

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance of Payments Restriction

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## 1982 CONSULTATIONS UNDER ARTICLE XVIII:12(b) WITH THE REPUBLIC OF THE PHILIPPINES

### Statement Submitted by the Philippines under the Simplified Procedures for Consultations

1. The Republic of the Philippines has prepared the following report in fulfilment of the consultations required under Article XVIII:B of the General Agreement on Tariffs and Trade.
  2. The consultations, the first under the simplified procedures, following the full consultations conducted in October 1980, seek to inform the CONTRACTING PARTIES of the recent developments in the balance-of-payments situation of the Philippines and the measures taken by the Philippine Government to cope with its balance-of-payments situation while maintaining the continued growth and development of the national economy.
  3. These measures, together with the implementation of the phased programme on tariff reform and liberalization of commodity import procedures, will enable the country to expand its external trade in line with the country's development needs and the principles of the GATT.
- A. Economic situation
4. The Philippines was adversely affected by the difficult world economic situation in 1981. The slow-down in economic activity, continuing inflationary conditions and high interest rates in the industrialized countries complicated domestic efforts aimed at achieving a satisfactory real rate of economic growth and maintaining price and balance-of-payments stability. This was compounded by the crisis that hit the financial system in early 1981 aggravating the prevailing economic uncertainties which generally dampened private investment. As a result, the growth of GNP in real terms dropped from 4.4 per cent in 1980 to 3.8 per cent in 1981, the lowest level in the last ten years.
  5. The growth in real gross domestic product (GDP) slowed down from 4.9 per cent in 1980 to 3.8 per cent in 1981 as most sectors showed relatively lower growth rates. The output of the agricultural sector including fishing and forestry improved by only 3.6 per cent compared to the 5.0 per cent growth in 1980, mainly due to the strong typhoons and the drought that hit certain areas during the year. On the other hand, the industrial sector, representing more than a third of total GDP, exhibited the highest growth of 4.7 per cent, 1.2 per cent more than the rate of growth registered in 1980. However, a slow-down in output growth was felt in all industry groups except construction as recession continued and

investment declined during 1981. Manufacturing which accounted for 70 per cent of this sectoral output also registered a decelerated growth of 3.4 per cent (4.2 per cent in 1980) while mining and quarrying exhibited only a slight gain of 1.7 per cent (4.8 per cent in 1980) due to the decline in most international metal prices, particularly of copper.

6. The growth in real gross domestic capital (GDC) formation decelerated from 13.3 per cent in 1978 to 2.3 per cent in 1980 and 1981. Government investments in construction in real terms went down by 12.8 per cent in 1980 due to the delayed implementation of the infrastructure programme. With the acceleration of infrastructure activities in 1981, construction grew by 8.3 per cent. On the other hand, investments in machinery and equipment declined by 1 per cent in 1981.

7. An important financial measure implemented in 1981 was the deregulation of interest rates which took effect in July. Except for interest rates on short-term loans and purchases of receivables, all other rates were freed from administrative ceilings. The deregulation of interest rates generated a positive effect on financial savings as seen in the growth of savings and time deposits as well as deposit substitutes. Despite the removal of ceilings, movements in long-term lending rates were generally moderate with the adoption of Central Bank stabilization measures mainly through open market operations.

8. As a result of the financial reforms introduced in 1980, more mergers took place giving rise to bigger multi-purpose banks. New financing programmes were also established in 1981 to support new projects undertaken by the Government. An initial fund of P 1 billion administered by the Central Bank was set up for the national livelihood programme or the Kilusang Kabuhayan at Kaunlaran (KKK), an undertaking designed to tap grass-roots participation in production activities. At the same time, the stock exchange was given further support with the setting up of the P 70 million stock financing programme and the eligibility for rediscounting with the Central Bank of loans extended by banks for the purchase of high-grade equity issues. Towards the end of the year, the Central Bank accredited twelve government securities dealers which were given additional incentives as well as definite responsibilities in developing the market.

9. The country's external sector continued to be adversely affected by the global economic slow-down which depressed export demand in major trading partners, the sustained general increase in import prices and a sharp rise in interest rates in international capital markets. The net terms of trade deteriorated further by 12.0 per cent resulting in a wider merchandise trade deficit of \$2,224 million compared to \$1,939 million in 1980. The value of imports rose by 2.8 per cent largely on account of the unabated increase in prices. Although export quantum rose, export prices declined by a bigger magnitude causing a 1.1 per cent deceleration of value despite the growth of non-traditional manufactured goods. Sharp increase in interest rates hiked the cost of foreign debt servicing. However, with

the support of higher receipts from tourism and overseas workers' remittances, the current account widened only fractionally to 5.9 per cent of GNP in 1981 from an average of 5.6 per cent in 1979-1980. The deficit was partly compensated for by capital flows particularly long-term loans and direct foreign investments which, together with monetization of gold and SDR allocation, resulted in an overall deficit of \$560 million. This was significantly higher than the 1980 imbalance of \$381 million but lower than the peak deficit of \$570 million in 1979.

10. An encouraging development in the Philippine economy was the substantial deceleration of the inflation rate in 1981. The inflationary fever triggered by the 1979-1980 oil price increases abated from 16.5 per cent and 17.6 per cent registered in 1979 and 1980, respectively, to 12.4 per cent in 1981. Key factors in the improved price situation were the relative success of the various measures aimed at stabilizing supply (which included financial incentives to higher production and better distribution services) and the demand management measures of the monetary authorities. Moreover, price ceilings on a few basic commodities were maintained.

#### B. Balance-of-payments situation

11. The balance of payments in 1981 showed a higher deficit of \$560 million compared to the previous year's level of \$381 million. This was lower though than the unprecedented shortfall of \$570 million in 1979. In general, the BOP situation reflected the extended recession in the world market that influenced a worsening of the country's merchandise trade. During 1981, net merchandise trade recorded a deficit of \$2,224 million as net terms of trade deteriorated by 12 per cent over the previous year, mainly due to the continuous rise in import prices (11.2 per cent), which could not be mitigated by an 8.1 per cent reduction in volume. Export prices declined by 2.2 per cent, resulting in a deceleration in value notwithstanding a slight increase in quantum.

12. Non-merchandise trade transactions registered a slightly reduced deficit of \$541 million from \$546 million in 1980, mainly on account of higher workers' remittances and travel receipts. A net surplus of \$472 million was, however, realised in the transfers account, due to substantial inflows of personal remittances and transfers from the United States Veterans Administration. Thus, current transactions posted a deficit of \$2,293 million or 12 per cent higher than in 1980.

13. Compensating net inflows from non-monetary capital amounting to \$1,305 million, and \$428 million in monetized gold and allocation of SDRs finally brought the country's international payments to an overall deficit position of \$560 million.

(a) Exports

14. Export earnings in 1981 declined by 1.1 per cent in contrast with the gain of 25.8 per cent in 1980. The continued recession in the country's main trading partners and the prevailing protectionist stance in some industrialized nations dampened the demand for most Philippine major export products. In absolute terms, earnings from exports amounted to \$5,722.2 million (\$5,787.8 million in 1980) of which traditional export products accounted for 47.8 per cent; non-traditional products, 51.2 per cent; and the balance comprised of special transactions and re-exports. Traditional export products registered a negative growth rate of 11 per cent due largely to reduced earnings from copper concentrates, sugar, lumber and gold. Non-traditional products, on the other hand, performed better and maintained their uptrend although at a decelerated rate of 11 per cent compared to 33 per cent in 1980 following the Government's continued efforts to promote the development of this group of exports. The country's ten principal exports earned a total of \$2,959 million representing 51.7 per cent of aggregate exports.

(b) Imports

15. Philippine imports in 1981 reached \$7,945.7 million, up by 2.8 per cent from the earlier year level. The 11.2 per cent increase in price was the principal factor that led to the growth of import value even as volume dropped by 8.1 per cent, partly indicating some slow-down in domestic economic activities. The entire increment in imports (when classified as to end-use) came from the heavier purchases of producer goods, particularly unprocessed and semi-processed raw materials. Mineral fuels, lubricants and related materials accounted for nearly one third of aggregate imports. Valued at \$2,458.1 million, this commodity group advanced at a decelerated pace of 9 per cent, largely influenced by the price run-up in crude petroleum from an average price of \$29.07 per barrel in 1980 to \$33.91 per barrel in 1981. The volume however decreased from 63.9 million barrels to 61.4 million barrels due largely to reduced utilization by manufacturing plants, the use of alternative energy sources and partly the Government's energy conservation programme. Consumer goods imports increased by 2.6 per cent, as a result of the trade liberalization measures. No significant change in the country's direction of trade was noted in 1981, as the United States and Japan remained the two leading partners, accounting for about half of total trade. In terms of regional groupings, the Economic and Social Commission for Asia and the Pacific (ESCAP)<sup>1</sup> retained its top position sharing 16 per cent of total trade. However, the Middle East replaced the European Economic Community as the largest trading bloc/region after ESCAP.

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<sup>1</sup>Excluding regular and associate members which are included in other groups: People's Republic of China, France, Iran, Japan, Netherlands, USSR, United Kingdom and United States.

(c) External debt

16. As of end-1981, outstanding foreign borrowings (all types of credit, both revolving as well as fixed term) stood at P 14,826 million, up by 22 per cent from the previous year. Fifty-seven per cent of the outstanding foreign borrowings was accounted for by the public sector and the balance of 43 per cent by the private sector. The increase was used to sustain the continued development of projects such as food production, power and energy, communication and transportation, and infrastructure as well as mining and manufacturing industries. Despite the increase in outstanding international debt, the debt service ratio was maintained at 19 per cent in 1981, which was still below the statutory ceiling of 20 per cent.

(d) International reserve

17. A shift in international reserve policy was also undertaken in 1981. The Central Bank reduced short-term credit availments used for reserve purposes to cut down interest payments. As a result, the gross international reserve stood at \$2,707 million at the end of 1981, down from \$3,155 million at the end of 1980. The end-1981 reserve level was equivalent to about four-and-a-half months of import requirements.

(e) Exchange rate

18. The exchange rate was managed flexibly with a view to maintaining competitiveness of domestic goods, forestalling speculation, and avoiding undue pressure on the inflation rate. The monetary authorities followed a more flexible exchange rate policy in 1981 that allowed the exchange rate of the peso to reflect basic market forces. The peso thus was more sensitive to payments movements and responded flexibly to fluctuations in the value of world currencies. On an annual average basis, the peso depreciated vis-à-vis the United States dollar from P 7.5114 in 1980 to P 7.8997 in 1981, or by 5.2 per cent.

C. Balance-of-payments prospects and policies for 1982

19. The balance of payments will remain an area of concern in 1982 in view of the continuing uncertainty about the timing and speed of the expected world recovery. Its outcome continues to depend on the world situation, even as policy and operational measures are being adopted to stimulate exports and non-merchandise trade receipts. Most of the factors adversely influencing the balance of payments are externally-induced and outside the country's control. Where possible, the authorities have implemented measures to alleviate these negative pressures paying special attention to those designed to increase contract workers' remittances, income from foreign construction activities of Filipino contractors, tourism income and to further streamline foreign investment procedures.

20. The overall balance-of-payments deficit of \$675 million in the first semester of 1982 indicates that the deficit for the whole year will likely be bigger than the \$560 million imbalance recorded in 1981. As the country's net terms of trade continued to deteriorate in the first six months of this year, the merchandise trade gap reached \$1,311 million or \$422 million bigger than in the first half of 1981. In view of this unexpectedly large projected overall balance-of-payments deficit, it will be necessary to maintain complementary trade measures to safeguard the balance of payments. It is the intention of the Philippine authorities to apply these trade measures on a non-discriminatory basis and to phase them out as soon as feasible in accordance with GATT rules.

21. Anticipation of the BOP prospects for 1982 has already brought various policy and operational measures into play to accommodate this essentially externally-induced instability. Emphasis on export production will continue and higher non-merchandise trade receipts will be encouraged. The overall thrust, however, remains to be the growth and stability of the national economy.

D. Measures adopted to correct balance-of-payments gap

22. The authorities, conscious of the serious implications of the unfavourable balance of payments situation and the need to maintain a satisfactory rate of economic growth, have continued to implement a structural adjustment programme. As an integral component of the national development plan, this programme aims at export diversification, energy self-sufficiency, greater industrial efficiency and a stronger financial system. These policies are expected to lead to the long-term strengthening of the balance of payments and the economy as a whole. Among the adjustment measures that have been implemented are the following:

(a) Export incentives and promotion measures

23. Philippine export policy is geared toward providing support to direct and indirect export producers/traders through financial and other active promotional measures. Existing rediscount policies have been modified in favour of non-traditional exports although the extension of credit to traditional products like sugar and coconut has remained very substantial. The development of manufactured export products is designed to reduce the vulnerability of Philippine commodities to price-and-demand fluctuations in foreign markets.

24. The Central Bank has also established new financing programmes particularly for the mining sector and allowed the restructuring of loans to coconut producers to maintain their viability in this period of depressed world prices. These programmes are intended to be temporary depending on the recovery of international commodity prices.

25. Other export-related measures that have been undertaken are the strengthening and broadening of fiscal incentives for export production and trading, simplification of export procedures, liberalization of bonded manufacturing warehouse arrangements and strengthening of the institutions that promote exports and international trade.

(b) Expansion of services income

26. The authorities have accelerated efforts to increase foreign exchange income not only from tourism but also from overseas employment and construction services. Banking, credit and guarantee facilities have been established to assist the development of these sources of foreign exchange earnings. Institutional arrangements for the inward remittance of overseas income of seamen and contract workers have also been streamlined to improve the rate of repatriation of foreign exchange earnings. It is estimated that there are about 250,000 to 300,000 Filipinos working abroad, mostly in the Middle East and on foreign vessels. To tap the savings of Filipino workers abroad, the Government has adopted a plan to sell dollar-denominated government securities to Filipino workers at their place of employment.

(c) Energy programme

27. The Philippine Government has continued to pursue an active energy policy designed to reduce the country's dependence on imported petroleum through expanded exploration and development of domestic energy sources and through energy conservation. Under the accelerated energy development plan, the Philippines would reduce the share of oil-based power plants to 30 per cent in 1985 and to 18 per cent in 1990.

28. So far, considerable progress has been made in this area as a result of the development of alternative domestic energy sources like geothermal, coal, biomass, dendrothermal, hydropower generation, and the restraint of energy consumption by passing on in full the rise in imported energy costs to consumers. Oil consumption had gone down from 69.4 million barrels in 1980 to 67.2 million barrels in 1981. The ratio of oil consumption to total energy use also dropped from 88 per cent in 1980 to around 85 per cent in 1981. Recently, an energy window has been included in the Central Bank's rediscounting scheme that would provide preferential credit facilities to qualified energy-saving and energy-generating projects.

(d) Industrial restructuring programme

29. The industrial programme aims at inducing domestic industries to improve efficiency and at promoting investments to develop a world competitive industrial base. For this purpose, the first stage of a five-year programme to reduce effective tariff rates has been implemented in 1981. Steps have also been taken toward import liberalization, with

commercial banks authorized to sell foreign exchange for an increasing number of previously banned import items. The entry of greater foreign competition is envisaged to encourage Philippine industry to upgrade efficiency in order to become more competitive.

(e) National livelihood programme

30. The Philippine Government has embarked on a national livelihood programme called the Kilusang Kabuhayan at Kaunlaran (KKK) which is designed to promote collective and individual entrepreneurial efforts at the community level. While generating gainful employment and income possibilities, business ventures under the KKK are also expected to contribute to a stronger balance of payments since many of these will be producing goods for the export market.

(f) Eleven major industrial projects

31. The eleven major industrial projects are intended to strengthen the industrial structure of the economy. These projects have an estimated total cost of \$4 billion and are projected to generate foreign exchange earnings of \$15 billion over a period of eighteen years. Four out of the eleven major industrial projects are now under construction: copper smelter, phosphate fertilizer, diesel engine manufacture and cement plant rehabilitation. The integrated steel mill and the heavy engineering workshop are in the final stages of detailed engineering and are expected to start construction soon. The aluminium smelter and petroleum chemical projects have, however, been accorded lower priorities in view of the high energy requirements and unavailability of raw materials in the domestic market. Others are in various phases of project development. The Government's financing strategy is to seek foreign equity investment and long-term suppliers' credits in order to minimize demand on domestic resources. Financing requirements will be met from foreign and domestic sources.

32. The structural adjustment measures taken by the Philippine authorities to promote growth and achieve the desired external adjustment over the medium term which would reduce dependence on foreign borrowing and maintain the competitiveness of Philippine exports in the world market, need multilateral action and international co-operation in order to succeed. The early recovery of the world economy and trade, the lowering of interest rates, the liberalization of trade and the maintenance of stable exchange rates are necessary for the Philippine economy to perform well. For its part, the Philippines is exerting effort to promote economic growth and to check the forces of inflation, unemployment and protectionism. Despite the deterioration in the trading environment and the restrictions faced by Philippine exports in the markets of some developed countries, the Philippines is continuing its programme of liberalizing trade and reducing

tariffs. It can only hope that the leading economies of the world will likewise do away with protectionism and bilateralism, and give freer play to competitive market forces.

E. Systems and methods of restrictions

33. Imports into the Philippines are free unless otherwise subject to the requirements of prior approval by appropriate government agencies/- committees responsible for implementing the legislation prohibiting/- regulating imports. The Tariff and Customs Code of 1982 (formerly Tariff and Customs Code of 1978 or Presidential Decree No. 1464, as amended) and the Central Bank Charter (Republic Act No. 265, as amended by Presidential Decrees Nos. 72, 1007, 1282, 1771 and 1827 and Batas Pambansa Bilang 67) provide the primary legal basis for the control and regulation of imports into the Philippines. However, there are other special laws that prohibit/- regulate some commodities and designate certain government agencies/- committees to administer import regulations.

(a) Methods used in restricting imports

34. Basically, there has been no change in the import régime of the Philippines as reported in GATT document BOP/208 dated 2 October 1980. However, there are certain items which were inadvertently excluded in BOP/208 but are now included in the revised lists of regulated items. Recently, the Philippines has reported to the CONTRACTING PARTIES details of its import licensing procedures, in response to the Questionnaire on Import Licensing Procedures annexed to document L/5106/Rev.1, which has been circulated as GATT document L/5232/Rev.1 and Corr.1.

35. Presently, for balance-of-payments reasons, the sale of foreign exchange for imports of specified commodities is not allowed without prior approval of the Central Bank. Such approval is granted on a case-to-case basis for commodities classified under two categories - non-essential consumer goods (NEC) and unclassified consumer goods (UC).

36. As of end-May 1980, the number of items in these two categories was 1,306. As the first step in a phased liberalization of exchange restrictions on imports to be implemented in tandem with the tariff reform effective 1 January 1981, agent banks were authorized to sell foreign exchange freely for 263 of these 1,306 tariff items. In the first half of 1982, 610 items were removed from the list of restricted imports or a total of 873 items since 1 January 1981. In 1983, 87 items are scheduled to be liberalized. Liberalization of the remaining items subject to exchange restrictions is being reviewed. The exchange restrictions imposed on imports by the Philippines have been approved by the Fund.

(b) Measures taken since January 1981 liberalizing import restrictions

37. (a) MAAB No. 7 - 15 February 1982 - Application for the importation of "Gasoline and Kerosene Engines for Trucks and Tractors" (EP 713.22-05/22-06) may be given due course without prior clearance from the Inter-Agency Committee on Used Trucks and Tyres, Board of Investments and Management of External Debt and Investment Accounts Department, Central Bank.

(b) MAAB No. 8 - 15 February 1982 - Applications for the importation of "Caustic Soda" (NEP 522.52-01/52-02/53-01/53.02) may be given due course by the Authorized Agent Banks without prior clearance from the Ministry of Trade and Industry.

(c) Circular 849 - 4 February 1982 - List of items subject to no-dollar importation and exempted from the letters of credit and release certificate requirement under various Central Bank circulars and memoranda.

(d) Circular 850 - 15 February 1982 - Allowing Authorized Agent Banks to sell foreign exchange to cover the importation of certain NEC and UC items without prior specific approval of the Central Bank as an exception to the provisions of Section 5 of Circular No. 289 dated 21 February 1970.

(e) Circular 852 - 15 February 1982 - Schedule of required reserves against margin deposits on import letters of credit opened on or after 1 March 1982 was revised.

ANNEX A-1

Gross National Product and Gross Domestic Product  
by Industrial Origin at Constant 1972 Prices  
CY 1979 to 1981

(In million pesos)

|  | 1979 <sup>F/</sup> | 1980 <sup>F/</sup> | 1981 <sup>P/</sup> | Growth Rates (%) |              |
|--|--------------------|--------------------|--------------------|------------------|--------------|
|  |                    |                    |                    | 1980<br>1979     | 1981<br>1980 |
| 1. Agriculture, fishery and forestry         | 22,595             | 23,720             | 24,578             | 5.0              | 3.6          |
| 2. Industrial Sector                         | 32,343             | 33,471             | 35,057             | 3.5              | 4.7          |
| a. Mining and quarrying                      | 2,134              | 2,236              | 2,275              | 4.8              | 1.7          |
| b. Manufacturing                             | 22,239             | 23,175             | 23,959             | 4.2              | 3.4          |
| c. Construction                              | 7,121              | 7,139              | 7,830              | 0.3              | 9.7          |
| d. Electricity, gas and water                | 849                | 921                | 993                | 8.5              | 7.8          |
| 3. Service Sector                            | 33,408             | 35,503             | 36,554             | 6.3              | 3.0          |
| a. Transport, communication and storage      | 4,613              | 4,827              | 5,040              | 4.6              | 4.4          |
| b. Commerce                                  | 18,085             | 19,345             | 19,695             | 7.0              | 1.8          |
| c. Services                                  | 10,710             | 11,331             | 11,819             | 5.8              | 4.3          |
| Gross Domestic Product                       | 88,346             | 92,694             | 96,189             | 4.9              | 3.8          |
| Net factor income from the rest of the world | 390                | (97)               | (119)              | (124.9)          | (22.7)       |
| Gross national product                       | 88,736             | 92,597             | 96,070             | 4.4              | 3.8          |

<sup>F/</sup> Revised

<sup>P/</sup> Preliminary

Source: Central Bank of the Phillipines.

ANNEX A-2

Consumer Price Index

(1972 = 100)

| Item                                 | 1979         | 1980         | 1981         | Per cent change |             |
|--------------------------------------|--------------|--------------|--------------|-----------------|-------------|
|                                      |              |              |              | 1980/1979       | 1981/1980   |
| <u>CPI - Philippines</u>             |              |              |              |                 |             |
| All items                            | <u>250.5</u> | <u>294.6</u> | <u>331.1</u> | <u>17.6</u>     | <u>12.4</u> |
| Food, beverages and tobacco          | 239.2        | 274.7        | 308.2        | 14.8            | 12.2        |
| Clothing                             | 75.6         | 336.2        | 378.6        | 22.0            | 12.6        |
| Housing and repair                   | 262.7        | 307.3        | 345.0        | 17.0            | 12.3        |
| Fuel, light and water                | 290.2        | 389.4        | 472.2        | 34.2            | 21.3        |
| Services                             | 260.1        | 325.7        | 363.2        | 25.2            | 11.5        |
| Miscellaneous                        | 277.4        | 326.2        | 357.5        | 17.6            | 9.6         |
| <u>CPI - National Capital Region</u> |              |              |              |                 |             |
| All Items                            | <u>241.1</u> | <u>284.1</u> | <u>317.7</u> | <u>17.8</u>     | <u>11.8</u> |
| Food, beverages and tobacco          | 244.8        | 284.4        | 320.3        | 16.2            | 12.6        |
| Clothing                             | 265.6        | 340.6        | 373.6        | 28.2            | 9.7         |
| Housing and repair                   | 206.6        | 226.9        | 251.7        | 9.8             | 10.9        |
| Fuel, light and water                | 217.4        | 292.6        | 337.8        | 34.6            | 15.4        |
| Services                             | 257.6        | 317.0        | 356.2        | 23.1            | 12.4        |
| Miscellaneous                        | 263.9        | 311.0        | 335.0        | 17.8            | 7.7         |

Source: National Census and Statistics Office, Central Bank of the Philippines.

## ANNEX B-1

Balance of Payments  
1980 and 1981

(In million US\$)

| Item                           | 1980          | 1981          | 1982 <sup>1/</sup> |
|--------------------------------|---------------|---------------|--------------------|
| I. Current transactions        |               |               |                    |
| A. Merchandise trade           | <u>-1,939</u> | <u>-2,224</u> | <u>-1,311</u>      |
| Exports                        | 5,788         | 5,722         | 2,742              |
| Imports                        | 7,727         | 7,946         | 4,053              |
| B. Non-merchandise trade       | <u>-546</u>   | <u>-541</u>   | <u>-352</u>        |
| Inflow                         | 2,075         | 2,551         | 1,343              |
| Outflow                        | 2,621         | 3,092         | 1,695              |
| C. Transfers                   | <u>434</u>    | <u>472</u>    | <u>237</u>         |
| Inflow                         | 451           | 485           | 242                |
| Outflow                        | 17            | 13            | 5                  |
| Current transactions, Total    | <u>-2,051</u> | <u>-2,293</u> | <u>-1,426</u>      |
| II. Non-monetary capital       |               |               |                    |
| D. Long-term loans             | <u>1,032</u>  | <u>1,332</u>  | <u>419</u>         |
| Inflow                         | 1,579         | 2,072         | 958                |
| Outflow                        | 547           | 740           | 539                |
| E. Direct investments          | <u>45</u>     | <u>407</u>    | <u>140</u>         |
| Inflow                         | 267           | 480           | 201                |
| Outflow                        | 222           | 73            | 61                 |
| F. Short-term capital          | <u>784</u>    | <u>164</u>    | <u>385</u>         |
| Inflow                         | 7,458         | 8,874         | 5,684              |
| Outflow                        | 6,674         | 8,710         | 5,299              |
| Errors and omissions           | <u>-348</u>   | <u>-598</u>   | <u>-246</u>        |
| Non-monetary capital, Total    | <u>1,513</u>  | <u>1,305</u>  | <u>697</u>         |
| G. Monetization of gold        | <u>128</u>    | <u>400</u>    | <u>54</u>          |
| H. Allocation of SDRs          | <u>29</u>     | <u>28</u>     | -                  |
| III. Overall surplus (deficit) | <u>-381</u>   | <u>-560</u>   | <u>-675</u>        |

<sup>1/</sup> Preliminary date as of 15 July 1982

Source: Central Bank of the Philippines.

ANNEX B-2

Trade Indices  
(1972 = 100)

|   | <u>1980</u><br>(1) | <u>1981</u><br>(2) | <u>Per cent change</u><br>( $\frac{2}{1}$ ) |
|---|--------------------|--------------------|---|
| EXPORTS                                   |                    |                    |   |
| Quantum                                   | 201.3              | 203.5              | 1.1   |
| Price                                     | 246.0              | 240.6              | -2.2  |
| Value                                     | 495.4              | 489.7              | -1.2  |
| IMPORTS                                   |                    |                    |   |
| Quantum                                   | 155.8              | 143.2              | -8.1  |
| Price                                     | 358.6              | 398.6              | 11.2  |
| Value                                     | 558.5              | 570.8              | 2.2   |
| Net terms of trade <sup>1/</sup>          | 68.6               | 60.4               | -12.0                                       |
| Purchasing power of exports <sup>2/</sup> | 138.1              | 122.9              | -11.0                                       |

<sup>1/</sup> Net terms of trade - unit of imports that one can get per unit of exports - bigger index means exports becoming more costly than imports and vice versa.

<sup>2/</sup> Purchasing power of exports - the volume of imports that one can get out of the earnings from exports.

$$= \frac{P_e}{P_i} \times Q_e$$

Source: Central Bank of the Philippines.

ANNEX B-3

Ten Principal Exports  
1980 and 1981

(F.o.b. value in million US\$)

|                             | <u>1981</u>    |                       | <u>1980</u>    |                       |
|-----------------------------|----------------|-----------------------|----------------|-----------------------|
|                             | Value          | Per cent distribution | Value          | Per cent distribution |
| TOTAL EXPORTS               | <u>5,722.2</u> | <u>100.0</u>          | <u>5,787.8</u> | <u>100.0</u>          |
| Total ten principal exports | <u>2,958.7</u> | <u>51.7</u>           | <u>3,129.7</u> | <u>54.1</u>           |
| Semi-conductor devices      | 634.0          | 11.1                  | 499.5          | 8.6                   |
| Sugar                       | 566.6          | 9.9                   | 624.0          | 10.8                  |
| Coconut oil                 | 533.5          | 9.3                   | 566.8          | 9.8                   |
| Copper concentrates         | 429.4          | 7.5                   | 545.0          | 9.4                   |
| Gold                        | 215.2          | 3.8                   | 239.1          | 4.1                   |
| Lumber                      | 125.7          | 2.2                   | 181.2          | 3.1                   |
| Bananas                     | 124.0          | 2.2                   | 114.2          | 2.0                   |
| Iron ore agglomerates       | 116.3          | 2.0                   | 118.2          | 2.1                   |
| Plywood                     | 110.7          | 1.9                   | 103.8          | 1.8                   |
| Nickel                      | 103.3          | 1.8                   | 137.9          | 2.4                   |
| Others                      | 2,263.5        | 48.3                  | 2,658.1        | 45.9                  |

Source: Central Bank of the Philippines.

ANNEX B-4

Imports by End-Use  
1980 and 1981

(F.o.b. value in million US\$)

|                                 | <u>1981</u>    |                          | <u>1980</u>    |                          |
|---------------------------------|----------------|--------------------------|----------------|--------------------------|
|                                 | Value          | Per cent<br>distribution | Value          | Per cent<br>distribution |
| <u>TOTAL IMPORTS</u>            | <u>7,945.7</u> | <u>100.0</u>             | <u>7,726.9</u> | <u>100.0</u>             |
| PRODUCER GOODS                  | <u>7,597.9</u> | <u>95.6</u>              | <u>7,387.9</u> | <u>95.6</u>              |
| Machinery and equipment         | 1,123.2        | 14.2                     | 1,253.4        | 16.2                     |
| Unprocessed raw materials       | 2,394.2        | 30.1                     | 2,234.7        | 28.9                     |
| Semi-processed raw<br>materials | 3,537.4        | 44.5                     | 3,300.4        | 42.7                     |
| Supplies                        | 543.1          | 6.8                      | 599.4          | 7.8                      |
| CONSUMER GOODS                  | 347.8          | 4.4                      | 399.0          | 4.4                      |
| Durable                         | 34.1           | 0.4                      | 28.1           | 0.4                      |
| Non-durable                     | 313.7          | 4.0                      | 310.9          | 4.0                      |

Source: Central Bank of the Philippines.

ANNEX B-4-1

Ten Principal Imports  
1980 and 1981

(F.o.b. value in million US\$)

|   | <u>1981</u> |                          | <u>1980</u> |                          |
|---|-------------|--------------------------|-------------|--------------------------|
|   | Value       | Per cent<br>distribution | Value       | Per cent<br>distribution |
| TOTAL IMPORTS   | 7,945.7     | 100.0                    | 7,726.9     | 100.0                    |
| Total Ten Principal Imports   | 6,178.7     | 77.8                     | 5,970.3     | 77.3                     |
| Mineral fuels, lubricants<br>and related materials                          | 2,458.1     | 30.9                     | 2,248.4     | 29.1                     |
| Machinery other than<br>electric  | 945.1       | 11.9                     | 1,015.1     | 13.2                     |
| Materials and accessories<br>for the manufacture of<br>electrical equipment | 625.6       | 7.9                      | 548.9       | 7.1                      |
| Transport equipment   | 459.8       | 5.8                      | 533.4       | 6.9                      |
| Base metals   | 408.0       | 5.1                      | 501.3       | 6.5                      |
| Electrical machinery  | 392.4       | 4.9                      | 312.1       | 4.0                      |
| Chemical elements and<br>compounds  | 298.1       | 3.8                      | 267.0       | 3.5                      |
| Cereals and cereal<br>preparations  | 230.0       | 2.9                      | 214.3       | 2.8                      |
| Explosives and miscellaneous<br>chemical materials and<br>products          | 213.8       | 2.7                      | 197.0       | 2.5                      |
| Manufactures of metal   | 147.8       | 1.9                      | 132.8       | 1.7                      |
| Others  | 1,767.0     | 22.2                     | 1,756.6     | 22.7                     |

Source: Central Bank of the Philippines.

ANNEX B-5

Direction of Trade  
1981

(F.o.b. value in million US\$)

| Country  | Imports | Exports |
|--|---------|---------|
| TOTAL (all countries) . . . . .                    | 7,945.7 | 5,722.1 |
| UNITED STATES (685,021,161) . . . . .              | 1,787.2 | 1,765.8 |
| JAPAN (588) . . . . .                              | 1,494.1 | 1,250.5 |
| EUROPEAN ECONOMIC COMMUNITY . . . . .              | 819.0   | 924.3   |
| France (427) . . . . .                             | 130.9   | 84.4    |
| Federal Republic of Germany (West) (428) . . . . . | 315.7   | 240.3   |
| Netherlands (421) . . . . .                        | 77.4    | 319.6   |
| United Kingdom . . . . .                           | 164.7   | 193.1   |
| Italy (475) . . . . .                              | 61.2    | 50.0    |
| Others <sup>1</sup> . . . . .                      | 69.1    | 36.9    |
| MIDDLE EAST COUNTRIES . . . . .                    | 1,694.3 | 99.4    |
| Iraq (505) . . . . .                               | -       | 18.9    |
| Iran (507) . . . . .                               | -       | 7.7     |
| Kuwait (513) . . . . .                             | 415.7   | 3.0     |
| Saudi Arabia (517) . . . . .                       | 1,038.1 | 34.9    |
| Bahrain (525) . . . . .                            | 92.1    | 1.2     |
| Others <sup>2</sup> . . . . .                      | 148.4   | 33.7    |
| ESCAP COUNTRIES <sup>3</sup> . . . . .             | 1,291.2 | 1,040.4 |
| ASEAN . . . . .                                    | 538.3   | 412.2   |
| Indonesia (560) . . . . .                          | 224.4   | 153.6   |
| Malaysia (556, 557, 558) . . . . .                 | 177.6   | 104.1   |
| Singapore (559) . . . . .                          | 109.7   | 129.2   |
| Thailand (549) . . . . .                           | 26.6    | 25.3    |

<sup>1</sup> Comprising Belgium, Denmark, Ireland and Luxembourg.

<sup>2</sup> Comprising Abu Dhabi, Aden, Egypt, Israel, Jordan, Lebanon, Oman, Qatar, Syrian Arab Republic, Yemen and Democratic Yemen.

<sup>3</sup> Excluding regular and associate members which are included in other groups: Peoples Republic of China, France, Iran, Japan, Netherlands, USSR, United Kingdom and United States.

ANNEX B-5 (cont'd)

(F.o.b. Value in million US\$)

| Country                                    | Imports | Exports |
|--|---------|---------|
| OTHER ESCAP COUNTRIES . . . . .            | 752.9   | 628.2   |
| Australia (602) . . . . .                  | 212.6   | 121.7   |
| Hong Kong (582) . . . . .                  | 215.6   | 221.7   |
| Republic of Korea (South) (580) . . . . .  | 111.4   | 198.3   |
| New Zealand (612) . . . . .                | 70.6    | 5.6     |
| India (533) . . . . .                      | 9.4     | 32.0    |
| Brunei (554) . . . . .                     | 121.1   | 3.3     |
| Others <sup>1</sup> . . . . .              | 12.2    | 45.6    |
| SOCIALIST COUNTRIES . . . . .              | 212.2   | 257.2   |
| People's Republic of China (570) . . . . . | 194.5   | 78.2    |
| USSR (461) . . . . .                       | 1.8     | 171.0   |
| Romania (485) . . . . .                    | 2.5     | -       |
| Others <sup>2</sup> . . . . .              | 13.4    | 8.0     |
| OTHER COUNTRIES . . . . .                  | 647.7   | 384.5   |
| Republic of China (Taiwan) (583) . . . . . | 204.9   | 101.6   |
| Canada (011) . . . . .                     | 65.1    | 90.2    |
| Brazil (351) . . . . .                     | 94.8    | 1.0     |
| Sweden (401) . . . . .                     | 45.4    | 19.4    |
| Switzerland (441) . . . . .                | 41.9    | 12.2    |
| Others . . . . .                           | 195.6   | 160.1   |

<sup>1</sup> Comprising Afghanistan, Bangladesh, Bhutan, Burma, Democratic Kampuchea, Laos, Mongolia, Nauru, Nepal, Pakistan, Socialist Republic of Viet Nam, Sri Lanka, Tonga, British Solomon Islands, Cook Islands, Fiji, Gilbert and Ellice Islands and Papua New Guinea.

<sup>2</sup> Comprising Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Democratic Republic of Korea, Poland, Yugoslavia and Hungary.

Source of Data: National Census and Statistics Office.

ANNEX B-6

Philippine External Debt  
By Maturity and End-User

(In million US\$)

|                                  | December<br>1979 | December<br>1980 | December<br>1981 |
|----------------------------------|------------------|------------------|------------------|
| A. <u>Classified by maturity</u> |                  |                  |                  |
| I. Revolving credits             | 1,618            | 2,477            | 3,454            |
| II. Fixed-term credits           |                  |                  |                  |
| Short-term                       | 195              | 71               | 112              |
| Medium-term                      | 442              | 728              | 868              |
| Long-term                        | 7,478            | 8,911            | 10,392           |
| TOTAL                            | <u>9,733</u>     | <u>12,187</u>    | <u>14,826</u>    |
| B. <u>Classified by end-user</u> |                  |                  |                  |
| I. Revolving credits             |                  |                  |                  |
| Private                          | 1,129            | 1,541            | 1,826            |
| Public                           | 489              | 936              | 1,678            |
| II. Fixed-term credits           |                  |                  |                  |
| Private <sup>1</sup>             | 3,255            | 2,515            | 4,558            |
| Public                           | 4,860            | 7,195            | 6,814            |
| TOTAL                            | <u>9,733</u>     | <u>12,187</u>    | <u>14,826</u>    |

<sup>1</sup>Loans contracted by the public sector and re-lent to the private sector through government financial institutions to finance agriculture, manufacturing and export-oriented enterprises

Source: Central Bank of the Philippines.

ANNEX B-7

International Reserve  
As of Dates Indicated

(In million US\$)

|                     | December<br>1980 | December<br>1981 | June<br>1982    |
|---------------------|------------------|------------------|-----------------|
| TOTAL               | <u>3,155.37</u>  | <u>2,706.99</u>  | <u>2,585.19</u> |
| Time deposits       | 1,017.26         | 736.15           | 841.53          |
| Demand deposits     | 792.61           | 390.40           | 262.80          |
| Foreign investments | 1,025.25         | 1,063.80         | 888.86          |
| Gold                | 294.03           | 508.49           | 562.89          |
| Holdings of SDR     | 15.78            | 1.50             | 17.03           |
| Foreign currencies  | 10.44            | 6.57             | 12.08           |

Source: Central Bank of the Philippines.

ANNEX B-8

Exchange Rates of the Peso  
Monthly Average

(Pesos per US\$)

|           |                            |
|-----------|----------------------------|
| 1980      | <u>7.5114</u>              |
| January   | 7.4167                     |
| February  | 7.4179                     |
| March     | 7.4259                     |
| April     | 7.4434                     |
| May       | 7.5095                     |
| June      | 7.5209                     |
| July      | 7.5432                     |
| August    | 7.5562                     |
| September | 7.5622                     |
| October   | 7.5669                     |
| November  | 7.5802                     |
| December  | 7.5942                     |
| 1981      | <u>7.8997</u>              |
| January   | 7.6323                     |
| February  | 7.6676                     |
| March     | 7.7303                     |
| April     | 7.7904                     |
| May       | 7.8504                     |
| June      | 7.9360                     |
| July      | 7.9491                     |
| August    | 7.9516                     |
| September | 7.9920                     |
| October   | 8.0641                     |
| November  | 8.1009                     |
| December  | 8.1312                     |
| 1982      | <u>8.3539<sup>1/</sup></u> |
| January   | 8.2543                     |
| February  | 8.2831                     |
| March     | 8.3405                     |
| April     | 8.3792                     |
| May       | 8.4161                     |
| June      | 8.4502                     |

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<sup>1/</sup> Average for first six months

Source: Central Bank of the Philippines.

ANNEX C-1

Products Subject to Prior Import Approval by the  
Central Bank

Commodities classified under two categories of consumer goods (unclassified and non-essential).

Bottles and other containers including caps, stoppers and packing thereof

Polyvinyl chloride

Importation of plant, machinery, equipment and spare parts under deferred payments arrangements with maturity periods longer than 360 days

Non-agricultural machinery and equipment with an aggregate value in excess of US\$50,000 within a calendar month, except certified export-oriented firms and importers who have obtained prior certification from the BOI

Certain commodities (wheat, raw cotton, and leaf tobacco) financed through certain official credit arrangements

ANNEX C-2

Commodities Covered by Import Regulations Administered by  
Other Government Agencies/Committees

Onions, potatoes, garlic and cabbage  
Meat of bovine cattle, beef, veal  
Mackerel and sardines  
Refined petroleum products  
Sheet glass of laminating quality  
Electronics  
Cellophane  
Vinyl asbestos and asbestos vinyl tiles and sheets  
Hydrogen peroxide  
Feedgrains and feed substitutes  
Tyres  
Raw cotton other than linters  
Steel and iron  
Used trucks  
Airplanes (Britten-Norman Islander, etc.)  
Spare parts for motorcycles and motorcars for resale  
Textile machinery/equipment and spare parts  
Diesel and semi-diesel engines for trucks and tractors  
Gasoline and kerosene engines for trucks and tractors  
Fertilizer, pesticides and other agricultural chemicals  
Electronic integrated data processing machines and related devices  
Coal and coal derivatives  
Specified textile products that are subject to a moratorium