

TRADE POLICY AND RELATED ISSUES IN THE PHILIPPINES^{*}

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The Philippines has been undertaking macroeconomic policy reforms particularly trade policy reforms since the 1980s. Such initiative was pursued in line with a conclusion of a number of past studies on trade and industrial policies “that a reform toward a more liberal, and neutral trade policy is necessary to propel the economy to a higher level of industrialization”. Thus, the trade policy reforms were aimed at accelerating the growth of industries, generating productive employment opportunities for the rapidly growing labor force, improving the efficiency of investments, sustaining the growth performance of exports and distributing the benefits of industrialization through the dispersal of industries. The reforms included the tariff reform program, liberalization of import restrictions, realignment of indirect taxes and rationalization of export promotion measures.

The tariff reform program was geared towards reducing or phasing out tariff protection which were deemed excessive, obsolete or for which the burden of protection outweighed returns. To ensure that the full effects of the tariff reform program in fostering competitiveness, efficiency, dynamic growth in industrial output, employment and exports will be realized, a phased and gradual lifting of all import licensing procedures was implemented. Export taxes, except on logs, were eliminated. Foreign exchange controls were totally removed in the early 1990s while most trade and non-trade transactions were lifted.

A study conducted under the auspices of the Philippine Institute for Development Studies on the impact of the trade policy reforms shows the following results, among others: there has been an increase in the availability of imports and lower domestic prices; diversification of export products; improved efficiency in the use of domestic resources; deconcentration of manufacturing industries and dispersal of industries. It has also been observed that while these show positive results, these do not necessarily mean that the implementation of the trade policy reforms were bereft of difficulties and/or results thereof sustained. Sectors left to be liberalized are either politically sensitive or have been highly protected in the past. Thus, there would always be pressures for delay or for an extension of the status quo of the protection on said sectors. Moreover, the positive results cannot all be attributed to implementation of trade policy reforms nor are trade policy reforms sufficient to realize expected benefits.

Cognizant of the impacts of macroeconomic reforms, including trade policy reforms; the role of private enterprise and markets in the drive for equitable growth; and the integration of the Philippines in the world economy, the Medium-Term Philippine Development Plan, 2001-2004 provides that “the government remains fundamentally committed to free enterprise and market reliance and ensuring market-friendly regulations”. Further, “government’s task will increasingly be to make markets work by simplifying bureaucratic procedures and promoting market-friendly regulations to reduce cost of doing business, and protect the interest of consumers and sectors vulnerable to global integration”.

The above notwithstanding, some issues still remain: when will the impact of the reforms be felt; have the policies been enough, are these the right ones; any other areas for reform; is the sequencing appropriate; have there been consistency and sustainability of the policies.

*. Prepared by Assistant Director-General Margarita R. Songco of the National Economic and Development Authority, Philippines for the Sixth Workshop of the APEC-OECD Cooperative Initiative on Regulatory Reform, 24-25 May 2004, Pucón, Chile.

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