export amount comparable to gross sales amount of a manufacturing firm.</p> <p>Additional allowance to be upto 50% of adjusted income.</p> <p>2) Export allowance permitted to exporting firms to be 5% of FOB value.</p> <p>3) 5% allowance of taxable income depending on site conditions. (5 years)</p> <p>4) 5% allowance of taxable income for small or medium-sized firms (capital of less than 50 M\$) (5 years)</p>	<p>In order to get max. 8 years tax exemption period, they should meet the conditions that it is a project of attraction promotion located in the third region with employees of more than 200 persons and gains foreign currency of more than 1 million US\$ etc.</p> <p>(4) 5 years exemption of withholding tax on the overseas remittance of good will royalty and technical assistance fee originated from contracts approved beforehand by the Board of Investment</p> <p>(5) Allowance of dividends from taxable income for the period of exemption of income tax.</p>	<p>(4) Tax deduction for purchase of equipments of domestic production</p> <p>(5) Tax exemption for imported raw materials to be used for production of exporting goods</p> <p>(6) Exemption of contractor's tax</p>	

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
TAXATION INCENTIVES	5) 5% allowance of taxable income for small or medium-sized firms in accordance with the new economic policies. Accelerated depreciation: depreciation of capital investment within 2 years. (4) Re-investment allowance 25% of expenditure for plant, machinery and factory	(6) 10 years allowance of double amount of expenditures for transport, Electricity and water for the period approved by BOI. Additional incentives for export oriented industries. (7) Exemption of import duties for raw materials to be used for production of exporting goods and of business tax. Exemption of business tax for purchase of raw materials of domestic production (8) Exemption of import duties and business tax for re-exporting goods. (9) Exemption of export tax and business tax.		

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
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TAXATION INCENTIVES

(10) Allowance from taxable corporate income of the amount corresponding to 5% of increased portion of exported amount in comparison with that of previous year except freight and insurance premium.

RESTRICTIONS - FOREIGN EQUITY RATIO

These are foreign investment regulation according to Bumiputra Policy but they are applied with flexibility. 100% foreign investment will be accepted if justified in case of export oriented business. And then foreign investment ratio is decided in accordance with export ratio, technical level, influential effects, investment scales, locations, added values, utilization ratio of domestically produced raw materials and parts, etc.

(1) In regard to investment restrictions, establishment of foreign firms is limited per each category of industries by foreign firms restrictive law, and regarding to also investment promotion industries, investment ratio of Thailand side is regulated in many cases. In case of high export ratio firms, they will be accepted even if foreign investment occupies the majority.

Upto 100% of foreign investment is allowed for the areas classified as pioneer industries according to Omnibus Investment Code and Investment Priorities Plan. (Pioneer firms need to nationalize their capital within 30 years or the term designated by Board of Investment)

(1) Principle of joint venture. (domestic capital min. 20%). Min. capital scale 1 million US\$. However, for high risk and technology, big capital and export oriented J/V set up in less inhabited places, 5% of initial capital and increasing upto 20% within 5 years are permitted. (2) If Indonesian partner is not Bumiputra, more than 50% of Indonesian capital shall be changed to Bumiputra.

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
FOREIGN EQUITY RATIO	<p>Especially, the project to be applied and accepted during Oct. 1986 to Dec. 31, 1990 are highly promoted. Exports include the sales to domestic FTZ/LMW. FTZ: Free Trade Zone LMW: Licenced LMW: Manufacturing Warehouse</p>	<p>(in case of 100% export, then 100% foreign investment will be available)</p> <p>(2) As to benefited firms, they may be instructed to reduce foreign investment ratio step by step.</p>		<p>(3) Domestic capital ratio shall be increased to over 51% within 15 years after operation started. But if it is found impossible despite all possible efforts then it can be done step by step.</p> <p>(4) It is not allowed to lower Indonesian Investment ratio less than current ratio. (It will be impossible when Indonesian partner does not have fund to afford to meet the capital increase). J/V is permitted to re-invest in other firms (already established or to be newly established)</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
CATEGORIES PROHIBITED AND RESTRICTED	<p>Any law does not restrict any category, but it is basically difficult for foreign capital to join the public utilities (railway, electricity supply, water supply, communications and broadcastings etc.)</p>	<p>(1) 12 categories are prohibited by foreigners Business Law (List A): Rice crop, Salt manufacture except rock salt, Domestic transactions of domestic agricultural products, Accountancy, Law Office, Architectural design, Advertisement, Intermediate or representative auctioning, Barbershop and beauty shop, Building constructions.</p> <p>(2) Categories in which no new investment is allowed except promoted firms by BOI (List B): 37 categories such as Fishery, Drinks, Medicines, Cements, and Plywoods.</p>	<p>Categories in which no foreign investment is permitted at all are only Retailers, Weapons industry, Electric power supply, Atomic power supply and, Broadcastings, and in other categories 25-40% foreign investment is allowed.</p>	<p>(1) Categories prohibited by Foreign Investment Law item 2 of article 6: Weapons, Ammunition, Explosives and all other national defense industries are totally prohibited.</p> <p>(2) Categories which the government fully controls according to Foreign Investment Law, item 1 of article 6: Harbors, Electric power supply, Communications, Marine transport, Aviation, Waterworks, Public railways, Atomic power development, News media.</p> <p>(3) Prohibited categories described in DSP List Part 4: Craft papers, Tires, Synthetic fibers</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
CATEGORIES PROHIBITED AND RESTRICTED		(3) 14 categories for which prior approval of Commercial Registration Office is needed: Wholesales, Exporting transportation, Retails of machinery, Sales of foods and drinks for Tourist Bureau, Fodder production, Vegetable oil refinery, Fiber and textile manufacture, Glasses, Rice bowls, Plates and dishes, Production of papers for writing and printing, Rock salt exploitation, Mining, and Service industries and Constructing works not described in the List A & B.		(4) Commerce and Retails are prohibited in principle.

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
RESTRICTIONS OVERSEAS REMITTANCE	Approval of foreign exchange bank is needed for overseas remittance of more than 10,000M\$. Remittance of capital money to home land will be permitted basically only on a nominal check, provided that it has approval of the Central Bank.	Regarding the overseas remittance of capital invested from abroad, profits, royalties, capital of loan, interest etc., basic remittance is guaranteed, provided that the Central Bank approves it. Withholding taxation is effected then.	Remittance of recovered capital, profits, capital of lending money, interest, royalties and so on is guaranteed.	<p>(1) Recovery of capital money is guaranteed after expiry of tax exemption period.</p> <p>(2) Remittance of profits and divides is guaranteed, but presentation of the remittance record and Balance sheet etc. is necessary.</p> <p>(3) It is not allowed in principle to remit back invested money during the period when it enjoys taxation incentives investment.</p>
EXPORT PROMOTION	(1) Exporting firms can enjoy various incentives such as tax allowance on expenditures in relation to overseas sales promotion activities.	For some categories, certain obligatory export ratio is assigned as a condition of investment promotion categories. (Food processing, Sporting goods, Toys, Plastic products, etc.).	(1) Exporting firms can enjoy various incentives such as lowering of foreign investment ratio, tax allowance of double amount of sales promotion cost and exemption of custom duties and export tax, etc.	(1) Firms that export over 85% of their products are allowed to use imported materials as necessary to manufacture their products, no matter whether exist domestic productions or not.

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
EXPORT PROMOTION	<p>1) Export credit refinance system</p> <p>2) Export adjusted income reduction system</p> <p>3) 5% export allowance</p> <p>4) Export insurance premium double amount allowance system</p> <p>5) Export promotion cost double amount allowance system, etc.</p> <p>(2) Foreign investment ratio is decided on the basis of export ratio.</p> <p>(3) Exemption of custom duties for imported raw materials needed to exporting goods. (This shall be applied, provided no domestic production exists and quality of domestic products is inferior.)</p> <p>(4) Shipment to domestic FTZ is regarded as export too.</p>	<p>Apart from above, in some cases, certain amount of export may be imposed on the basis of administrative advice by Board of Investment. The government of Thailand offers various incentives about taxation and raising fund in order to promote exports. For example, refund of export tax, low interest fund finance system in fiber industry, etc.</p>	<p>(2) Bonded warehouses system</p>	<p>(2) Refund of the custom duties and import duties for imported goods used to manufacture exporting products.</p> <p>(3) Establishment of bonded area.</p> <p>(4) Reimbursement of Custom duties and import duties imposed on imported materials to be used for domestic production of capital goods requested to the investment project of foreign or national capital controlled by Master List approved by BKPM.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
LOCAL CONTENTS RATIO	<p>In regard to automobile parts and motorcycle parts, these are restrictions in accordance with local integration plan, but no general obligation of domestic procurement. However, minister of finance is authorized to assign the ratio of domestic raw materials on the basis of investment promotion law, besides there is a system, according which taxation incentives shall be given, provided that utilization ratio or domestic raw materials exceeds 51% of the price of goods.</p>	<p>There is no legal restriction, but following guide line of Board of Investment.</p> <p>(1) Utilization of domestic raw materials is recommended.</p> <p>(2) For some categories, local integration ratio is assigned. Automobiles (over 65% till July, 1988) Small-sized trucks (65% till July, 1988). However it is applied flexibly.</p>	<p>(1) Utilization of domestic raw materials is recommended.</p> <p>(2) For automobiles, trucks and electronic parts, there is step by step national production plan. Guide lines are established by ministry of trade and industries or by the industry's administrative organization depending on the case.</p>	<p>Upon approval of investment, utilization of domestic products and local integration may be requested as administrative advice. While utilization of domestic products is obligatory on the basis of local integration laws regarding parts of electrodomestics and of electric motors.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
LAND OWNERSHIP	<p>The right of possession is recognized on the land for industries and agriculture. There are four types of period which are 60 years, 66 years, 90 years and 99 years.</p>	<p>Foreigner's procurement of land is prohibited except promoted firms. But if promoted firms should be resolved or transfer their business then their land shall be sold within one year.</p>	<p>Holding of land is permitted only to the firms whose foreign share is less than 40% and directors over 2/3 are Philippine.</p>	<p>The rights of development and of utilization etc. are recognized but that of procurement is not recognized to foreigners. Therefore after obtainment of the rights of construction of business and of utilization on real estate, factory construction will be commenced. Term of use is 30 years but as extension of J/V period due to capital increase, etc. has been authorized (PACKAGE POLICY), period, as to land is supposed to be extendable.</p>

Items of Investment Environment

EMPLOYMENT OF FOREIGNERS

	Malaysia	Thailand	Philippines	Indonesia
(1)	Foreign firms are permitted to keep permanently specified key posts to be occupied by foreigners. (tentative standard is 5 million M\$ of foreign capital)	(1) In 39 occupations, foreigner's engagement is prohibited. Physical labor, Sales clerks, Office clerks, etc. (2) Board of Investment gives administrative advices to change gradually management and engineers to Thailand people, at the time of its issuance of permission to foreign workers. (3) Permanent visa is issued for less than 100 persons per country annually	(1) It's obligatory to employ local people in principle. But in case that local people could not serve in preferred areas of investment, then employment of foreigner is permitted for a period less than 5 years. This period may be extended for limited time by the authority's judgement.	(1) Firms of foreign capital are obliged to employ and train local people. (2) Firms are classified in categories where employment of foreigners will be permitted for certain period and in others where it will not be permitted, and they have obligation to train local people during the period of employment of foreigners. (3) Since Dec. 23, 1987, firms which export over 65% of their products have been free from restrictions of employment of foreigners.
(2)	5 foreigner's posts are automatically authorized, for new investment in which foreigner's paid capital shall be 2 million US\$ and over.			
(3)	The achievement of employment ratio (Bumiputra 40-50% Chinese 30-40% Indian 10%) is required.			
(4)	Presentation of training and adioting plan is obligatory.			

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
TAXATION CORPORATE TAX	Uniform rate of 35% of development tax is additionally levied at the same time.	30% to listed firms and 35% to unlisted firms.	25% on taxable income of up to 100,000 peso originated from Philippine domestic firms domiciled in Philippine and 35% on the portion over 100,000 peso. Besides, in addition to ordinary corporate income 10% of corporate development tax is levied on taxable income.	Income tax rate on personal income and corporate income is the same. Under 10 million Rp. 15% Over 10 million Rp. 25% Under 50 million Rp. 25% Over 50 million Rp. 35%

INCOME TAX

To residents:
Progressive rate 5-25, 68%

To non-residents:
uniform rate 40%

Progressive tax 7-55%

Progressive tax 1-35%

Lowest limit of taxable income is 2,500 peso.

- ditto -

Items of Investment Environment

OTHERS

Malaysia	Thailand	Philippines	Indonesia
<p>20% of withholding tax is levied on the payment of interest and royalty to non-residents. However, on the payment for Japan Malaysian tax rate has been lowered to 10% in according to Double taxation preventive pact between Japan and Malaysia</p>	<p>Apart from corporate tax, business tax is levied on the income per business areas. (tax rate differs depending on each business)</p>	<p>10% of tax levied on dividends, interest and royalties in accordance with the Tax treaty in case of preferred categories of investment.</p>	<p>10% of tax levied on dividends, interest and royalties.</p>

LABOR MARKET

- | | | | |
|---|--|--|--|
| <p>(1) No problem exists for firms extended to this country to employ man, powers of factory worker class if their skillfulness is not questioned. But lack of labor force is seen in some parts of west coast areas. (2) Man power of general administration and technical specialists are remarkably scarce and many of them take up another job.</p> | <p>(1) Rate of increase of labor population indicates a high level of 3% per year. (2) Potential unemployment of farm villages is said to be 3-5 million and many of them come up to Bangkok to work from their villages located in northern and northeastern areas in farmer's slack seasons.</p> | <p>(1) Having background of high productivity, labor force over 15 years of Philippine has been increasing at the rate of average 4.9% a year since 1980. (2) Lately their wage is reviewed time to time by presidential decrees. (3) Influence of TUCP (Trades Union Congress of Philippine) close to the government which has controlled labor movement so far, tend to come down.</p> | <p>(1) Labor population of a bit over 80% is concentrated in Java island. (2) No problem exists at all for employing labor force. (3) Strikes are permitted before the law but actually they have been prohibited by presidential decision since the communist party was made illegal in 1966.</p> |
|---|--|--|--|

Items of Investment Environment

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(3) Reflecting recent investment boom, man power of engineers and administration is scarce.

(4) Right of strikes can be established with simple majority of members of labor union in accordance with the new management and labor relations guide line of Feb. 1987.

POPULATION IN EMPLOYMENT AND UNEMPLOYED PERSONS

(1) In 1987
In employment: 5,580 thou. pers.
Unemployment rate: 9.1%

(1) In 1987
In employment: 25,375 thou.pers.
Unemployment rate: 6.7%

(1) In 1987
In employment: 19,298 thou.pers.
Unemployment rate: 11.2%

(2) Unemployment rate is said to be over 11% adding persons of imperfect employment in low income brackets.

(1) In 1988
In employment: 72,300 thou.pers.
(out of whom 32,100 thousand person's working time) is under 35 hours)
Unemployment rate: 2.95%

Items of Investment
Environment

	Malaysia	Thailand	Philippines	Indonesia
QUALITY OF LABOR FORCE	<p>(1) Malaysian population is composed of relatively many children and young people. The composition of labor population in 1985 was approx. 32% of 15-24 years and around 41% of 25-39 years.</p> <p>(2) Although Malaysia has various vocational schools and also vocational training schools, skillful workers are still wanting.</p> <p>(3) Class of administration is a bit scarce. It's possible to employ persons highly educated in the United States or in England.</p>	<p>(1) Unskillful labor force is abundant, while skillful one is wanting. Many engineers are hired away from firms.</p> <p>(2) Rate of primary education entry: 96% (1982) Rate of illiteracy: 9% (1985)</p> <p>(3) Government establishes technical training centers, carrying out vocational trainings, while it strongly longs for trainings by instructions by firms of foreign capital. For the firms extended to this country it is the key to be successful or not how effectively they transfer technologies to local workers and have them assimilate the same.</p>	<p>(1) Rate of primary education entry: 90% (1982) Rate of illiteracy: 14.3% (1985)</p> <p>(2) It can be mentioned that they have quality to be industrious workers as primary education is spreaded relatively well, English is their official language, rate of literacy is relatively high in comparison with other southeast asian countries and their overall comprehension is high.</p> <p>(3) Unskilled workers are over supplied while skilled ones are wanting.</p> <p>(4) Government establishes vocational training schools in cooperation with private sectors and thus makes efforts to foster skillful technologies.</p>	<p>(1) Rate of primary education entry: 100% (1982) Rate of illiteracy: 15.9% (1985)</p> <p>(2) Unskilled workers are abundant while skilled ones are wanting.</p> <p>(3) Government has propelled reinforcement of vocational training as one of main targets of its 5 years plan and has established about 30 training centers.</p> <p>(4) And it has been requesting each firm to organize its vocational training.</p> <p>(5) While, as many of university graduates, etc. hope to get jobs with governments offices or governmental enterprises, firms extended to this country have difficulties in securing excellent personnel.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
(4)	Inter-company educational training is needed so that employees may learn technics. But it's necessary to be ready for doing a lot of endeavors and paying a lot of money, for they have little sense of belonging to firm and many of them take up another job.	(4) As far as workers' quality is concerned, they are said to have little sense of joining their firm's management of Japanese way. However, there is plenty of room for improvement through educational instructions. Women workers receive high reputation for being diligent.	(5) Position of women is high and women's labor participation rate is consequently high.	(6) Besides, it is also hard to secure skilled workers. Firms of foreign capital are solicited to make programs for educating and training Indonesian people so that they may join the management in the future.
(5)	Malaysian government gives detailed administrative advices to establish an employment ratio corresponding to racial composition ratio at each level.	(5) Employment of Thai people to positions of administration level has been increased in conformity with governmental instructions as one of reasons, and thus [Siaminization] of firms' management side has been promoted.		
(6)	Rate of primary education entry: 92% (1983) Rate of illiteracy: 26.6% (1985)			

Items of Investment
Environment

	Malaysia	Thailand	Philippines	Indonesia
WAGES	<p>(1) Malaysia has no minimum wages law to be applied to manufacturing industries. (It has regulations of minimum wages to be applied to retail and hotel business etc.) Consequently, wages rules are left to each firm's discretion. Generally, daily wages to ordinary workers and monthly salary to office clerks are applied</p> <p>(2) Wages Starting salary for a college graduate (monthly salary): 1,000M\$ Average wages for a unskilled worker: 300 - 400M\$</p>	<p>(1) In accordance with minimum wages regulations of Thailand, Thai territory is divided in 6 areas and same minimum wages is applied regardless categories of business and kind of work within the same area. Minimum/wages in the capital district of Bangkok have been 90 Bahts a day since Apr. 1990.</p> <p>(2) Big wages difference is seen per area, category of business and also per each find.</p> <p>(3) Wages of individual workers are decided depending upon their school education, occupational career and technical experiences as main factors.</p>	<p>(1) In Philippine minimum wages are established by presidential decree. They consist of basic wages and living allowance.</p> <p>(2) Minimum: wages are applied per each industry and area. Those minimum wages applied in the capital district of Manila and other cities are 89 pesos per day.</p> <p>(3) Although nominal wages are going up to both skilled workers, real wages level of non-agricultural workers are showing a downward tendency due to considerable hikes of consumers price after the oil shock.</p>	<p>(1) Minimum: wages to be applied to all the industries or to certain specific categories are established by each regional or state Government. Those in Jakarta have been 1,600Rp. a day since June, 1986.</p> <p>(2) Big difference exists per category of business and kind of work. Even in the same category of industry, there is an extremely big difference between engineers and ordinary workers and wages levels of engineers and administration are high ranked among Asian countries.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
(3) In many cases, living allowance called COLA (Cost of Living Allowance) and medical cost, etc. in addition to the said basic wages. Generally bonus corresponding to one month wages is paid once a year.	(4) Wages Starting salary for a man college graduate (monthly salary): 4,000-5,000 Bahts Average wages for a worker (monthly wages). Unskilled: 4,100 Bahts Skilled: 4,600 Bahts	(4) Wages in 1987 Starting salary for a man college graduate (monthly salary): 3,000-4,000 pesos Average wages for a worker (monthly wages): 2,000-2,400 pesos (same for men and women)	(3) Wages paid in highly inhabited areas such as Java, Jogjakarta are low and three paid in such areas as Sumatra, Slawesi and Kalimantan are higher, and especially those paid in the areas where investment projects are concentrated are high.	
(4) Periodical raise is not done customarily but is adopted by some firms of Japanese capital as their wages plan.	(5) Generally, periodical raise once a year.	(5) In principle, same wages are applied to both men and women doing same work.	(4) Wages are kept increasing in around 20% every year following process of inflation.	
(5) Lunch and traffic costs are on account of employees in general, while factories offer their dining room facilities free of charge. And such factories as located at places inconvenient to going to work or that work in shifts give advantages of bus, etc.	(6) Bonus corresponding to 1 - 2 months wages are paid at the end of year or at the Chinese New Year.	(6) A big difference between nominal and real wages growing rate has been shown since 1987 and according rate of minimum wages is low.	Starting salary for a man college graduate (monthly salary): 3,000,000 Rp. (defers depending upon categories of business)	
	(7) Besides, many firms subsidize food expenses and medical costs, supply work clothes and offer bus service.	(7) Overtime pay is 1.25 times as large as ordinary wages rate.	Average wages for a worker: (monthly wages): 100,000-150,000Rp.	
	(8) Overtime pay is 1.5 times as large as ordinary wages rate.			

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(5) There are two kinds of wages such as cash payment and allowance in kind (foodstuffs and the necessities of life) and lately the latter is changing to cash payment especially in manufacturing industries located at metropolitan areas.

(6) Overtime pay is 1.5 times for first one hour and 2.0 times afterwards as large as ordinary wages rate.

M\$2.689=US\$1
Yeni39.3=US\$1(Sept'89)

Bt.25.79=US\$1(Sept'89)

P.21.945=US\$1(Sept'89)

Rp.1.783=US\$1(Sept'90)

INDUSTRIAL PARKS

(1) Industrial parks 105 industrial parks are already developed throughout the country.

(2) Land cost for industries M\$8.65-161.00/m² (as of the end of Dec., 1988)

(1) Construction and control of industrial parks are carried out by Thai Administration Bureau of Industrial Parks.

(2) Many other industrial parks have been developed by private sectors.

(1) Industrial parks 1) It is prohibited foreigners to procure public land for industrial uses.

2) For selection of places to install factories, Board of Investment's approval is needed.

(1) Industrial areas although there are areas designated as industrial areas, it does not necessarily mean that they should be completely equipped with roads, electric power and water supplies.

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
(3) Free Trade Zone	1) This is the special zone designated to firms manufacturing or assembling exporting goods. Places formally nominated as FTZ are 12 existing in the states of Penang, Malacca, Serangor and Johore.	(3) Cost of industrial parks located at the suburbs of Bangkok per m ² : Approx. 4,000 yen (1988)	3) Industrial parks available to tenants at present: Planning to increase them at each export process areas of Batan, Mactan, Baguio and Cavite.	For meeting these necessities, there exists factory complex. Currently, 25 areas are already developed as such industrial area with industrial parks.
2) Tenants are subject to qualification.	(4) Developments of eastern coastal areas. It is a regional development project aiming to promote heavy chemical industries at Map Ta Phut district by utilization of natural gas springing out in the Siam bay, and labor intensive and export oriented light industries in relation to the construction of large scale commercial port in place of the Bangkok port.	(4) Lease of industrial parks at the suburb of Manila per m ² : Approx. 4.20 peso/month	4) Lease of industrial parks at the suburb of Manila per m ² : Approx. 4.20 peso/month	(2) Industrial parks
(4) Bonded factory system	1) Bonded factory system has been established in place of free trade zones from the viewpoint of the promotion of decentralization of industries and growing of export oriented industries.	2) As to its function bonded factories are same as free trade zones.	(2) Main industrial parks	1) They are located at metropolitan environs of Java. Palembang in Sumatra, in Sularvesi and in East Kalimantan, etc. Land cost for factories is 40-50 US\$/m ² on an average.
2) As to its function bonded factories are same as free trade zones.	3) Conditions to be qualified as bonded factories	(5) Land cost for industries has drastically been increasing since 1987.	(2) 4 EPZ throughout the country are the center of channels for entry of foreign investment.	2) Main industrial parks
3) Conditions to be qualified as bonded factories				a) Pulo Gadung complex (Jakarta) It is located in East Jakarta, and being close to ports and airport, is the first full working complex in Indonesia. It is equipped with electricity, gas, water works, telephone, rubbish disposal

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are regulated.

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site, post office and bank, and siding leads to the port. In this complex there are many medium-sized manufacturers of glass, aluminum, fibers, farm implements and foodstuffs, etc.

b) Rungkut complex (Surabaya)

It is located closed to the port (15km) and is equipped with electricity, water works and so on.

c) Tjilatjap complex (Middle of Java Island)

It is provided with roads, drainage, electric power wire, water supply facilities, and fire prevention equipment.

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
SITUATION OF SERVICES o ELECTRIC POWER	<p>(1) Electric power supply business of peninsular Malaysia is operated by NEB.</p> <p>2) Generation capacity*: Approx. 43,904KW (1986) Generation amount: 16,099 million KWh</p> <p>3) Now they are trying to increase the capacity but supply is not sufficient yet. Some firms have provided themselves with private generating equipments.</p> <p>4) Electric power cost: Its rate for industrial use with supplied voltage of (under 6,600KV) per KWh: M\$0.21 plus monthly basic charge M\$6.00. Its rate for industrial use with supplied</p>	<p>(1) Electric power development started in 1961 and years of 1970's showed high expansion of annual average of 13%.</p> <p>2) Electrification rate is supposed to be about 80% in metropolitan areas and about 40% as a whole and that in provincial areas is said to still remain at 20% level.</p> <p>3) Around 20% of electric power demand is from people's life and the rest from industries.</p> <p>4) Generation method ratio is 2:1 by thermal power plants to water power plants. Now, plants to optimize the utilization of water power and to use natural gas and atomic powers. Generation capacity: 75,704KW (1986)</p>	<p>(1) Electric power is supplied by Indonesia Electric Power Corporation.</p> <p>2) Electric power demand gets growing year after year (annual rate 13-15%). Thus, Expansion of generating facilities is one of the government's important policies.</p> <p>3) About 60% of its demand is from general use and about 40% from industrial and commercial use. Electric power is utilized only in the cities yet and its spreading rate is only about 10%.</p> <p>4) As cost is high and supply is instable, many private generating equipments of their own.</p> <p>5) Rate of electricity for business use is varied depending upon firms' scale but</p>	<p>(1) Electric power is supplied by Indonesia Electric Power Corporation.</p> <p>2) Electric power demand gets growing year after year (annual rate 13-15%). Thus, Expansion of generating facilities is one of the government's important policies.</p> <p>3) About 60% of its demand is from general use and about 40% from industrial and commercial use. Electric power is utilized only in the cities yet and its spreading rate is only about 10%.</p> <p>4) As cost is high and supply is instable, many private generating equipments of their own.</p> <p>5) Rate of electricity for business use is varied depending upon firms' scale but</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
<p>voltage of (under 6,600-66,000): MS\$0.6 plus monthly basic charge M\$5.00.</p> <p>* Generation capacity = maximum generating power of generating equipments</p> <p>Generation amount = including consumed quantity of electric power and lost quantity during transmission.</p>	<p>Generation amount: 25,932 million Kwh</p> <p>5) Electric power cost per KW.day: about 2.40 Bt (average)</p>	<p>Generation amount: 84,704KW (1986)</p> <p>6) Generation capacity: 29,850 million KWh</p>	<p>Generally it's 0.11 US\$ per KWh.</p>	
<p>o INDUSTRIAL WATER</p>	<p>(1) Industrial water</p> <p>1) Almost all the sources of water supply are rivers, which abound with water on account of heavy rain.</p> <p>2) Quality of water being chemically treated, is considered better than those of neighboring southeast Asian countries.</p> <p>3) Industrial parks located at the suburbs of large cities have some difficulties in supplying sufficient water because</p>	<p>(1) Water supply</p> <p>1) It is operated and controlled by Metropolitan Water Work Authority (MWWA) in metropolitan areas and by Provincial Water Works Authority (PWWA) in provincial areas.</p> <p>2) Metropolitan areas now cannot help but depend on chemically treated water (river well water) in place of well water because of lowering of underground water</p>	<p>(1) Water supply, Industrial water.</p> <p>1) In Manila metropolitan areas both drinking water and industrial water are supplied by Water Supply Corporation.</p> <p>2) In provincial areas well water is used, while factories prepare their own water supply equipments at their account.</p> <p>3) To use rivers, it has problems that quality of water decreases in dry seasons and its</p>	<p>(1) Water supply, Industrial water.</p> <p>1) Water supply is spreaded in Jakarta and other cities but other provincial areas are not equipped with water supply facilities.</p> <p>2) Quality of water provided through these water works is not good and sometimes is inadequate not only to drinking industrial water. Besides, supply is stopped sometimes</p>

Items of Investment
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Malaysia	Thailand	Philippines	Indonesia
<p>of sharp demand from houses and factories.</p> <p>4) Water supply capacity of east Malaysia is not enough.</p> <p>5) Sewerage system has been constructed in only a few large cities so far and then, future expansion is expected.</p> <p>6) Rate: Rate of water supply differs with states. Johore: M\$1.20m²/M Kela Kajong: M\$0.70m²/M Keda: M\$0.86m²/M</p>	<p>level caused by increase of wells and deterioration of quality of water caused by mixture of salt water.</p> <p>3) Crude water is not potable at all even though it is chemically treated.</p> <p>4) NWA and PWA have started urgent plan for improvement.</p> <p>5) Rate: about 8.45Bt per m³</p> <p>(2) Sewerage 1) City drainage: Bangkok is the only city where an urgent solution is requested for sewerage problems. 2) There is another problem of flooded streets caused by sinking ground. Construction of integrated public sewerage is expected.</p> <p>(3) Industrial water 1) Each firm sinks wells and uses well water as</p>	<p>quality changes. Recently deterioration of water has advanced and therefore filtering equipments are needed.</p> <p>4) Rate: Less than 25m³ \$7.73 25m³-1,000m³ \$0.31/m³ More than 1,000m³ \$0.36/m³</p>	<p>in dry seasons.</p> <p>3) Sewerage and draining are not sufficient yet in many places.</p> <p>4) As industrial water has problems both in its quantity and quality, there are fears that operation would be hindered unless each factory prepares their own water supply equipments. Many firms utilize wells.</p> <p>5) Rate: 350-600Rp./month</p> <p>As Indonesia consists of more than 13,000 islands, marine transportation is main transport method and consequently roads and railways transportations are secondly. This country is inferior to neighboring countries regarding transport conditions.</p>

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industrial water. has hardness and resolved salt two times as much as Japanese standard.
3) Drawing of underground water is free from restrictions but rules of drainage are severe than those of Japan.

TRANSPORT . TRAFFIC SERVICES

(1) Roads

- 1) They are classified roughly into national highways, state highways and local ways. Total length is 39,069km (1986) and paved portion is so high as about 80%.
- 2) Main highways in Peninsular Malaysia are:
 1. National highway No.1 running from Johore Bahru to the border of Thailand through the west side of peninsular,
 2. National highway No.2 connecting east and west coasts,
 3. National highway No.3 running from

(1) Roads

- 1) Roads play main role in Thai inland traffics and over 80% of transportations of cargos and passengers depend on the roads
- 2) As of 1987 total length is 84,764km and paved portion is 40%.
- 3) Now that national highway net has been completed, points are laid on the construction of highways necessary for farm village developments and national defense.
- 4) Construction of cargo terminals, passenger terminal-

(1) Roads

- 1) As of 1987, total length is 157,810 km and paved portion is 14%.
- 2) Roads are developed through plain areas of Luzon island the center of which Manila.
- 3) Pan-Philippine Highway has been completed connecting northern part of Luzon island with Davao of southern part of Mindanao island.
- (2) Railways National Railway operates in Luzon island and private railways in Cebu and Panay Islands.

(1) Roads

- 1) Total length is 219,009km (1986). Road network is thin as a whole. Paved portion has increased to 62.3% but maintenance is poor and broken portion is high with the exception of national highways.
- 2) 63km toll expressway is constructed linking Jakarta and Bogor Ciawi to mitigate traffic congestion around Jakarta, which is scheduled to be extended.
- (2) Railways are found in Java, Madura

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
<p>Kuantan to Kota Bharu alongside the east coast, 4. East to west highway completed in 1982.</p> <p>In East Malaysia, roads are not developed yet and highways connecting main cities are only available.</p> <p>(2) Railways</p> <p>1) Railways of Peninsular Malaysia have 2 trunk lines, one to connect Singapore with Bangkok running through west coast and the other extending from the center of peninsular to northwest coast and some branch lines around KL.</p> <p>2) Coast Malaysia has only one line in Kota Kinabaru, Sabah state and nothing in Sarawak.</p> <p>3) Weight of railway transportation is small.</p>	<p>nals and relief of traffic congestion of Bangkok and its improvement plan, etc. are also important targets.</p> <p>(2) Railways</p> <p>1) Thailand National Railway controls and operates.</p> <p>2) Total length is 3,765km, out of which only 90km is double-track. No electrified sections. Diesel locomotives are main. Average speed so slow as 40km/hr.</p> <p>3) South line links with Malaysian National Railway and east line Cambodian National Railway respectively.</p> <p>4) As being overpowered by road transportation growing rate of railway transportation has been dull, they are trying to increase transportation capacity making themselves double</p>	<p>Total length is 1,450km. Portion of railway transportation is low.</p> <p>(3) Aviation</p> <p>1) Philippine Airways operate domestic and international airway services.</p> <p>2) Airway network is organized with Manila International Airport and other 57 airports International airports are 2 airports of Manila and Cebu.</p> <p>3) Airway cargo transportation: 265 million tons/km (1987)</p> <p>(4) Shipping</p> <p>1) As Philippine consists of a lot of islands, marine transportation has well developed.</p> <p>2) Both Manila and Cebu are the largest ports.</p> <p>3) Manila is the center of overseas trade, holding 5 piers for outbound ships and 23 berths. Container</p>	<p>and Sumatra islands but as all of them were installed in the era of Dutch rule, majority of their trains are old fashioned and service is poor.</p> <p>2) Although passengers and cargos which utilize them have been decreased in competition with bus and truck, their competitiveness is getting recovered as method of long distance transportation.</p> <p>(3) Aviation</p> <p>1) Airway transportation have been developed recently and jet plane services are available among main cities. Airports of main cities are in process of repairs.</p> <p>2) Airway cargo transportation: 337 million tons/km (1987)</p>	

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
(3)	<p>Aviation</p> <p>1) Malaysia has 18 airports, 9 in Peninsular Malaysia and 9 in East Malaysia, Out of which Kuala Lumpur, Penang and Kota Kinabaru are international airports.</p> <p>2) Airway cargo transportation: 335 million tons/km (1987).</p> <p>In recent years demand for airway transportation especially of cargos has been sharply increasing and shows about 15% of annual growing.</p> <p>3) There are various plans each as the second stage construction of KL airport to begin with, respective airports' expansion program and new airports construction projects.</p> <p>(4) Shipping</p> <p>1) Main ports are Port Kelang,</p>	<p>track and overhead railways.</p> <p>(3) Aviation</p> <p>1) Bangkok is the base of southeast airway network into which 38 airlines have extended.</p> <p>2) International airports:</p> <p>4 airports of Bangkok, Chiang Mai, Hat Yai and Phuket.</p> <p>3) Airway cargo transportation: 524 million tons/km (1987)</p> <p>4) Passengers using Bangkok airport: It showed expansion of 2.8 times during 10 years from 1.90 million in 1970 to 5.30 million in 1979.</p> <p>5) Now, the second international airport is planned to construct to substitute for Bangkok airport.</p> <p>(4) Shipping</p> <p>1) Bangkok (Krung Thep port) is one of main ports but</p>	<p>ports were already completed (1981), while Manila port is planned to be expanded.</p> <p>4) Cebu port is the center of inbound shipping. Other marine ports are Legaspi, Iloilo, Zamboanga, Cagayan and Davao, etc. and total number of ports of various sizes is said to be so many as 3,000.</p> <p>5) Marine cargo transportation (1987)</p> <p>Loaded cargos: 24,696 thousand tons</p> <p>Unloaded cargos: 12,984 thousand tons</p>	<p>(4) Shipping</p> <p>1) As Indonesia is the largest archipelago nation in the world, maintenance of marine transportation capacity is one of important points not only for exterior trades but also for integration of the nation.</p> <p>2) Main islands are linked by regular line service but serving ships are so small as 500-2,000 tons and many of them are worn-out.</p> <p>3) Specialized vessels are used for crude oil, coals, lumbars, cement, fertilizers.</p> <p>4) Government is focusing on shipbuilding of outbound ships.</p> <p>5) Preparation for containerization is delayed and ports where container cargoes can be handled are only 3 ports of</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
	<p>Penang port, Johore port, Kuantan port (all above in Peninsular Malaysia) and Bintule port (in East Malaysia)</p> <p>2) Peninsular Malaysia possesses other ports such as Port Dixon, etc. which, together with Port Kelang and Penang port, handle 70% of total cargos handed in Peninsular Malaysia.</p> <p>3) East Malaysia possesses Sandakan port, Kota Kinabaru port, Towau port, Kuching port and Sibuluan port and Bintule port was constructed mainly for shipping LNG and area.</p> <p>4) Expansion of each existing ports and construction of container terminals are planned to meet the needs of container transportation.</p> <p>5) Marine cargo transportation (1987)</p>	<p>ships of over 10,000 gross tons cannot call it because it is a river port and the water is not deep enough (8.5m). So it is uneconomical.</p> <p>2) It is behind in mechanization and consequently rationalization of loading and unloading is not progressed. Besides berth are wanting and transportation facilities are not well prepared. All these factors have caused freight congestion problem.</p> <p>3) For this reason such plans as development of Laem Chabang port, conversion of Sattahip port to commercial port, development of Phuket port and Sangkhla port have been carried out.</p> <p>4) In accordance with Marine transport promotion law</p>		<p>Jakarta, Surabaya and Medan.</p> <p>6) Marine cargo transportation (1987): Loaded cargos: 147,552 thousand tons Unloaded cargos: 40,596 thousand tons</p>

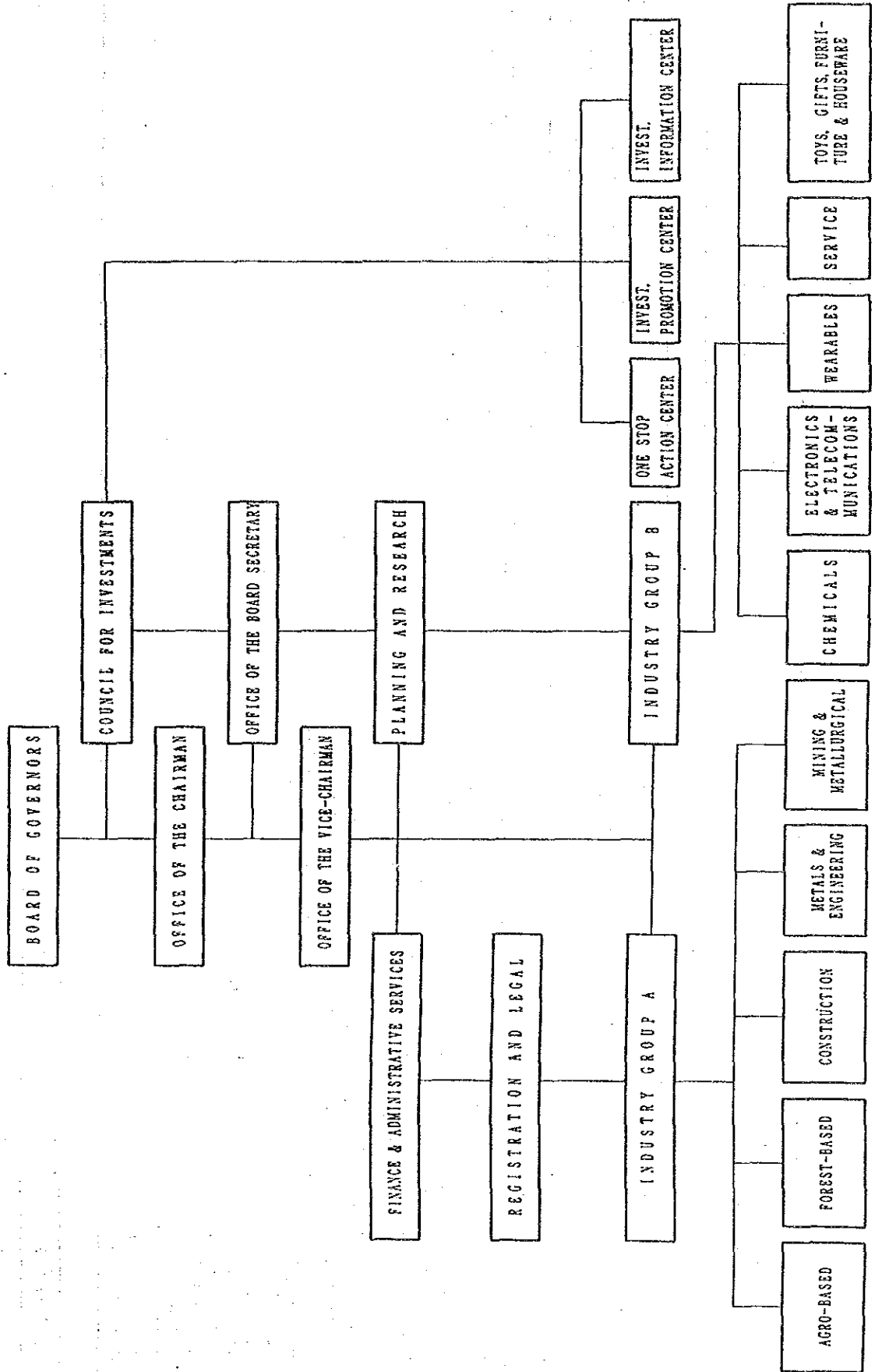
Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
	<p>Loaded cargos: 14,652 thousand tons Unloaded cargos: 20,880 thousand tons</p>	<p>decreed in 1978, increase of loading rate per ships of Thai nationality and taxation incentives to shippers using ships of Thai nationality have been aimed.</p> <p>5) Container yards are being developed through inland areas.</p> <p>6) Marine cargo transportation (1987) Loaded cargos: 24,444 thousand tons Unloaded cargos: 19,008 thousand tons</p>		
	<p>(1) Although telegraph and telephone networks of Malaysia are relatively well prepared among southeast asian countries, telephone capacity has continued to be wanting due to sharp increase of demand.</p> <p>(2) Number of telephone as of 1985</p>		<p>(1) Telephone 1) Number of telephones as of 1985 is 820, that is 1.5 per 100 persons. 2) Majority is concentrated in Manila Metropolitan areas. 3) There are about 60 telephone companies but Philippine Long-distance Telephone</p>	<p>(1) Mail In spite of expansion of post offices being effected, its network is not well extended yet and it takes pretty long time to collect and deliver mail matter, which sometimes disappeared.</p>

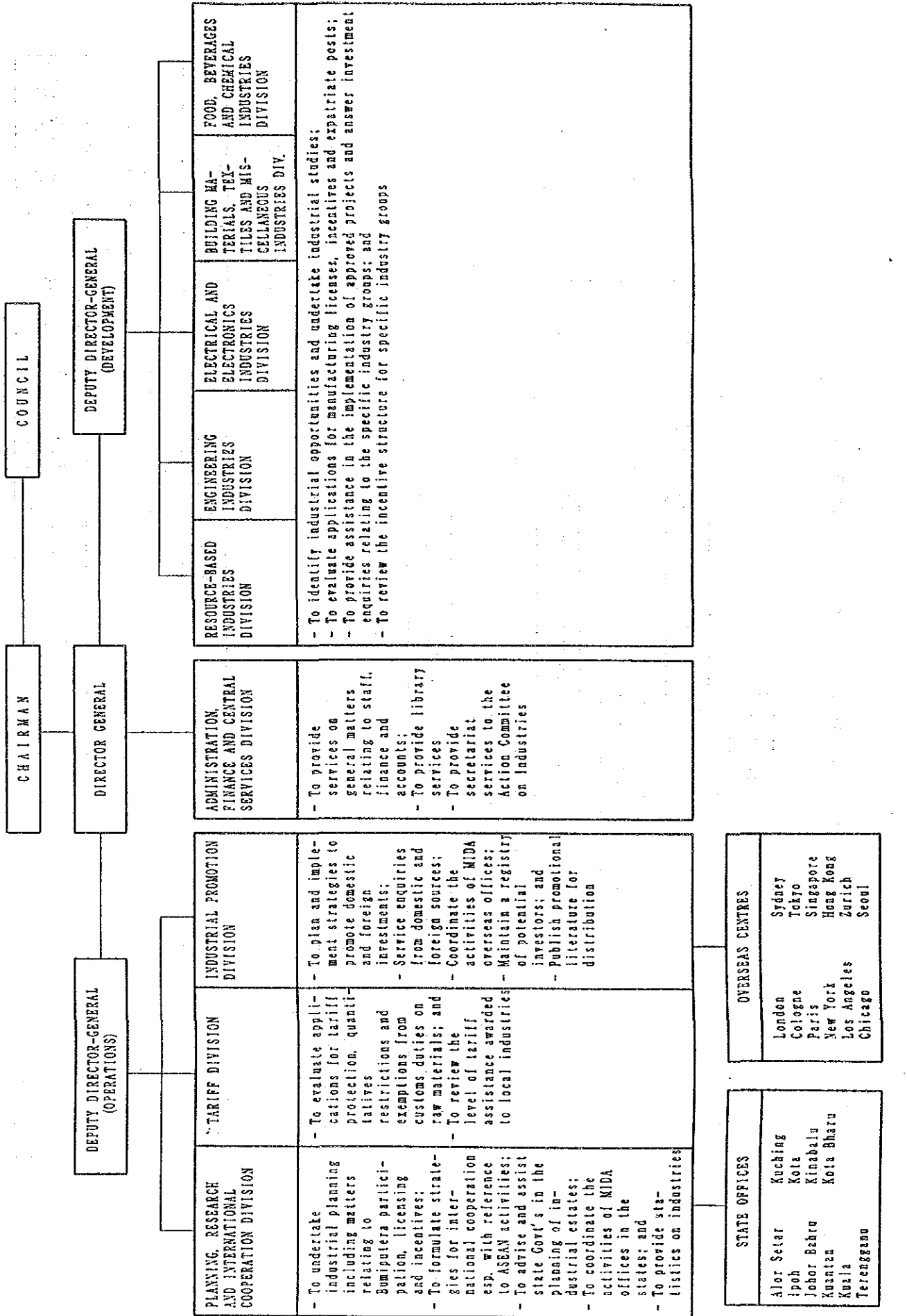
Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
<p>is 1,279 (5 telephones per 100 persons) The 4th 5 years plan in which telephone circuits would be increased to 1.60 million by 1985 was carried out. Besides telex network has been reinforced.</p>	<p>planned in order to solve the problem of telephone shortage. 3) Number of telephone as of 1985 is 755, that is 1.4 per 100 persons.</p>	<p>Company covers 80% of total demand. 4) As telephone equipments are worn out and it causes difficulties of communication many times, modernization of the equipments is urgently needed.</p>	<p>(2) Telephone Graph 1) State Telecommunications Corporation operates telecommunication business. 2) Number of Telephones as of 1982 is 669, namely 0.4 per 100 persons, which is the least even of southeast asia. Number of switchboard and circuit capacity are insufficient and consequently it is difficult to make a phone call. In provincial areas especially it is.</p>	<p>(2) Telephone Graph 1) State Telecommunications Corporation operates telecommunication business. 2) Number of Telephones as of 1982 is 669, namely 0.4 per 100 persons, which is the least even of southeast asia. Number of switchboard and circuit capacity are insufficient and consequently it is difficult to make a phone call. In provincial areas especially it is.</p>
<p>(3) As telephone installation at industrial parks is given priority, the supply of telephone for business has almost no problem, as far as users are located at industrial parks.</p>	<p>(2) International telephone service made through operator intervention system, while direct dialing system is available in Bangkok, etc.</p>	<p>(3) International telex service It depends on satellite telecommunications through INTERSAT except some cases. As a part of ASEAN submarine cable networks, sections to connect respective three countries of Thailand, Malaysia and Singapore have already been completed.</p>	<p>3) Telegraph and telex are often utilized thanks to improvement of microwave circuits and to launched satellites. Especially telex is popularized.</p>	<p>3) Telegraph and telex are often utilized thanks to improvement of microwave circuits and to launched satellites. Especially telex is popularized.</p>

Items of Investment Environment	Malaysia	Thailand	Philippines	Indonesia
POLLUTION REGULATIONS	<p>(1) Basic laws for prevention of pollution is under jurisdiction of Bureau of Environmental Controls of Ministry of Service Technology and Environment as a part of Laws for Environmental Security.</p> <p>(2) Pollution standards so far established are,</p> <ol style="list-style-type: none"> 1) air pollution 2) disposal of natural gum 3) filthy water. <p>(3) Government is watching pollution problems severely because of increasing troubles brought about with industrial expansion. Especially it pays strong attention to water quality pollution, for many people still depend on natural water of rivers, etc. for living water.</p>	<p>(1) They are under jurisdiction of National Board of Environment.</p> <p>(2) There are restrictions on the atmosphere, water quality, industrial wastes and noise, and are as severe as those of advanced nations.</p> <p>(3) It is desirable to consult with National Board of Environment beforehand.</p>	<p>(1) Investigations and research are carried out mainly by Board of Pollution Restrictions over pollution problems such as pollution of water quality of rivers caused by industrial waste water and exhaust gas of automobiles, and their counter-measures are in process of concrete practice.</p> <p>(2) In 1976 pollution restrictive law was enacted and in 1977 Council for Environmental Protection was established.</p> <p>(3) Obtainment of the approval of Bureau for Environmental Controls is one of the conditions for installing factories. Especially since 1990 strong policy for observing standards has been issued.</p>	<p>(1) Strong interest has been shown in pollution problems but no practice has been accompanied with.</p> <p>(2) Sometimes certain standards severer than those of advanced industrial nations are requested to newly installed factories, therefore it is desirable for firms extended to this country to investigate detailedly each country's standards, to well explain to the officer in charge to make him convinced.</p>

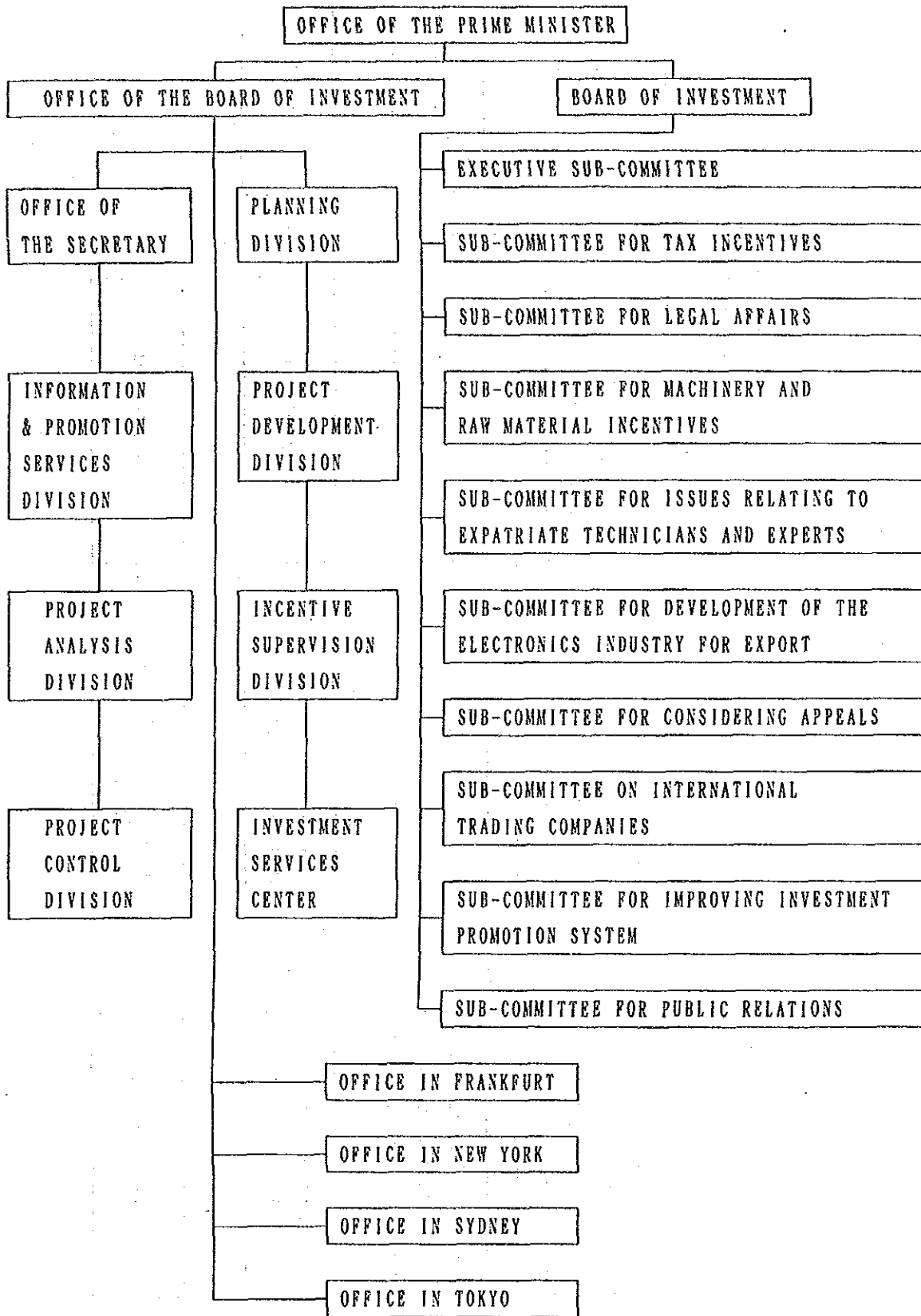
ANNEX 4
ORGANIZATION CHARTS

ANNEX 4-1 BOI ORGANIZATIONAL CHART OF THE PHILIPPINES

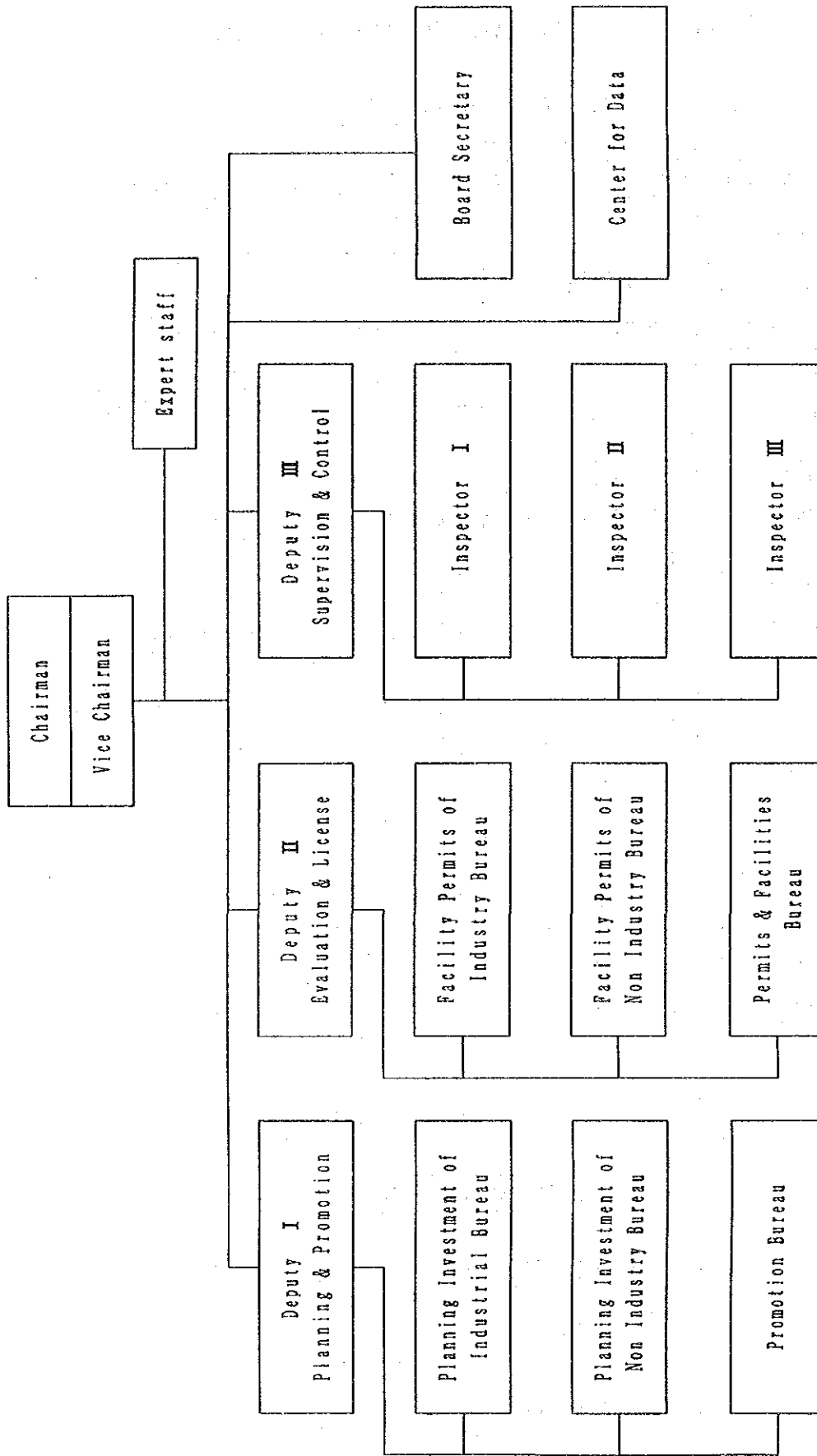




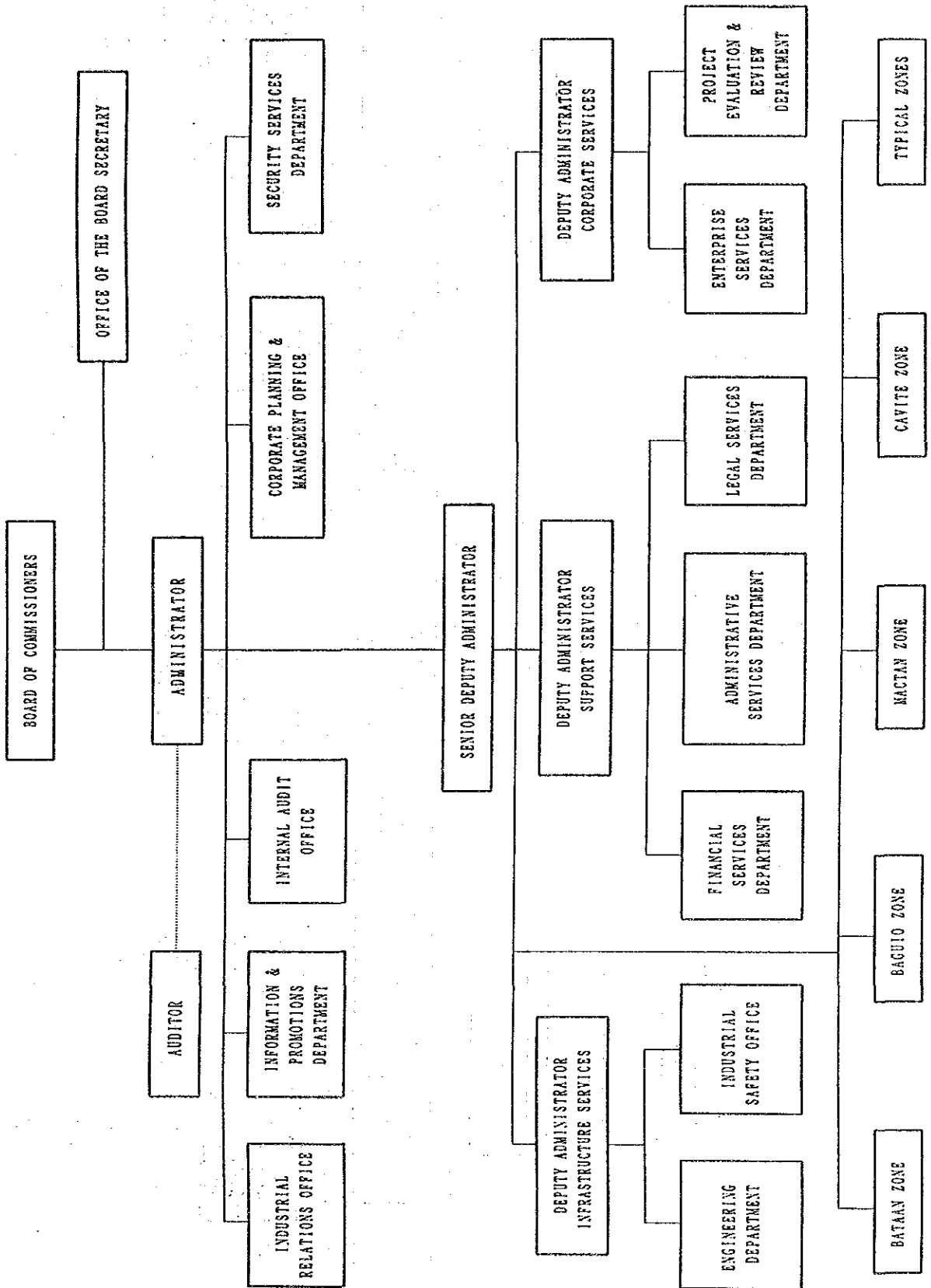
ANNEX 4-3 ORGANIZATION CHART OF BOI OF THAILAND



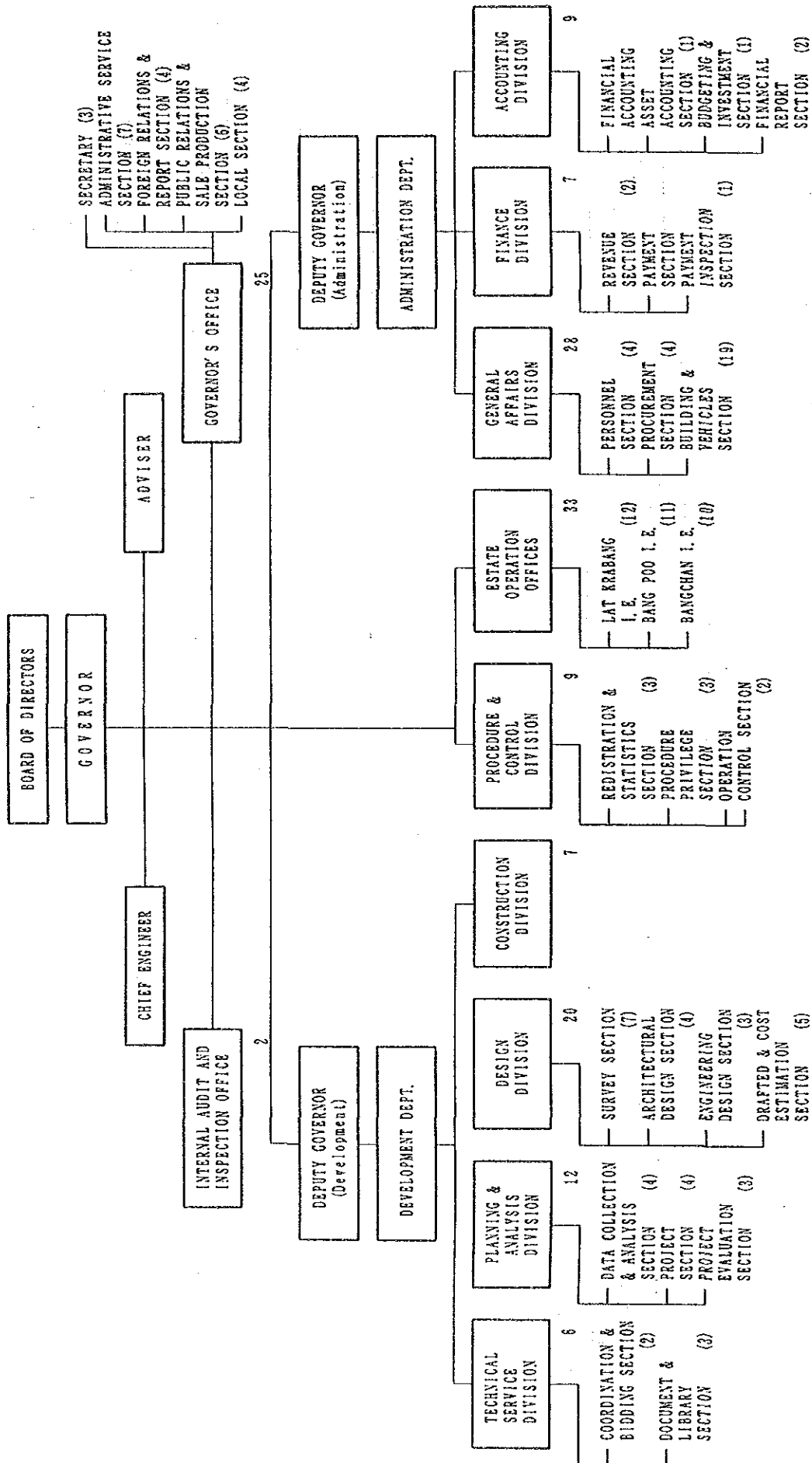
ANNEX 4-4 ORGANIZATION CHART OF BKPM OF INDONESIA



ANNEX 4-5 EPZA ORGANIZATIONAL STRUCTURE OF THE PHILIPPINES



ANNEX 4-6 LEAT ORGANIZATION CHART OF THE THAILAND



ANNEX 5
INFRASTRUCTURE OF MAIN INDUSTRIAL ESTATES

ANNEX 5 Infrastructure of main Industrial Estates

Baguio City E.P.Z.

Bataan E.P.Z.

Cavite E.P.Z.

Mactan E.P.Z.

	Period	Peso/Sq.M./Month	Filling fee P1,000/one time	Registration fee P1,000/one time	Filling fee P1,000/one time	Registration fee P1,000/one time	Filling fee P1,000/one time	Registration fee P1,000/one time
1. Registration Fee	Jan 1'85 -	4.70						
	Dec 31'89	6.82						
	Jan 1'90 -	6.82						
	Dec 31'94	9.88						
	Jan 1'95 -	9.88						
2. Sales (Rental) Rates for Industrial Land	Dec 31'99	14.33						
	Jan 1 2000 -	14.33						
	Dec 31'04							
	Jan 1'85 -	4.70						
	Dec 31'89	6.82						
3. Standard Factory Building	Jan 1'90 -	39.31						
	Dec 31'91	45.21						
	Jan 1'92 -	45.21						
	Dec 31'93	51.99						
	Jan 1'94 -	51.99						
4. Power Supply	Dec 31'95							
	Jan 1'88 -	34.18						
	Dec 31'89	39.31						
	Jan 1'90 -	39.31						
	Dec 31'91	45.21						

Baguio City E.P.Z.

Bataan E.P.Z.

Cavite E.P.Z.

Mactan E.P.Z.

5. Water Supply

One million gallon tank provided by the Baguio City Water District.

Water is supplied by a 2.4 billion gallon capacity dam.

Two elevated water tank, each with a 100,000 gallon capacity, a ground storage reservoir capable of delivering one million gallon of water daily.

One million gallon reservoir and an elevated water tank with a 30,000 gallon capacity, both of which we operated by MCWD.

<Utility Rates>
Consumption Meter P/cu.m
cu.m/Month Size

<Utility Rates>
Consumption P/cu.m
cu.m/Month

<Utility Rates>
Consumption P/cu.m
cu.m/Month

<Utility Rates>
Consumption Meter P/cu.m
cu.m/Month

First 10 1/2 inch 54.60 Up to 25 cu.m 106.24
3/4 inch 87.30 26 to 1,000 cu.m 4.25
1 inch 174.60 1,001 cu.m and above 4.98
1 1/2 inch 436.50
2 inch 1,091.25
3 inch 1,964.25

First 10 1/2 inch 154.15
3/4 inch 6.1655
1 inch 7.2010
1 1/2 inch
2 inch 1,125.00
3 inch 2,025.00
Above 3 4,050.00

First 10 1/2 inch 56.25
3/4 inch 90.00
1 inch 180.00
1 1/2 inch 450.00
2 inch 1,125.00
3 inch 2,025.00
Above 3 4,050.00

in excess of 10 cu.m
11 cu.m to 20 cu.m 3.9
21 cu.m to 30 cu.m 3.98
31 cu.m and above 4.13

11 cu.m to 20 cu.m 3.48
21 cu.m to 30 cu.m 4.65
31 cu.m to 40 cu.m 6.75
41 cu.m and above 7.95

6. Communications

At present, 127 pair of telephone lines are still available.

Telephone service by PLDT
Telegraph service by PF & T
Telex service by Globe-Mackay

Telephone service by PLDT
12 direct lines to Manila.
Telegraph & Telex service is also available.

Telephone service by PLDT
Telegraph service by PF & T
Telex service by Globe-Mackay

<Utility Rates>
Telephone to Manila
P10.8 for the first 2 min.
P5.4 for the next minute
Japan
P191.25 for the first 3 min.
P42.59 for the next minute

<Utility Rates>
Telephone to Manila
P6.30 for the first 2 min.
P1.40 for the next minute
Japan
P191.25 for the first 3 min.
P42.59 for the next minute

<Utility Rates>
Telephone to Manila
P4.05 for the first 2 min.
P0.60 for the next minute
Japan
P191.25 for the first 3 min.
P42.59 for the next minute

<Utility Rates>
Telephone to Manila
P18.20 for the first 2 min.
P9.10 for the next minute
Japan
P191.25 for the first 3 min
P42.59 for the next minute

7. Road System

Two-lane concrete roads with mercury-light and drainage canals.

Four-lane roads, with drainage canals and modern street-lighting fixtures.

Four-lane concrete roads with drainage canals and Maercury-lights.

For-lane concrete roads with drainage canals and well-spaced maercury lamps.

8. Cargo Facilities

EPZA-registered service companies provide brokerage, trucking and freight forwarding services to serve the shipping needs of zone enterprises.

EPZA-registered service companies provide brokerage, trucking and freight forwarding services to serve the shipping needs of zone enterprises.

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Baguio City E.P.Z.

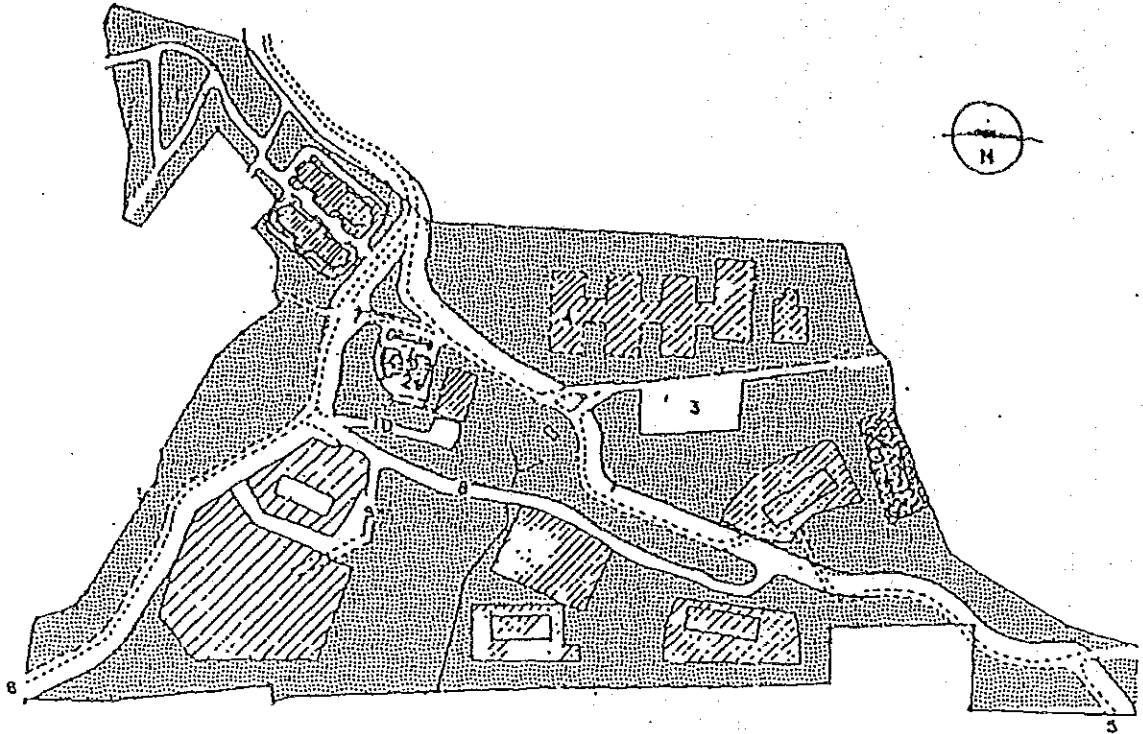
Bataan E.P.Z.

Cavite E.P.Z.

Mactan E.P.Z.




9. Other Facilities within the Zone
- Security to providing by the BCPZ Police Force manning the zone on a 24 hour schedule.
 - A medical center is available.
 - A water treatment plant.
10. Other Key Consideration
- Housing facilities for top executives, middle-managers, and rank and fill employees are available.
 - Basic infrastructures and facilities may be considered equal to those could be found with Metro Manila area.
 - The area has no readily available pool of skilled workers.
 - There have obviously been problems regarding the labor front in the zone. (great care and attention must be based on labor relations.)
- Security services.
Employment agency service.
- Most nearest location from Manila. (among EPZs)
Poor quality condition of supplying water
Lack of tele-communication system.
- Convenient sea line and air line from Cebu.
More less labor strike than other area. (no labor union in the Zone.)
Poor commuting system from Cebu city.

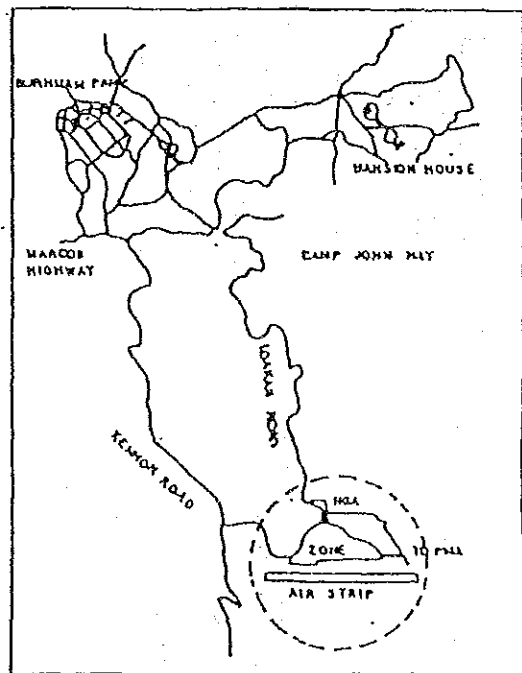
EXHIBIT A5-I MASTER PLAN OF BAGUIO CITY EXPORT PROCESSING ZONE



LEGEND

- 1 STAFF HOUSING AREA
- 2 ADMINISTRATION BLDG.
- 3 PARKING AREA
- 4 PROPOSED BLDG.
- 5 TO PMA
- 6 TO LOAKAN AIRPORT
- 7 GEN. AGUIBALDO ROAD
- 8 ROAD 4
- 9 ROAD 4A
- 10, ROAD 2A

-  GREENS
-  ADMINISTRATION
-  FACTORY LOTS



VICINITY MAP

ANNUAL LOCATIONAL REPORT

- 1 NAME OF ESTATE / ZONE : CAVITE EPZ
- 2 LOCATION : ROSARIO CAVITE
- 3 EXPORT PROCESSING AGENCY : EXPORT PROCESSING ZONE AUTHORITY (EPZA)
- 4 DATE :

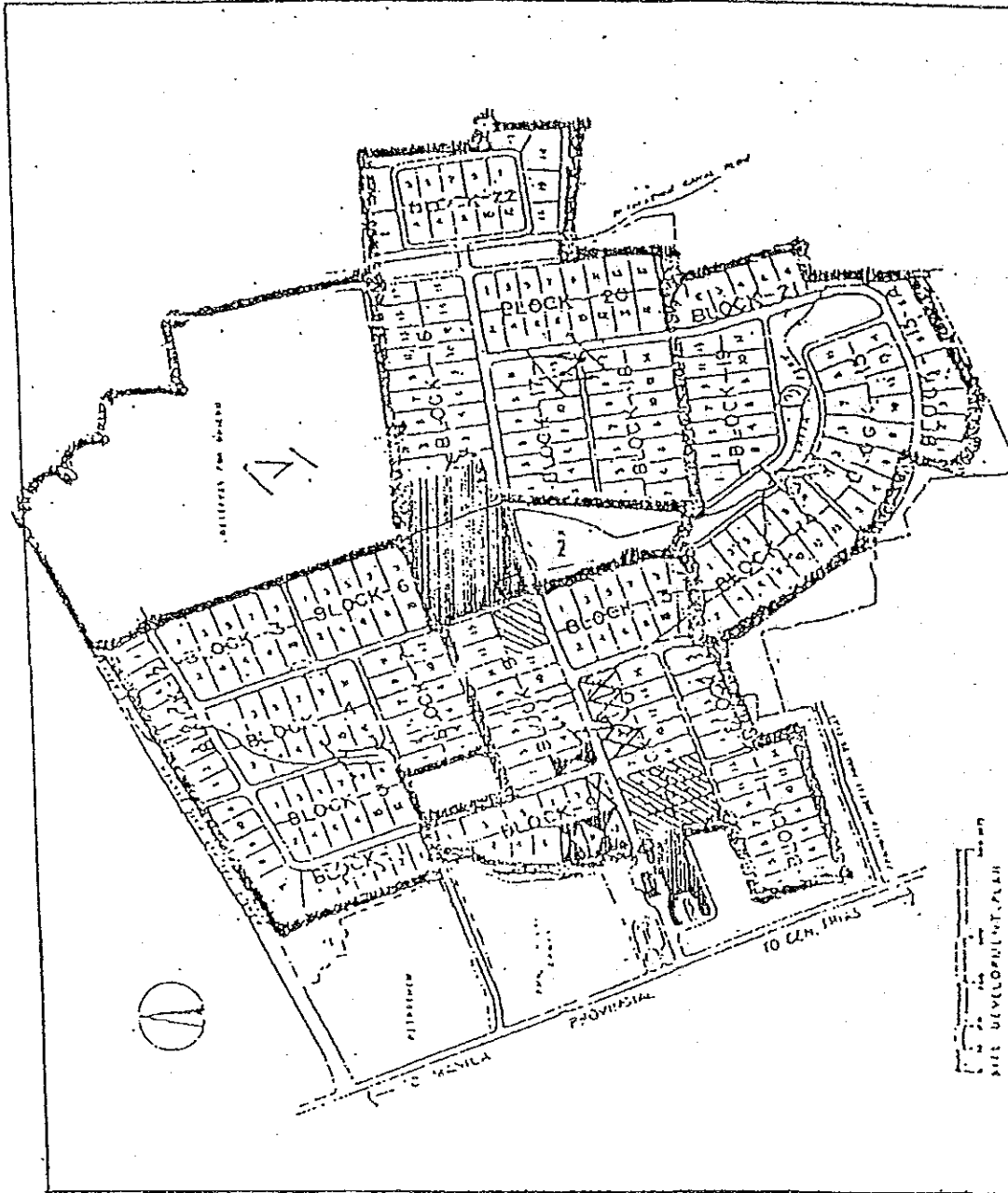
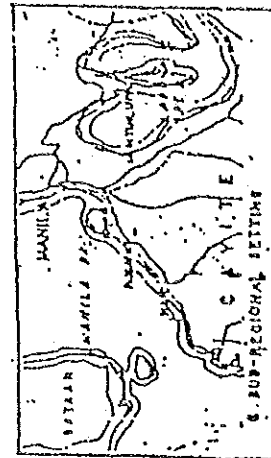
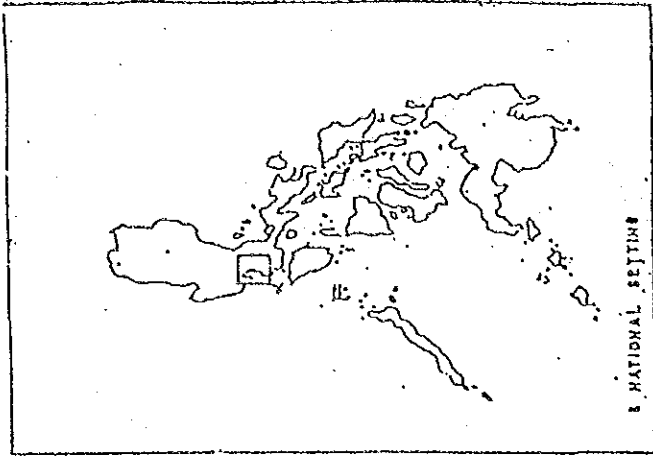
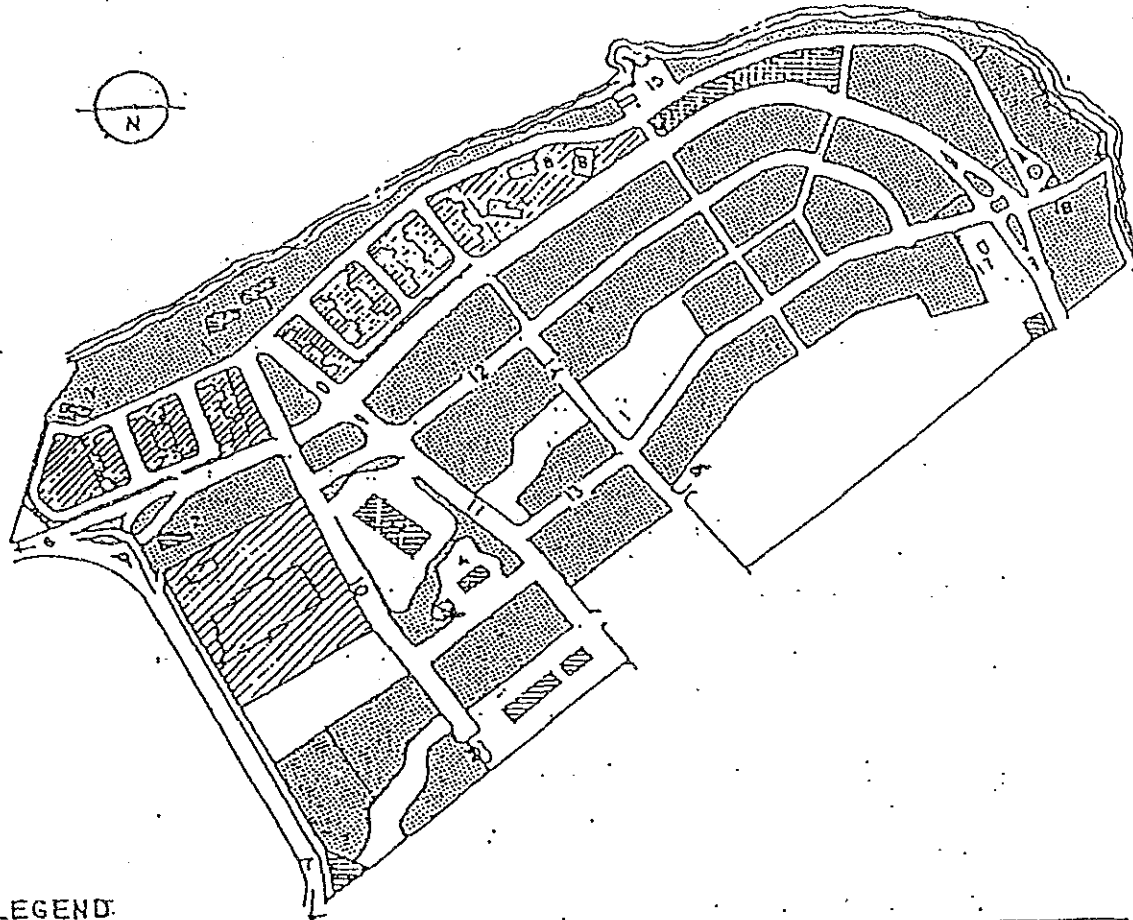


EXHIBIT A5-III MASTER PLAN OF CAVITE EXPORT PROCESSING ZONE

LEGEND:

- [Hatched Box] EXISTING ESTABLISHMENT
- [Dotted Box] PROPOSED ESTABLISHMENT FOR 1988
- [Cross-hatched Box] PROPOSED ESTABLISHMENT FOR 1989
- [Empty Box] VACANT LOT BESIDE THE ADMINISTRATION BUILDING
- [Empty Box] VACANT LOT LOCATED AT THE CENTRAL PART OF THE ZONE

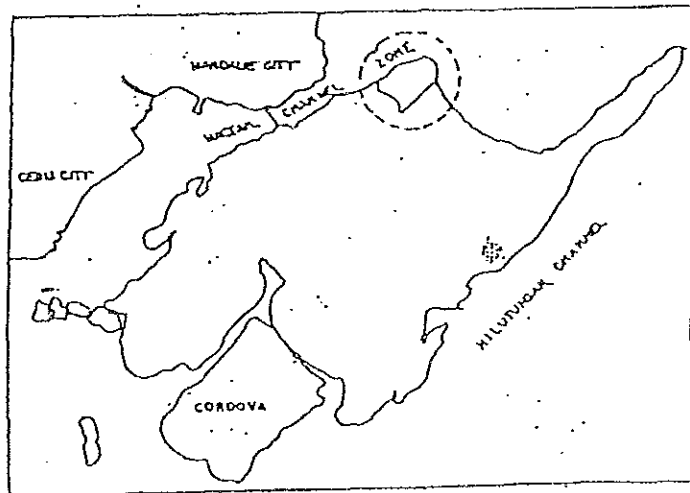
EXHIBIT A5-IV MASTER PLAN OF MACTAN EXPORT PROCESSING ZONE



LEGEND:

- 1 EATERY
- 2 EPZA TEMPORARY OFFICE
- 3 ADMINISTRATION BLDG.
- 4 SECURITY FIRE DEPT.
- 5 AIR CARGO TERMINAL
- 6 TO LAPU-LAPU CITY
- 7 TO MACTAN AIRPORT
- 8 POOL
- 9 BOWLING
- 10 ROAD 3
- 11 ROAD 4
- 12 ROAD 5
- 13 ROAD 7
- 14 ROAD 6
- 15 FERRY
- 16 TRANSMITTER TOWER (EXISTING)
- 17 ELEMENTARY SCHOOL

-  GREENS
-  ADMINISTRATION
-  FACTORY LOTS



VICINITY MAP

