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A Review of the
Remaining Import Restrictions

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Loreli C. de Dios

PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

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Philippine Institute for Development Studies

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Abbreviations

BOI	Board of Investments
CBU	completely built-up unit
CKD	completely knocked-down
GATT	General Agreement on Tariffs and Trade
ILP	Import Liberalization Program
MMABs	Memoranda to Authorized Agent Banks
PSCC	Philippine Standard Commodity Classification
VACR	value-added concentration ratio

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Background*

IMPORT restrictions have been a feature of the economy since 1948, primarily imposed as a response to balance-of-payments difficulties. At that time the Central Bank was first authorized to determine and implement policies affecting foreign exchange, and because of the need to allocate this scarce resource, subjected all such transactions to licensing. This was the most common form of import control (de Dios 1987), which usually affected nonessential goods initially, and then all other commodities not long afterwards. In the following decade, there was a conscious attempt to follow an industrial priority system although it was only in 1957 that such a system was implemented. Import regulations subsequently took on a broader purpose of stimulating domestic production.

The first post-war attempt at foreign exchange decontrol was in 1960, but another foreign exchange crisis in 1964 disrupted this. It is noteworthy, however, that the National Economic Council Resolution, which defined priorities for foreign exchange allocation then, emphasized a need "to be consistent with the policy that controls should never be a permanent feature of the economy." Unfortunately, this still has to be realized, as the following will show.

*This paper discusses the status of the Import Liberalization Program (ILP) as of June 1994 by examining its record in the past decade. The paper focuses on the remaining restrictions and how these are implemented. The effects on relative prices and the industrial structure within the framework of an imperfect competition model are also discussed. The automotive assembly industry serves as a case study of the welfare effects of import control. Some conclusions are drawn at the end, after a brief discussion of the experience of other countries which liberalized trade.

In the 1970s, other government agencies began issuing import permits. The immediate, although not always explicit, purposes varied from simple monitoring to supply and price stabilization, state-trading, institution of local content programs, public health and safety, and industry protection. In contrast to the previous decades, commodity-specific restrictions were common during this period — whether they were a result of planning is not clear, especially since many were short-term stabilization measures which were never dismantled; others did not have fixed periods of effectivity, the latter being a notable feature of regulations in the earlier decades. However, “essentiality” and local sufficiency, which have always been the guiding principles for the restrictions, were based, respectively, on the immediate needs and existing pattern of production of the country rather than on its longer-term requirements and capacity constraints or potentials.

In the 1980s, the government embarked on the ILP, which was to complement tariff reform as one of the major thrusts of structural adjustment. This was implemented in two main phases: the first, from 1981 to 1983 and the second, from 1986 to 1989, with some deregulation occurring in between and after the second phase. In the current decade, 1993 may be considered another major phase. Table 1 shows this trend with a list of the Central Bank (CB) Circulars from the start of the program up to 1994 and the number of goods liberalized under each circular. The table also shows that a total of 2,856 commodities have been deregulated during the 13-year period.

To find out what the remaining regulated items are, a comparison was first made with what was listed as restricted in the official issuance which was meant to be a consolidation of all previous import regulations, i.e., Circular 1029. Note that “restricted” is a more general term than “regulated,” which refers only to goods requiring permits from other government agencies as well as the CB. The two other categories of restrictions are: “prohibited” (importation not allowed under existing laws) and “banned” (luxury items needing CB approval). All commodity lines covered by all restrictions totaled 2,679, but again, note that this includes only those commodities whose classification codes were specified.

Table 1

CB Circulars Liberalizing Commodities: 1981-1994

CB Circular	Date Issued	Number of Liberalized Commodities ^a	Remarks
758	1 Jan 1981	263	
850	15 Feb 1982	612	Includes 3 double-counted
MAAB 8	15 Feb 1982	4	
918	18 Mar 1983	48	
1029 ^b	15 Oct 1984	6	Date of regulation cannot be traced (67 double-counted in regulated listing)
1060	22 May 1985	46	
1074	14 Aug 1985	28	
1096	24 Mar 1986	65	Includes 2 double-counted; and 3 whose regulation date could not be traced
1100	30 Apr 1986	143	
1105	6 Jun 1986	437	Includes 2 whose regulation date could not be traced
1109	18 Jul 1986	272	
1117	30 Sep 1986	80	
1128	9 Jan 1987	7	
1149	30 Jun 1987	12	
1150	23 Jul 1987	21	
1161	31 Oct 1987	73	
1167	31 Dec 1987	59	Includes 1 previously liberalized
1174	31 Apr 1988	129	
1192	31 Dec 1988	94	Includes 7 not in C1029 but in lists
1195	31 Mar 1989	3	
1205	14 Jul 1989	59	Includes 36 not in C1029 but in lists; and 3 previously liberalized
1210	14 Sep 1989	13	
1212	6 Oct 1989	17	Includes 12 not in C1029 but in lists
1219	31 Dec 1989	39	Includes 22 not in C1029 but in lists
1231	22 Feb 1990	12	Includes 7 not in C1029 of which 2 are not in lists; 5 previously liberalized
1279	19 Mar 1991	27	Includes 3 not in C1029 but in lists; and 3 previously liberalized
1337	27 Apr 1992	102	Includes 18 not in C1029 of which 9 are not in lists; 1 previously liberalized

Table 1 *continued*

CB Circular	Date Issued	Number of Liberalized Commodities ^a	Remarks
1347	27 Jul 1992	42	Includes 1 not in lists; 2 previously liberalized; count excludes 5 ex-PSCC lines due to change in nomenclature
1356	25 Sep 1992	136	Includes 3 not in lists; 5 previously liberalized; 9 not in C1029; but in lists
1389 ^b	13 Apr 1993		Consists of 124 regulated items (of which 35 were previously liberalized); 42 that are not in lists and re-restricted; 14 not in C1029 or lists; and 5 new codes; excludes 78 that are not in lists
23	4 May 1994	7	Consists of 6 ex-PSCC lines which correspond to 3 1977 PSCC lines, and one 1983 PSCC line which correspond to four 1977 PSCC lines, all of which were previously liberalized
Total		2,856	

^aThe 1977 PSCC was used throughout.

^bConsolidating Circulars.

The difference between the liberalized and the regulated items yield 177 items, which approximates very closely the official count of 178 remaining items based on another consolidated listing of the regulated commodities as of April 1993, i.e., Circular 1389. However, this was a mere congruence of totals which conceals several interesting facts about the liberalization program, such as determining whether there was an exact correspondence between the items regulated and those liberalized. A look at the different regulating and liberalizing circulars at the most detailed level reveals that such was not the case.

Using Circular 1029 as a starting point, an attempt was made to trace the dates each commodity was originally restricted by examining all available CB Circulars, Circular-Letters, Memoranda to

Authorized Agent Banks (MAABs), as well as Presidential Decrees, Letters of Instruction, and Executive Orders issued from 1970 onwards. This yielded a masterlist of commodities which is summarized in Appendix 1, classified at the two-digit level of the Philippine Standard Commodity Classification (PSCC) scheme, the 1977 version of which has been consistently used in this paper. The annual number of newly regulated and liberalized goods from 1970 to 1994 are shown.

The benchmark chosen was 1970, the year Circular 289 was issued. This circular defined the different degrees of “essentiality” upon which the categories still used today are based; also, the succeeding regulations refer to this circular. What resulted from this “essentiality” criterion was the categorization of a large number of items into non-essential and unclassified consumer (NEC/UC) goods or luxury imports and the restriction of such imports in the form of a ban. New regulations by other government agencies covering the other groups appeared yearly up to 1984, but most were issued in 1975, 1982, and 1983; many of these regulations were issued by the Board of Investments. The yearly totals of liberalized items are slightly different from what Table 1 yields; nevertheless, the same pattern is apparent.

Among the interesting observations is that goods already liberalized were either re-restricted and left as is, or liberalized again. Such cases are marked by footnotes in Appendix 1 and listed in more detail in Appendix 2. The bulk is found in the food and machinery category and in transport equipment. For example, 13 meat product imports which were liberalized in 1982 were regulated again in 1983, then deregulated in 1992, and once more restricted in 1993.

The inventory is also complicated by the issuance of Lists A, B, and C in 1988, which constituted the official schedule of the remaining liberalization, although it was not covered by a circular. Included were a substantial number (95) of goods that were not specified in Circular 1029 yet were liberalized from 1988 to 1993; there were 29 other items which were not liberalized, most of which were machinery and transport equipment. This makes the circular an incomplete listing and indicates a more worrisome possibility that a

significant number of items left out may still be restricted. As it turned out, it was not meant to be an exhaustive list. One reason is the extreme difficulty of obtaining complete lists from the various licensing agencies, which accounts for the disclaimer in liberalizing circulars that other agencies' approval may still be required. Also, the circular may not be that exhaustive since complete transparency may work to the country's disadvantage in GATT negotiations. Nevertheless, CB Circulars, if completely accounted for, should be sufficiently comprehensive since importers have been obliged (at least until late 1992) to go through the banking system, which in turn is informed by the Central Bank of the various restrictions and delistings usually at the instance of the licensing agencies themselves.

Another revelation is the double liberalization of some 42 goods, listed in Appendix 3. The "second" liberalization is more likely an oversight rather than actual because the goods in question were not restricted more than once. A similar oversight occurred in the double-counting of about 72 commodities in the various circulars enumerated in Table 1. This has been justified by the fact that sometimes more than one agency is involved in regulating some commodities, so that these get listed twice. However, this either shows a lack of a unified accounting system, or that no actual liberalization has occurred considering that the requirement by one agency was removed while another agency still issues permits.

In like manner, Lists A, B, and C contain a large number that have already been deregulated, consisting mainly of food and live animals (45 items), then chemicals (3 items) and machinery (1 item); some (18 goods) were listed twice. Conversely, there are about 40 commodities, most of which are under Section 9 or the category "not elsewhere classified (n.e.c.);" items that have been left out of these Lists but are in Circular 1029. Some circulars deregulated about 11 items, while Circular 1389 added to the regulated list 16 items not found in either the Lists or Circular 1029. The generality of some commodity codes is assumed as basis for excluding certain PSCCs in Circular 1029, especially when the regulation is meant to cover only some specific types or uses included in the description. An example is gaskets for motor vehicles, a product line not listed since the old description

covers all types which are essentially unregulated. The new commodity classification scheme has handled this issue by expanding on the old description, adding to the list of regulated items a new line for the specific type. However, because the 1977 codes were consistently used in the inventory throughout the paper, this solution is not relevant: new classifications which have no corresponding line in the old code are excluded from the count.

Making a thorough accounting of all commodities ever regulated and liberalized is rendered difficult by the incompleteness of the circulars themselves. For instance, the alleged liberalization of a very substantial number of various machinery and equipment under Circular 1029, Chapter III, Section 12 (i.e., imports valued at less than \$50,000 of machinery and equipment under Section 7 of the PSCC, which consists of 1013 items), cannot be included in the inventory since their PSCC lines are not specified. Dangerous drugs are similarly placed because they are listed under 35 generic names rather than their PSCCs. Toy guns and radioactive materials are mentioned without their classification codes, so they are excluded from the count. Furthermore, there are at least ten items whose restriction dates cannot be traced.

All these suggest that the liberalization program may have been carried out less than systematically, and the choice of what and when to liberalize were arbitrary. This is not to say there was no attempt at all to follow rational criteria; in fact, where before it was a "numbers game," the committee determining trade policy (TRM) now tries to follow the raw materials-intermediate inputs-finished goods priority scheme as much as possible. However, given the difficulty in carrying this out, facility of implementation is what characterizes the system instead — that is, the least problematic are liberalized first.

The frequent shift from liberalization back to regulation and vice-versa for certain groups of commodities may also be due to political reasons, such as lobbying for continued import protection by strong interest groups. The fact that some industries are organized into associations enables them to plead their case effectively, while the unorganized do not have the means or machinery to deliver a unified protest. An obvious example is agricultural products, which were

among the first to be liberalized. Similarly, the implementation of Lists A and B was not as scheduled, since there was a fear of adverse reaction from the business sector which would be doubly-hit because tariff changes brought by EO413 took place at the same time that the Lists were up for implementation. The same pressure also exists when some senior government officials come from the private sector or from families with major business interests, or are appointed to the Board of Directors in dominant firms in protected industries. These all indicate the lack of decisiveness or commitment of the government in implementing the program thoroughly, much less rationally. Furthermore, the signal sent to business is that lobbying is effective.

Tables 2 and 3 summarize the data in Appendix 1, showing both single and repeated moves in regulation and liberalization, as well as the bases for the inventory. The proportion of all commodities ever regulated out of the total possible number of PSCC lines is 50.1 percent, of which beverages and tobacco, then food show the highest shares at 93.0 and 86.2 percent, respectively. Miscellaneous manufactures (Section 8), commodities, n.e.c. (Section 9), and manufactured goods classified by material (Section 6) were the next most regulated groups. On the other hand, liberalization was complete or all restrictions were removed in beverages and tobacco, crude animal and vegetable materials, and animal and vegetable oils; liberalization was almost complete in manufactured goods, miscellaneous manufactures, machinery and transport equipment, and food and live animals. Of the total regulated number, 94.0 percent has been delisted. However, if the repeat moves are taken into account, the totals become 3,077 regulated and 2,824 liberalized, or 91.8 percent liberalized.

The annual trend in the number of regulated items (net of liberalized commodities) as of June 1994 is given in Table 4. There were numerous regulations in 1983, still many new ones were imposed even in 1988 and 1993. Liberalization was significant in 1982, 1986, 1988, and 1992; in the last year the net figure was at its lowest. The 1994 remainder of 250 items exceeds the figure listed as still regulated in Table 2 (174 items) by about 76, which corresponds to the number of items in Lists A, B, and C that were excluded from

Table 2
Number of Regulated and Liberalized Commodities by Major Commodity Group

Commodity Group	Total No. of PSCC Lines	Number Regulated Once				Repeat		Still Regulated ^a			
		Based on C1029	Based on Lists	Not in C1029/Lists	Total (% of Lines)	Based on C1029	Based on Lists	Total	Repeat	Never Liberalized	Not In C1029/Lists
0 Food and live animals	739	628	4.0	5	637 (86.2)	126	45	68	46	15	7
1 Beverages and tobacco	71	66	—	—	66 (93)	—	—	—	—	—	—
2 Crude materials	481	65	—	—	65 (13.5)	2	—	1	—	1	—
3 Mineral fuels	59	22	—	—	22 (37.3)	—	—	17	—	17	—
4 Animal and vegetable oils	59	3	—	—	3 (5.1)	—	—	—	—	—	—
5 Chemicals	678	166	1.0	6	173 (25.5)	5	3	21	3	14	4
6 Manufactured goods	1,568	848	2.0	3	853 (54.4)	6	—	7	3	1	3
7 Machinery and transport equipment	1,013	234	117.0	1	352 (34.8)	61	1	57	21	25	11
8 Miscellaneous manufactures	874	589	—	—	589 (67.4)	9	—	1	—	1	—
9 Commodities, n.e.c.	90	58	—	1	59 (65.6)	—	—	2	—	1	1
Total	5,632	2,679	124	16	2,819 (50.1)	209	49	174	73	75	26

^aBased on Circular 1389, but excluding 7 items liberalized in 1994. Total also excludes 5 new Codes: toy guns, radioactive materials, dangerous drugs, PMP parts, machinery and equipment whose PSCCs were not specified in previous circulars.

Table 3
Number of Liberalized Commodities by Major Commodity Group, June 1994

Commodity Group	Total No. Regulated	Number Liberalized Once			Total (% of Regulated Lines)	Repeat Based on C1029
		Based on C1029	Based on Lists	Not in C1029/Lists		
0 Food and live animals	637	611	—	—	611 (95.9)	122
1 Beverages and tobacco	66	66	—	—	66 (100.0)	—
2 Crude materials	65	64	—	1	65 (100.0)	1
3 Mineral fuels	22	4	—	—	4 (18.2)	—
4 Animal and vegetable oils	3	3	—	—	3 (100.0)	—
5 Chemicals	173	147	—	—	147 (85.0)	2
6 Manufactured goods	853	840	2	—	842 (98.7)	3
7 Machinery and transport equipment	352	220	98	10	328 (93.2)	44
8 Miscellaneous manufactures	589	577	—	—	577 (98.0)	5
9 Commodities, n.e.c.	59	7	—	—	7 (11.9)	—
Total	2,819	2,539	100	11	2,650 (94.0)	177

Table 4
Annual Net Regulated Number^a

	Regulated Once			Repeat ^c		Liberalized Once			Repeat ^c	Net
	Based on C1029	Based on Lists	Not in C1029/Lists	Based on C1029	Based on Lists	Based on C1029	Based on Lists	Not in C1029/Lists	Based on C1029	
1970-80 ^b	1,820	—	—	—	—	—	—	—	—	1,820
1981	2	—	—	—	—	263	—	—	—	1,559
1982	253	—	—	56	—	617	—	—	—	1,251
1983	598	—	—	28	—	48	—	—	—	1,829
1984	6	—	—	42	—	1	—	—	—	1,876
1985	—	—	—	—	—	70	—	—	4	1,802
1986	—	—	—	4	—	951	—	—	28	827
1987	—	—	—	2	—	170	—	—	4	655
1988	—	124	—	—	49	209	7	—	3	609
1989	—	—	—	—	—	56	71	—	1	481
1990	—	—	—	—	—	4	1	2	—	474
1991	—	—	—	—	—	15	3	—	6	450
1992	—	—	—	—	—	135	18	9	124	164
1993	—	—	16	77	—	—	—	—	—	257
1994	—	—	—	—	—	—	—	—	7	250 ^d
Total	2,679	124	16	209	49	2,539	100	11	177	250

^aDifference between the number regulated and number liberalized.

^bNo liberalization took place during this period.

^cMeans re-restriction after a distinct liberalization and vice-versa, hence, excluding doubly-liberalized or double-counted goods.

^dExceeds the number still regulated by 77 items, which is the number of items in the Lists that were left out of C1389.

Circular 1389. Since circulars are the bases for determining which items are regulated, liberalized or not, the procedure is to consider these 76 items liberalized. The CB confirmed that the NEC-UC were left out to signify their liberalization. However, upon examining these items, only 55 percent could be considered as falling under the NEC-UC categories (see Appendix 5), hence the ambivalence about the status of the remaining 45 percent.

The figures greatly differ from those given by the World Bank in its 1993 Country Report (Vol. II, Table 10.6, p. 268) which acknowledged the National Economic and Development Authority (NEDA) and CB as its sources. Inquiries at the CB confirmed the use of Circular 1029 as the starting point for the count, which was done in this paper. Possibly, the World Bank used a "backward count," starting from what items are liberalized in the present year and adding up the previous year's liberalized figure to reckon that year's regulated sum, and so on, working backwards. In this study, the reverse was done. The possibility of underestimation could only be due to an incomplete accounting of regulations because of the unavailability of these documents. For instance, CB Annual Reports do not report all issuances, nor were the unpublished issuances available from the library at the time this paper was prepared.

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The Remaining Regulated Commodities

COMPOSITION

THE commodities still covered by import restrictions are enumerated in Circular 1389 using the new PSCCs. Appendix 4 gives the same list under their old PSCCs. In 1988, these were officially categorized according to those recommended for liberalization (List A), for review (List B), and for continued regulation due to public health, safety, and national security reasons (List C). Although Circular 1389 does not mention these categories, they are likely to be still in use.

Excluded from the list are the following: no-dollar imports of used motor vehicles, computers, and peripherals imported by government agencies in excess of P2 million within a year; radioactive materials; commodities originating from centrally-planned economies and the Union of South Africa; and legal tender Philippine currency in excess of P5,000. Prohibited goods under Section 101 of the Tariff and Customs Code also have no PSCCs, as do toy guns, radioactive materials, and dangerous drugs mentioned earlier.

Table 5 rearranges the commodities by 2-digit PSCC and denotes the licensing agency. In terms of PSCC lines, more than one-third or 39.3 percent belong to food and live animals and another 32.4 percent belong to machinery and transport equipment. The rest is shared by chemicals (12.1 percent), petroleum and coal (9.8 percent), and manufactured goods (4.0 percent). Although frequency tabulations are inadequate indicators of the severity of the restriction, the composition of the remainder can show which are the "hardcore"

Table 5
Remaining Regulated Commodities, June 1994

3-Digit PSCC	Commodity	List	No. of Items	Licensing Agency
001	Live swine and poultry	C	5	BAI
011	Meat, fresh, chilled or frozen	C	6	NMIC
012	Meat, salted, dried or smoked	B	8	NMIC
014	Meat, prepared, n.e.s.	B	11	NMIC
041	Wheat, unmilled		2	DA
042	Rice	C	7	NFA
043	Barley		1	DA
044	Corn, unmilled	C	2	DA
045	Cereals		4	DA
046	Wheat flour and meal		1	DA
047	Other cereal meals and flours		1	DA
048	Cereal preparations		3	DA
054	Rootcrops, vegetables	B	6	DA, BPI
071	Coffee and coffee substitute	B	9	ICOCA
081	Feeding stuff for animals		2	DA
269	Used clothing	B	1	DSW, DOH
322/3	Coal and derivatives	B	3	ERB
334	Refined petroleum products	B	13	ERB
341	Liquified petroleum products	B	1	ERB
511/3	Chemicals for explosives	C	3	PC-FEU, DOH, DDB
522/3	Inorganic chemicals	C	4	DOH-BFAD
541	Penicillin	C	3	DOH-BFAD
562	Fertilizers	B	1	FPA
584	Regenerated cellulose		1	PC-FEU
591	Pesticides	C	8	FPA
592	Starch residues		1	DA
625	Used tires and tubes	B,C	5	BOI
699	Solders	B	2	BOI
751	Color reproduction machines	C	3	CB, NBI

Table 5 *continued*

3-Digit PSCC	Commodity	List	No. of Items	Licensing Agency
781	Passenger motor cars	B	22	BOI
782	Motor vehicles for goods transport	B	11	BOI
783	Motor vehicles, n.e.s.		4	BOI
784	Parts of motor vehicles	B	9	BOI
785	Motorcycles	B	7	BOI
793	Warships	C	1	MARINA
892	Banknotes	C	1	CB
961	Coins	C	1	CB
971	Gold, non-monetary		1	CB
Total			174	

commodities — whether by accident, policy intent, or the result of effective lobbying.

It is reasonable to find goods regulated for national security or public health and safety objectives, and this applies to chemicals, penicillin, rice and corn, petroleum products, color reproduction machines, pesticides, used tires, banknotes and coins, and warships. For the rest, the reasons for regulation are not clear or acceptable, e.g., motor vehicles. Many of the agricultural products have recently been regulated by virtue of Republic Act 7607 or the Magna Carta for Small Farmers. Such products were at a disadvantage at the start of the ILP because of the early liberalization of many of them. It is perhaps for such reason that a rethinking was done to compensate the sector, which led to a reimposition of restrictions. The debate on whether or not there is a need to protect agriculture seems to have been resolved in the positive, but this need should be met by more transparent measures such as a tariff instead of quantitative restrictions (QRs).

Appendix 6 shows the value of 1991 imports of the remaining regulated commodities as of June 1992. These took up a meager 12.9 percent share of 1991 imports (excluding dangerous drugs), but of course the restrictions themselves are part of the reason for this small share. Lists A and B consisted of 299 goods, and made up 12.2 percent

of 1991 imports; List C, with 106 goods comprised 0.8 percent of imports. Although the relative importance of the commodity groups cannot be ascertained given varying strengths of restrictions, the ex-post nature of the data, or the different relative values of the commodities, the shares of consumer electronic product parts, refined petroleum products, passenger cars and jeeps, and fertilizers are relatively large because they are essential and not locally produced. The Department of Agriculture and the Board of Investments take charge of majority of the remainder.

LICENSING PROCEDURES

The nature of the restriction is often a result of the peculiarities of the commodity being regulated. What follows is a brief description of the procedure and criteria used by the various government agencies in issuing import licenses for some goods. This is based on interviews conducted in 1992, and therefore encompass the commodities regulated at the time. While the coverage is now much smaller, we have included even those that are now liberalized in order to gain an idea of the implementation process.

Animal and Animal Effects

Anyone may import animals but certain requirements are needed such as: rabies vaccination and quarantine site for dogs and cats; CITES certification and quarantine site for exotic animals; farm inspection, landing permit, and quarantine clearance for chicks and hatching eggs, hogs, sheep, and goats. Gamefowl are allowed only from July to October, and limited to four cocks and eight hens or 60 hatching eggs per permit. Importers of gamefowl for breeding need to be bonafide breeders with farms, have to go through the Bureau of Animal Industry and the CB for authority to import, and must open a special time deposit of \$1,120 per permit, in addition to several required documents. Horses are limited to four per permit, and one must be a registered breeder in order to import breeder and racing

horses, of which only the thoroughbred are allowed. For cattle, a monthly raffle of allocations is held to enable smaller farms to import; a quarantine site and landing permit are also required. Imports are allowed in order to improve the stock/breeder base and increase the dwindling local population. There are no quantity limits for cattle, and imports are not that voluminous anyway as to discourage local industry, even if prices abroad are lower. (Most of these items were excluded from Circular 1389, although they fall under the EP, UP, and SUP categories. Only live swine and poultry are now regulated.)

Meat and Meat Products

Previously, only meat processors accredited by the National Meat Inspection Commission and hotels certified by the Department of Tourism were allowed, and only frozen meat and choice cuts could be imported by these. The rated capacity and projected needs of processors were evaluated, and only 50 percent of the volume requested was granted; for hotels and restaurants their size and seating capacity plus projected requirements were the bases for granting requests. At present, beef and beef products have been liberalized. Pork or chicken may be imported only during an actual or predicted shortage of local supplies, but with a specified maximum quantity. Of these quantity, 80 percent should go to large integrators or meat processors, while 20 percent is to be allotted to small-scale producers. Canned products are not allowed, and processed meat is said to be importable, but no requests have so far been applied. Imports are generally cheaper.

Fish and Fish Preparations

Anyone can import fish and fish products. The major items included under frozen fish have already been liberalized with differential tariffs, and there are few import applications for the remaining smoked and dried fish. However, there is a need to check imports of live fish for diseases and dangerous species, and there is a concern that frozen fish imports will go to local wet markets instead

of to canners. Bangus is regulated since other Asian countries also produce it, and the timing of the harvest can be controlled. The re-restriction of those liberalized in 1986 is due to local availability of the items. There are, however, no quantity restrictions on the remainder. Prices abroad are lower and quality is better, and during the lean season importation is encouraged so that domestic prices will not increase excessively, easing the pressure on depleted local reserves. (All types have already been liberalized as of 1994.)

Garlic, Onion, Potato, and Cabbage

Import of these commodities requires that one must have a farm certified as suitable, whose area and seeding rate determine the allowable volume. A bond equal to the cost of the seed material must also be posted. Requests to import seeds and nuts are granted only if local supply is insufficient, and limited amounts are allowed, especially since the seed materials are also food items. There is no need to import cabbage seeds because of sufficient local supply; potato seed pieces are allowed when local supply is lacking; garlic supply is highly seasonal; and bulb onion seeds cannot grow here because of the climate. These product groups are usually cheaper abroad.

Coffee

Imports of both coffee beans and processed coffee are totally disallowed to assure local growers of a market. Most of the domestic production goes to the local processors who, because of the current international glut, are said to offer better prices and translate lower costs of raw materials into "bonus" grams in retail packages rather than lower prices. A rise in bean prices, however, results in the use of lower quality beans. Exports of beans are governed by the International Coffee Agreement allocation system.

Fertilizers and Pesticides

Any person wishing to formulate, distribute, or import these items must first have a license to do so. Second, the raw materials, active

ingredients, intermediate and finished products must also be registered. This entails an analysis of the substances, a field test report, and a pathological and bacteriological test by a licensed laboratory, among others. Finally, one needs an authority to import. Only fertilizer types that are not locally produced may be imported, and when domestic supply is lacking, only the raw materials are allowed. There are no quantity limits on those allowed, however, since the objective is only to monitor imports. (Except for ammonium nitrate which is also used for explosives, all fertilizers were liberalized in 1993; pesticides remain restricted.)

Consumer Electronic Product Parts

Only participants in the local content program are allowed, and this includes existing and new manufacturers who are self-sufficient in foreign exchange, as well as BOI-registered export manufacturers who are able to export at least 70 percent of production. Only imports of completely-knocked-down consumer durables are allowed; replacement parts are allowed as long as they are not in commercial quantities. (Items liberalized as of 1992.)

Home Appliances, Fluorescent Tubes, and Incandescent Lamps

Import is allowed if these are not in commercial quantities and used for consumption/end-use purposes only. Import applications are first referred to the Association of Home Appliance Manufacturers, which certifies whether the request should or should not be denied. (Items liberalized as of 1992.)

Automotive Spare Parts

Nonparticipants in the Car and Commercial Vehicle Development Programs (CDP and CVDP), such as dealers, traders, and users may import those parts to the extent that the programs are not jeopardized. Used parts are banned; new motorcycle parts are regulated; the other locally available parts are importable if the Association of Car Parts Producers allows it, with BOI concurrence.

Used Trucks and Special Purpose Vehicles

Accreditation is required of end-users, traders, manufacturers and assemblers of utility vehicles and CVDP participants, and only trucks 18 tons and above of models not older than eight years are importable but subject to pre-shipment inspection. There are no limits to the number allowed.

Shipping Vessels

Vessels for inter-island use (landing ship transport, ro-ro, cargo, container, passenger, ferry) have a minimum size limit of 500 gross tons (tugboats have a 1,000 BHP limit) and a maximum age limit of 15 years, and must be rated by an internationally recognized classification society. There are no limits on specialized vessels, but a survey report by an accredited surveying company must be submitted. Barges and pleasure crafts are totally restricted. Fishing vessels shall be at least 25 gross tons, not more than 15 years old, and subject to a satisfactory condition evaluation report. Importers of cargo-passenger vessels must have a paid-up capital of P1.25 million and must also pledge to rehabilitate the vessel, overaged or not. (Items liberalized as of 1992.)

The general rule adhered to by licensing agencies is to allow imports if, at the same quality and at a comparable price, domestic production of the local substitute is insufficient. More often than not, this applies to those regulated for industry-protective reasons. Low import shares combined with rampant smuggling are the expected outcomes of such regulations, and indeed these are more observable among the commodities which are regulated for protective reasons. Furthermore, most of the industry-protective restrictions cover consumer goods, making these goods relatively scarce; smuggling then becomes profitable because quality differences between the local and foreign product are large. It is thus easy to find foreign-made counterparts of the restricted imports enumerated above in the domestic market, and in commercial volumes.

Certain government agencies are quick to add that the regulation is only for monitoring purposes, especially if the allowable imports

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have to be of a specific grade or quality, e.g., antibiotics and coal. However, discretionary powers are just as wide in the implementation of these measures.

The import of the product groups mentioned earlier are restricted by virtue of Republic Acts, without necessarily discounting the industry-protective rationale for their restriction. The product groups referred to are the following: potato, onion, garlic, and cabbage, which are covered by R.A. 1296 enacted in 1955 and coffee, covered by R.A. 2712 of 1960. Used clothing was regulated again after it was already liberalized in 1986, by virtue of Republic Act on national dignity (R.A. 4653). Hence, deregulation of these items will require congressional action. Toy guns were also prohibited under LOI 1264 in 1982. Color reproduction machines are restricted because of the likelihood of their use in counterfeiting.

Aside from these items which attest to the difficulty of dismantling restrictions, there are a group of commodities which have been included under CB MAAB 37 in 1983. The latter empowered the BOI to monitor imports of some 300 high-tariff items. This was meant to be a temporary measure to discourage the outflow of foreign exchange at that critical time. However, up to now, quite a number of these remain as regulated commodities. Examining them further shows that most were freely importable prior to 1983.

The most entrenched restrictions which are likely the last to be dismantled are those covering machinery and transport equipment because of the progressive manufacturing programs initiated in 1973. Import shares of these items are relatively larger than the other remaining regulated items, since the import figures consist of components to be assembled locally. However, encouraging certain domestic industries through a system of import control has already proven to be detrimental in the long run. It is therefore puzzling why the same outdated thinking is still being implemented, especially since protecting strategic industries, which is what the remainder consists of, encourages inefficiency instead.

Likewise, meat products seem to be protected not only by high tariffs but also by QRs, which are put back almost immediately after they are removed. It is difficult to think of any other explanation for this aside from the lobbying or political economy factor. In fact, a

simplistic view of the remaining protected items would be to subdivide them into those privately and those “publicly” lobbied for, meaning that either the private sector or the government does not want to let go. This partly explains the composition of the items to be liberalized first — no one lobbied for them.

One may not immediately conclude that the scope for discretion could be wider for goods regulated for reasons other than protection; it is only obvious that the rationale is so clear that a person evaluating an import application for such goods has very exact guidelines on which to base his decision and therefore decides less arbitrarily than one who has to think about local demand and supply balances, quality, and relative prices. Examples are goods regulated for public health and safety reasons (animals, chemicals, antibiotics, pesticides, pyrotechnics, used tires, floating structures, and ammunitions and firearms). The same may be said of those regulated for national security reasons (rice and corn, refined petroleum products, fertilizers, used vessels and warships, banknotes and coins), although there is undeniably an industry-protective element here. Chemicals have varied uses and actual imports of these are not differentiated according to use, hence the regulation for safety and national security purposes.

It is logical to expect that the scope for discretion is wider for agencies in charge of commodities regulated for industry protective purposes, precisely because the criteria they use are variables, but at the same time there is an inherent desire to limit imports. On the other hand, the opposite may be said of goods regulated for public health and safety reasons — narrower discretionary powers but no inherent need to limit imports.

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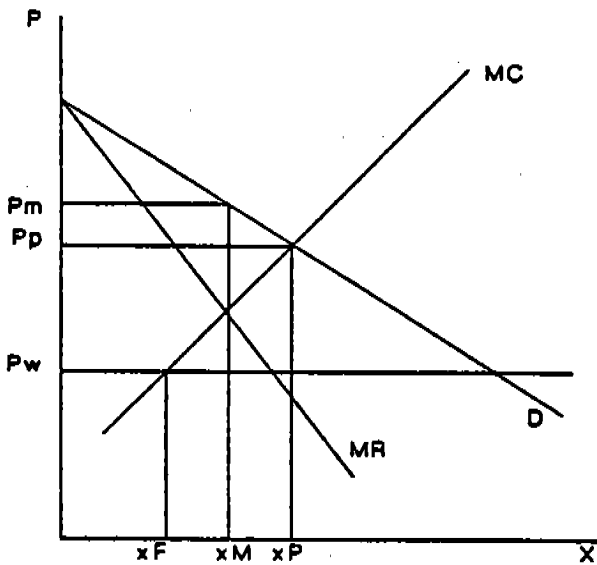
Framework

SINCE the assumption of perfect competition is not always applicable in the real world, this study uses the more recent positive theories of trade, systematized and integrated by Helpman and Krugman (1989), which deal with imperfectly competitive markets. Here, firms are not price-takers, and price does not equal marginal costs, but instead exceeds it. The ratio of price to marginal cost is a measure of market power, and trade policy under imperfect competition may change this ratio. The simplest model of an import-competing monopolist shows that protection allows firms to increase their market power, or creates market power where none exists, and that import quotas create more market power than tariffs. This stems from the premise that if free trade enhances competition, then the converse applies, i.e., protection creates domestic monopoly or is anticompetitive.

Figure 1 shows a domestic firm with an upward sloping marginal cost curve, MC , domestic demand for its output D , and the corresponding marginal revenue curve, MR . Not all points along MR are feasible, however, because of the threat of import competition. Imports are perfect substitutes for the firm's output and are available at world price P_w . The possibility of exports is ignored.

Without import competition, the firm would choose the profit-maximizing price P_m and the corresponding output level X_m . However, under free trade it is unable to do this: at any price above P_w , imports will undercut the firm, so P_w is the upper bound on the firm's price. Its profit-maximizing output decision will be to produce up to the point where this external price equals MC , i.e., behaves like a perfect competitor. Output will be X_f . Under free trade, the monopolist has no monopoly power.

Figure 1



EFFECTS OF A TARIFF

Suppose the monopolist is protected by a tariff, t . Then the import price becomes $P_w + t$. The effect of the tariff on the output and price of the domestic firm depends on how large t is. Suppose P_p is the price at which the tariff becomes prohibitive; P_p is defined by the intersection of MC and D. The tariff's effect depends on whether it is small so $P_w + t < P_p$; middle-ranged so that $P_p < P_w + t < P_m$; or large so that $P_m < P_w + t$.

If the tariff is low, the firm's basic position is the same as under free trade, hence the effect of tariffs in this range is the same as it would be in a perfectly competitive industry with marginal cost curve, MC. The higher the t within this range, the higher are output and price of the firm.

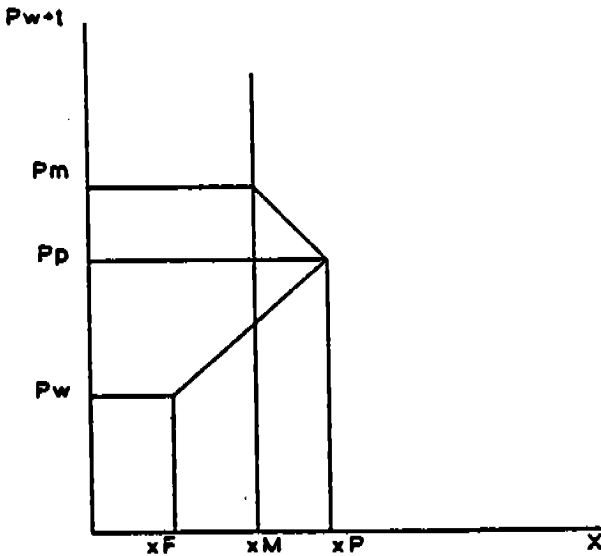
If the tariff is moderate, the price of potential imports still constrains the firm from charging P_m . However, it can no longer set

output where MC equals the $P_w + t$, since this would involve producing more than what domestic consumers want to buy at that price. Instead the profit-maximizing strategy is to equate price to $P_w + t$, but produce only as much as is demanded. Two points are to be noted: it is the threat of imports, and not the actual importation, which limits the price the firm can charge; and increases in t within this range have a perverse effect on output.

If the tariff is high, the price of competing imports will not be binding on the firm. It is free to charge P_m , and changes in the t within this range will have no effects.

The effects are summarized in Figure 2, showing how the firm's output varies with the tariff-inclusive price of competing imports. For low t , the firm matches tariff increases with its own price increases and slides up its MC curve. For tariff increases beyond the prohibitive level, domestic price rises, but the firm slides back along the D curve. At high t , domestic price and output remain unchanged at the closed economy monopoly levels.

Figure 2



EFFECTS OF AN IMPORT QUOTA

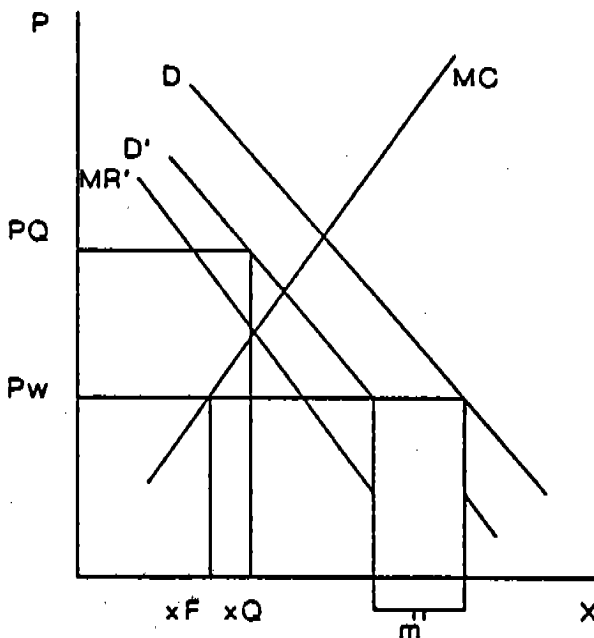
Figure 3 shows the effects of an import quota, m . If the firm charges a price below P_w , this limitation will not be binding since there will be no incentive to import. For any price above P_w , m will be imported and the firm will satisfy the residual demand. The result is a new demand curve, D' that has three segments: for prices above P_w , it is the domestic market demand shifted left by the quota m ; for prices below P_w , it is the total domestic market demand; and there is a horizontal segment at P_w . Corresponding to the D' curve is a new marginal revenue curve, MR' also with three segments.

In this situation the quota is set at a level smaller than the free trade import level. The firm maximizes profits by choosing the level of output where MC equals this new MR' , shown as X_q with price P_q .

COMPARING THE EFFECTS

A tariff and an import quota that lead to the same import level have differing effects, with the quota leading to a higher domestic price and a lower domestic output than the equivalent tariff.

Figure 3

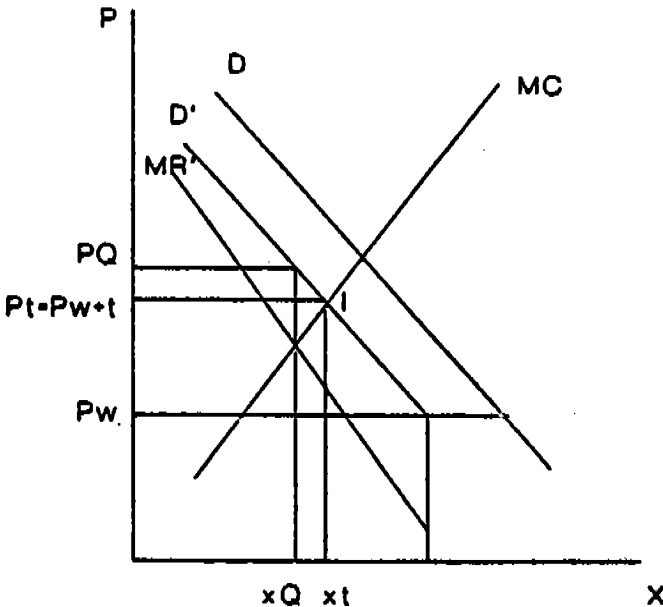


Comparing prohibitive tariffs with a total import ban shows this. There is a range of t for which imports are zero, but for which domestic price is below P_m and domestic output is larger than X_m . On the other hand, a restriction that prohibits imports will allow the firm to move to the monopoly price and output. Where $P_w + t < P_m$, it is the threat of imports that constrains domestic price; an import quota eliminates this threat, creating more market power and thus a higher domestic price.

The same is true when some imports are allowed, as in Figure 4. If the quota limits imports to the same level as an arbitrary tariff, the postquota demand curve D' facing the firm passes through the tariff production/price point 1. The corresponding MR curve lies below, leading to a quota equilibrium with a lower output X_q and a higher price P_q . This is because the tariff-constrained demand curve is more elastic than the quota-constrained demand curve for output X_t .

This serves as the framework for discussing the behavior of prices and producers.

Figure 4



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Price Ratios

To find out the effects of import restrictions and liberalization on relative prices, the ratio of domestic to world or border price (P_d/P_b) of about 180 commodities was computed for the period 1985-1992. Data on wholesale domestic prices from the National Statistics Office were used as P_d ; the composition of goods to be analyzed was therefore determined by the wholesale market basket, which could be considered a representative sample, although some goods were dropped because data gathering was discontinued. Unit import values in Hongkong and the Philippines were used as P_b for regulated and liberalized commodities, respectively.

Because the domestic price data was at the individual commodity level, while the closest Hongkong or PSSC description was sometimes used for a heterogeneous group of commodities, there was no choice but to match these. However, where possible, the domestic prices of several commodities belonging to the same group were averaged in order to suit the Hongkong description more closely, e.g., marine water fish, noodles, tropical fruit not elsewhere specified (n.e.s.), fruit and tubers, canned fruit, sauces (n.e.s.), paint (n.e.s.), and machine-made printing paper. Nevertheless, majority were directly comparable and those that were not are noted in Appendix 7, which gives the detailed description of the commodities compared. In other cases, units of measurement had to be converted before the ratios could be computed, or certain assumptions made, such as in the case of fresh milk, edible oil and paints (specific gravity), fresh fruit (weight per piece), bread (weight per piece), cigarettes (weight per carton), or paper (weight per ream). A number of domestic price data for important goods (e.g., drugs) could not be utilized for lack of

information on weight, which is the main unit of measurement used by the Hongkong statistics. On the other hand, the latter did not report quantities for many items, and in 1992 changed the nomenclature for many commodities.

The results are given in Appendices 8 (using Hongkong unit import values) and 9 (using Philippine unit import values), which also give the year liberalized, tariff rates, and import levels. The tables show patterns of movements of prices and import volumes which are as varied as the goods themselves and are not easy to analyze. In order to explain such differing behavior, the commodities are differentiated according to those whose price ratios either fall below or are above unity, and import levels are either substantial (in excess of \$100,000) or not. The resulting typology may be visualized as four quadrants depending on the combination; the goods included under each group are listed in Table 6 for regulated and Table 7 for liberalized goods. (We note once more that the regulated group used the Hongkong imports data as P_a , while the liberalized group used that of the Philippines.) Of course, several factors other than import restrictions influence relative prices and import levels, and since it is beyond the scope of this study to examine the demand and supply conditions for each commodity, the typology merely aims to find out what is common among goods that show roughly similar behavior.

Price ratios below unity and insubstantial or zero imports describe the lower left quadrant. The commodities are either nontradable or exportable and prices are therefore not directly affected by tariff or import policy changes but rather by demand patterns. Liberalization is redundant for this group, although price ratios have gone further down, and imports increased for two out of six items which were deregulated after 1985 and whose units of measurement were comparable. There are four restricted goods in the list; most of these, including those liberalized, are protected by a 50 percent tariff.

The goods listed in the lower right quadrant, where P_a/P_b is still less than one but imports are large, may be characterized as tradables with quality differences or imperfect substitutes. There are only three restricted goods included here, and two carry a 20 percent tariff, while the third has a 50 percent rate. Half of those delisted have a 50

Table 6
Typology of Sample Regulated Commodities

$P_d/P_b > 1, M < 100,000$	$P_d/P_b > 1, M > 100,000$
bacon	chicken
ham	pork
frankfurters	rice ^b
Vienna sausage	centrifugal sugar ^a
liverspread ^d	fuel oil
potato	diesel oil
garlic	lubricating oil
red onions	LPG
coffee beans	freon dichlorofluoromethane ^d
ground/instant coffee	penicillin ^a
gasoline	urea
kerosene	insecticide
glycerine	car, CKD ^d
acetic acid	
chloromycetin ^a	
aircon	
TV set ^d	
radio phono ^{a, d}	
electric fan	
drycell battery	
electric bulb	
fluorescent tube	
$P_d/P_b < 1, M < 100,000$	$P_d/P_b < 1, M > 100,000$
fresh fish	beef
crabs ^d	ammonium sulfate
cabbage	passenger jeep ^{a, d}
perfect gro fertilizer ^c	
radio receiver, transistor ^d	

^a Used Philippine unit import value for P_b because Hongkong units of measurement were incomparable.

^b Borderline cases, with $P_d/P_b > 1$, half of the time and < 1 half of the time.

^c Only one observation.

^d Denotes items whose Hongkong counterpart descriptions were much broader.

Table 7
Typology of Sample Liberalized Commodities

$P_d/P_b > 1, M < 100,000$	$P_d/P_b > 1, M > 100,000$	
dried fish	swine	newsprint
canned mackerel/tuna	fresh milk	kraft paper
bihon	powdered milk	woven fabric, cotton ^e
soda crackers	evaporated filled milk	woven fabric, ramie
mixed pickles ^a	sweetened condensed milk	knitted fabric, cotton
calamansi ^d	butter	cement
desiccated coconut ^d	cheddar cheese	drinking glass
mango ^d	canned sardines	steel bars, round ^{b,e}
mango preserves ^{d,e}	yellow corn grain	steel bars, deformed ^e
pineapple slices ^{d,e}	wheat flour	spoon and fork
syrup ^d	macaroni	metal sink
cocoa butter ^d	sotanghon	porcelain lavatory ^a
margarine	butter cookies ^e	steel bed ^{b,e}
shortening	guava jelly ^e	dining set ^{a,e}
catsup/tomato sauce/vetsin/patis ^e	orange concentrate	undershirt ^b
vinegar ^d	fruit cocktail ^e	handkerchief
tonic food drink ^{c,e}	refined sugar	rubber shoes ^e
caustic soda ^b	ground cocoa	voltmeter ^e
talcum powder	whisky	piano ^b
laundry soap ^b	soybeans	candles
detergent	sodium hydroxide	umbrella
	cough syrup	toothbrush
	skin cream	plastic buttons ^a
	toilet soap	
	rubber tire, car	

Table 7 continued

$P_d/P_b < 1, M < 100,000$		$P_d/P_b < 1, M > 100,000$
eggs, duck	red hot pepper	eggs, leghorn
bread ^e	rice bran ^d	poultry feeds
tomatoes	ice cream ^d	soy sauce
beans	gin	soft drinks
lettuce	rum	beer
green pepper	charcoal ^d	cigarettes
other vegetables	table salt	edible oil ^e
bananas ^d	columnar pad ^e	enamel paint ^e
pineapple ^d	rice sack ^d	rubber tire, truck
avocado	table top, glass ^d	yarn, cotton, grey
chico ^d	chair, narra ^e	wooven fabric, rayon ^e
papaya ^d	cotton blouse	knitted fabric, nylon
watermelon	comics ^e	cinematographic film
pineapple juice ^e	phono record ^a	
	matches	

^a Used Hongkong unit import values for P_b because Philippine units of measurement are incomparable.

^b Borderline cases.

^c Only one observation.

^d Used Hongkong unit import values for P_b because Philippine imports were zero.

^e Denotes items whose PSSC descriptions were much broader.

percent tariff, and the same proportion showed lower relative prices and an increase in imports after being liberalized.

Domestic prices above border and zero or low import levels mark those goods listed in the upper left quadrant. Majority of the regulated commodities included in the whole tabulation belong to this group. Most of both the restricted and deregulated goods listed carry a tariff of 50 percent, and the goods may be described as nontradable, highly-perishable, or have high weight-to-value ratios or high domestic landed costs, that is, these are the natural import-substitutes. Price ratios exceed tariffs for most. Liberalization was followed by a fall in the price ratios, together with a rise in imports for only one commodity, although separately, these changes were exhibited by at least five goods.

The expected combination of domestic prices greater than border and substantial imports is shown by the goods included in the upper right quadrant. One-third of all restricted goods come under this heading, of which more than half carry a 20 percent tariff. Of the liberalized goods, most still have a 50 percent rate, but one-fourth is protected by a 40 percent tariff, and one-fifth by a 20 percent rate. Relative prices exceed tariffs for most goods. The expected lowering of price ratios and increase in imports took place only for one-fourth of the deregulated commodities; more than half showed both higher relative prices and imports.

There are quite a number of cases where tariffs exceed the price ratios — about 20 deregulated and seven regulated items. Sometimes, there were also cases where tariffs would be greater or lesser than relative prices. Two reasons for this occurrence may be suggested: either quality differences are large and are reflected in low domestic prices and hence low ratios, or smuggling renders the tariffs redundant, especially for regulated goods. Where imports are zero, the tariff is also redundant.

On the whole, the level of relative prices and imports can be explained by the characteristics of the goods. However, the movement of these variables as a result of deregulation is not always in the expected direction, that is, assuming the direction of causation is from deregulation to quantity and price changes. One reason for this

unexpected direction is that for the period covered in the table, it is too early to ascertain the effects of liberalization, say, of those delisted from 1988 to 1990, or too late to pinpoint for those liberalized as early as 1981 and 1982. An alternative reason is that the tariffs which replaced the restrictions serve to inhibit imports, enabling domestic producers to maintain the same price differences. Similarly, the price-disciplining effect of imports is not realized because quality differences are great. One other explanation especially for some liberalized goods in the upper right quadrant is that domestic costs are rendered high not by inefficient production methods but by extraneous factors, and this disables producers from competing with imports, e.g., corn, milk. The latter shows that for certain commodities, unfavorable domestic conditions (such as poor infrastructure) deter producers from responding positively to liberalization.

If we focus on the regulated group, what we find mainly are examples of commodities that have long been protected by import restrictions and therefore enable domestic prices to exceed the border. In addition, the upper left quadrant shows that imports are insubstantial for those which are particularly tightly restricted, that is, not merely monitored, such as meat products, potato, garlic, onions, coffee, gasoline and kerosene, consumer appliances, electric bulbs, and fluorescent tubes. Only chemicals are restricted for health and safety purposes, the rest being part of List B. In these cases the threat of imports has been eliminated, allowing local producers to exercise more market power than that possible under freer trade. For the upper right quadrant, imports are substantial because of inadequate local production, and this time more are from List C, e.g., chicken, pork, rice, freon, penicillin, and insecticides.

Prices are also affected by market structure, however, and the following section attempts to establish this relationship.

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The Industrial Structure

CHARACTERISTICS

THE industries affected by import restrictions were examined by matching the 4-digit groupings of the Philippine Standard Industrial Classification (PSIC) scheme with the 7-digit PSCC of the remaining regulated commodities; the same was done for the liberalized sector as well as those that were never covered by import regulations. However, since this was based on the list as of June 1992, it still includes sugar milling and refining, fish, fertilizers, chemicals, sewing machines, refrigerators, consumer electronic product parts, primary cells and batteries, shipbuilding, and firearms and ammunitions, which were liberalized by 1993. The purpose is to find out whether any relationship exists between the industrial structure and trade policy.

The resulting sets of industries are given in Tables 8 (Protected), 9 (Liberalized), and 10 (Unprotected). The 4-digit PSIC are fairly homogenous in terms of the remaining restricted items, with a few exceptions, i.e., where the industry descriptions were highly heterogeneous, leading to the use of the 5-digit level. Industry characteristics from the 1988 Census of Establishments conducted by the National Statistics Office enable a comparison of the sectors.

The sector averages, excluding those with suppressed data, are as follows: VFA is the value of fixed assets; VA is value added; and VACR is the three-firm value added concentration ratio, or the share of the top three firms' value added in each industry's total. Foreign equity is the proportion of foreign-controlled establishments in each industry.

Table 8
1988 Establishments Characteristics in the Protected Sectors
(as of 1992)

PSIC	Industry	Number of Firms	Total Employ- ment	Compen- sation (P000)
3111	Slaughtering, preparing and preserving meat	70	8,685	371,758
3115	Canning, preserving and processing of fish	109	14,357	444,130
3118	Rice and corn milling	521	8,180	128,625
3123	Sugar milling and refining	54	26,891	1,134,371
3127	Coffee roasting and processing	9	3,451	196,579
3511	Basic industrial chemicals	67	4,462	269,477
3512	Fertilizers	10	2,620	121,403
3514	Pesticides, insecticides, fungicides and herbicides	16	1,316	152,107
3522	Drugs and medicine	98	14,026	1,441,394
35294	Explosives and fireworks	8	394	19,937
3530	Petroleum refineries	4	2,431	459,780
3540	Miscellaneous products of petroleum and coal	16	552	23,704
3551	Tire and tube manufacturing	59	6,203	518,937
38293	Sewing and embroidery machines	4	617	18,932
38294	Small arms and accessories	9	1,563	65,267
38298	Refrigerators, domestic or industrial	3	2,241	114,437
3831	Electrical machinery apparatus	35	2,736	146,936
3832	Radio, television and communication equipment and apparatus	84	39,222	2,171,720
3833	Electrical appliances and housewares	24	2,716	110,190
3834	Primary cells and batteries	6	609	49,684
3835	Electrical accumulators	14	1,037	46,992
3836	Electric wires and wiring devices	31	6,237	237,573
3839	Electrical apparatus and supplies, n.e.c.	20	1,817	97,138
3841	Ship building and repairing	52	5,183	203,739
3843	Motor vehicles	24	3,611	175,374
3844	Rebuilding and major alteration of motor vehicles	61	1,188	25,180
3845	Motor vehicle parts and accessories	72	2,958	139,277
3846	Motorcycles and bicycles	15	818	26,994
Total		1,495	166,121	8,911,635

Source: 1988 Census of Establishments.

Table 9
1988 Establishment Characteristics in the Liberalized Sectors
(as of 1992)

PSIC	Industry	Number of Firms	Total Employ- ment	Compensation (P000)
3112	Processed milk	5	1,545	122,281
3113	Dairy products, except milk	49	4,794	428,728
3114	Canning and preserving of fruits and vegetables	87	19,406	1,047,938
3116	Crude coconut oil, including cake and meal	35	2,698	110,200
3117	Vegetable and animal oils and fats	30	3,377	121,019
3119	Flour milling, except cassava	8	2,212	116,321
3122	Bakery products	1,674	31,302	475,111
3124	Cocoa, chocolate and sugar confectionery	107	5,417	193,046
3125	Desiccated coconut	13	13,510	359,872
3126	Ice, except dry ice	141	2,921	68,947
3128	Prepared and unprepared animal feeds	80	6,351	230,186
3129	Food manufacturing, n.e.c.	67	5,796	344,469
3131	Distilling, rectifying, and blending spirits	47	5,430	141,336
3132	Wine manufacturing	9	480	28,382
3133	Malt liquors and malt	7	5,543	497,447
3134	Soft drinks and carbonated water	40	19,118	1,103,208
3141	Cigarettes	11	10,405	424,358
3142	Cigars	4	417	14,956
3143	Chewing and smoking tobacco	6	384	7,022
3144	Curing and redrying tobacco leaves; tobacco manufacturing, n.e.c.	11	3,151	66,668
3149	Tobacco, n.e.c.	11	3,151	66,668
3211	Spinning, weaving, texturizing, and finishing textiles	185	58,835	1,725,675
3212	Knitting mills	138	16,613	500,270
3213	Made-up textile goods, except wearing apparel	59	6,883	140,664
3214	Carpets and rugs	15	649	16,521
3215	Cordage, rope, and twine	137	5,845	135,192
3216	Artificial leather, oil cloth, impregnated and coated fabrics	4	186	4,880
3222	Ready-made clothing	1,144	115,794	3,342,167
3223	Embroidery establishments	108	5,062	106,840
3229	Wearing apparel, except footwear, n.e.c.	35	18,159	555,508
3232	Products of leather and leather substitutes	78	3,943	96,281
3241	Leather shoes	389	8,021	104,214
3249	Footwear, except rubber, plastic or wood, n.e.c.	52	1,568	31,276
3315	Millwork plants	40	2,379	72,682

Value of Fixed Assets (P000)	Census Value Added (P000)	Foreign Equity (%)	3-VACR		Average Employ- ment	Average Compen- sation (P000)	Capital/ Labor (P000)	CVA/ Estab. (P000)	Average Tariff
			1983	1988					
547,302	207,628	90.69	100.00	20.00	309	79	354	41,526	18.9
608,142	2,307,691	89.83	77.14	4.08	98	89	127	47,096	41.3
1,254,540	3,182,807	92.91	92.45	1.15	223	54	65	36,584	44.4
952,827	1,873,067	3.85	88.44	42.52	77	41	353	53,516	44.3
409,432	427,219	67.49	86.94	0.00	113	36	121	14,241	35.1
566,467	1,542,734	68.90	54.96	0.00	277	53	256	192,842	30.0
600,464	1,153,120	35.14	24.93	1.55	19	15	19	689	39.2
253,479	522,437	57.06	56.14	3.70	51	36	47	4,883	44.6
291,954	702,506	70.32	57.43	0.00	1,039	27	22	54,039	50.0
446,946	163,297	0.00	19.39	17.70	21	24	153	1,158	50.0
860,270	1,793,248	63.28	62.17	1.25	79	36	135	22,416	16.8
1,213,269	2,585,412	45.40	67.64	10.45	87	59	209	38,588	30.3
1,177,287	772,470	68.83	52.25	4.26	116	26	217	16,436	50.0
1,792	6,186	88.31	65.07	0.00	53	59	4	687	50.0
2,886,953	10,940,242	52.18	73.11	0.00	792	90	521	1,562,892	50.0
1,254,334	3,890,514	44.17	36.46	0.00	478	58	66	97,263	50.0
584,875	8,334,664	95.94	95.78	9.10	946	41	56	757,697	50.0
6,005	25,188	98.31	99.92	0.00	104	36	14	6,297	50.0
1,029	12,422	95.18	96.02	0.00	64	18	3	2,070	40.0
110,042	142,318	62.63	57.39	0.00	286	21	35	12,938	41.1
110,042	142,318	0.00	100.00	100.00	286	21	35	12,938	50.0
7,955,894	4,344,306	30.50	22.50	3.24	318	29	135	23,483	34.8
438,689	1,040,750	36.47	23.66	3.63	120	30	26	7,542	48.6
285,421	317,733	75.36	68.54	0.00	117	20	41	5,385	47.5
27,073	39,845	87.62	60.14	0.00	43	25	42	2,656	47.5
217,767	288,774	40.25	30.21	0.73	43	23	37	2,108	46.9
6,444	10,554	0.00	65.32	90.50					
1,286,353	7,018,446	15.96	17.55	2.36	101	29	11	6,135	50.0
118,882	196,509	2.78	53.36	46.26	47	21	23	1,820	50.0
134,228	475,122	59.80	72.29	20.00	519	31	7	13,575	48.8
93,858	166,481	5.84	41.24	1.29	51	24	24	2,134	47.1
127,215	189,814	69.00	10.98	0.26	21	13	16	488	47.0
15,688	64,484	68.34	75.21	0.00	30	20	10	1,240	42.3
140,930	213,412	2.50	73.05	73.27	59	31	59	5,335	43.3

Table 9 *continued*

PSIC	Industry	Number of Firms	Total Employment	Compensation (P000)
3316	Wooden and cane containers and small cane wares	135	3,851	78,950
3317	Wood carvings	93	2,502	32,173
3319	Wood, cork, and cane products, n.e.c.	111	3,717	62,188
3321	Wood furniture, including upholstery	354	8,428	160,089
3322	Rattan furniture (reed, wicker and cane), including upholstery	291	31,630	659,143
3323	Box beds and mattresses	10	565	9,784
3324	Partitions, shelves, lockers, office and store fixtures	15	448	9,615
3325	Window and door screens, shades, venetian blinds	5	176	2,237
3329	Furniture and fixtures, except primarily of metal, n.e.c.	3	29	305
3411	Pulp, paper, and paperboard	36	7,007	361,675
3412	Containers and boxes of paper and paperboard	81	5,566	215,650
3413	Articles of paper	44	2,543	95,911
3414	Articles of paperboard	6	188	5,257
3419	Pulp, paper, and paperboard articles, n.e.c.	9	129	1,310
3421	Newspapers and periodicals	62	4,421	252,637
3422	Books and pamphlets	48	2,218	95,604
3423	Commercial and job printing	500	13,268	342,813
3429	Printing, publishing, allied industries, n.e.c.	26	404	6,899
3513	Synthetic resins, plastic materials, man-made fibers	22	2,481	153,691
3521	Paints, varnishes, and lacquer	41	2,946	127,450
3523	Soap, cleaning preparations, perfumes, toiletries	61	7,036	757,357
35291	Waxes, polishing preparations	12	659	50,822
35292	Candles	23	433	7,827
35293	Matches	3	1,710	75,478
3552	Rubber footwear	37	16,341	518,162
3559	Rubber products, n.e.c.	78	3,637	90,406
3560	Plastic products, n.e.c.	300	17,616	553,838
3610	Pottery, china, and earthenware	59	5,066	192,453
3620	Glass and glass products	35	5,776	438,619
3630	Cement	17	5,893	311,289
3691	Structural clay products	20	1,436	55,425
3692	Structural concrete products	204	3,893	89,527
3711	Blast furnaces and steel-making furnaces	7	832	45,161
3712	Steel works and rolling mills	92	11,964	586,445
3713	Iron and steel foundries	23	1,596	35,988
3719	Iron and steel basic industries, n.e.c.	5	1,115	75,042
3811	Cutlery, hand tools, and general hardware	55	1,150	41,122

Value of Fixed Assets (P000)	Census Value Added (P000)	Foreign Equity (%)	3-VACR		Average Employ- ment	Average Compen- sation (P000)	Capital/ Labor (P000)	CVA/ Estab. (P000)	Average Tariff
			1983	1988					
88,545	277,608	0.00	26.01	29.13	29	21	23	2,056	42.5
39,704	72,231	55.33	35.30	1.08	27	13	16	777	46.7
85,793	128,574	13.60	22.52	0.91	33	17	23	1,158	28.1
226,470	279,694	43.48	21.83	0.00	24	19	27	790	50.0
444,274	1,343,574	1.04	21.03	13.09	109	21	14	4,617	50.0
16,225	20,284	44.35	78.64	0.00	57	17	29	2,028	50.0
14,799	14,971	63.91	44.65	0.00	30	21	33	998	48.6
4,207	4,462	70.75	96.90	0.00	35	13	24	892	48.6
429	1,129	0.00	45.99	100.00	10	11	15	376	50.0
1,529,430	2,754,824	74.59	74.07	2.78	195	52	218	76,523	32.5
693,036	656,668	48.19	39.34	0.00	69	39	125	8,107	40.0
193,696	184,917	82.29	37.82	2.28	58	38	76	4,203	35.5
3,149	6,231	95.89	82.32	0.00	31	28	17	1,039	33.3
653	2,219	97.68	51.25	0.00	14	10	5	247	34.0
179,165	699,904	61.14	54.01	0.00	71	57	41	11,289	10.0
106,845	267,933	51.20	44.47	6.25	46	43	48	5,582	10.0
601,896	701,393	0.60	15.20	16.66	27	26	45	1,403	33.8
5,333	12,545	44.71	50.14	0.00	16	17	13	483	36.7
797,348	1,191,459	47.89	74.63	13.64	113	62	321	54,157	23.9
201,078	595,655	37.23	42.11	7.32	72	43	68	14,528	33.3
1,626,854	3,680,998	80.43	68.76	9.84	115	108	231	60,344	34.0
24,943	189,170	16.67	99.54	95.77	55	77	38	15,764	32.1
4,597	14,247	53.53	42.62	0.00	19	18	11	619	35.0
141,330	732,308	94.12	100.00	0.00	570	44	83	244,103	25.0
268,734	828,500	77.38	70.86	5.41	442	32	16	22,392	50.0
327,877	265,483	39.59	45.04	1.28	47	25	90	3,404	29.0
1,121,135	2,251,327	37.47	32.15	2.00	59	31	64	7,504	32.4
346,556	462,887	89.01	69.83	1.69	86	38	68	7,846	40.0
894,180	1,782,109	64.72	83.35	0.00	165	76	155	50,917	35.2
3,888,616	1,921,092	36.01	35.79	0.00	347	53	660	113,005	34.0
175,549	234,408	74.47	93.22	0.00	72	39	122	11,720	29.5
264,701	238,906	39.10	43.67	0.00	19	23	68	1,171	35.4
115,751	88,947	78.71	89.56	0.00	119	54	139	12,707	10.5
6,328,133	4,143,813	84.79	67.93	0.00	130	49	529	45,041	16.9
106,087	137,563	48.41	80.46	4.35	69	23	66	5,981	30.0
2,548,281	744,797	97.14	94.86	40.00	223	67	2,285	148,959	30.0
100,968	150,198	65.07	85.49	7.27	21	36	88	2,731	29.5

Table 9 *continued*

PSIC	Industry	Number of Firms	Total Employment	Compensation (P000)
3815	Fabricated wire products	44	2,539	59,884
3816	Non-electric lighting and heating fixtures	14	471	12,521
3819	Fabricated metal products, except machinery and equipment, n.e.c.	43	1,645	34,172
3851	Professional, scientific, measuring, controlling equipment, n.e.c.	6	455	14,636
3852	Photographic and optical instruments	S	S	S
3860	Furniture and fixtures primarily of metal	36	1,091	24,462
3901	Jewelry and related articles	37	1,380	32,927
3902	Musical instruments	12	1,123	33,256
3903	Sporting and athletic goods	10	1,047	35,935
3904	Surgical, dental, medical, and orthopedic supplies	8	563	20,174
3905	Ophthalmic goods	6	553	21,103
3906	Toys and dolls, except rubber and plastic	31	3,830	151,783
3907	Stationers', artists', and office supplies	17	701	22,592
3909	Manufacturing, n.e.c.	264	15,254	301,370
Total		8,277	600,667	20,163,490

Source: 1988 Census of Establishments.

Table 10
1988 Establishment's Characteristics in the Unprotected Sectors
(as of 1992)

PSIC	Industry	Number of Firms	Total Employ- ment	Compen- sation (P000)
3121	Other grain mill products	11	234	4,507
3217	Fiber batting, padding, upholstery filling	6	443	14,002
3219	Textiles, n.e.c.	3	45	633
3221	Custom tailoring and dressmaking shops	269	3,145	36,387
3231	Tanneries and leather finishing	42	1,224	18,766
3311	Sawmills and planing mills	241	18,996	479,317
3312	Veneer and plywood	40	23,400	766,186
3313	Manufacture of hardboard and particleboard	S	S	S
3314	Wood drying and preserving plants, such as cresoting	20	1,119	51,164
35295	Inks	19	846	56,577
35296	Adhesives and glues	14	703	36,869
35299	Other chemical products	22	947	49,100
3699	Non-metallic mineral products, n.e.c.	129	5,890	160,912
3722	Non-ferrous smelting and refining plants	S	S	S
3723	Non-ferrous rolling, drawing, and extrusion mills	13	956	54,783
3724	Non-ferrous foundries	18	425	10,501
3729	Non-ferrous metal basic industries, n.e.c.	S	S	S
3812	Manufacture of structural metal products	168	5,518	98,813
3813	Metal containers	54	5,678	206,217
3814	Metal stamping, coating, and engraving mills	105	4,732	190,009
3821	Engines and turbines, except for transport equipment	4	120	3,155
3822	Agricultural machinery and equipment	43	1,019	21,573
3823	Metal and wood-working machinery	17	688	18,648
3824	Special industrial machinery and woodworking equipment	18	440	18,304
3825	Office, computing, and accounting machinery	24	1,143	54,499
38291	Pumps, compressors, blowers	17	1,009	35,762
38292	Mechanical power transmission equipment	12	436	12,741
38297	Machine shops	395	9,074	198,747
38299	Machines and equipment, except electrical, n.e.c.	6	226	6,135
3847	Aircraft	4	270	13,587
3849	Transport equipment, n.e.c.	S	S	S
3853	Watches and clocks	S	S	S
Total		1,714	88,726	2,617,894

Source: 1988 Census of Establishments.

	All Manufac- turing	Protected Sector	Liberalized Sector	Unprotected Sector
Number of firms	83	53	100	54
Employment/firm	74	111	72	52
Compensation/emp. (P000)	37	54	34	30
VFA/firm (P000)	7,728	23,784	5,935	2,373
VA/firm (P000)	11,392	26,916	10,120	3,984
VFA/emp. (P000)	104	214	82	46
VA/emp. (P000)	153	242	140	77
Tariff	34.7	31.8	37.3	26.7
VACR 1983	58.5	68.1	54.6	60.4
VACR 1988	61.9	68.2	60.6	59.3
Foreign equity	5.5	13.1	3.9	2.8

The above averages show that the liberalized sector has twice the number of firms than the protected and the unprotected sectors. The protected sector, however, employs the most workers, pays the highest wages, uses the largest amounts of capital and thus has the highest capital-labor ratio, uses more foreign equity and contributes more value in production, both at the firm and the worker level. The protected industries are the most concentrated among the three sectors, and these became slightly more concentrated during the 5-year period, while the liberalized industries became more markedly concentrated and the unprotected, slightly less concentrated. Tariff protection is also a little lower than that of the deregulated sector, but much higher than the unregulated.

The averages for all manufacturing industries are expectedly closest to the liberalized sector averages for almost all variables, i.e., industry size, employment, compensation, capitalization, value-added, capital/labor, labor value-added, tariffs, and foreign equity. Moreover, the overall manufacturing averages fall between the protected and the liberalized sector averages. It is only in industry size and tariff levels that the positions are reversed and where manufacturing averages are lower than the liberalized sector but

higher than the protected sector averages. The exception is for average VACR, which is close to both the liberalized and the unprotected averages.

The overall VACR average also increased during the period 1983-1988, due to a slight rise in the protected sector average and a more than modest increase in the liberalized average. Almost half (46.4 percent) of protected sectors showed a lower VACR, and more than half (54.2 percent) of the deregulated sector was less concentrated. Considering the closeness of these proportions to each other, it seems that liberalization has no great impact on industrial concentration, although it may be too early to observe the effects especially since the major items were liberalized only in 1986 and 1988, or the tariffs that replaced the quantitative restrictions may be just as binding.

Table 8 which covers the protected sector, shows that majority are highly concentrated: 17 industries or 60.7 percent registered VACRs greater than the sector average, and 64.2 percent exceeded the manufacturing average. Two-thirds either became more concentrated or did not show any substantial change in their already high ratios. VACRs decreased in 13 out of 28 industries, but only eight of these show substantial reductions in their concentration, while about five had low VACRs to begin with. In the case of fish, one likely reason for lower concentration is the previous deregulation of live fish. Industries with larger numbers of firms tend to be less concentrated, and vice-versa.

About half of the sector consists of up to 10 establishments; one-fourth has between 11 to 30 firms, while the rest have between 31 to 5. Only one is extremely large — rice and corn milling, with 521 firms.

One-fifth of the protected industries employ up to 50 workers, another one-fifth employs between 51 to 100, one-sixth has from 101 to 200 employees and the rest employ from 201 to as many as 900 workers. Compared with the manufacturing average, the protected industries are relatively large employers. Annual compensation per worker is also high relative to the manufacturing average, and four-fifths of the protected industries exceed it.

Capital-labor ratios are given by the value of fixed assets (VFA) per worker. About one-third of the protected sector exhibits ratios larger than the manufacturing average. High capital-labor ratios characterize smaller industries, but the average employment in these industries varies from high to low.

With respect to value-added, slightly more than half have averages which are higher than the manufacturing sector average. Only one industry contributed less than P1 million on the average. Many of both large and small industries contribute much to value-added; these same industries tend to be large employers. Those with fewer workers contribute less to value added and have lower capital-labor ratios.

Tariff rates range from 12 to 50 percent and more than half are at the higher end of the range, i.e., protected by at least a 31 percent rate. Foreign-controlled firms are common, as in one out of five firms in petroleum refinery and products, coffee roasting and processing, pesticides, drugs and medicine, explosives, and primary cells and batteries. Except for drugs and medicine, these industries are made up of few firms compared with the rest of the sector. Besides, these same industries are highly concentrated.

Industries producing the liberalized goods are far more numerous (Table 9), given the wide coverage of import restrictions that were lifted over the period 1981 to 1991. Two-thirds are either very large or very small: about one-third (36.2 percent) consists of one to 20 establishments and another third (37.4 percent) consists of over 50 establishments. Two industries were extremely large (bakeries and ready-made clothing) with over a thousand firms each. The middle range, with 21 to 50 firms, characterizes the remaining industries.

The distribution of industries according to average employment declines as employment increases with majority (34.9 percent) of industries employing up to 50 workers, the next biggest group (30.1 percent) employing 51 to 100, the third group (18.1 percent) employing 101 to 200, the fourth (10.8 percent) employing 201 to 500 and the remainder (6.0 percent) employing above 500 workers. Average compensation ranges from P11,000 to P108,000 per employee.

One-fourth (26.5 percent) of the liberalized industries exhibit capital-labor ratios that are greater than the sector average, and one-third (31.3 percent) have ratios exceeding that of manufacturing. The average value-added of more than a third (36.1 percent) is greater than the manufacturing average and that of about two-fifths (39.8 percent) exceed the sector average.

Majority of the delisted industries (60.2 percent) are protected by tariffs ranging from 30 to 49 percent. About one-fifth (18.1 percent) have a 50 percent tariff wall, and another one-fifth (21.7 percent) are covered by 10-29 percent average tariffs.

Only a few industries (12.1 percent) have at least one-tenth of the firms controlled by foreigners. Moreover, these industries are small, consisting of much fewer establishments relative to the sector average and ranging from five to 67 firms.

Slightly more than half (51.8 percent) of the deregulated group have higher VACRs than the sector as a whole. Concentration was less pronounced after five years in more than half (53.0 percent) of the group, and substantially less in two-fifths (43.4 percent). However, one-third (32.5 percent) became more concentrated, possibly because imports drove the smaller firms away, leaving fewer establishments and a higher concentration as a result. Smaller industries tend to exhibit very high VACRs and larger industries, very low VACRs, although the trend in the middle range is not as clear as that of the protected group.

The unprotected sector (Table 10) consists of those industries which produce goods that were never subject to import restrictions. Many of these are on the extreme ends of the size distribution: either small, consisting of up to 20 establishments (55.5 percent) or very large, with between 101 to 500 firms (22.2 percent). The rest are made up of 21 to 100 firms.

Employment is low for most industries (70.4 percent), with an average of up to 50 workers per establishment. Those employing 51 to 100 workers comprise one-fourth of the sector (22.2 percent). Only two industries have more than 100 workers on the average — veneer and plywood and metal containers.

Capital per worker is greater than the manufacturing average for only four industries (14.0 percent) and greater than the unprotected

sector average for 14 industries (51.8 percent).

The value-added per firm of only five industries (18.5 percent) exceeds the manufacturing average, and that of 12 industries (44.4 percent) is higher than the sector average.

A 10-29 percent average tariff protects 70.4 percent of the industries in the sector, of which 48.2 percent are covered by a 20-29 percent rate. Only three industries out of the total (11.1 percent) show that at least 10 percent of their firms are foreign-controlled, and these are the smaller sized industries, such as inks, other chemical products, and aircraft.

The majority (59.3 percent) of industries show VACRs exceeding the manufacturing average. However, almost half (48.2 percent) of the sector also registered declining ratios, and one-third (33.3 percent) exhibited the opposite — increased VACRs. The smaller the number of firms in an industry, the more concentrated it becomes, while the larger populations are more disperse.

SOME REGRESSION RESULTS

The industrial structure is partly a response to the presence or absence of government intervention (at the extreme, either the excess or lack of, respectively) which serves to encourage or inhibit certain industries and not others, i.e., a particular structure will thrive depending on the configuration of regulations and incentives. At the same time, government policy does not operate in a vacuum and is influenced by the structure of the economy, unless there is a deliberate move to change that structure drastically. In the Philippines, this politico-economic nexus is inescapable knowing the long history of government regulations affecting industry, and the nature of Philippine business and politics.

Three sets of relationships were therefore tested using the industry data found in Tables 8 to 10 and the price ratios in Appendices 8 and 9. These equations were run on three sets of data: (a) both protected and liberalized sectors excluding those with suppressed information ($n = 111$); (b) all sectors excluding the suppressed ($n = 139$); and (c) all

sectors excluding those whose share in manufacturing output was 0.1 percent and below ($n = 91$).

The first relationship uses a logit model to find out which establishment characteristics in 1988 explain whether or not an industry was protected by import restrictions in 1992. The dependent variable is the probability that an industry is protected given the characteristics of that industry:

$$\begin{aligned}
 P_i &= 1 \text{ if protected by import restrictions} \\
 &= 0 \text{ if not} \\
 &= f(\text{NOFIRM, TOTEMP, FOREQ, VACR,} \\
 &\quad \text{CAPLAB, AVEVA, TARIFF})
 \end{aligned}
 \tag{1}$$

where NOFIRM = the number of firms,
 TOTEMP = total employment,
 FOREQ = foreign equity,
 VACR = the value added concentration ratio,
 CAPLAB = the capital-labor ratio, given by VFA per worker,
 AVEVA = average value added, and
 TARIFF = the average tariff rate for the industry.

Industry size or NOFIRM is an indicator of degree of competition, hence a negative sign is expected since industries with a smaller number of firms are likely to behave monopolistically and secure their market shares by lobbying for protection. TOTEMP is expected to be positively correlated since industries "who can plead a strong case for labor are most likely to secure protection" (Alabastro and Irlanda 1991). FOREQ is expected to have a positive relationship if the government's incentives to foreign investors are to be consistent with other policies, such as import regulations. VACR should have a positive sign given that concentrated industries would tend to be more organized and lobby more strongly than if they were competitive. Similarly, the sign of CAPLAB should be positive since industries with huge capital investments are more likely to lobby for protection in order to secure these investments, or obtain a protective guarantee

from the government even before actually investing. AVEVA is expected to be positively correlated since firms which contribute more value added may use this to justify protection. Low TARIFF levels are expected to be associated with the likelihood of protection given that tariffs replaced import restrictions, such that industries no longer protected by QRs would have high tariff barriers instead.

An alternative equation only posits FOREQ, MARKUP, VACR, and TARIFFS as explanatory variables. This time MARKUP or the excess of price over costs is included because it shows the market power of firms, and would be positively related to the likelihood of enjoying import protection.

Table 11 gives the results of the regression. For all data sets, Equation 1a shows that FOREQ is the significant explanatory variable, with the correct sign. For the first data set, NOFIRM, TOTEMP, CAPLAB, and TARIFF also exhibit the expected signs, but VACR and AVEVA do not. For the second data set, TARIFF also has the unexpected sign. The third data set shows better results, with AVEVA carrying the only unexpected sign.

Equation 1b shows similar results across data sets, and again FOREQ is the significant variable with the correct sign. Only MARKUP has the opposite sign.

The second relationship tested was that of the intensity of restrictions, as measured by the price ratio of 30 regulated goods, with the corresponding industry characteristics, given at the 5-digit PSIC level. Least squares was used in estimating the equations, and the variables described above were also used as explanatory factors since it was the strength of the restriction that was to be explained.

$$\text{PRATIO} = f(\text{NOFIRM}, \text{FOREQ}, \text{VACR}, \text{CAPLAB}) \quad (2a)$$

No variables came out as significant although only CAPLAB had the incorrect sign.

As a measure of price-setting ability, price ratios were hypothesized as positively influenced by the level of tariffs across industries, whether or not these were protected by import restrictions (a dummy variable with 1 representing protected and 0 liberalized),

Table 11
Regression Results

Equation (1a)

Dependent Variable: DUM

Independent Variables	Coefficients and (t-stat)					
	Dataset A n=111		Dataset B n=139		Dataset C n=91	
constant	-0.76		-1.97		-0.95	
NOFIRM	-0.0015	(-0.60)	-0.0017	(-0.65)	-0.0016	(-0.56)
TOTEMP	1.16E-05	(0.44)	1.59E-05	(0.62)	6.08E-06	(0.21)
FOREQ	0.05	(1.93)	0.06	(2.37)	0.07	(2.21)
VACR	-0.0005	(-0.05)	-0.0001	(-0.01)	0.0031	(0.22)
AVEVA	-1.70E-07	(-0.15)	-1.80E-07	(-0.16)	-5.15E-07	(-0.41)
CAPLAB	0.0004	(0.75)	0.0006	(1.08)	0.0002	(0.44)
TARIFF	-0.02	(-0.85)	0.0039	(0.18)	-0.02	(-0.80)
Log likelihood	-56.10		-61.98		-45.94	

Equation (1b)

Dependent Variable: DUM

Independent Variables	Coefficients and (t-stat)					
	Dataset A		Dataset B		Dataset C	
constant	-0.67		-1.78		-0.84	
FOREQ	-0.05	(2.15)	0.07	(2.76)	0.07	(2.33)
MARKUP	-0.63	(-0.71)	-0.70	(-0.78)	-1.16	(-1.05)
VACR	0.0042	(0.42)	0.0039	(0.42)	0.0095	(0.85)
TARIFF	-0.02	(-1.10)	-0.0013	(-0.07)	-0.03	(-1.06)
Log likelihood	-56.35		-62.62		-45.57	

Equation (2a)

Dependent Variable: PRATIO

n=30

Independent Variable	Coefficients and (t-stat)			
constant	1.94		1.70	
VACR	0.0065	(0.36)	0.0091	(0.61)
FOREQ	0.05	(1.76)	0.05	(1.84)

CAPLAB	-0.0005	(-1.19)	-0.0006	(-1.24)
NOFIRM	-0.0012	(-0.26)		

Adjusted R-squared -0.004 0.03

Equation (2b)**Dependent Variable: PRATIO n=71**

Independent Variable	Coefficients and (t-stat)			
constant	2.86		2.21	
VACR	-0.0064	(-0.38)		
NOFIRM			0.0014	(0.60)
PDUM	-1.21	(-1.34)	-1.13	(-1.23)
TARIFF	0.04	(1.12)	0.04	(1.17)
Adjusted R-squared	0.02		0.02	

Equation (3a)**Dependent Variable: VACR**

Independent Variables	Coefficients and (t-stat)					
	Dataset A		Dataset B		Dataset C	
constant	69.73		68.32		69.23	
TARIFF	-0.31	(-1.38)	-0.29	(-1.50)	-0.42	(-1.77)
PDUM	8.68	(1.73)	9.33	(2.04)	8.51	(1.55)
Adjusted R-squared	0.04		0.03		0.04	

Equation (3b)**Dependent Variable: MARKUP**

Independent Variables	Coefficients and (t-stat)					
	Dataset A		Dataset B		Dataset C	
constant	0.15		0.27		0.12	
VACR	0.0033	(2.42)	0.0025	(2.16)	0.0036	(2.23)
PDUM	-0.02	(-0.28)	-0.03	(-0.40)	-0.06	(-0.68)
TARIFF	4.58E-05	(0.01)	-0.0016	(-0.63)	0.0019	(0.53)
CAPLAB	6.68E-05	(0.87)	6.37E-05	(0.89)	4.95E-05	(0.60)
Adjusted R-squared	0.04		0.003		0.03	

and the extent of concentration as an indicator of market power. The price ratios of 71 regulated and liberalized goods and their corresponding industry characteristics were run using least squares:

$$\text{PRATIO} = f(\text{TARIFF}, \text{DUM}, \text{VACR}) \quad (2b)$$

None came out significant. **TARIFF** carried the expected positive sign but **DUM** and **VACR** showed the opposite, perhaps because liberalized industries were highly concentrated in the first place.

The third relationship tested was between the extent of monopolization in the market structure, as approximated by the **VACR**, and the level of tariffs and presence or absence of import restrictions — to find out whether protection in either form influences industrial concentration. Because the causation was reversed, the regulatory structure in 1986 was instead examined vis-à-vis the 1988 establishments characteristics.

$$\text{VACR} = f(\text{TARIFF}, \text{DUM}) \quad (3a)$$

For all data sets, the three resulting regressions show **DUM** to be significantly positively related to **VACR**. This supports the view that **QRs** contribute to less than perfectly competitive markets or grants monopoly power to protected producers.

Market power may be approximated by the price-cost markup of firms, estimated here as the ratio of the value of output net of wages and costs to wages and costs. To examine what relationship market power has with the degree of concentration in the industry, tariff protection, the presence or absence of import restrictions, and capital-intensity, least squares was used in estimating the following equation:

$$\text{MARKUP} = f(\text{VACR}, \text{DUM}, \text{TARIFF}, \text{CAPLAB}) \quad (3b)$$

Only **VACR** was significant in all three data sets described above, and together with **CAPLAB**, carried the expected positive sign. **DUM** was negatively correlated with **MARKUP** for all data sets, and **TARIFF** only in the second data set. Given the above finding that

restrictions contribute to high VACRs, if the latter in turn contribute to high MARKUPs, then the negative relationship between DUM and MARKUP is unexpected.

The above regressions at best present tentative results given the aggregation done; less than perfect correspondence between commodity and industry codes (especially where only a few items out of a whole range of goods are affected, and whose relative importance is hard to ascertain); use of unweighted variables such as average tariffs; suppressed information; and simplifying dummy variables. Also, the cumulative impact of deregulation may not be too obvious when looking at a single-year cross-section of industries on which many other influences are acting but which have been left out of the equations.

Welfare Effects in the Car Industry

THE purpose of this section is to provide some estimates of the welfare effects of import restrictions covering passenger cars. The model developed by Wendy E. Takacs (1991) and presented in Appendix 10 is used to examine and measure the distortions, costs, and transfers among groups arising from the car industry protection scheme. In the Philippines, this consists of a combination of tariffs on imported vehicles and parts, import restrictions and local content and compensatory export requirements, which are all embodied in the Car Development Program (CDP) which replaced the Progressive Car Manufacturing Program in July 1987.

Tariffs are 50 percent on fully-assembled or completely-built-up (CBU) vehicles and 30 percent on completely-knocked-down (CKD) components for assembly purposes. Only passenger cars up to 2,800 cc. engine displacement are assembled under the program and are importable in CKD condition. Imports of new and used CBU units are not allowed, with some exceptions, i.e., no-dollar imports, those purchased by diplomatic officials, prototype units, and those with engine displacement of 2,500 to 2,800 cc. required by tourist-oriented service establishments not later than 1988.

The minimum vehicle local content requirement is determined by the BOI annually in consultation with the assemblers and parts suppliers; in 1990, it was 40 percent. Assemblers may select those components which they will manufacture or purchase locally, but certain parts are to be mandatorily deleted, that is, the assembler is compelled to buy them locally. A maximum cost penalty of 15 percent is imposed on the locally manufactured part, which means that the percentage by which its selling price is greater than the landed

cost of its imported CKD counterpart should not exceed 15 percent. The program encourages increased local content above the prescribed minimum through an incentive scheme which gives the assembler additional foreign exchange credit equal to the foreign exchange equivalent of the value added of the local component, excluding cost penalties. In addition, a premium on local content percentages is given to high-technology items which are domestically produced and which have already attained the minimum local content rate, e.g., diesel/gasoline engines, transmissions, transaxles, and axles.

To import CKD parts, assemblers must earn 50 percent of their foreign exchange through exports of both automotive and non-automotive products, the former being given higher foreign exchange credits and the latter progressively phased out until none are credited in 1993.

Ad valorem taxes are imposed on automobiles, based on the selling price of the manufacturer or importer, and this in turn is included in the base for computing the value added tax. Excise tax rates are 15, 35, 50, or 100 percent, depending on the engine displacement and type of engine.

To comply with the compensatory export requirement, at least one components manufacturer verified that the assembler pays him a premium of five percent of export credits on the products he exports. Domestic prices of components exceed world prices by a range of 2-20 percent, although some suppliers say that it is difficult to compare prices because of the differences in models and therefore components used. Other suppliers claim low labor costs enable them to price parts more cheaply than competitors abroad, but at the same time lower labor productivity (longer manhours to produce one unit here compared with that in Japan) accounts for higher domestic prices. Because prices in the export market are lower, profit margins are also lower, but this is compensated for by the large volumes exported.

The local assemblers are subsidiaries of foreign companies, and are able to intercede for components makers in the latter's search for foreign contacts, while getting credit for it. The assembler is also in a position to change the export price because it usually exports to its

parent company or deals with other foreign markets through the parent company.

The magnitude of the areas in Figures 5 and 6 identified as net welfare losses and transfers can be calculated based on the actual values of the policy parameters t_A , t_C , x_K , and δ , and observed values of prices, quantities, and the premium paid for export invoices for compensatory exports. The data used in calculating the effects of the domestic content and compensatory export requirements are as follows.

Variable	Value	Measure and Year
π	0.05	Percentage of the value of export receipts paid to the exporter of components for receipts to be credited in fulfillment of the compensatory export requirements (1992)
t_A	0.6325	Price-increasing effect of the 50 percent tariff on CBUs, taking into account the fact that the tariff-inclusive price is the base for the 15 percent excise tax, and the tax-inclusive price is the base for the 10 percent value-added tax (1992)
t_K	0.3795	Price-increasing effect of the 30 percent tariff on CKDs, taking into account the 15 percent excise tax and the 10 percent VAT (1992)
x_K	0.2244	Actual compensatory exports for CKDs, i.e., the ratio of auto-related exports to the value of CKD imports (1990)
δ	0.2223	Average physical domestic content ratio (1990)
P_A^*	387152	Price of imported 1.6L CBU car (1992)

Figure 5
Assembled Automobile Market

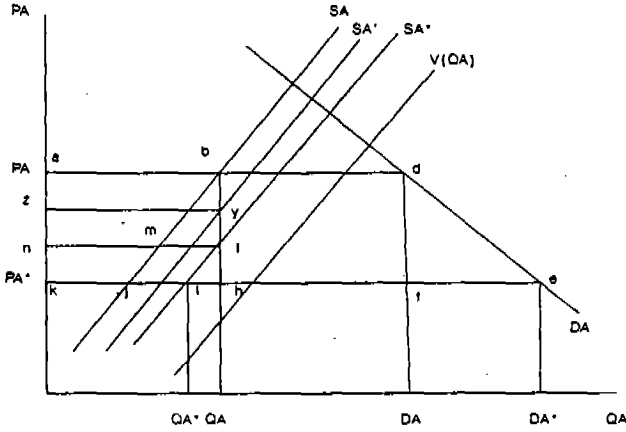
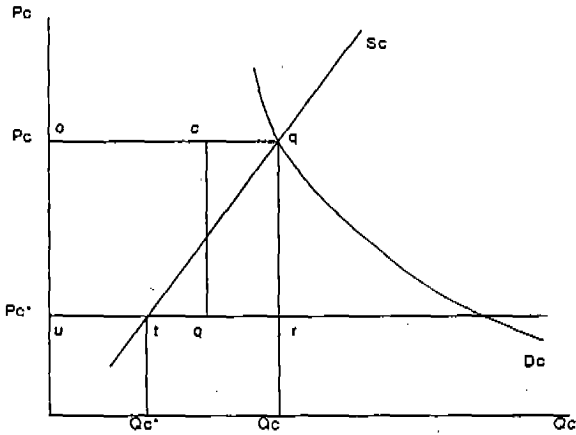


Figure 6
Domestic Components Market



P_A	485700	Price of locally assembled equivalent (1992)
Q_A	21658	Number of cars assembled (1991)
D_A	26101	Number of cars bought plus imported (1991)
σ	0.5133	Share of components cost in the final cost of the assembled car (1992)
V_C	1,967,000,000	Value of components production, computed as (ratio of components exports to car sales in 1990) x (car sales in 1991) / (1 - ratio of components exports to production in 1990)

Tentative estimates of the magnitude of the welfare effects were computed (Table 12) using the above data, the equations for the areas, and assumed elasticities of demand of -0.5 and -1.0, and elasticities of supply of 1.0 and 2.0.

The results show a loss to car buyers of P2.7 to P2.8 billion a year, transfers from buyers to assemblers of P711 to P744 million, and efficiency losses of P163 to P327 million. In the components market, the transfers to manufacturers range from P93 to P96 million, while the efficiency losses are between P2.5 and P4.9 million. The total efficiency losses are between P166 to P332 million.

These figures serve to illustrate the impact of protection on the car industry, but are tentative for the following reasons:

- The model assumes a competitive assembly industry, when in reality entry is limited to a few participants. The results are therefore understated.
- For lack of elasticity estimates based on actual Philippine data, the elasticity assumptions in the Takacs model for the Uruguayan market are used.
- A number of interviews were conducted with three components manufacturers, one assembler, the association representatives for cars and for car parts. Their verbal estimates of price differences rather than actual recorded data were used in assessing whether the arrangements described in the Takacs model were applicable.

Table 12
Welfare Effects of Protection in the Car Industry: 1992
(P million)

Assumed parameters			
Premium on local parts	0.05	0.05	0.05
Demand elasticity : cars	1	0.5	1
Supply elasticity : cars	1	1	2
parts	1	1	2
Consumer loss (adek)	2,833.1	2,702.6	2,833.1
Transfer to assemblers (nlik)	743.5	743.5	710.6
Efficiency loss, cars (def + lhi)	293.7	163.3	326.6
Transfer to parts manufacturers (oqtu)	95.9	95.9	93.4
Efficiency loss; parts (qrt)	2.5	2.5	4.9
Total transfer to producers (nlik + oqtu)	839.4	839.4	804.0
Total efficiency loss (def + lhi + qrt)	296.2	165.8	331.5
Consumer loss per unit assembled (P)	130,806	124,804	130,806
Efficiency loss per unit assembled (P)	13,676	7,655	15,306

In fact the estimate of the export premium came from only one parts supplier, since it was very difficult to get unambiguous answers from the rest.

- The commercial vehicle industry is not included in these estimates, even if vehicle parts were purchased from the same components manufacturers.
- The estimate of the compensatory export requirement used includes only auto-related exports rather than both auto and non-auto, which are allowed in the CDP until 1992. If both auto and non-auto are included, there would be a 59.7 percent foreign

exchange self-sufficiency rate (equal to total net foreign exchange credits divided by total foreign exchange used). Likewise, the domestic content ratio used only includes local physical content and excludes the “assembly allowance” of 15 percent.

- The data covers a period of three years because of the difficulty of obtaining a consistent set of data for a single year, or of interpolating from what is available for one year.
- The values for t_A , t_K , P_A^* and P_A are for one particular model — a 1.6L gasoline engine manual transmission — rather than an average of tariffs and prices of all models.

The model indicates that the protective regime keeps car prices high, maintains high-cost domestic production of cars and car components, and transfers large amounts to special interest groups. Import restrictions and higher car prices encourage greater output from assemblers, but the local content and compensatory export requirements and tariffs on CKDs discourage production by increasing input costs; the net effect depends on the relative strengths of each element. Considering that assembly is limited to three firms only, even if they are constrained with respect to the number of models to produce, more rather than less assembled cars is the net effect of the regulations. Hence, part of the consumer loss from higher prices represents a transfer to assemblers, and part an efficiency loss due to increased domestic assembly of cars at a higher cost than the world price of CBUs.

Components manufacturers are benefited by all aspects of the protective regime: the tariff on CKD packets protects them from imported components; the tariff on CBUs and restrictions on imports maintains domestic assembly operations and the demand for components; the local content requirement forces assemblers to use local parts; and the compensatory export requirement increases the demand for parts to be exported. All these increase the demand for components, in turn raising prices and output. Part of the consumer loss from higher car prices is a transfer to components makers; another part is also an efficiency loss due to higher cost of producing components domestically rather than importing them at lower world prices.

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Summary and Conclusions

IN 1990, a detailed and exhaustive study was made of every attempt at significant trade reform undertaken by developing countries after the war (Papageorgiou et al. 1990); this covered the course of liberalization in nineteen countries during 36 reform episodes. The results were found to be encouraging and in some cases unexpected, for two reasons. One is that the transitional costs of liberalization seem smaller than feared: the balance of payments did not deteriorate in most reforming countries; instead, its effects on employment were small and it was associated with higher output. Also, the distribution of income did not necessarily worsen off, since there was no proof that low-income groups gained nor became worse-off.

The second major point about these trade reform programs is that despite the complexities of the process and the different circumstances surrounding each, the successful programs had common elements. Prominent among these elements was momentum. Programs that started boldly and followed through proved enduring, as in the cases of Chile and Greece. The other elements identified were competitive real exchange rates, which usually began with a depreciation and avoided sharp fluctuations; prudent macroeconomic policies wherein budget deficits were kept smaller than output; properly sequenced reform; and political stability. Thus a weak or a seemingly hesitant approach, expansionary fiscal and monetary policies, and capital-market preceding trade liberalization, were associated with failures. Credible preannouncement of further measures also meant either full or partial survival, and initial economic conditions promoted success to the extent that they promoted bold reforms and pushed for the formulation of policies needed to back them up.

One of the clearest findings, however, is that a decisive reduction in import restrictions generally led to success; this in fact was the only critical element for the survival of reform. Six years also seemed to be the minimum duration for a program to last indefinitely. Furthermore, the longer the distorting policies had been in place, the harder it was for reform to succeed. Thus, an earlier failure means that a second attempt should be bold, since a history of failure undermines the credibility of reform.

The main results of this paper may be summarized as follows: An accounting of the commodities ever subjected to import regulations shows that a significant number were either restricted after being liberalized; liberalized after being restricted a second time; liberalized twice in a row; liberalized but not in Circular 1029; double-counted; mentioned as liberalized but having no specific PSCCs; or could not be traced to previous regulations. In the same fashion, Lists A, B, and C contain those already liberalized, those not listed in Circular 1029, or double-counted. A substantial number are also not found in the Lists which appeared in Circular 1029. Likewise, the latest consolidating circular includes items which are not found in either the Lists or Circular 1029. This indicates that the implementation of the program was less than systematic, even if criteria are said to exist.

Taking the above into account yields 250 remaining regulated commodities, which exceeds the official count of 174 by 76 items or the number that was left out of the Lists by Circular 1389. Half (50.1 percent) of the universe of commodities was subject to restrictions at any given time in the last two decades, and 91.8 percent have been liberalized, although this excludes several whose PSCCs were not specified. The remainder mainly consists of machinery and transport equipment, food, and chemicals. The import licensing criteria indicate that many are restricted for national security, public health and safety reasons; the rest are regulated to protect domestic industry. The procedures suggest that there are wide discretionary powers exercised by the agencies implementing these regulations, and arbitrary decisionmaking is possible if not inevitable.

The characteristics of both regulated and liberalized commodities enabled us to explain their relative prices and import levels. However,

the expected changes in price ratios and imports after liberalization occurred only for some goods, perhaps because of the following: the time period covered was not long enough or it is too early to establish the effects for those liberalized much later; tariffs are effective in maintaining the price gaps; quality differences preclude any disciplining effect on prices; or domestic conditions deter local producers from competing with relaxed imports.

The industries producing the regulated and liberalized goods as of 1992 as well as those that were never subject to import regulations were examined separately and compared with manufacturing as a whole. The protected industries, on the average, employed the most workers, paid the highest wages, used the largest amounts of capital, had the most foreign equity, contributed the highest value added, and were the most concentrated among the three sectors. The liberalized sector averages were closest to that of manufacturing. Between 1983 and 1988, concentration ratios did not change significantly even though many restrictions were lifted from 1986 to 1988.

The regression results show that foreign equity is significantly positively correlated with the likelihood that an industry is protected by import restrictions. Price ratios as an indicator of the intensity of restrictions, are correlated negatively with industry size and positively with foreign equity and concentration ratios, as expected, but the correlations are not significant. As a measure of the ability of industries to be price-setters, the price ratio has a positive relationship both with tariffs and with industry size, but a negative relationship with concentration ratios and protection, although none were significant.

Further tests showed that industrial concentration is significantly positively correlated with the presence of import restrictions and negatively but not significantly correlated with tariffs. The price-cost markup, which is a measure of price-setting ability, is significantly positively correlated with concentration ratios.

As an illustration of welfare effects of protection, the automotive assembly industry shows huge consumer and efficiency losses and large transfers to assemblers and components manufacturers because of a combination of import restrictions, tariffs, and local content and

compensatory export requirements. It is likely that import restrictions cause prices to differ more than just tariffs do, as in our example where the selling price of the locally-assembled car was 95.2 percent higher than the price of the CBU equivalent, and tariffs were only 50 percent. Removing these restrictions or converting them to tariffs would be a laudable first step in transferring revenue to the government and reducing consumer and efficiency losses.

To conclude, import controls have undoubtedly become a permanent feature of the economy, considering that three decades ago, the government declared that it should not be so. From the original intent of rationing scarce foreign exchange, industry protection became the justification for the imposition of several restrictions. This would have been reasonable had this been pursued on the basis of an industrial priority system, with clear criteria. However, even the principles of essentiality and local sufficiency were short-term constructs. Once instituted, controls were difficult to remove, as is borne out by the recent liberalization record. Facility of implementation resulted in an unsystematic phasing and sequencing, again traceable not merely to the lack of definite criteria but moreso to the absence of an industrial ranking system. The lack of decisiveness or commitment by the government, manifested in the reimposition of restrictions or subscription to outdated thinking, has also made lobbying an effective strategy by interest groups.

Trade policy has therefore determined the structure of industry rather than the other way around, with non-tariff import control being a significant policy tool. This is unfortunate because import restrictions are more distortive than tariffs since the former disallows the price mechanism from working and are neither fixed nor transparent. Inefficiencies are even more costly as they take place in strategic industries, such as chemicals, which in fact comprise part of the remainder. For the other "hardcore" items such as machinery and equipment for local content programs, the inefficiencies are classic and affect consumer welfare. Even within an imperfectly competitive framework, quotas allow firms to create market power where none has existed before; or quotas may also increase market power, more than tariffs do. Regression results show that indeed the presence of

QRs is correlated with high industrial concentration, which in turn is associated with large price margins. Their continued protection is thus a cause for concern.

The cumulative effects of all liberalization episodes will probably be felt over a longer period of time than the passing of four years since the last deregulation of important items. For those whose price ratios and import levels are not responsive to delisting, other reasons could be more constraining. Unfavorable domestic conditions, such as poor infrastructure, stand out as a hindrance to the competitiveness of our industries. It is thus imperative that this constraint is dealt with before expecting an improved performance. Nevertheless, the “ineffectiveness” of liberalization in these cases is not a justification for continued restrictions, knowing that the decisive removal of QRs is crucial to success. The hesitant or unsystematic manner in which the ILP has been implemented has undermined the credibility of trade reform. It seems that the obvious — the commitment of the government as the key to a sustainable reform process — has escaped the policymakers themselves.



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Appendices

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Appendix 1

Number of Commodities Regulated and Liberalized: 1970-1994
by Two-Digit Commodity Level

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	
00 Live animals for food	1					17				9									16 ⁹					5 ^a		
01 Meat and preparations	29					15			4			16	13	13 ^a	15 ^a				11 ⁹			5 ^b	11 ^b	4	25 ^a	
02 Dairy products; birds' eggs	11					2	18					3	8	4	4 ^a		3		8					38 ⁸		
03 Fish and preparations	47					1	1				1	24 ^a	10	23 ^a					12 ⁹							
04 Cereals and preparations	31					5						23	24				24 ^b	10	2	2 ^a	6 ⁹			3 ^a	33 ^b	1
05 Vegetables and fruit	176											15	99	2 ^a	72		7	2 ^a	99	5	19				2 ^a	
06 Sugar, honey and preparations	11					1						6	5		14				12					3		
07 Coffee, cocoa, tea, spices	49											10	1	31				1		4 ^c						
08 Feeding stuff for animals						20									2										2 ^a	
09 Miscellaneous edible products	35					1						10	22	2					24	2						
Total regulated	390					62	19			13	1	10	22	2				24	2	4^c					5^d	
Total liberalized												101	179	33		27	212	7	35				17			
11 Beverages	45												2													
12 Tobacco	10											2			9											
Total regulated	55													11					12	5	2					
Total liberalized												2				7	50	5	2							

Appendix 1 continued

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
21 Hides, skins, furskins														3			3								
22 Oil seeds, oleaginous fruit	2					1						2					1								
23 Rubber latex																									
24 Cork and wood	4															4									
25 Pulp and waste paper															1			1							
26 Fibers, animal hair, old textile articles	5					11											2 ^a	4	13 ^b	2					
27 Crude minerals, fertilizers	1													1					1				1 ^d		
28 Ores and concentrates, metal waste and scrap															1										
29 Crude animal and vegetable materials, n.e.s.	5			1		1										25									
Total regulated	17			1		13						2			33	1		29							
Total liberalized											4	1					8	48	3					1 ^d	
32 Coal and coke									2						5										
33 Petroleum							11		3																
34 Gas				1																					
Total regulated				1			11		5						5										
Total liberalized																		2		2					

Appendix 1 continued

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
4 Animal and vegetable oils	1													2											
51 Organic chemicals	1											1		6	1				2 ^{1c} 2 ^g						3 ^d
52 Inorganic chemicals							2	3		1			2 ^a	2	4				5	1 ^g					1 ^a
53 Dyeing materials, pigments	4												4		1										
54 Medicinal and pharmaceutical products	3							23					4					1							1 ^e
55 Essential oils, soap, toilet preparations	24													1	2									21	
56 Fertilizers			19									17	6					1							1 ^a
57 Explosives	2																							18	
58 Artificial resins, plastic materials										1			59		1		49	4	6						1 ^c
59 Miscellaneous chemical products	2							7				1	1												2 ^d
Total regulated	36		19				2	33		2		1	59	9	5				1^c						6^d
Total liberalized												23	12	2	1		59	4	6				40		

Appendix 1 continued

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
61 Leather and manufactures	3													15											
												2				1	15								
62 Rubber and articles	12						8						6	8										1 ^e	3 ^d
													6				20								
63 Cork and wood manufactures	16								1					14											
												13	3				15								
64 Paper and paperboard	55	1							1				1 ^a 87	17											
												45	7				49 ^b	57		2 ^c		1			
65 Textile yarn and fabrics, made-up articles	55					21				79			57	64			2 ^d								
												15	21				96	2 ^b 67	77						
66 Mineral manufactures	26					2		1			1	1	5	44						2 ^c					
												3	12				2	37	10	10	2 ^e	5		1	
67 Iron and steel						128												109	15	4					
68 Nonferrous base metals														8											
																		8							
69 Manufactures of base metals	57								1					54											2 ^e
												2	30	6		2	65		6				1		
Total regulated	224	1				151	8	4	79	1	1	155	224						2^c					3^d	
Total liberalized												80	79	6		5	414	149	97	2^e	7	1	2		

Appendix 1 continued

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
71 Power generating machinery						4	4						7	4					10 ^c					3 ^e	
																			3	10 ^c 15	1 ^d				3 ^b
72 Specialized industrial machinery and equipment	2												1 ^a 1	4					35 ^e					1 ^b	
													2						7 ^c	28 ^c 5					
73 Metalworking machinery														4					8 ^c						
																			8 ^c	4					
74 Nonelectric machinery	4		2										3 ^a 6	2					13 ^c						
													4				2		6	8 ^b 2			3 ^b 4 2 ^d 1		
75 Office machines								3																	
															5 ⁱ										
76 Telecommunications equipment	16								21				4 ^a	12 ^a 16						7 ^c					
													16						2 ^b	8 ^c			1 ^b 3 ^c 8	3 ^b 1 ^d 20	
77 Electric machinery and apparatus	34								3				16 ^a	1 ^a 32						1 ^g	20 ^c				
													34								1 ^f 12 ^e	1 ^c	3	1 ^a 7 ^e 3 ^e 26	1 ^d 21 ^e
78 Motor vehicles	22			5	1		9	7						1						24 ^c					
																				10	3 ^c	1 ^d	4	3 ^b 7 ^c 19	
79 Railway vehicles, aircraft, and ships	1					20											1								
																					14			5	
Total regulated	79		2	5	1	20	13	14	24				14	62					117^c						1^d
Total liberalized													57				3		7^c 27	69^a 45	2^d 1^a 4	3^c 11	18^b 8^e 7^s		

Appendix 1 continued

Commodity	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
81 Sanitary, plumbing, heating and lighting fixtures	1													9											
												1					8		1						
82 Furniture	22													7										4 ^e	
												16	6				7								4 ^b
83 Travel goods	14																								
												5		7		2									
84 Wearing apparel	222													12											
													211			11	12								
85 Footwear	25													2											
													25				2								
87 Measuring and controlling instruments	2													5 ^a	1										
													5						1 ^b	20	2				
88 Photographic apparatus, optical goods, watches	7													1											
												1	2				1		4						
89 Miscellaneous manufactures	158					2			1	1			1	77										1	
												29	40			10	135		13						
Total regulated	451					2			1	1			25	109											
Total liberalized												52	289	7		23	165		38	2				1	
90 Commodities, n.e.c.	54									4															1 ^d
																			2			3	2		
Grand Totals																									
Regulated	1307	0	22	7	1	248	53	47	34	99	2	2	253	598	6				124^c						16^d
Liberalized												263	617	48	1	70	951	170	7^e209	71^e56	2^d1^e4	3-15	219-135		

^aFigures in the upper row of each commodity description refer to regulated items and figures below, to liberalized items.

^bRe-restricted^eIn C1029 but in lists, re-restricted or re-liberalized

^cRe-liberalized ^fNo record of date regulated

^gNot in C1029 but in lists^hRe-restricted based on lists

^dNot in C1029 or lists

Appendix 2
Number of Re-Restricted and Re-Liberalized Commodities
by Two-Digit Commodity Level

Year Liberalized	Year Re-restricted													
	1982		1983		1984		1986		1987		1988 (Lists)		1993	
1981	Paper	1			Meat	15								
1982	Fish	24	Meat	13	Dairy	4	Fish	23			EleMch	1	Furn	4
	Chem	2	Veg	2										
	IndMch	1	ComEq	12										
	NEMch	3	EleMch	1										
	ComEq	4												
	EleMch	16												
	Instr	1												
1985							Fiber	1						
1986							Fiber	1	Cereal	2	Chem	3		
							Text	2			Cereal	6		
											LiveAni	16		
											Meat	3		
											Fish	12		
1988										Meat	8	PowMch	3	
1992												Meat	25	
												LiveAni	5	
												Cereal	9	

Appendix 2 *continued*

Year Restricted	Year Re-liberalized							
	1985	1986	1987	1988	1989	1991	1992	1994
1982		Fish 24	Paper 1	Instr 1			IndMch 1 ComEqp 4 EleMch 16 NEMch 3	
		Chem 2						
1983		Veg 2		ComEqp 2	EleMch 1	CornEqp 1	Meat 12 ComEqp 9	
1984	Dairy 4						Meat 15 Fish 23	
1986			Fiber 1 Text 2					
1988 (lists)							Meat 11 Fish 10 Elemch 1 LiveAni 11 Cereal 2	
1993						LiveAni 5		PowMch 3 Furn 4



Appendix 3

Number of Doubly-Liberalized Commodities
by Two-Digit Commodity Level

Year First Liberalized	Year Next Liberalized							
	1986	1987	1988	1989	1990	1991	1992	1994
1982	Cereal 1		PowMch 2 instr 4				NEMch 1	Furn 3
1985	Dairy 2 Misc 2							
1986	Fish 1 Cereal 1 Sugar 1 Feeds 4 MisFd 1 CrdMat 1 Chem 1 Text 2						Fish 3	
1987		Paper 1						
1988				ComEq 1 Instr 2		ComEq 3	N.E.C. 1	PowMch 3
1989					PowMch 3 MVeh 2			
1990							MVeh 3	

Appendix 4**Remaining Regulated Commodities****(as of June 1994)**

PSCC	Description
001.4109	Other live poultry of a weight not exceeding 185 g, n.e.s.
001.4901	Chickens, live, exceeding 185 g, for breeding
001.4902	Chickens, live, exceeding 185 g other than for breeding
001.4909	Poultry, live, exceeding 185 g, n.e.s.
001.9900	Other live animals chiefly for food, n.e.s.
011.3000	Meat of swine, fresh chilled or frozen
011.4100	Chickens, killed or dressed, fresh chilled or frozen
011.4200	Ducks and geese, killed or dressed, fresh chilled or frozen
011.4300	Turkeys, killed or dressed, fresh chilled or frozen
011.8902	Poultry meat, n.e.s., fresh chilled or frozen
011.8903	Meat, fresh chilled or frozen, n.e.s.
012.1100	Bacon
012.1200	Ham and shoulders, dried, salted or smoked
012.1300	Pork, salted
012.1900	Other dried, salted or smoked meat of swine
012.9201	Chicken meat, salted, in brine, dried or smoked not in airtight containers
012.9901	Meat meal and flour, fit for human consumption
012.9903	Poultry liver, salted, in brine, dried or smoked
012.9904	Edible offals of swine, salted, in brine, dried or smoked
014.2100	Sausages, all kinds, not in airtight containers
014.2200	Sausages, all kinds, in airtight containers
014.9101	Bacon, in airtight containers
014.9102	Ham, in airtight containers
014.9103	Pork, in airtight containers
014.9104	Pork luncheon meat, in airtight containers
014.9109	Meat and meat preparations, in airtight containers, n.e.s.
014.9201	Chicken meat, in airtight containers
014.9209	Other poultry meat, in airtight containers
014.9300	Meat pastes and spreads
014.9900	Other prepared or preserved meat and edible offals, n.e.s.
041.1000	Durum wheat, unmilled
041.2000	Other wheat (including spelt) and meslin, unmilled
042.1102	Non-glutinous rice in the husk, for propagation
042.1109	Rice in the husk, for purposes other than propagation
042.1201	Glutinous rice husked but not further prepared

Appendix 4 *continued*

PSCC	Description
042.1202	Non-glutinous rice husked but not further prepared
042.2101	Glutinous rice, semi- or wholly milled, whether or not polished or glazed
042.2102	Non-glutinous rice, semi- or wholly milled, whether or not polished or glazed
042.2103	Non-glutinous rice for emergency importation
043.0000	Barley, unmilled
044.0100	Maize (corn), unmilled
044.0200	Corn seed, all varieties, for propagation
045.1000	Rye, unmilled
045.2000	Oats, unmilled
045.9200	Sorghum, unmilled
045.9900	Other cereals, unmilled, n.e.s.
046.0200	Groats, meal and pellets of wheat, including meslin
047.0202	Meal, groats and pellets of maize
048.1101	Barley, pearled, rolled or flaked
048.1102	Maize, kibbled
048.1103	Oats, kibbled or rolled
054.1100	Potatoes, fresh
054.5101	Garlic, fresh or chilled
054.5102	Onions, fresh or chilled
054.5909	Cabbage, fresh or chilled
054.8101	Manioc (cassava), fresh or dried
054.8103	Sweet potatoes (camotes), fresh or dried
071.1101	Arabica coffee, raw or green, not roasted
071.1102	Coffee, raw or green, not roasted, n.e.s.
071.1103	Coffee husks and skins
071.1104	Robusta
071.1201	Coffee, roasted, unground
071.1202	Coffee, roasted, ground
071.1203	Coffee, roasted, ground, decaffeinated
071.1300	Coffee substitutes containing coffee
071.2000	Extracts, essences or concentrates of coffee and preparations with a basis
081.2100	Bran, sharps and other residues from the sifting, milling or working of rice or maize
081.9304	Corn gluten feed and other residues from the manufacture of starch
269.0101	Used clothing
322.1000	Anthracite, whether or not pulverized but not agglomerated

Appendix 4 *continued*

PSCC	Description
322.2000	Other coal, whether or not pulverized but not agglomerated
323.1100	Briquettes, ovoids and similar solid fuels manufactured from coal
334.1101	Gasoline, aviation
334.1102	Gasoline, motor
334.1901	Petroleum naphtha
334.2100	Kerosene, including kerosene type jet fuel
334.3001	Diesel oil
334.3009	Gas oil, n.e.s.
334.4001	Bunker fuel
334.4009	Fuel oils, n.e.s.
334.5101	Lubricating oil
334.5102	Lubricating oil
334.5104	Lubricating oil base stock
334.5105	Lubricating oil base stock
334.5109	Preparations, n.e.s. or including contents not < 70% by weight of petroleum oils or those obtained from bituminous minerals
341.3902	Liquified petroleum gas
511.3901	Chlorofluorocarbon
513.7101	Acetic anhydride, commercial
513.7102	Acetic anhydride, USP and NF and reagent grades
522.2300	Nitric acid; sulphonitric acid
523.1400	Chlorates and perchlorates (including potassium chlorates and perchlorates)
523.2100	Nitrates and nitrites
523.2500	Sodium cyanide
541.3100	Penicillin and derivatives
541.7104	Penicillin
541.7119	Other antibiotics, n.e.s.
562.1100	Ammonium nitrate, whether or not pure
584.2100	Cellulose nitrates, non-plasticized
591.1001	Agricultural insecticides
591.1002	Insecticidal preparations with a basis of Paris green (copper aceto-arsenite)
591.1004	Fumigants, soil and grain
591.1009	Insecticides in forms or packs for retail sale or as preparations or as articles, n.e.s.
591.2000	Fungicides in forms or packs for retail sale or as preparations or as articles

Appendix 4 *continued*

PSCC	Description
591.3000	Weed killers (herbicides) in forms or packs for retail sale or as preparation or as articles
591.4901	Rat poisons
591.4902	Anti-sprouting, parasiticial and similar products
592.1200	Wheat gluten, whether or not dried
625.9103	Automobile tubes, of all sizes, used
625.9107	Truck tubes, of all sizes, used
625.9901	Automobile tires, of all sizes, used
625.9907	Truck tires, all sizes, used
625.9919	Other tires for agriculture, construction and industrial equipment, n.e.s.
699.6915	Coin blank essentially of steel
699.7503	Coin blank essentially of nickel
699.7705	Coin blank essentially of zinc
699.7804	Coin blank essentially of tin
699.7905	Coin blank essentially of aluminum
699.8141	Doors, window frames and other structural parts, of copper
699.8146	Pre-fabricated and sectoral buildings and assemblies and parts thereof, of copper
751.8201	Photocopying apparatus with optical system
751.8202	Contact-type photocopying apparatus
751.8203	Thermocopying apparatus
781.0100	Passenger cars (excluding buses), diesel or semi-diesel, CKD (to be imported by assemblers)
781.0200	Passenger cars other than diesel or semi-diesel, with not more than 4 cylinders, CKD (to be imported by assemblers)
781.0300	Passenger cars other than diesel or semi-diesel, with 6 cylinders, CKD (to be imported by assemblers)
781.0400	Passenger cars other than diesel or semi-diesel, with more than 6 cylinders, CKD (to be imported by assemblers)
781.0500	Jeeps and similar vehicles with 4 cylinders CKD (to be imported by assemblers)
781.0600	Jeeps and similar vehicles with 6 cylinders CKD (to be imported by assemblers)
781.0700	Passenger cars, diesel or semi-diesel, assembled, new
781.0800	Passenger cars other than diesel or semi-diesel, with not more than 4 cylinders, assembled, new
781.0900	Passenger cars other than diesel or semi-diesel, with 6 cylinders, assembled, new

Appendix 4 *continued*

PSCC	Description
781.1100	Passenger cars other than diesel or semi-diesel, with more than 6 cylinders assembled, new
781.1200	Passenger cars, diesel or semi-diesel, used
781.1300	Passenger cars other than diesel or semi-diesel, with not more than 4 cylinders, used
781.1400	Passenger cars other than diesel or semi-diesel, with 6 cylinders, used
781.1500	Passenger cars other than diesel or semi-diesel, with more than 6 cylinders, used
781.1600	Jeeps, jeepsters and similar vehicles, new
781.1700	Jeeps, jeepsters and similar vehicles, used
781.1800	Station wagons, new
781.1900	Station wagons, used
781.2300	Components, parts and/or accessories for passenger car assembly
781.2800	Passenger road motor vehicles, n.e.s.
782.1100	Specially fabricated logging trucks
782.1200	Dumpers, (dump trucks)
782.1400	Motor vehicles for goods transport (including armored, non-fighting vehicles), used
782.1500	Trucks, diesel or semi-diesel, completely knock-down and specially fabricated for assembly
782.1600	Trucks, other than diesel or semi-diesel, completely knock-down and specially fabricated for assembly
782.2100	Crane lorries
782.2200	Motor pump vehicles with a pump usually driven by the vehicle's engine
782.2300	Mobile radiological units
782.2400	Lorries with built-in concrete mixers
782.2801	Special purpose motor lorries, trucks and vans, n.e.s., unassembled
782.2802	Special purpose motor lorries, trucks and vans, n.e.s., assembled
783.1100	Buses and coaches, diesel or semi-diesel
783.1400	Buses and coaches, other than diesel or semi-diesel
783.1600	Public service type passenger motor vehicles other than diesel or semi-diesel, n.e.s.
783.2000	Road tractors for semi-trailers
784.1100	Passenger motor car chassis fitted with engines, diesel or semi-diesel
784.1200	Passenger motor car chassis fitted with engines, other than diesel or semi-diesel

Appendix 4 *continued*

PSCC	Description
784.1300	Motor vehicles chassis fitted with engines, for the transport of goods or materials and for special purposes, diesel or semi-diesel
784.1400	Motor vehicles chassis fitted with engines, for the transport of goods or materials and for special purposes, other than diesel or semi-diesel
784.1500	Completely knock-down components when imported from one or more countries for assembly of trucks upon prior authorization and certification of the BOI
784.1800	Road motor vehicle chassis fitted with engine, n.e.s.
784.2200	Motor vehicles bodies and/or shells (other than for trucks and buses) and cabs (to be imported by assemblers)
784.9100	Parts and accessories for crawler tracklying tractors
784.9400	Accessories for road vehicles, n.e.s.
785.1300	Motorcycles (including all types of motorized cycles) and sidecars, assembled
785.1400	Motorcycles, CKD, excluding batteries (to be imported by assemblers)
785.1500	Scooters, unassembled
785.1600	Scooters, assembled
785.1700	Other motorized cycles, n.e.s., unassembled
785.1800	Other motorized cycles, n.e.s., assembled
785.3901	Motorcycle and sidecar parts (excluding rubber tires, engines, electric parts, CKD parts, and storage batteries)
793.1000	Warships of all kinds
892.8301	Banknotes, not yet currency or legal tender in any country
961.0000	Coin (other than gold), not being legal tender
971.0104	Gold (including platinum-plated gold), unwroughted or semi-manufactures

Appendix 5**Commodities in Lists Excluded from Circular 1389
(as of June 1994)**

PSCC		Description
<i>List B</i>		
012.9202	UC	Duck and goose meat, salted, in brine, dried or smoked, not in airtight containers
012.9203	UC	Turkey meat, salted, in brine, dried or smoked, not in airtight containers
012.9902	UC	Edible offals of poultry other than liver, salted, in brine, dried or smoked
012.9909	UC	Other meat and edible meat offals, salted, in brine, dried or smoked, n.e.s.
014.1101	UC	Meat extracts (in solid or liquid form)
014.1102	NEC	Meat juices
014.9202	UC	Duck and goose meat, in airtight containers
014.9203	UC	Turkey meat, in airtight containers
034.1200	UC	Fish, fresh (dead) or chilled
034.3000	UC	Fish fillets, fresh or chilled
037.2004	L92(C1337)	Cuttlefish and squid, prepared or preserved whether or not in airtight containers
334.1109	EP	Motor spirits, n.e.s.
562.1200	L92(C1337)	Ammonium sulphonitrate, whether or not pure
562.1300	L92(C1337)	Ammonium sulphate, whether or not pure
562.1400	L92(C1337)	Calcium nitrate containing not more than 25 percent by weight of nitrogen; calcium-nitrate-magnesium-nitrate
562.1500	L92(C1337)	Calcium cyanamide containing not more than 25 percent by weight of nitrogen, whether or not treated with oil
562.1600	L92(C1337)	Urea, whether or not pure
562.1901	EP	Nitrate soda
562.1909	L92(C1337)	Other nitrogenous fertilizers
562.2100	L92(C1337)	Basic slag
562.2201	L92(C1337)	Superphosphates, single
562.2202	L92(C1337)	Superphosphates, double and triple
562.2900	L92(C1337)	Mineral and chemical fertilizers, phosphatic, n.e.s.
562.3100	L92(C1337)	Potassium chloride, whether or not pure
562.3200	L92(C1337)	Potassium sulphate containing not more than 52 percent by weight of K2O
562.3900	L92(C1337)	Mineral or chemical fertilizers, potassic, n.e.s.

Appendix 5 *continued*

PSCC		Description
562.9100	L92(C1337)	Fertilizers, n.e.s., containing nitrogen phosphorous and potassium
562.9200	L92(C1337)	Fertilizers, n.e.s., containing nitrogen and phosphorous
562.9300	L92(C1337)	Fertilizers, n.e.s., containing nitrogen and potassium
562.9900	L92(C1337)	Other fertilizers, n.e.s. of group 562 or subgroups 271.1, 271.2 and 271.4, in tablets, lozenges, or similar prepared forms or packs of a gross weight not exceeding 10 kg
625.9906	UP	Tractor tires, all sizes, used
664.9203	L92(C1337)	Blank glass bulbs or envelopes for TV picture tube manufacture
699.6509	L92(C1337)	Solders in wires or rods
713.9404	NEC	Other parts of diesel and semi-diesel engines industrial machinery
741.4109	L92(C1337)	Refrigerators, freezers and beverages coolers (other than household refrigerators), n.e.s.
741.4113	L92(C1337)	Ice-cream freezers, power-operated
743.6200	SEP	Air filters for motor vehicles
749.9201	L92(C1337)	Gaskets and similar joints of composite materials or of laminated metal foil
749.9208	L92(C1337)	Sets or assortments of gaskets or similar joints, n.e.s.
749.9901	L92(C1337)	Oil seals and grease containers for all makes and types of cars and trucks
761.1101	L92(C1337)	Television receivers, excluding TV monitors color (including those with radio receivers or sound recorders or reproducers), with cabinets
761.1102	NEP	Television monitors, color, with cabinets
761.1201	L92(C1337)	Television receivers, excluding TV monitors color ("), without cabinets
761.1202	NEP	Television monitors, color, without cabinets
761.2101	L92(C1337)	Television receivers, excluding monitors monochrome ("), with cabinets
761.2102	NEP	Television monitors, monochrome, with cabinets
761.2201	L92(C1337)	Television receivers, excluding monitors monochrome ("), without cabinets
761.2202	NEP	Television monitors, monochrome, without cabinets
762.1000	L92(C1337)	Radio broadcast receivers for motor vehicles (")
762.2100	L92(C1337)	Radio broadcast receivers, portable ("), assembled or CKD, with cabinets

Appendix 5 continued

PSCC		Description
762.2200	L92(C1337)	Radio broadcast receivers, portable ("), assembled or CKD, without cabinets
762.8100	L92(C1337)	Assembled or CKD radio broadcast receivers, ("), with cabinets
762.8200	L92(C1337)	Assembled or CKD radio broadcast receivers, ("), without cabinets
762.8300	L92(C1337)	Radio broadcast receivers combined with sound recorders or reproducers, complete or CKD (radio-phonographs, radio-tape recorders, etc.)
762.8400	L92(C1337)	Clock radios
762.8800	L92(C1337)	Radio broadcast receivers ("), n.e.s.
763.1802	NEP	Phonographs and gramophones CKD for assembly
764.2301	L92(C1337)	Loudspeakers, with diameters 10.16, 12.70, 20.32 or 15.24 cm
764.2308	L92(C1337)	Loudspeaker, n.e.s.
764.2500	L92(C1337)	Electric amplifiers, public-address and musical reproduction systems (including CKD)
764.9201	L92(C1337)	Loudspeaker parts
764.9301	L92(C1337)	Television cabinets
764.9302	L92(C1337)	Television chassis
764.9303	L92(C1337)	Television receiving set antennae
764.9304	L92(C1337)	Television printed circuit board, whether sheared or punched
764.9306	L92(C1337)	Plastic masks
764.9307	L92(C1337)	Television knobs
764.9308	L92(C1337)	Metal brackets or supports for TV chassis
764.9309	L92(C1337)	Television receiving set parts, n.e.s.
764.9311	L92(C1337)	Radio cabinets
764.9312	L92(C1337)	Radio knobs
764.9313	L92(C1337)	Radio chassis
764.9314	L92(C1337)	Radio printed circuit boards
764.9315	L92(C1337)	Radio dials and dial assemblies
764.9323	L92(C1337)	External (outside receiving) antennae
764.9324	L92(C1337)	Parts of external antennae
771.1801	L92(C1337)	Flyback transformers
771.1802	L92(C1337)	Television yokes
771.1803	L92(C1337)	Other transformers for radio and TV sets
771.2208	L92(C1337)	Inductors, n.e.s.

Appendix 5 *continued*

PSCC		Description
771.2901	L92(C1337)	Steel laminations of transformers for radio and TV sets
771.2905	L92(C1337)	Television yoke, parts
771.2906	L92(C1337)	Flyback transformer, parts
771.2907	L92(C1337)	Transformer parts, n.e.s.
771.2909	L92(C1337)	Inductor parts
772.2000	L92(C1337)	Printed circuits and parts thereof, n.e.s.
772.3200	L92(C1337)	Carbon resistors
772.3300	L92(C1337)	Wire-wound resistors, fixed or variable
772.3800	L92(C1337)	Resistors, n.e.s.
773.1100	L92(C1337)	Litz wire
773.1500	L92(C1337)	Magnet wire
773.1800	L92(C1337)	Insulated electric wire, cable, bars, strip and the like, n.e.s.
776.1100	L92(C1337)	Monochrome TV picture tubes, all sizes
776.1200	L92(C1337)	Colored TV picture tubes, all sizes
776.3100	L92(C1337)	Transistors
776.3300	L92(C1337)	Diodes and similar semiconductor devices
776.4000	L92(C1337)	Electronic micro-circuits
778.2101	L92(C1337)	Incandescent lamps (general purpose), from 10 to 1500 watts and 100 to 260 volts
778.2201	L92(C1337)	Straight-type tube fluorescent lamps from 10 watts and above
778.3202	L92(C1337)	Side, tail, parking and license plate lamps
778.3203	L92(C1337)	Interior lighting lamps (e.g., dome, wall, door frame, and instrument panel lamps)
778.3204	L92(C1337)	Battery holders
778.3205	L92(C1337)	Horns, sirens and other electrical sound signalling appliances
778.3208	L92(C1337)	Electrical lighting and signalling equipment, for cycles or motor vehicles, n.e.s.
778.3209	L92(C1337)	Parts, n.e.s., of electrical lighting and signalling equipment and electrical windscreen wipers, defrosters and demisters, for cycles and motor vehicles
778.8402	L92(C1337)	Variable capacitors or tuning condensers for radios
778.8403	L92(C1337)	Preset or adjustable capacitors for radios
778.8408	L92(C1337)	Electrical condensers (capacitors), n.e.s.
778.8409	L92(C1337)	Electrical condensers parts

Appendix 5 continued

PSCC		Description
784.1100*	UP	Passenger motor car chassis fitted with engines, diesel or semi-diesel
784.1200*	UP	Passenger motor car chassis fitted with engines, other than diesel or semi-diesel
793.8301	L92(C1337)	Floating structures other than vessels (e.g., pontoons, bouys, beacons), of base metal
<i>List C</i>		
001.2209	UP	Goats, live other than for breeding and scientific purposes
001.3900	UP	Swine, live, other than for breeding and scientific purposes
001.4101	EP	Chickens, live, not exceeding 185g, for breeding
001.4102	EP	Ducks and geese, live, not exceeding 185g, for breeding
001.4103	EP	Turkeys, live, not exceeding 185g, for breeding
001.4904	UP	Ducks and geese live, exceeding 185g other than for breeding
001.4906	UP	Turkeys, live, exceeding 185g other than for breeding
001.4907	EP	Cocks or any male chicken of any breed used principally for breeding purposes
001.5100	EP	Horses, live
001.5900	EP	Other equine animals (ass, mule, hinny), live
011.2000	SEP	Meat of sheep and goats, fresh chilled or frozen
011.4400	UP	Poultry offals other than liver, fresh chilled or frozen
011.4500	UP	Geese, killed or dressed, fresh chilled or frozen
011.5000	SUP	Meat of horses, asses, mules, and hinnies, fresh chilled or frozen
011.6000	SUP	Edible offals of the animals in subgroups 001.1, 001.2, 001.3, and 001.5, fresh chilled or frozen
011.8100	SUP	Poultry liver, fresh chilled or frozen, salted or in brine
011.8901	UP	Pigeons, killed or dressed, fresh chilled or frozen
011.8904	SUP	Edible offals, n.e.s.
042.1101	UP	Glutinous rice in the husk, for propagation
042.2200	UC	Broken rice
511.2300	EP	Toluene, chemically or commercially pure
511.4000	EP	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons
512.1801	EP	Glycerin, crude

Appendix 5 *continued*

PSCC		Description
512.1802	EP	Glycerin, refined
522.1200	EP	Selenium, tellurium, phosphorous, arsenic, silicon and boron
523.9100	SUP	Hydrogen peroxide (including solid form)
572.3100	UC	Firecrackers
572.3909	UC	Other pyrotechnic articles, n.e.s.
625.9103	UC	Automobile tubes, all sizes, used
625.9109	UC	Motorcycle tubes, all sizes, used
625.9112	UC	Bicycle tubes, all sizes, used
625.9901	UC	Automobile tires, all sizes, used
625.9902	UC	Motorcycle tires, all sizes, used
625.9903	UC	Bicycle tires, all sizes, used
894.2409	NEC	Equipment for indoor games, n.e.s.
894.6101	NEC	Shotguns
894.6102	UC	Caliber 22 repeating rifle, bolt action, clip or magazine type
894.6103	NEC	Other rifles not for war (excluding caliber 22)
894.6109	NEC	Firearms (non-military arms), n.e.s.
894.6201	NEC	Air rifles, 177 caliber
894.6202	NEC	Arms of other descriptions including air guns and air pistols, n.e.s.
894.6301	NEC	Sporting ammunition including hunting (cartridges, shooting gun shells, etc.)
894.6302	NEC	Lead shot and air rifle shot
951.0101	UC	Tanks and other armored fighting vehicles
951.0102	UC	Parts of such vehicles, n.e.s. (e.g., bodies, turrets, tracks, propulsion wheels, armored plates)
951.0201	UC	Artillery weapons and infantry support weapons, i.e., all types of cannons and ordnance (fixed or on wheels, tracks, etc.)
951.0202	UC	Small arms capable of continuous and very rapid fire (some suitable for one-man handling, e.g., machine guns, submachine guns, etc.)
951.0203	UC	Military firearms such as rifles, muskets and carbines, whether or not repeaters
951.0204	UC	Other specialized military military projectors, e.g., military rocket projectors and launchers, flamethrowers, torpedo tubes, depth-charge apparatus

Appendix 5 *continued*

PSCC		Description
951.0500	NEC	Revolvers and pistols
951.0601	UC	Projectiles on munitions of a type which contain their means of propulsion after launching, e.g., torpedoes, flying bombs, guided air missiles and rocket-type ammunitions
951.0603	UC	Other ammunitions and munitions of war, e.g., land and sea mines, depth charges, rifles and hand grenades, aerials bombs, harpoons
951.0604	UC	Parts of ammunitions and munitions of war, whether finished or unfinished
951.0902	NEC	Shotgun parts, n.e.s.
951.0903	NEC	Revolver and pistol parts, n.e.s.
951.0904	NEC	Rifle parts, n.e.s.
951.0906	NEC	Parts of firearms of other description, n.e.s., including gun barrel blanks
no PSCC		Dangerous drugs

Appendix 6

Remaining Regulated Commodities, Licensing Agencies, and 1991 Imports (as of June 1992)

2-digit PSCC	Commodity	List	Number of Items	Licensing Agency	Imports (CIF \$)	% of Total 1991 Imports
00	Game cocks	A	1	CB, BAI	131,519	0.001
	Animals and animal effects	C	15	BAI	5,946,331	0.05
01	Meat	C	16	BAI	18,852,423	0.15
	Meat products	B	31	BAI	296,010	0.002
03	Fish and fish preparation	B	36	BFAR	5,581,883	0.04
04	Rice and corn	C	12	NFA	202,283	0.002
05	Potato, onion, garlic, cabbage	B	4	BPI	10,605	0.00009
06	Sugar	B	3	SRA	29,659	0.0002
07	Coffee	B	9	ICOCA	68,625	0.0005
26	Used clothing	B	1	DSW, DOH	183,473	0.001
32	Coal and derivatives	B	3	ERB	77,178,534	0.60
33,34	Refined petroleum product	B	15	ERB	245,312,479	1.90
51	Chemicals for explosives,	C	6	PC-FEU	35,844,904	0.28
52	other chemicals	C	6	DOH		
54	Antibiotics	B (to C)	23	DOH	41,481,539	0.32
56	Fertilizers	B, C	19	FPA	149,965,071	1.17
57	Pyrotechnics	C	2		2,341	0.00002
59	Pesticides	C	7	FPA	25,263,091	0.20
62	Used tires	B, C	2, 6	BOI	2,207	0.00002
66,69	Raw materials for consumer electronic products	B	2	BOI	6,881,254	0.05
72,74	Consumer durables, and	B	20	BOI		
76,77	electronic products	B	17	BOI	20,532,438	0.16
76,77	Parts of consumer electronic products	B	49	BOI	662,707,310	5.15
75	Color reproduction machines	C	3	CB	4,826,109	0.04

Appendix 6 continued

2-digit PSCC	Commodity	List	Number of Items	Licensing Agency	Imports (CIF \$)	% of Total 1991 Imports
78	Passenger cars and jeeps	B	20	BOI	231,937,965	1.80
78	Trucks and buses	A, B	2, 9	BOI	52,721,917	0.41
74,78	Motor vehicle parts	A, B	5, 9	BOI	2,130,187	0.02
78	Motorcycles and bicycles	B	10	BOI	33,509,634	0.26
78	Motor vehicle accessories				21,438,228	0.17
77	Lamps and batteries	B	8	BOI	5,232,200	0.04
79	Floating structure	B	1		50,827	0.0004
	Used vessels and warships	C	5	MARINA	902,438	0.01
89,95	Ammunitions and firearms	C	24	PC-FEU	3,289,273	0.03
89,96	Banknotes and coins	C	2		9,153,465	0.07
94	Animals	C	1			
no PSCC	Dangerous drugs	C		DOH		
	TOTAL				1,661,666,222	12.92
	List A				18,969,184	0.15
	List B				1,538,414,380	11.97
	List C				104,282,658	0.81

Source of data on imports: National Statistics Office's 1991 Foreign Trade Statistics (preliminary).



Appendix 7

Description of Sample Commodities

PSCC	Philippine Description	Hongkong Description
001 3100 L88	swine, liveweight(70-99/100-145 kg)	swine, live (NO)-107.5 kg
001 4101 L86 (in C) L92 R9	chicken, liveweight(kg)	chicken, live > 185 g (K)
011 1100 L92	beef 2nd class (kg)	meat of bovine animals with bones, fresh, frozen (K)
011 3000 L92 R93	pork, 2nd class(kg)	meat of swine, fresh, frozen (K)
012 1100 L82 R83 L92 R93	bacon-Back/Slab (kg)	bacon (K)
012 1200 L82 R83 L92 R93	ham, cooked (kg)	ham not in airtight containers (K)
014 2100 L81 R84 L92 R93	frankfurters, loose regular (kg)	sausages not canned (K)
014 2200 L81 R84 L92 R93	Vienna sausage-Purefoods (140 g x 48)	sausages canned (K)
014 9300 L81 R84 L92 R93	liverspread, potted meat-Reno (85 g, case of 48)	+ meat and meat offal canned, n.e.s. (K)
022 3000 L85	fresh milk-Selecta/Magnolia(gallon)	fresh milk in consumer containers(K)
022 4302 L85	powdered milk-Klim/Lactogen (1 lb, case of 12)	milk and cream dry, full cream (K)/ milk powder for infants (K)
022 4904 L85	evaporated filled milk-Carnation/Liberty (14.5 oz., case of 48)	milk evaporated or condensed, unsweetened(K)
022 4908 L85	sweet condensed filled milk-Carnation/ Liberty (14 oz, case of 48)	milk evaporated or condensed, sweetened(K)
023 0300 L82 R84 L85	butter-Anchor(1/2 lb, 112 pcs.)	butter fresh (K)
024 0100 L82 R84 L85	cheddar cheese-Che-vital/Kraft (12 oz., case of 48)	cheese and curd (K)

Appendix 7 continued

PSCC		Philippine Description	Hongkong Description
025	1100 L81	eggs, duck (100 pcs.)	eggs in shell, fresh (1000 pcs.)
025	1200 L81	* eggs, leghorn (100 pcs.)	eggs in shell, fresh(1000 pcs.)
034	1200 L82 R82 L86 (in B)	fresh fish-sapsap/tamban/talakitok/ dalagang bukid/galunggong/dilis (50 kg)	marine water fish, n.e.s. fresh or chilled (K)
035	0309 L82 R82 L86	dried/salted fish-daing (20 kg/box) tuyo (33 kg/box)	marine water fish, n.e.s. salted or dried (K)
036	0109 L81 R84 (in B) L9	crabs-alimasag fresh (50 kg)	+ crustaceans, n.e.s., fresh, frozen or chilled (K)
037	1104 L88	canned mackerel-Golden Bay (15 oz., case of 48)	marine water fish, prepared or canned (K)
037	1107 L88	* canned sardines-Rose Bowl (15 oz., case of 24)	marine water fish, prepared or canned (K)
037	1108 L82 R82 L86	* canned tuna-Purefoods (7 oz,case-48)	marine water fish, prepared or canned (K)
037	2008	* bagoong, alamang-1st class (5 gal)	prawns, shrimps, salted (K)
042	2102	rice-wagwag/elon-elon (50 kg)	rice white, whole (tonne)
044	0100 L86 (in C) L92 R9	yellow corn grain (50 kg)	maize unmilled, (tonne)
046	0100 L82 L86	wheat flour-soft/hard (25 kg)	flour of wheat (K)
048	3001 L81	* macaroni-Royal (225 g, 24 boxes)	macaroni, spaghetti, noodles, uncooked (K)
048	3003 L81	sotanghon-local (kg)	macaroni, spaghetti, noodles, uncooked (K)
048	3004	bihon-1st class (kg)	macaroni, spaghetti, noodles, uncooked (K)
048	3005	* misua (32 kg)	uncooked (K)
048	4101 L81	bread-American loaf/pandesal (each)	+ ordinary bakery products (K)
048	4102 L81	soda crackers-Lions (dozen)	+ biscuits (K)
048	4202 L81	butter cookies-Fita (dozen)	+ fine bakery products (K)

Appendix 7 *continued*

PSCC	Philippine Description	Hongkong Description
054 1100	Irish potato (50 kg)	potatoes (K)
054 2200	* monggo, green/yellow (50 kg)	—
054 2600	* ginger, common (50 kg)	ginger, fresh or dried (K)
054 4000 L86	tomatoes (50 kg)	tomatoes (K)
054 5101	garlic (50 kg)	garlic, shallots, alliaceous vegetables(K)
054 5102	onions, red (50 kg)	onions (K)
054 5905 L82	3 stringbeans (50 kg)	+ peas, lentils (K)
054 5909	cabbage (50 kg)	round cabbage (K)
054 5911	2 carrots (50 kg)	+ carrots, turnips, salad beetroot
054 5915	* eggplants (50 kg)	—
054 5916 L82	lettuce (50 kg)	lettuce (K)
054 5923 L82	* pepper, green long (50 kg)	+ pepper neither crushed/ground(K)
054 5929 L82	other vegetables-ampalaya/squash/chayote/ habechuelas/okra/upo/pechay (50 kg)	vegetables, n.e.s. (K)
054 8101	* cassava, yellow/white (50 kg)	fruits and tubers, fresh or dried(K)
054 8103	* camote (50 kg)	sweet potatoes (K)
054 8109	* gabi, common (50 kg)	fruits and tubers, fresh or dried(K)
054 8109	* peanuts, unshelled (25 ganta)	peanuts in shell (K)
056 5108 L82	mixed pickles-Del Monte (12oz, case-24) Lady's Choice (12 oz., case of 12)	+ vegetable in acetic acid (K)
057 2903 L81	calamansi (100 pcs.)	+ citrus fruit, n.e.s., fresh or dried(K)
057 3100 L86	bananas-lakatan/latundan (1000 pcs.)	bananas (K)
057 7100	* coconut, matured (100 pcs.)	coconut, fresh (1000 pcs.)/KG
057 7200 L86	desiccated coconut (100 lb)	coconut desiccated (K)

Appendix 7 continued

PSCC	Philippine Description	Hongkong Description
057 9501 L85	pineapple (100 pcs.)	pineapple (K)
057 9701 L86	avocado (100 pcs.)	avocado (K)
057 9703 L86	mango (100 pcs.)	mangoes (K)
057 9801 L86	chico (100 pcs.)	tropical fruit, n.e.s., fresh (K)
057 9805 L86	papaya (100 pcs.)	papaya (K)
057 9807 L86	* watermelon (100 pcs.)	tropical fruit, n.e.s., fresh (K)
057 9809	* caimito (100 pcs.)	tropical fruit, n.e.s., fresh (K)
058 2208 L86	mango preserves-Lady's Choice (12oz case-	+ fruit preserved by sugar, not canned (K)
058 3003 L81	guava jelly-Lady's Choice(10oz, case of	jams, marmalades, jellies, purees(K)
058 5100 L82	orange concentrate-Lady's Choice (500 ml, case of 12)	fruit juices (K)/Orange juice (K)
058 5400 L86	* pineapple juice-Del Monte No.2 (case24)	fruit juices (K)/pineapple juice (K)
058 9908 L81	pineapple slices-Del Monte No.2 (case-24)	+ fruit preserved, n.e.s., canned (K)
058 9914 L86	* fruit cocktail-Del Monte No.2 (880g, case24)	+ fruit preserved, n.e.s., canned (K)
061 1100 L92	* centrifugal sugar (picul)	raw sugar (tonne)
061 2000 L82	refined sugar (picul)	refined sugar (tonne)
061 9200 L82	syrup-Karo (pint, case of 12)	sugar, n.e.s. and sugar syrup (K)
071 1102	coffee beans-Excelsa/Robusta (kg)	+ coffee not roasted (K)
071 1202	ground coffee-Cafe Puro/Chase&Sanborn (1 lb, case of 24)	+ coffee roasted (K)
	instant coffee-Cafe Puro/Nescafe (6 oz,case of 12)	
	instant coffee-Blend 45 (2 oz,case-24)	
072 2000 L81	ground cocoa-Ricoa (case of 24)	cocoa powder unsweetened (K)

Appendix 7 continued

PSCC	Philippine Description	Hongkong Description
072 3200 L81	cocoa butter-Philfood (lb)	cocoa butter (K)
075 1101 L83	pepper, red hot (50 kg)	pepper and pimento (K)
081 2100 L86 R93	rice bran-1st and 2nd class (40 kg)	rice bran (K)
081 3700	* copra meal (100 kg)	
081 9901 L86 R93	poultry feeds-starter and laying mash (50 k	feeding stuff for poultry preparation (K)
091 4100 L82	margarine (150 g, case of 72)	margarine (K)
091 4902 L82	shortening (1/2 gal, case-24)	shortening (K)
098 0402 L82	* catsup-Del Monte (340 g, case of 24)	saucés, n.e.s. (K)
098 0403 L82	tomato sauce-Ram (245 g, case-48)	saucés, n.e.s. (K)
098 0405 L82	* vetsin-Ajinomoto (250 mg, case of 24)	saucés, n.e.s. (K)
098 0406 L86	* patis-Rufina (350 cc., doz.bottle)	saucés, n.e.s. (K)
098 0407 L82	soy sauce-Silver Swan (350 ml, case-24)	soy sauce (K)
098 0701 L86	vinegar-Lady's Choice (1 qt, case of 12)	vinegar (K)
098 0909 L82	tonic food drink-Milo (340 g/12oz, case-24)	+ concentrated extracts for beverages(K)
	Ovaltine (340 g/12 oz, case of 12)	
098 0924 L86	ice cream-Magnolia regular (gal)	ice cream (K)
111 0104	* tube ice, big bag	+ ice and snow
111 0205 L86	softdrinks-Pepsi/Coke/Cosmos (8 oz bot, case of 24)	beverages non-alcoholic in 250 ml to 360 ml packaging (li)
112 3001 L86	beer-San Miguel (350 cc, case of 24)	beer and ale/beer made from malt (li)
112 4100 L86	whisky-White Horse (4/5 qt case of 12)	whisky (li)
112 4903 L86	gin-San Miguel (350 cc, case of 24)	gin/gin and geneva (li)
112 4904 L86	rum-Añejo (750 cc, case of 12)	rum/rum and tafial (li)

Appendix 7 continued

PSCC		Philippine Description	Hongkong Description
122 2200	L88	cigarettes-Salem/Philip/Marlboro (12 packs, cartoon)	cigarettes (K)
222 2000	L86	soybeans-local (50 kg)	soya beans (K)
223 1000		* copra-Rececada/Corriente (50 kg)	—
245 0100	L85	* firewood-bakawan (100 pcs.)	fuel wood (T) excluding wood waste
245 0201		* charcoal, coconut (30 kg)	wood charcoal (tonne)
245 0202		* charcoal, bondoc (30 kg)	wood charcoal (tonne)
247 2106		* logs, 3rd group-almond/lauan (1000 bd ft)	conifer logs in the rough
247 2109		* logs, 2nd group-tanguile/apitong (1000 bd ft)	or roughly squared
247 2113		* logs, 1st group-yakal/narra (1000 bd ft)	(cu m)
248 3115		* lumber, yakal (1000 bd ft)	lumber conifer simply worked (cu m)
248 3116		* lumber, apitong (1000 bd ft)	lumber conifer simply worked (cu m)
248 3119		* lumber, tanguile (1000 bd ft)	lumber conifer simply worked (cu m)
265 1401		* ramie-RDI (bale)	ramie (K)
265 5203		* abaca, Davao (S-2-kilo)	—
265 5205		* abaca, non-Davao (I-kilo)	—
273 3003		* sand, washed (cu m)	sand (mt)
273 4009		* gravel (cu m)	gravel pebbles crushed stone (mt)
		* adobe blocks (100 pcs.)	—
278 3003	L82	table salt (45 kg)	table salt (K)/sodium chloride
287 1102		* copper concentrates (lb)	—
292 3001		* bamboo (1000 pcs.)	bamboo poles (K)
292 3002		* rattan (1000 pcs.)	+ rattan core and peel (K)
333 0100		* crude petroleum oil (kg)	—

Appendix 7 *continued*

PSCC		Philippine Description	Hongkong Description
334 1102		gasoline ordinary (liter)	motor spirit (kl)
334 2100		kerosene (liter)	kerosene (kl)
334 3001		fuel oil, bunker (liter)	fuel oils (tonne)/fuel oil, n.e.s. (K)
334 3002		diesel oil (liter)	light and heavy diesel oil (tonne)
334 5101		lubricating oil (li)	lubricating oil (kl)
341 3902		LPG (kg)	LPG (tonne)
431 2000	L88	edible oil, Baguio (5 gal/can)	+ hydrogenated oil (K)
		coconut oil (kg)	
511 3901		freon dichlorofl (kg)	+ dichlorodifluoromethane (K)
512 1801	L86 (in C)	glycerine (kg)	glycerol/glycerine and glycerol lyes (l)
513 7102		acetic acid-Glacial USP (25 kg)	acetic acid (K)
522 2102		* hydrochloric acid (mt)	hydrochloric acid (K)
522 2202		* sulfuric acid (mt)	sulfuric acid (K)
522 4100		* zinc oxides-Rubber Grade (mt)	zinc oxides (K)
522 4600		* titanium oxides-ARC 20 (mt)	titanium oxides (K)
522 5201	L82	sodium hydroxide, solid (lb)	sodium hydroxide solid (K)
522 5301	L86	caustic soda (300 kg)	sodium hydroxide in aqueous solution (K)
522 5900		* tin oxides, glazed (lb)	tin oxides (K)
523 9300		* calcium carbide (50 kg)	calcium carbide (K)
533 4201		* laquer-Dutch Boy (gal)	lacquers (K)
533 4203		* varnish-Dutch Boy (gal)	varnishes (kg)/paints and varnishes
533 4212		* primer paint-Dutch Boy (gal)	+ paint, n.e.s. (kg)
533 4219	L81	quick drying enamel paint, etc. (gal)	+ emulsion paints, spirit of Turpentine
		paint bonding Nalcrete/Turpentine (gal)	+ n.e.s. (K)/prepared pigments, enamel, glaze

Appendix 7 *continued*

PSCC		Philippine Description	Hongkong Description
541 7103	L92	* antibiotic, chloromycetin (100 caps.)	other anti-biotics (K)/n.e.s.
541 7104		* antibiotic, penicillin (60 vials)	penicillin (K)
541 7901		* vitamins-Engran/Revicon (bot.of 100-500 pcs)	vitamins (K)
541 7902		* sulfaguanadine (1000 tabs)	sulfaguanadine (K)
541 7904	L82	* Breacol/Xylopol-cough syrup (doz., bottle)	—
541 7916		* Cortal/Aspirin-for headache (500-1000 tab)	+ analgesics and antipyretics (K)
541 7919		* Elixir/Carminative/Sod. Bicarbonate (veg. pharma. prep.-li)	—
551 3007		* aceite de manzanilla (liter)	—
551 3009		* eucalyptus oil (kg)	—
553 0021	L81	* vanishing cream-Ponds (25 g, gross)	face powder and foundation cream (K)
553 0027	L81	* baby powder-Johnson's (100 g gross)	talcum powder and heat powder (K)
554 1100	L82	laundry soap-Perla (180 chunks)	washing soap (K) /washing or cleaning preparations for retail purposes (K)
554 1300	L82	toilet soap-Camay/Palmolive (90 g/box) x144	toilet soap (K)
554 2300	L82	detergent-Tide (50 g, 300 boxes)	synthetic detergent powder for HH use (K)
554 3300	L81	* floorwax (1 lb, case of 24)	polishes, cream for floors, other woodwork
562 1300		ammonium sulphate (50 kg)	ammonium sulfate (K)
		* ammosol (50 kg) 21-0-0	—
562 1600		urea-Kolan (50 kg)	urea (exceeding 45% N) (K)
562 1909		perfect gro (50 kg) 14-14-14	other manufactured fertilizer, n.e.s. (K)
572 1201		* dynamite spec, gelatine (50 lb) 7/8x40%	+ prepared explosives (K)
584 3200		* plastic sheet (1/8x3x4)	—
591 1009		insecticide-Asodrine/Endrine (case of 24)	insecticide, n.e.s. for domestic use (K)

PSCC	Philippine Description	Hongkong Description
592 1109	* starch, La Campana (kg)	starches and inulin (K)
592 2504	* mucillage-Eveready (1.5 oz. gross)	—
612 9009	* pistol holster, leather (each)	+ manufactures of leather, n.e.s. (NO)
621 0101	* synthetic rubber, JSR 1778 (lb)	+ rubber plates sheets strip(K)
621 0201	* vulcanizing cement-Rugby (gal)	—
625 1001	* rubber tire, BSW (each) 6.7x15x6	—
625 1002 L86	rubber tire, car (each) 6.7x15x6	rubber tires motor car (NO)
625 2001 L86	rubber tire, truck (each) 6.7x16	rubber tires motor truck, bus (NO)
625 9100	* rubber tube (each) 6.7x16/6x15	rubber inner tubes, n.e.s.(NO)
628 1003	* Evenflo nipples (50 pcs)	+ hygienic articles of unhardened rub (NO)
634 2001	* plywood, narra (each) 1/4x4x8	plywood (sq m)
634 2002	* plywood, lauan (each) 1/4x4x8	plywood (sq m)
634 4102	* lawanit sheet (each) 3/4x4x8	+ blockboard laminboard, etc.(sq m)
635 3004	* door, kiln dried-Narra/Lauan (sq ft)	door and their frames threshold
635 3005	* wood жалousies (sq ft)	—
635 3009	* window sash, kiln dried-Narra (sq ft)	window french-windows and their frames
641 1000 L89	newsprint (mt)	newsprint (K)
641 2102 L87	* mimeo paper (ream) 8.5x13/8.5x11	machine made printing paper (K)
641 2103 L87	* bond paper (ream) 8.5x13/8.5x11	machine made printing paper (K)
641 2104 L87	* onionskin (ream) 8.5x13/8.5x11	—
641 2109	* pads (100 pads)	+ other paper cut to size, n.e.s.
641 2201 L82	* columnar pad (pad) 14&18 cols.	—
641 3902 L87	kraft-paper (kg)	kraft-paper (K)
641 5916	* manila paper (ream) 500 sheets, 120 lb	machine made printing paper (K)

Appendix 7 continued

PSCC		Philippine Description	Hongkong Description
641	5921	* box board (mt)	+ fiber hard board (sq m) den.>0.8g/cu m
641	5928	* liner board (mt)	+ fiber insulating bd (sq m) den<0.8g/cu m
641	8907	* wax paper (48 boxes)	paper coated w/artificial resin (K)
642	2100	* envelope (1000 pcs) 3 5/8 x 6.5	envelope of paper or paperboard
642	3100	* album-Onofre (each)	exercise books, albums, diaries
642	3200	* notebook (gross, 50 leaves)	—
642	3300	* ledger books (each)	—
642	4300	L81 toilet paper (100 sheets, 50 rolls)	toilet paper, cut to size in rolls (1000)
642	4903	L87 adding machine paper (100 pcs.)	calculating machine paper in rolls (1000)
642	8401	* table napkins (2400 sheets)	cleansing tissues towels, etc.
651	3101	L87 yam, cotton, carded sheeting (kg)	+ cotton yam carded single grey (K)
651	3512	L87 * thread, cotton white (doz. spool)	+ cotton thread, carded plied not grey (K)
652	1409	L88 woven fabric, cotton grey (yard)	+ cotton fabrics > 84% unbleached not mercerized (sq.m.)/pile fabric woven cotton (K)
653	5502	L88 woven fabric, rayon (yard)	+ fabrics > 84% content viscose, rayon (sq m)
654	4002	L88 woven fabric, ramie (yard)	ramie fabrics (sq m)
654	9821	L87 * woven fabric, abaca (pc)	fabrics true hemp (sq m)
655	1000	L88 knitted fabric, nylon (kg)	knitted fabric, nylon (K)
655	2200	L88 knitted fabric, cotton white/printed (kg)	knitted fabric, cotton (K)
657	5101	L86 rope, abaca-Grade No.1 (kg)	cordage of Manila hemp/twine, cordage, ropes, cables (K)
657	5203	* fish net, nylon (100 m, roll)	fishing net (K)
658	1003	L86 rice sack, synthetic (100 pcs) 22x40	sacks and bags synthetic fiber (NO)
661	2100	L89 cement, Portland (40 kg bag)	Portland cement (tonne)

Appendix 7 continued

PSCC	Philippine Description	Hongkong Description
661 3209	* hollow blocks (1000 pcs) 4x8x16	—
661 8304	* asbestos cement-plain/corrugated (pcs.)	asbestos cement (K)/whether or not corrugated/ sheet
664 3200 L87	sheet window glass, clear (sq ft) 1/8 inc.	+ glass rect. surface ground(sq m)/ float glass and surface ground sheet non-wired(sq m)
664 7100	glass, table top (sq ft) 36 x 60 in.	safety glass (sqm)/toughened safety glass
665 2002 L82	* drinking glass (8 oz,dozen)	glass tableware
673 2600 L86	steel bars, round (kg) 3/4 in.	+ bars rod iron/steel, hot rolled (mt)
673 2703 L87	* steel bars, deformed (kg) 3/4 in.	+ bars rod iron/steel,cold formed (mt)
673 4101	steel plates-No. 16 sheet	
674 9102	GI sheets, plain sheet (26 x 36 x 8)	
678 1001	cast iron pipe soil (3.5 x5 pc.)	
678 5000	cast iron pipe fitting (3.5 x 3.5 pc.)	
696 0604 L82	spoon and fork (gross)	+ spoon and pork stainless (NO)/kitchenware or tableware of basemetal (NO)
696 0614 L86	* ladle, kitchen (dozen)	+ domestic utensils of iron/steel (K)
697 5103 L86	* sink, metal (each)	sinks washbasins fixtures fittings iron/steel
721 1801	* tractor (each)	+ other agricultural machinery for soil cultivation (NO)
741 5200 L82 R82 L92	* aircon (each) 2 hp	aircon self-contained (NO)
742 3000	* pump, model 50 single (each)	rotary pumps (NO)
751 1202	* typewriter, line 88 13 carriages (each)	+ other typewriter electric (NO)
761 1201 L82 R82	TV set (17 and 23) inches	TV colored w/ radio or sound recorders (NO)

Appendix 7 continued

PSCC		Philippine Description	Hongkong Description
762	2200 L82 R83	radio receiver, transistor	+ portable radio, n.e.s. complete (NO)
762	8300 L82 R83	radio phono, transistor (set)	other gramophones and record players(NO)
764	9323	* TV antenna (10 elements)	aerials for TV receivers/parts, n.e.s., of TV receivers (NO)
773	1800	* electric wire-No.14 TW (500 ft)	+ insulated wire, n.e.s. (m)
774	2200	* x-ray apparatus (each)	x-ray apparatus (NO)
775	7202 L82 R82 L92	electric fan (each) 16 including blade	table and blow fans electrical, mechanical (NO)
778	1102 L82	dry cell battery (each) "D"Eveready	primary batteries and cells, n.e.s. (NO)
778	1202 L92	* storage battery (each) 2-100WGF	electric accumulators for vehicles (NO)
778	2101 L82 R82	electric bulb (150/pack) 500 watts	filament bulbs (NO)
778	2201 L82 R82	fluorescent tube (box 36) 40watts 220v	non-filament electric tubes and bulbs (NO)
778	2300	* flash cubes with battery (each)	—
781	0100	car, 1800 4cyl CKD (each)	+ passenger motor cars (NO)
781	1600	passenger jeep-gasoline/diesel (each)	+ jeep station wagon, estate car (NO)
812	2000 L88	porcelain lavatory (each)	sink wash, etc., ceramic fixtures (NO)
812	2000	* water closet (each)	—
821	1101 L82	chairs, narra standard (doz.)	+ chairs of wood/set, n.e.s. with wooden frames (NO)
821	2201 L81	mattress, foam rubber (each) 36x75	mattress foam rubber/mattresses of cellular rubber or plastic (NO)
821	9109 L81	bed, steel (each) 30x75	+ furniture, n.e.s. of metal/other metal furniture (NO)
821	9209 L81	dining set with glasstop without upholster	tables, desk and tops of woods (NO) furniture n.e.s. of wood for kitchen use (NO)

Appendix 7 continued

PSCC	Philippine Description	Hongkong Description
831 0103 L81	clutch bag, plastic (doz.)	handbags of plastics (NO)
831 0202 L83	luggage synthetic leather (set) 5x12x16 in.	+ trunks and suitcases of leather (NO)
831 0203 L83	travelling bag-Pam Am (3 pcs./set)	travelling bag (NO)
843 4300 L82	shirt, wash and wear-Ordinary (doz.)	shirt, n.e.s. not knit cotton (NO)
843 5100 L82	blouse, cotton (doz.)	blouses not knit cotton (NO)
844 1102 L82	undershirts, sleeveless cotton (doz.)	undergarments men's knit cotton, n.e.s. (NO)
844 2201 L82	brief, nylon (doz.)	brief men's knit synthetic fiber (NO)
844 3201 L82	panties-Madonna/Obsession (doz.)	panties, women's knit synthetic fiber (NO)
847 1102 L82	handkerchief, plain, white (doz.)	handkerchief, cotton not embroidered (NO)
847 2203 L82	socks, men's nylon/silk (doz.)	socks men's knit synthetic fiber (pair)
848 1003 L86	working gloves, leather (doz.)	gloves wholly leather (PAIR)
851 0101 L82	slippers, rubber,men (doz.,pair)	slippers, rubber (PAIR)
851 0206 L82	rubber shoes for men (pair)	+ footwear, textile upper rubber soles (pair) footware w/upper of textile material, n.e.s. (PR)
851 0207 L82	canvas shoes, double soled (pair)	+ footwear, leather upper rubber soles (pair) footware, n.e.s. with other soles of leather(PR)
874 8900 L88	voltmeter (pc) 300v Kyoutsu	+ electrical measuring instrument, n.e.s. (NO)
881 1109	* camera, photographic (unit) 55x.104	cameras still, n.e.s. (NO)/photographic camera
882 2202	* photofilm-colored/ordinary (roll)	photographic color film in rolls
883 0000 L88	cinematographic film (ft)	cinematographic film expose (KM)
885 1105	* watch-men's Seiko 17 jewels (each)	watches, n.e.s. (NO)

Appendix 7 continued

PSCC	Philippine Description	Hongkong Description
892 1101	* textbook-literature/math/Filipino (100 pcs.)	+ printed books and pamphlets
892 2001	* Newspaper-Bulletin/Times Journal (each)	newspapers, journals and periodicals
892 2002	* Reader's Digest (each)	—
892 2003 L86	comic magazines (each)	—
895 1206	* paperclip (100 pcs./box)	+ plastic or school supplies
895 2103	* ballpen-Bic (each)	ball point pens (NO)
895 2308	* chalk for writing (gross,box)	pencils crayons pastels draw. chalks
895 9403 L86	* typewriter ribbon (doz.)	typewriter and similar ribbons
898 1101 L82	* piano, upright (each)	piano (NO)
898 1901 L86	guitar, standard (each)	+ other string instruments (NO)
898 3201 L82	* phono record, 45 rpm mono stereo (each)	gramophone records (NO)
899 3100 L82	candles (100 pcs.) 14.5 long	+ candles tapers, etc. (K)
899 3200 L82	matches-Guitar (120 pcs./pack)	matches (pkt.)
899 4100 L86	umbrella, automatic men (doz.)	umbrella mens/umbrella and sun umbrellas (NO)
899 7223 L82	toothbrush, nylon (gross)	toothbrushes (NO)
899 8303	* plastic buttons (doz)	buttons plastic (1000)/button moulds and other parts of button

* Additional items

+ Indicates a broader description

Appendix 8

Price Ratios and Tariffs of Some Liberalized and Regulated Commodities

PSCC	Pd/Pb ^a									Tariff Rates						
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992
001 3100 L88																
001 4101 L86 (in C) L92 R93																
011 1100 L92																
011 3000 L92 R93																
012 1100 L82 R83 L92 R93																
012 1200 L82 R83 L92 R93																
014 2100 L81 R84 L92 R93																
014 2200 L81 R84 L92 R93																
014 9300 L81 R84 L92 R93																
022 3000 L85																
022 4302 L85																
022 4904 L85																
022 4908 L85																
023 0300 L82 R84 L85																
024 0100 L82 R84 L85																
025 1100 L81																
034 1200 L82 R82 L86 (in B) L																
035 0309 L82 R82 L86																
036 0109 L81 R84 (in B)																
037 1104 L88																
037 1108 L82 R82 L86																
042 2102																
044 0100 L86 (in C) L92 R93																
046 0100 L82 L86																
048 3003 L81																
048 3004 L86																
048 4101 L81																
048 4102 L81																
048 4202 L81																
054 1100																

Appendix 8 continued

PSCC	Pd/Pb*									Tariff Rates						
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992
054 4000 L86										50	50	50	50	50	50	45
054 5101										50	50	50	50	50	50	45
054 5102										50	50	50	50	50	50	45
054 5905 L82	*									50	50	50	50	50	30	30
054 5909										50	50	50	50	50	50	45
054 5916 L82										50	50	50	50	50	50	45
054 5923 L82	*									50	50	50	50	50	50	45
054 5929 L82										50	50	50	50	50	50	45
056 5108 L82										50	50	50	50	50	50	45
057 2903 L81										50	50	50	50	50	50	45
057 3100 L86										50	50	50	50	50	50	50
057 7200 L86										50	50	50	50	50	50	50
057 9501 L85										50	50	50	50	50	50	50
057 9701 L86										50	50	50	50	50	50	50
057 9703 L86										50	50	50	50	50	50	50
057 9801 L86										50	50	50	50	50	50	50
057 9805 L86										50	50	50	50	50	50	50
058 2208 L86										50	50	50	50	50	50	45
058 3003 L81										50	50	50	50	50	50	45
058 5100 L82										20	20	20	20	20	20	20
058 5400 L86	*									50	50	50	50	50	50	50
058 9908 L81										50	50	50	50	50	50	50
061 1100 L92	*									50	50	50	50	50	50	50
061 2000 L82										50	50	50	50	50	50	50
061 9200 L82										50	50	50	50	50	50	50
071 1102										50	50	50	50	50	50	45
071 1202										50	50	50	50	50	50	45
072 2000 L81										40	40	40	40	40	40	35
072 3200 L81										40	40	40	40	40	40	35
075 1101 L83										50	50	50	50	50	50	45
081 2100 L86 R93										10	10	10	10	10	10	10
081 9901 L86 R93										10	10	10	10	10	10	10

PSCC	Pd/Pb ^a										Tariff Rates							
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992		
091 4100 L82																		
	margarine	2.10	2.14	1.93	3.22	2.07	2.00	1.92	2.72	30	30	30	30	30	30	30	30	
091 4902 L82	shortening	0.47	0.55	0.70	0.64	0.57	0.58	0.56		30	30	30	30	30	30	30	30	
098 0403 L82	tomato sauce/catsup	2.10	1.94	1.83	1.87	1.72	1.43	1.35	1.20	50	50	50	50	50	50	50	50	
098 0405 L82	* vetsin/patis							1.35	1.20	50	50	50	50	50	50	50	50	
098 0407 L82	soy sauce	1.20	1.16	1.16	1.27	1.24	1.11	1.13	1.32	50	50	50	50	50	50	50	45	
098 0701 L86	vinegar	1.87	1.76	1.59	1.42	1.46	1.41	1.26	1.49	50	50	50	50	50	50	50	45	
098 0909 L82	tonic food drink	0.87	0.82	0.64	0.47	0.54	0.60	0.65		20	20	20	20	20	20	20	45	
098 0924 L86	ice cream	0.40	0.37	0.32	0.37	0.33	0.29	0.31	0.46	50	50	50	50	50	50	50	45	
111 0205 L86	soft drinks	0.37	0.34	0.44	0.58	0.50	0.42	0.48	0.73	50	50	50	50	50	50	50	45	
112 3001 L86	beer	1.00	0.83	0.78	0.92	0.84	0.79	0.78	0.96	50	50	50	50	50	50	50	50	
112 4100 L86	whisky	2.58	2.13	1.79	1.00	1.44	1.09	1.02	1.35	50	50	50	50	50	50	50	50	
112 4903 L86	gin	0.38	0.37	0.32	0.30	0.28	0.26	0.27	0.31	50	50	50	50	50	50	50	50	
112 4904 L86	rum	0.26	0.24	0.26	0.25	0.28	0.29	0.23	0.22	50	50	50	50	50	50	50	50	
122 2200 L88	cigarettes	0.59	0.56	0.61	0.63	0.58	0.54	0.56	0.54	50	50	50	50	50	50	50	50	
222 2000 L86	soybeans	2.10	1.65	2.29	2.80	1.87	1.80	1.22	1.22	10	10	10	10	10	3	3		
245 0100 L85	* firewood	0.64	0.61	0.61	0.57					10	10	10	10	10	10	10	10	
278 3003 L82	table salt	0.70	0.67	0.80	0.87	0.89	1.00	1.28	1.25	20	20	20	20	20	20	20	20	
334 1102	gasoline ordinary	1.75	1.94	1.89	1.93	1.43	1.51	2.49	2.09	30	30	30	30	30	30	20	20	
334 2100	kerosene	1.59	1.69	1.66	1.54	1.08	0.94	0.97	0.52	30	30	30	30	30	30	20	20	
334 3001	fuel oil, bunker	1.41	1.76	1.19	1.42	1.09	1.45	1.85	1.19	20	20	20	20	20	20	10	10	
334 3002	diesel oil	1.14	1.35	1.20	1.19	0.79	0.84	1.03	1.27	20	20	20	20	20	20	20	20	
334 5101	lubricating oil	2.10	2.06	2.16	2.24	2.17	2.53	1.22		30	30	30	30	30	30	10	10	
341 3902	LPG	1.62	1.63	1.69	1.46	1.31	1.44	1.44		20	20	20	20	20	20	10	10	
431 2000 L88	edible oil, Baguio	0.72	0.60	0.77	0.85	0.79	0.63	0.52	0.48	50	50	50	50	50	50	50	50	
511 3901	freon dichlorofl	2.81	2.28	2.36	2.24	1.58	1.16	1.21		10	10	10	10	10	10	10	10	
512 1801 L86 (in C)	glycerine	1.68	1.93	2.95	3.12	3.31	3.44	4.58	5.10	50	50	50	50	50	50	50	45	
513 7102	acetic acid	3.05	3.58	3.62	3.26	3.55	3.31	3.33	3.17	10	10	10	10	10	10	10	10	
522 5201 L82	sodium hydroxide	26.63	31.00	30.45	23.26	19.46	18.57	19.28	23.65	30	30	30	30	30	30	30	30	
522 5301 L86	caustic soda	4.30	4.31	3.86	2.11	1.51	1.40	1.28	1.80	30	50	50	50	50	50	40	40	
533 4219 L81	enamel paint, etc.	1.54	1.32	1.22	1.30	1.21	1.12	0.92	1.05	40	40	40	40	40	40	40	30	
541 7103 L92	* chloromycetin							3.12	3.40	20	20	20	20	20	10	10	10	
541 7104	* penicillin									20	20	20	20	20	10	10	10	
541 7904 L82	* cough syrup									20	20	20	20	20	10	10	10	

PSCC	Pd/Pb*								Tariff Rates							
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992
553 0021 L81									50	50	50	50	50	50	50	50
553 0027 L81									50	50	50	50	50	50	50	50
554 1100 L82		1.39	1.47	1.47	1.29	1.60	1.14	0.84	1.26	50	50	50	50	50	50	40
554 1300 L82		2.00	2.03	2.10	2.40	1.64	2.16	1.99	2.57	50	50	50	50	50	50	40
554 2300 L82		2.06	1.73	1.85	1.73	1.98	1.51	1.37		30	30	30	50	50	50	40
554 3300 L81										50	50	50	50	50	50	30
562 1300		0.99	0.76	0.75	0.90	0.71	0.76	0.81	0.64	20	20	20	20	20	20	free
562 1600		1.66	0.85	2.42	0.93	2.00	1.01	0.97	0.87	20	20	20	20	20	20	free
562 1909		1.00	0.61	0.57	0.66	0.68	0.50	0.50	0.87	20	20	20	20	20	20	5
591 1009		6.53	5.70	5.82	5.21	4.74	5.60	4.16	2.87	20	20	20	20	20	20	5
625 1000 L86		1.92	1.82	1.88	1.80	1.51	1.39	1.31	1.46	30	50	50	50	30	30	30
625 2300 L86		0.78	0.81	0.84	0.83	0.67	0.54	0.55	0.49	30	50	50	50	30	30	30
625 9100								6.86	9.61							30
641 1000 L89		1.71	1.64	1.37	1.11	1.31	1.30	1.29	1.82	30	30	30	50	50	50	30
641 2102 L87		2.86	2.64	2.08	1.94	1.65	1.56	1.49	1.44	40	40	40	50	50	50	30
641 2103 L87								1.49	1.44	30	30	30	50	50	50	30
641 2104 L87									1.44	40	40	40	40	40	40	30
641 2201 L82										40	40	40	40	40	40	30
641 3902 L87		2.11	1.76	1.34	1.29	1.14	1.13	1.07	0.85	50	50	50	50	50	50	30
642 4300 L81		2.66	2.44	2.46	2.40	2.12	1.76	1.79		40	40	40	40	40	40	40
642 4903 L87		1.28	1.54	1.70	2.44	3.52	3.35	3.38		40	40	40	40	40	40	30
651 3300 L87		0.78	0.79	0.64	0.67	0.68	0.74	0.63	0.57	30	30	30	30	30	30	30
652 1409 L88		2.20	2.16	2.10	2.10	1.70	1.70	0.95		40	40	40	40	40	40	40
653 5502 L88		0.50	0.38	0.36	0.35	0.46	0.47	2.02		40	40	40	40	40	40	40
654 4002 L88		3.18	3.30	3.08	2.75	3.12	3.09	3.16		40	40	40	40	40	40	40
655 1000 L88		0.46	0.31	0.27	0.28	0.28	0.25	0.21		40	40	40	40	40	40	40
655 2200 L88		1.19	1.19	1.27	1.29	1.23	1.08	0.93		40	40	40	40	40	40	40
657 5101 L86		0.98	1.24	0.80	2.45	2.02	2.42	2.88	1.23	50	50	50	50	50	50	40
658 1003 L86		0.87	0.91	0.83	0.66	0.74	0.90	1.13	1.30	50	50	50	50	50	50	40
661 2100 L89		1.56	1.60	1.72	1.71	1.96	2.24	2.37	2.42	40	40	40	40	40	40	20
664 3200 L87		2.07	1.91	1.62	1.41	2.01	3.19	0.42	0.43	50	50	50	50	50	50	45

PSCC	Pd/Pb ^a									Tariff Rates						
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992
664 7100 L87	0.66	0.55	0.52	0.50	0.52	0.53	0.52	0.51	50	50	50	50	50	50	50	45
673 2600 L86	1.14	0.95	1.01	0.95	0.96	0.96	0.90		20	20	20	20	20	20	20	20
673 2703 L87									20	20	20	20	20	20	20	20
696 0604 L82	1.37	1.45	1.33	1.02	1.09	0.81	0.79	1.01	40	40	40	40	40	40	40	40
696 0614 L86							0.12	0.25	40	40	40	40	40	40	40	40
697 5103 L86									50	50	50	50	50	50	50	45
741 5200 L82 R82 L92	2.98	2.47	2.53	2.62	2.64	2.50	2.47	2.64	50	50	50	50	50	50	50	45
761 1201 L82 R82	1.80	1.16	1.24	1.14	1.06	1.22	0.80		50	50	50	50	50	50	50	45
762 2200 L82 R83	0.57	0.88	1.05	1.02	0.96	0.88	0.90	0.93	50	50	50	50	50	50	50	45
762 8300 L82 R83	0.19	0.15	0.23	1.31	2.34	1.84	1.31	1.27	50	50	50	50	50	50	50	45
775 7202 L82 R82 L92	1.74	2.26	2.53	3.52	3.71	3.61	3.25		50	50	50	50	50	50	50	45
778 1102 L82	2.92	3.48	3.09	3.62	2.65	2.68	0.59		30	30	30	30	30	30	30	30
778 1202 L92							3.27									20
778 2101 L82 R82	1.37	1.39	1.26	0.94	1.09	1.01	1.19		40	40	40	40	40	40	40	30
778 2201 L82 R82	11.07	10.26	9.21	8.54	8.25	6.91	6.39	7.78	10	30	30	30	30	30	30	20
781 0100	2.36	2.03	1.73	1.81	1.77	1.81	4.31	5.15	30	30	30	30	30	30	50	50
781 1600									50	50	50	50	50	50	10	10
812 2000 L88	6.22	5.11	4.23	4.36	3.23	3.44		3.74	50	50	50	50	50	50	50	45
821 1101 L82	0.36	0.98	0.63	0.64	0.47	0.46	0.51	0.62	50	50	50	50	50	50	50	45
821 2201 L81	9.11	9.29	10.09	11.64	9.22	6.11	5.11	5.57	50	50	50	50	50	50	50	45
821 9109 L81	0.37	0.46	0.45	0.51	0.78	0.81	41.46	1.10	50	50	50	50	50	50	50	45
821 9209 L81	3.65	2.74	3.03	2.32	1.80	1.61	3.01	3.36	50	50	50	50	50	50	50	45
831 0103 L81	0.74	0.79	1.00	0.94	0.84	0.72	0.66	0.60	50	50	50	50	50	50	50	50
831 0202 L83	2.37	2.12	1.85	1.61	2.05	1.94	0.64	1.16	50	50	50	50	50	50	50	50
831 0203 L83	1.31	1.18	1.30	1.38	1.39	1.52			50	50	50	50	50	50	50	50
843 4300 L82	1.01	1.05	1.06	0.76	0.65	0.53	0.99		50	50	50	50	50	50	50	50
843 5100 L82	0.56	0.63	0.64	0.76	0.98	0.81	0.85	0.76	50	50	50	50	50	50	50	50
844 1102 L82	1.81	1.85	1.90	1.70	1.69	1.40	1.70		50	50	50	50	50	50	50	50
844 2201 L82	3.78	3.45	3.28	3.34	2.55	2.71	3.54	4.03	50	50	50	50	50	50	50	50
844 3201 L82	2.02	1.90	2.00	1.74	1.57	1.29	1.04	2.45	50	50	50	50	50	50	50	50
847 1102 L82	3.37	3.85	4.58	6.35	6.08	5.04	5.16	5.52	50	50	50	50	50	50	50	50

Appendix 8 continued

PSCC	Pd/Pb ^a								Tariff Rates							
	1985	1986	1987	1988	1989	1990	1991	1992	1985	1986	1987	1988	1989	1990	1991	1992
847 2203 L82																
	socks, men's nylon	2.60	3.00	2.87	3.09	3.06	2.83	2.70		50	50	50	50	50	50	50
848 1003 L86	working gloves, leather	6.32	6.02	5.81	5.49	4.55	4.25	5.00	10.54	50	50	50	50	50	50	50
851 0101 L82	slippers, rubber	0.62	0.96	0.85	0.90	0.91	0.59	0.64		50	50	50	50	50	50	50
851 0206 L82	rubber shoes	3.38	3.74	4.44	5.07	5.40	4.96	4.14	9.16	50	50	50	50	50	50	50
851 0207 L82	canvas shoes	4.76	6.12	7.92	7.78	7.39	6.01	0.82	0.99	50	50	50	50	50	50	50
874 8900 L88	voltmeter	1.88	1.53	1.01	5.05	0.53	0.71	5.83		20	20	20	20	20	20	20
883 0000 L88	cinematographic film	0.57	0.55	0.54	0.51	0.54	0.93	0.70	0.85							20
892 2003 L86	comic magazines									10	10	10	10	10	10	10
895 9403 L86	typewriter ribbon									50	50	50	50	50	50	40
898 1101 L82	piano, upright	0.89	0.81	0.84	0.79	1.02	1.04	1.12	1.05	50	50	50	50	50	50	45
898 1901 L86	guitar, standard	1.07	0.63	0.97	1.32	1.49	1.13	1.32	1.25	50	50	50	50	50	20	20
898 3201 L82	phono record, 45 rpm	0.29	0.25	0.24	0.25	0.23	0.45	0.06	0.08	50	50	50	50	50	50	45
899 3100 L82	candles	2.48	3.19	3.22	2.89	3.15	3.16			50	50	50	50	50	30	30
899 3200 L82	matches	4.79	3.26	4.41	4.37	3.00	3.08	2.51	2.81	30	30	30	30	30	30	3
899 4100 L86	umbrella, automatic	3.98	4.49	4.72	4.63	4.48	4.02	3.63	3.44	50	50	50	50	50	50	50
899 7223 L82	toothbrush, nylon	1.56	1.78	1.79	1.42	1.33	1.22	1.28		40	40	40	40	40	40	40
899 8303 L81	buttons, plastic	9.36	8.17	9.07	5.04	3.88				50	50	50	50	50	50	50

* Additional items

^aUsing Hongkong unit import values^bUsing Philippines unit import values for Pb

Appendix 9

Price Ratios^a and Imports of Some Liberalized and Regulated Commodities

PSCC	Imports (CIF \$000)						Pd/Pb						
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990	
001 3100 L88													
001 4101 L86 (in C) L92 R93													
011 1100 L92													
011 3000 L92 R93													
012 1100 L82 R83 L92 R93													
012 1200 L82 R83 L92 R93													
014 2100 L81 R84 L92 R93													
014 2200 L81 R84 L92 R93													
014 9300 L81 R84 L92 R93													
022 3000 L85													
022 4302 L85													
022 4904 L85													
022 4908 L85													
023 0300 L82 R84 L85													
024 0100 L82 R84 L85													
025 1100 L81													
034 1200 L82 R82 L86 (in B) L													
035 0309 L82 R82 L86													
036 0109 L81 R84 (in B)													
037 1104 L88													
037 1108 L82 R82 L86													
042 2102													
044 0100 L86 (in C) L92 R93													
046 0100 L82 L86													
048 3003 L81													
048 3004 L86													
048 4101 L81													
048 4102 L81													
048 4202 L81													
054 1100													
	swine, liveweight	621	1,619	1,467	1,935	2,687	1,722	0.32	0.24	0.21	0.21	0.22	0.14
	chicken, liveweight	2,509	2,714	3,828	4,723	4,457	3,572	0.37	0.33	0.48	0.37	0.38	0.30
	beef, 2nd class	219	321	354	1,030	568	156	0.39	0.35	0.64	0.93	0.99	0.45
	pork, 2nd class	399	400	1,124	1,957	3,541	1,596	2.38	1.99	2.20	3.09	2.70	1.84
	bacon	7	6	2	1	3	6	1.33	1.35	1.18	1.39	1.49	1.18
	ham, cooked	4	19	13	0	13	3	2.16	0.79	1.65	0.92	3.17	0.39
	frankfurters	19	19	10	36	1	5	1.21	0.73	1.09	1.48	0.71	
	Vienna sausage	2	3	12	4	9	20	2.21	1.37	1.15	0.73	1.06	0.84
	liverspread/potted meat	1	13	4	4			0.33	0.07	1.16	0.19		
	fresh milk	59	83	326	525	895	1,099	0.74	1.17	1.46	1.55	0.90	1.00
	powdered milk	12,750	23,079	35,043	28,567	32,714	44,203	2.04	1.70	1.77	1.86	1.78	1.67
	evaporated filled milk		411	3,741	2,512	3,325	2,407		1.61	1.81	1.59	1.63	1.34
	sweet condensed milk		120	2,242	1,544	1,136	850		1.57	1.72	1.63	1.76	1.55
	butter	74	112	107	233	171	181	1.21	2.05	2.34	2.05	1.79	1.65
	cheddar cheese	538	512	849	1,243	1,372	1,915	1.83	2.00	1.46	1.94	1.83	2.02
	eggs, duck/leghorn	6	3	3	1	13	2	0.46	0.45	0.26	0.13	0.35	0.90
	fresh fish	4	2		5	4		0.13	0.15		0.22	0.13	
	dried/salted fish	5	61	25	4	6	2	2.20	0.84	1.25	1.36	3.48	5.69
	crabs	145	133	83	95	69	85	0.11	0.08	0.06	0.05	0.10	0.13
	canned mackerel/sardines				14	95	130				1.32	2.36	3.35
	* canned tuna	36	63	145		14	23	1.35	1.29	1.95		7.63	3.01
	rice	26	36	13	47,590	54,497	127,667	0.68	0.48	0.71	0.86	1.51	1.97
	yellow corn grain	38,274	65	6,117	3,205	22,466	58,186	1.54	0.35	1.99	1.63	1.57	1.58
	wheat flour	4,277	18,831	5,166	6,872	7,235	6,504	1.92	1.73	2.52	1.90	1.92	1.69
	sotanghon/macaroni	824	626	417	166	206	29	3.25	3.89	3.37	5.27	6.58	5.36
	* bihon/misua		4	7	15	21	16		1.86	3.25	3.03	2.69	2.62
	bread		0	0	8		4		0.22	1.29	0.73		0.79
	soda crackers	5	2	8	9	18	40	3.57	3.38	3.91	5.59	5.84	2.37
	butter cookies	71	144	276	606	566	480	3.04	3.95	4.02	6.74	5.97	7.86
	Irish potato	20			46	13		0.22			1.31	0.00	

Appendix 9 continued

PSCC	Imports (CIF \$000)						Pd/Pb						
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990	
054 4000 L86													
054 5101													
054 5102													
054 5905 L82													
054 5909													
054 5916 L82													
054 5923 L82													
054 5929 L82													
056 5108 L82													
057 2903 L81													
057 3100 L86													
057 7200 L86													
057 9501 L85													
057 9701 L86													
057 9703 L86													
057 9801 L86													
057 9805 L86													
058 2208 L86													
058 3003 L81													
058 5100 L82													
058 5400 L86													
058 9308 L81													
061 1100 L92													
061 2000 L82													
061 9200 L82													
071 1102													
071 1202													
072 2000 L81													
072 3200 L81													
075 1101 L83													
081 2100 L86 R93													
081 9901 L86 R93													

PSCC	Imports (CIF \$000)						Pd/Pb						
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990	
091 4100 L82													
091 4902 L82													
098 0403 L82													
098 0405 L82													
098 0407 L82													
098 0701 L86													
098 0909 L82													
098 0924 L86													
111 0205 L86													
112 3001 L86													
112 4100 L86													
112 4903 L86													
112 4904 L86													
122 2200 L88													
222 2000 L86													
245 0100 L85													
278 3003 L82													
334 1102													
334 2100													
334 3001													
334 3002													
334 5101													
341 3902													
431 2000 L88													
511 3901													
512 1801 L86 (in C)													
513 7102													
522 5201 L82													
522 5301 L86													
533 4219 L81													
541 7103 L92													
541 7104													

PSCC	Imports (CIF \$000)						Pd/Pb						
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990	
541 7904 L82			* cough syrup										
553 0021 L81			* skin cream										
553 0027 L81			* talcum powder										
554 1100 L82			laundry soap										
554 1300 L82			toilet soap										
554 2300 L82			detergent										
554 3300 L81			* floor wax										
562 1300			ammonium sulphate										
562 1600			urea										
562 1909			perfect gro										
591 1009			insecticide										
625 1000 L86			rubber tire, car										
625 2300 L86			rubber tire, truck										
625 9100			rubber tube										
641 1000 L89			newsprint										
641 2102 L87			mimeo paper										
641 2103 L87			bond paper										
641 2104 L87			onionskin										
641 2201 L82			columnar pad										
641 3902 L87			kraft-paper										
642 4300 L81			toilet paper										
642 4903 L87			adding machine paper										
651 3300 L87			yarn, cotton, grey										
652 1409 L88			woven fabric, cotton										
653 5502 L88			woven fabric, rayon										
654 4002 L88			woven fabric, ramie										
655 1000 L88			knitted fabric, nylon										
655 2200 L88			knitted fabric, cotton										
657 5101 L86			rope, abaca										
658 1003 L86			rice sack, synthetic										

PSCC	Imports (CIF \$000)						Pd/Pb					
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990
661 2100 L89		754	8,206	1,085	5,978	48,507		0.96	1.58	1.24	1.32	1.92
664 3200 L87		29	28		73	43						
664 7100 L87		35	14	30	239	136						
673 2600 L86		820	989	790	4,842	2,796	0.96	0.89	0.81	1.32	1.18	1.02
673 2703 L87						773						0.00
696 0604 L82	208	252	202	183	235	392	1.71	2.16	2.71	4.07	5.44	2.04
696 0614 L86	4	8	5	9	22	4	2.21	4.63	6.61	20.19	3.10	6.86
697 5103 L86	38	221	397	273	611	796	2.78	4.88	3.25	2.86	9.67	1.82
741 5200 L82 R82 L92	56	1	32	10	306	146	1.10	1.68	0.85	1.88	1.01	1.24
761 1201 L82 R82	94	5	1	26	60	0	0.93	1.22	0.52	0.37	0.65	1.22
762 2200 L82 R83												
762 8300 L82 R83	355	245	27	1,049	2,747	3,355	0.60	0.11	0.10	0.65	1.18	1.21
775 7202 L82 R82 L92	41	9					1.86	5.57				
778 1102 L82	16		5		6		4.50		7.81		24.52	
778 1202 L92												
778 2101 L82 R82		1						0.04				
778 2201 L82 R82	7	5	26	9	6	44	0.51	1.10	10.08	0.57	0.31	3.31
781 0100	136	185	88	1,387	2,980	2,777	1.16	1.57	1.25	0.79	0.54	1.38
781 1600	736	720	321	587	1,184	1,764	0.46	0.50	0.49	0.66	0.65	0.67
812 2000 L88	77	81	57	114	999	420						
821 1101 L82	0	0	15	28	26	390	0.25	1.30	0.26	0.48	2.44	0.12
821 2201 L81	3	2	0	9	19	20	0.14	*****	*****	31.55	24.88	2.66
821 9109 L81	62	126	163	311	992	1,628	1.82	0.52	0.79	2.53	1.42	0.79
821 9209 L81	33	37	93	216	228	2,285						
831 0103 L81	12	2	1	10	48	15	2.18	10.32	9.86	4.49	1.13	5.59
831 0202 L83	315	41	30	40	97	132	1.09	6.49	2.15	2.08	1.98	6.05
831 0203 L83	113	13	36	46	53	27	0.57	0.98	2.00	2.06	4.60	3.16
843 4300 L82	0		0	1			1.94		0.44	2.31		
843 5100 L82	0	2	2	58	187	99	0.28	0.30	0.86	2.46	2.65	2.50
844 1102 L82		1		60	294	503		0.19		7.76	4.72	3.54

Appendix 9 continued

PSCC	Imports (CIF \$000)						Pd/Pb					
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990
844 2201 L82					2						0.27	
844 3201 L82			0	1					3.78	21.10	2.24	
847 1102 L82		60	79	394	468	314	7.79	9.60	15.09	30.81	19.77	17.04
847 2203 L82	11		4	7	36	14	1.60		13.50	5.73	9.55	16.93
848 1003 L86	322											
851 0101 L82	1	6	29	5	11	14	4.40	2.47	0.28	2.11	2.85	1.80
851 0101 L82	28	0	6	17	5	34	2.51	0.57	7.56	6.13	1.51	1.50
851 0206 L82	27	21	113	240	460	362	4.19	1.13	1.65	2.55	2.26	1.77
851 0207 L82	38	4	33	79	140	57	11.13	8.11	27.23	15.55	14.21	6.70
874 8900 L88												
883 0000 L88	10,059	6,029	8,430	11,503	19,096	28,270	0.32	1.11	0.57	0.48	0.42	0.28
892 2003 L86	343	448	691	543	590	668	0.79	0.77	0.94	1.47	1.42	1.00
895 9403 L86			10		3	1			0.86		0.56	0.80
898 1101 L82	11	43	39	78	36	64	1.10	1.51	0.72	0.77	0.60	4.75
898 1901 L86	2			48	101	175	1.25			1.11	1.17	1.23
898 3201 L82		25	16	28	18	16		1.04	1.69	1.94	1.73	1.12
899 3100 L82		2	2	1								
899 3200 L82	105	338	319	113	108	289	5.66	9.30	13.50	8.60	8.09	9.17
899 4100 L86		3	45	82	233	218		0.01	0.29	0.36	0.27	0.31
899 7223 L82	72	33	50	192	363	520	1.58	2.51	9.31	5.10	8.01	5.27
899 8303 L81	15	141	249	279	337	545	0.77	1.12	1.54	1.22	1.18	0.80

*Additional items

*Using Philippine unit import values

APPENDIX 10: TAKACS MODEL

This appendix presents the model developed by Wendy E. Takacs (in "The High Cost of Protecting the Uruguay Automotive Industry" [1991]) to estimate the distortions caused by the automobile industry protection scheme in Uruguay.

The model ignores differentiation among types of components, the trade off between domestic content and compensatory exports, and prohibitions against importing certain components (i.e., mandatory deletion). It assumes (a) a small importing country with competitive assembly and components industries, and (b) that the domestic content requirement and all compensatory export requirements are binding.

Suppose that the world or import price of assembled autos (P_A^*) and of auto components (P_C^*) are both given. Assume one type of assembled auto, made through a process of assembling a given number α of components. A perfectly competitive domestic components industry manufactures parts and a perfectly competitive domestic industry assembles autos from imported and domestically produced components. Importation of new and used completely built up (CBU) passenger cars is not allowed, hence imports will be taken as given or exogenously determined. Assemblers are subject to domestic content requirements and compensatory export requirements in the importation of completely knocked down (CKD) units, or "kits." Equilibrium prices and quantities in the market for assembled autos and for components will be determined jointly because they are affected by input-output relationships and by the local content and compensatory export requirements.

Domestic Market for Assembled Autos

An ad valorem tariff rate of t_A on autos will increase the cost of CBUs by the amount of the duty. In the long-run, the total cost of an imported CBU equals price:

$$P_A^*(1 + t_A) = P_A \quad (1)$$

Given P_A^* , P_C^* , P_C , (1) determines the domestic market price of CBUs.

The quantity of assembled autos sold is equal to the sum of domestically assembled autos from CKDs, Q_A , and the fixed amount of imported CBUs, M_A . This sum must equal the demand for finished autos at price P_A :

$$D(P_A; M_A) = Q_A + M_A \tag{2}$$

Quantity assembled increases as value-added per unit in assembly increases. The supply function is:

$$Q_A = \nu(\nu_A), \quad \nu > 0 \tag{3}$$

Suppose a certain number of components, α , per auto is required. Let δ be the local content requirement, expressed as a share, x_K be the compensatory export requirement (CER) for CKD kits, i.e., the proportion of the value of imported CKD units that must be compensated by exports of components. Denote the tariff on kits by t_K . Then we have the following:

$$\begin{aligned} \alpha(1 - \delta)P_C^* &= \text{value of one CKD kit at world prices} \\ x_K(1 - \delta)P_C^* = P_C q_C &= \text{value of compensatory exports required} \\ &\text{to import the CKD pack, where } q_C \text{ is the} \\ &\text{quantity of compensatory } X \text{ required to} \\ &\text{import one CKD kit} \\ \alpha(1 - \delta)P_C^* t_K &= \text{tariff revenue to be paid per CKD kit} \\ \alpha\delta P_C &= \text{cost of domestic components} \end{aligned}$$

In the long run, unit cost equals price, and the long-run assembly industry inverse supply curve is:

$$P_A = \alpha(1 - \delta)P_C^* \{1 + t_K + x_K(P_C - P_C^*)/P_C\} + \alpha\delta P_C + \nu(\nu_A) \tag{4}$$

effective cost of imported CKD pack
cost per domestic auto of domestic components
domestic value-added

Expressions (1)-(4) determine δ , Q_A , and D_A , given M_A, P_C, P_A^* , P_C^* , t_A, t_K, x_K, α and δ .

The market for assembled autos is shown graphically in Figure 5.

The price of autos, P_A , lies above the world price P_A^* by an amount equal to the extra costs due to the tariff. At this price consumers would demand D_A autos.

The supply curve of domestic assembly operations is given by:

$$S_A = S_A^* + \alpha(1 - \delta)P_C^*t_K + \alpha\delta(P_C - P_C^*) + \alpha(1 - \delta)x_K(P_C - P_C^*)P_C^*/P_C$$

supply curve under free trade	· increase in assembly costs due to t	increase in costs due to domestic content requirements	increase in costs due to CER
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At price P_A , domestic assemblers produce Q_A . Increased input costs due to the local content and CER shift the supply curve upwards.

Domestic Market for Components

With perfect competition, the supply of components in inverse form is,

$$P_C = S(Q_C) \quad S' > 0$$

where Q_C is the quantity of components domestically supplied.

The demand for components arises from (1) the demand for components to be combined with imported CKD packs for domestic assembly, and (2) exports of components as compensatory exports for the importation of CKD kits, $P_C x_K = x_K \alpha(1 - \delta)P_C^* Q_A$. The demand curve is given by:

$$Q_C = x_K \alpha(1 - \delta) Q_A (P_C^*/P_C) + \alpha \delta Q_A$$

CER for import of CKD kits	demand for components for domestic assembly
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Figure 5
Assembled Automobile Market

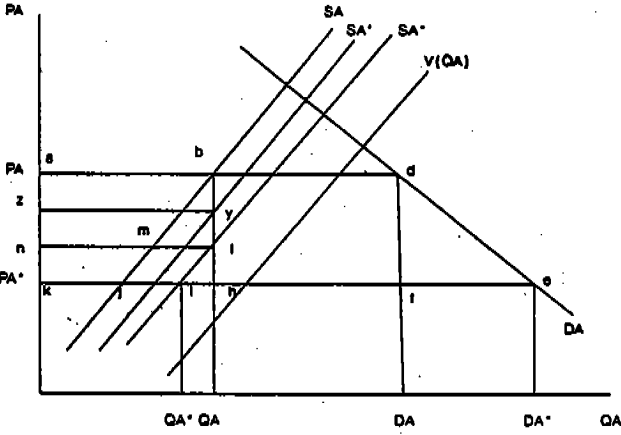
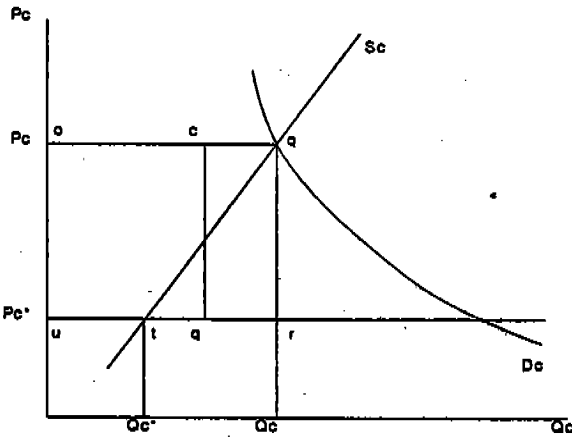


Figure 6
Domestic Components Market



Expressions (5) and (6) determine P_C and Q_C given $Q_A, P_A^*, P_C^*, x_K, \alpha$, and δ .

Figure 6 shows this graphically. The supply curve is shown by S_C and the demand curve by D_C . Equilibrium occurs at P_C and Q_C . Under free trade, domestic producers are forced to match the price P_C^* , at which production would be Q_C^* . The local content and compensatory export requirements both increase the demand for components produced, pushing up price and production. Given the linkages between the markets for components and assembled cars, (1) to (6) jointly determine the endogenous variables P_A, P_C, D_A, Q_A , and Q_C given P_A^*, P_C^* and M_A and policy parameters t_K, t_A, x_K, α , and δ .

Cost of Protection and Transfers Among Groups

Without protection, and abstracting from transport costs, world prices of assembled autos and components would prevail in the domestic markets. Quantity Q_C^* of components would be produced at price P_C^* . Assemblers would buy components at this price, so their supply curve S_A^* would be the vertical sum of the value added per unit required for each output level and the cost of component inputs, αP_C^* . At the free trade price P_A^* , assemblers produce Q_A^* units, consumers purchase D_A^* units. Imports are given as M_A^* .

The costs of protection can be assessed using the free trade equilibrium as a basis for comparison. The local content and compensatory export requirements which increase input costs to assemblers, plus the tariff on CKD kits shift the supply curve upward from S_A^* to S_A , by the distance bl .

The welfare costs are the effects of distortions in the markets for assembled cars and components. The reduction in consumers' welfare is area $adek$, of which area def is the deadweight loss in consumption due to higher prices.

Area $bdfh$ is tariff-equivalent revenue, with the height equal to the difference between domestic and import price and the width equal to the number of CBU cars imported.

The compensatory export requirements for kits and domestic content requirements shift the supply curve from S_A^* to S_A by the

distance yl , so at the resulting level Q_A assembled, area $zylvn$ represents the extra cost of components to assemblers. This is in part a transfer to domestic components makers and in part a deadweight efficiency loss. This area is equal to area $oqru$ in Figure 6, of which area $oqtu$ represents a transfer to the domestic components manufacturers in the form of higher profits, and area qrt represents a deadweight loss due to the excess of domestic production costs over the world price at which the components could have been bought, for the extra output oq produced because of the domestic content and compensatory export requirements for CKD kits. Area $cqrg$ is the value of the subsidy to components exports due to the compensatory export requirement and is essentially a transfer from domestic consumers to components exporters, with assemblers as intermediaries.

Area $nlik$ represents an increase in profits to domestic assemblers due to the net effect of protection. Area lhi is the production deadweight loss, the extra cost of producing $QA - Q_A^*$ cars rather than importing them at world price P_A^* .

Area $abyz$ is the transfer to government in the form of tariff revenue on kits.

The net effect is a consumption loss def , and production deadweight losses of lhi and qrt in the assembly and components industries, respectively.

The consumer loss is area $addek$ in Figure 5. Let η_{DA} be the elasticity of demand for assembled vehicles. Since $(D_A^* - D_A) = \eta_{DA} (D_A/P_A)(P_A - P_A^*)$ then

$$\begin{aligned} \text{area } adek &= (P_A - P_A^*)D_A + \frac{1}{2} (P_A - P_A^*)(D_A^* - D_A) \\ &= (P_A - P_A^*)D_A [1 + \frac{1}{2} (\eta_{DA}/P_A)(P_A - P_A^*)] \end{aligned}$$

In the model, $P_A = P_A^*(1 + t_A)$ but in examining the data it is more realistic to consider the whole difference between P_A and P_A^* in computing consumer loss. The deadweight loss in consumption, area def , is

$$\begin{aligned} \text{area } def &= \frac{1}{2} (P_A - P_A^*)(D_A^* - D_A) \\ &= \frac{1}{2} (P_A - P_A^*)^2 \eta_{DA} D_A / P_A \end{aligned}$$

In calculating the gain to the assembly industry (area *nlik*) and the deadweight loss to the economy from excess assembly operations (area *lhi*), the height of these areas is first computed as the net impact of protection, i.e., the amount by which revenue per unit exceeds free trade revenue, less cost increases.

Let this distance $nk = lh$ be designated N :

$$N = (P_A - P_A^*) - \alpha(1 - \delta)P_C^* t_K - \alpha\delta(P_C - P_C^*) - \alpha(1 - \delta)P_C^* X_K \pi$$

where $\pi = (P_C - P_C^*)/P_C$ is the premium on export invoices. If $\sigma = \alpha P_C^*/P_A^*$ is the share of components production in the final cost of the assembled car, then alternatively:

$$N = (P_A - P_A^*) - P_A^* \sigma [(1 - \delta)(t_K + X_K \pi) + \delta\pi/(1 - \pi)]$$

Let the elasticity of supply of assembly with respect to value added be ϵ_{SA} . Since $(Q_A - Q_A^*) = \epsilon_{SA} N Q_A / (P_A^* + N)$, then

$$\begin{aligned} \text{area } lhi &= \frac{1}{2} N(Q_A - Q_A^*) \\ &= \frac{1}{2} N^2 \epsilon_{SA} Q_A / (P_A^* + N) \\ \text{area } nlik &= Q_A N - \frac{1}{2} N^2 \epsilon_{SA} Q_A / (P_A^* + N) \end{aligned}$$

Let ϵ_{SC} be the elasticity of supply of components, and let $V_C = P_C Q_C$ be the value of domestic components production. The deadweight loss from excess production in the components industry is

$$\begin{aligned} \text{area } qrt &= \frac{1}{2} (P_C - P_C^*) (Q_C - Q_C^*) \\ &= \frac{1}{2} \pi^2 \epsilon_{SC} P_C Q_C \\ &= \frac{1}{2} \pi^2 \epsilon_{SC} V_C \end{aligned}$$

The transfer to the domestic components industry as a result of protection is

$$\begin{aligned} \text{area } oqtu &= (P_C - P_C^*) Q_C - \frac{1}{2} \pi^2 \epsilon_{SC} V_C \\ &= V_C \pi - \frac{1}{2} \pi^2 \epsilon_{SC} V_C \end{aligned}$$

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