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3. AUTHOR(S)
Staelin,C.P.; Jurado,G.M.

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9. ABSTRACT
This study of 193 exporting firms and potential exporting firms in the Republic of the Philippines sought to answer three questions: (1) How do firms view the export activity itself; (2) How do firms view and react to government policies in terms of their perceptions of exports; and (3) How do these views of both exports and export policies depend upon the economic and political environment of the firms. The Philippines was chosen for this study for several reasons. First, it has recently begun an export promotion drive after more than 25 years of import substitution. Second, the recent export experience in the Philippines has been quite positive. Third, the Philippines offered excellent opportunities for effective collaborative research. Fourth, there is little evidence to indicate that government incentives themselves led to the firms' consideration of exports or that incentives were even crucial to the outcome of these deliberations. Extensive and detailed questionnaires were employed in the study. Some of the major findings: The export incentive schemes of the Philippines are relatively straightforward in comparison to those of many LDCs, and they offer relatively modest subsidies. The major incentive provided exporters is an income (profits) tax deduction figured on local production costs. As a proportion of export revenues, the incentive may well be the Philippine exchange rate; it is one of the few in the less developed world which is not substantially overvalued. This has allowed exporters to receive relatively high export prices (in terms of domestic currency) without the need for substantial, direct export incentives. Moreover, the steady change in the government's tariff and exchange rate policy, in favor of exporters and away from the highly import-substituting bias of the 1950s and 1960s, has no doubt had a substantial psychological impact on exporters, in addition to its obvious financial benefits.

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THE IMPACT OF EXPORT INCENTIVES AND EXPORT-RELATED POLICIES ON THE FIRMS OF THE LESS DEVELOPED COUNTRIES - A PILOT STUDY

by Charles P. Staelin
Amherst College

with the assistance of
Gonzalo M. Jurado
University of the Philippines

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THE IMPACT OF EXPORT INCENTIVES AND EXPORT-RELATED POLICIES ON THE FIRMS OF THE LESS DEVELOPED COUNTRIES - A PILOT STUDY

This project was intended to contribute to the knowledge and expertise of the Less Developed Countries (LDCs) in promoting their non-traditional exports, for it is becoming increasingly apparent that exports are vital to their development. Exports form by far the largest source of foreign exchange for the LDCs and it is widely acknowledged that the progress of many LDCs has been constrained and distorted by lack of sufficient foreign exchange for their development programs. Other sources of foreign exchange are limited; in particular, foreign aid is failing to keep pace with the growing needs of the LDCs and foreign private investment is not adequate to take up the slack.

Yet, exports are important to LDCs for more than simply the foreign exchange which they earn. Development through industrialization and import-substitution, a policy advocated and pursued by many LDCs over the past two decades, has resulted in economic distortion and inefficiency. Whatever growth these policies have generated seems in many countries to have slowed, and the economies of these LDCs must now be "rebalanced" through the expansion of their export sectors if inefficiency is to be reduced and, more importantly, if new growth sectors are to be found. Many LDCs turned inwards in the hope of growing faster than world primary product markets would allow. Ironically, after a brief spurt of growth, the progress of their industries is now constrained by the slow growth of their domestic markets. In addition, for small LDCs which have never had the option of self-sufficiency, exports offer the only path to the rapid expansion of output.

Finally, exports can do still more for development. The exposure through exports of LDC economies and industries to the outside world can do much to keep the LDCs abreast of new technology, to increase efficiency through competition, and to establish the commercial ties which can insure the LDCs of increased participation in the world economy.

As a result of previous import-substitution policies, many LDCs find themselves saddled with relatively large and often inefficient manufacturing sectors. These sectors typically operate at less than full capacity because of both inadequate domestic demand and a shortage of the imported raw materials and replacement parts needed to operate them. Many LDCs have tried to promote the exports of these under-utilized manufacturing sectors in order to solve both these problems. Yet the promotion of manufactured exports is a difficult and complex task and for each of those LDCs which have succeeded, there are many more which have floundered.

Unfortunately, the economics of export promotion policies remains under-researched. Countries have typically been secretive about the incentives they have offered to their export firms, and the understanding of export incentives has not been helped by the great variety and complexity of policies employed. It is important to remember that export policies impinge upon the firm in every aspect of its operation, e.g., in the price of its output (both exported and sometimes domestic), in the price of its intermediate inputs (both domestic and foreign), in the cost of the primary factors it consumes (particularly capital), in the marketing of its output, in its ability to expand (through government licensing), in its access to credit, in the risk the firm bears on export sales (through export insurance), in the taxes it

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must pay, and in the whole tone of its relationship with the government bureaucracy and the web of policies which constrain its actions. These and other points of contact give export policies an important role in industrial policy in general; but in particular they allow the government considerable power to control the activities of export-sector firms and to influence the activities and remuneration of many physical and factor inputs into the export sector.

Given the potential power and scope of export incentives, it is clear that if export-promotion strategies and policies are to succeed, they must be carefully planned and well-executed. If not, export promotion may, in its time, do as much injury to LDC economies as import substitution has already done.

Unfortunately, the economic forces at work are uncertain. Existing studies depend almost exclusively on the behavior of the profit-maximizing firm. They look at export incentives as simply altering the relative profitability of export versus domestic sales, and they look at the firm as responding in a predictable, profit-maximizing manner to the changes in relative profitability.

Any observer of an LDC firm (and perhaps of any firm) will realize that this is far too simplistic and inaccurate an approximation of the firm's behavior in the face of export incentives. The firm considers far more than profitability in the decision to export. The risks involved; the effects of exports on the firm's position in the domestic market; the role of exports in determining the firm's relations with government and its ability to be considered with partiality in the distribution of government favors in such areas as import licenses, tax treatment and industrial licenses; the ability of exports to establish ties abroad with potential suppliers of technology, credit or other important inputs; the ability, in terms of expertise and resources, of the firm to break into competitive world markets; the perceived long-term commitment of the government to the export drive, its willingness to "cut red tape" and to help in times of unforeseen setbacks; all these factors and many more influence the decision of the firm to export. Above all, the effect of exports on the firm's ability to survive in an often harsh and capricious environment is crucial to its decisions.

Indeed, psychological and institutional factors may be virtually overriding in some cases. In the Philippines for example, Power and Sicat noted that "the 'overvaluation syndrome' [of the 1960's], in the form of an economic inferiority complex, . . . has made the idea of expanding industrial exports seem far-fetched to businessmen and government officials alike."[5] This complex resulted not from export policies but from the web of import-substitution policies which enmeshed potential exporters. In India, exports are often described as a firm's "patriotic duty"; although patriotism may not be entirely free of the profit motive, it is clearly not completely determined by profits. If exports were simply a matter of profitability one would likely not observe the failure of many export promotion drives.

Moreover, even were the firm's decision to export motivated strictly by profits, there would still be grave difficulties in the analysis of export incentives. Many export incentives are quite complex in their impact on profits while others operate only indirectly on profits. Of the first type are such incentives as those relating to investment licensing, the licensing of imported raw materials and capital goods, and the exemption from certain laws, e.g., laws concerning labor practices and monopoly power. Of the second type are many marketing incentives and services, and above all the good will of the government. Previous studies of export incentives have analyzed highly simplified versions of the first type of incentive, and have generally ignored the second.

What is required then is not only a careful enumeration and quantification of export incentives, but also an inquiry into how they actually affect the firm's decisions concerning export. One must further ask how the environment in which the firm and the government act and interact may alter the impact of incentives. Unless this information is known, government cannot hope to manipulate its policy variables to achieve a desired result, or, conversely, to predict the results of its policies.

This study attempts to shed some light upon how export incentives and other export-related policies actually do influence the behavior of active and potential exporters by asking several interrelated questions: 1) how do firms view the export activity itself, 2) how do firms view and react to government policies in terms of their perception of exports and 3) how do these views of both exports and export policies depend upon the economic and political environment in which the firms are embedded? Being unable to answer these questions ourselves, we have gone to the firms themselves in search of the answers.

The study consists of a survey of 193 exporters and potential exporters in the Republic of the Philippines. The Philippines was chosen for several reasons. First, the Philippines has recently begun an export promotion drive after more than 25 years of import substitution. This major and recent reversal of policy allows us to study the reaction of firms to a discrete change in policy. When policy is altered in so major a fashion, the impact of the policy change can be more easily differentiated from other influences on firm behavior. Second, the recent export experience in the Philippines has been quite positive, giving us a change in behavior to study. Third, the Philippines offered excellent opportunities for effective collaborative research. And fourth, although the introduction of export incentives has been accompanied by a significant increase in exports, there is little evidence to indicate that it was the incentives themselves which led to the firms' consideration of exports, or that incentives were even crucial to the outcome of these deliberations. Indeed, the Board of Investment, the body supervising the Philippine export program, has recently begun to sense that incentives are overgenerous in that firms might have made the same decisions regarding exports even in incentives had been curtailed.

Chapter 2 of the Supplementary Report presents a brief history of Philippine exports and export policies while Chapters 3 and 4 go on to present and analyze current Philippine export incentives in some detail through the use of traditional, marginal economic theory. The presentations and analysis of those chapters are not reproduced here, however, and it is indeed appropriate that they are not; for the whole conception of this study is that the traditional theory-of-the-firm may be a misleading approach to the analysis of export incentives and their impact upon firm behavior.

The work which has been done on actual firm behavior in the LDCs--done mostly with respect to technological change--has shown that the firm responds only imperfectly with respect to profit-maximizing behavior, and that the normal theory-of-the-firm tools are, therefore, often inappropriate. Indeed, there is a growing feeling among economists that new behavioral theories are required if firm behavior is to be adequately described.

One new approach which seems particularly relevant in the context of this study casts the firm in the role of an innovator. In this context, exports can be thought of as an innovation (broadly defined) and export incentives can be viewed as altering the probability that the firm will exhibit innovative behavior. Exports are clearly new to most LDC manufacturing firms, and they are often considered with no less uncertainty and ignorance than are the changes in production techniques and marketing which normally are the concern of innovation theory. Indeed, not infrequently the decision to export will have to be accompanied by innovative production, marketing and administrative techniques, if exports are to actually result. And all changes in techniques will involve both investment and risk. The hesitation with which LDC firms accept innovation in the production and marketing areas is well documented. Observation leads one to believe that they are no less hesitant with respect to exports.

Put in this light, it is clear that export incentives cannot rely simply on changes in profitability, but must often alter the very perceptions and behavior of the firm with respect to exports.

Carrying on with this approach, the innovative firm is viewed as a satisficing decision unit facing a myriad of alternative activities--each activity being a given production/sales technique. Some activities involve export and the goal of export incentives is to push the firm into one of these export activities, hopefully the most efficient one. The key, of course, is the method by which a firm decides to change from one activity to another.

In general, it is assumed that the firm is <u>less</u> likely to undertake (eve profitable) new activities a) the closer are its present profits to its profit expectations, b) the more risky is the new alternative, c) the poorer is the firm's experience with that activity in the past, d) the less reliable is its knowledge of the techniques and prices associated with the new activity, e) the less profitable is the new activity with respect to other possible alternatives, and f) the more "effort" is required for the adoption of the new activity and the more disruption is caused by any change in activities.

Export incentives of course touch directly and indirectly on all of these factors, affecting the risk of export, its profitability, the past experience of the firm (if it had exported previously), the information which the firm has regarding export sales and production, and the effort a firm must expend to initiate and maintain exports. For instance, government services to exporters may significantly affect the "effort" a firm must expend, even if the impact of these services on actual profits is small. Moreover, under these assumptions the profitability of the export activity is only one of several factors in the decision to export. A profitable firm, such as one operating in a sheltered domestic market, is less likely to try a given export activity than one facing a fall in profitability due to competitive pressures or a declining domestic market. Measures which lower the profitability of present activities are therefore likely to be more effective than those which simply raise the profitability of exports.

The importance of studying incentives as a group and within a particular environment is also emphasized by this approach as a firm's perception of risk depends upon the whole web of incentives and particularly upon its perception of the commitment of government to the export effort. The success of other firms with exports will also affect a firm's perception of both risk and the reliability of its information. This factor may point to a "demonstration" effect that makes it advisable to concentrate promotional efforts on a few firms at a time, so as to insure a successful example.

Indeed, for a firm to innovate it must first be aware that the innovation is possible. Decisions are not made in a vacuum; rather they are made among

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given alternatives. It is important, therefore, to study not only the ways in which choices are made among alternatives but also the ways in which innovations become alternatives. There are at least three possibilities: 1) a firm can, in its routine search for new possibilities, hit upon, i.e. "invent," a product, process or idea that can become the basis for an innovation, 2) a firm can, again in its routine search for new possibilities, become aware of an innovation which has resulted from another firm's inventive activity (perhaps long before), or 3) a firm can have the awareness of an innovation "forced" upon it.

Although exports are, presumably, beyond the inventive stage, one can profitably investigate both the second and third possibilities above. Many firms begin operations completely unaware of the possibilities of the export activity; the "invention" appears to have little relevance for them and there is little possibility that it will be realistically considered. How then does the search behavior of firms turn up the export possibility and under what conditions is the awareness of such a possibility forced upon the firm? Indeed, what is the nature of the search activity itself and do firms differ systematically in the nature of their search activity or in the likelihood that they will be subject to outside influence?

A more formal model is obviously required if we are to proceed much further with this view of the firm as a satisficing innovator. One such model would involve the construction of a detailed mathematical description of firm behavior and then the simulation of the impact of incentives on a "typical" firm's progress toward the initiation of exports. Such an exercise was beyond the scope of this study; however, it does seem that this type of model will become more feasible as economists increasingly direct their attention to models of firm behavior. We then have taken another tack: instead of

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attempting an ex ante explanation of behavior, we content ourselves, initially, with trying to predict it. Having accomplished this task we then see what plausible explanations of behavior seem consistent with our observations.

The Model and the Sample

Yet even if we are to concentrate largely upon the prediction of past behavior, a model is still required. In that model we retain the concepts of the firm as an innovator and of exports as an innovation, but we drastically reduce the number of alternatives open to the firm by defining an export "path." On this path the firm is faced with, at the most, four decisions. They are: 1) the decision to consider exporting as a new activity, 2) the decision to actually initiate exports, 3) the decision to consider the expansion of the export activity, and 4) the decision to actually expand exports. Increased exports result from affirmative decisions at steps 2 and 4, i.e., the entry of new firms into the export activity and the expansion of that activity by existing exporters. The goal of government policy should then be to increase the probability of an affirmative decision at one or both of these steps, and this will require action to increase the probabilities of affirmative decisions at steps 1 and 3 as well.

Our approach involves associating various characteristics of the firm, the export environment and government policies, with the firm's final decision at each stage of the decision path. By regressing the various characteristics on a dummy variable with values of zero or unity--depending upon whether the firm has made a negative or affirmative decision--the probability that each characteristic or policy will be associated with an affirmative decision may be determined.

Of course, association does not necessarily imply causation or even explanation. And, without an idea of causation, it becomes very difficult to determine the influence of policy on the various probabilities even if we are successful in determining the probabilities themselves. This is the major disadvantage of the regression technique versus the actual modeling of firm behavior. Yet there is still much useful information which may be gained through these regressions.

First, in designing government policy one should know at which kinds of firms the policy should be directed. The regression analysis indicates the characteristics of those firms which are most likely to export and, hopefully, to respond to export policies. The analysis also indicates the types of policies most valued by successful exporters.

Second, external knowledge about the structure of the firm and the manner in which decisions are made can be used to suggest plausible hypotheses of firm behavior, hypotheses which can then be tested for consistency with observation. This exercise is useful not only in itself but also as a first step in building models of firm behavior; for in order to usefully model the behavior of the firm one should first attempt to verify and quantify the hypotheses of firm behavior which the model is to embody.

Respondents of course can often relate causal chains in the interviews and, although there are sometimes problems in asking them to do so--respondents may sometimes simplify or falsify their recollection of the decision process, or impose upon past decisions knowledge subsequently attained--we have relied fairly heavily on this practice. The responses obtained both supply us with some of the hypotheses required for the regression analysis and serve as a check on other hypotheses which emerge from it.

Our sample consisted of 193 firms in sixteen industries, including a large proportion of the firms registered as exporters with the Board of Investment and a random sample of firms in the same industries which were not so registered. The distribution of firms along the export path is given in Table 1. Forty per cent of the firms had progressed far enough to have actually expanded their exports while only 18 per cent had never considered exports at all. Indeed, we had difficulty finding even those latter 34 firms which had never considered exports. In spite of our attention to exporting firms, our sample did not turn up a disproportionately large number of foreign-owned firms. Sixty-three per cent of the enterprises in the sample were wholly Filipino-owned, 6 per cent were wholly foreign-owned, and the remaining 31 per cent were of joint ownership. Other characteristics of the sample are more fully detailed in Chapter 6 of the Supplementary Report.

The answers to the questionnaire seem to have been given in good faith and with reasonable accuracy; however, the survey suffers from its limited size, as indeed do most surveys of this type. With only 193 firms and a normal rate of nonresponse, the different subgroups are often too small to enable our results to be attributed with great significance in the purely statistical sense. In addition, because we were interested primarily in exporting firms, the distribution of firms is highly skewed in this direction. Both problems are insolvable at this stage and we do not feel that they in any way invalidate our results. However, they have obviously limited, to some extent, the usefulness of rather more sophisticated techniques and interpretations.

The most serious problem, however, lies in the difficulty of distinguishing between causation and simple relation. In looking at the attitudes and the characteristics of the firm at a given point in time, it is difficult to know

TABLE 1

Distribution of Firms along the Export Path

		Proportion in per cent
C_{no}	- Never considered exports	18
$C_{yes}\ X_{no}$	- Considered exports but never exported	10
$X_{yes}\ R_{no}$	- Exported but never considered expansion of exports	20
$R_{yes}\ E_{no}$	- Considered expansion but never expanded exports	9
E_{yes}	- Expanded exports	42
	NA	1

(Number of cases = 193)

whether different characteristics or attitudes are causally related or whether they are simply associated with each other--i.e., whether one attribute is the cause of another or whether they simply appear together by some coincidence or through the causal influence of some third and unknown attribute. In many cases causation is not an issue, in the simple prediction of some event, for instance. However, we wish in many cases to discern the influence of policy on export decisions and for that purpose causation is very important. We have, in many cases, attempted to question the firms directly about their motivations for certain actions and we have in other cases been able to infer some degree of causation from the separation of events or attributes in time. Still, we will be very cautious in drawing policy implications from our results because of our uncertainty about direct causation.

Summary of Major Results

The heart of this study lies in the material of Chapters 7 and 8 of the Supplementary Report, in the analysis of the questionnaire through extensive regression analysis. However, the afore-mentioned discussion and analysis of Philippine export incentives is not devoid of interest.

The major conclusions of that latter analysis are easily summarized: the export incentive schemes of the Republic of the Philippines are relatively straightforward in comparison to those of many LDCs, and they are relatively modest in terms of the subsidies they provide. Although many different measures are provided to exporters, the major incentive is an income (profits) tax deduction figured on local production costs. The incentive is direct and seemingly efficient, but it is not large, running as a proportion of export revenues to perhaps 8 or 9 per cent. There is, as well, the usual import duty drawback scheme, the value of which varies greatly from firm to firm depending upon the volume and type of their imported inputs. Yet duty drawbacks of this type are less a positive incentive to export than they are the removal of the disincentive provided by tariffs. Other incentives tend to be minor. Moreover, their value as purely export incentives is compromised by their often being available to nonexport producers under the Investment Incentives Act. This is not, in itself, bad; yet one must be careful not to infer that all the incentives granted under the Export Incentives Act are incentives only for exports.

We may check our estimates of the overall value of incentives with the figures provided by our sample firms. The median estimated value of all incentives was 27 per cent of the export price, although estimates were available for only a relatively small number of firms. Median estimates of duty drawbacks alone were 17 per cent, a substantial proportion of the total. Firms might have a tendency to overstate the impact of incentives on their export prices and, because we asked for the increase which would be necessary in order to equate the profits on export sales with those on domestic sales, firms would likely be including rather higher rates of domestic profits in their estimates. Yet, even taking the responses at their face value it is clear that Philippine incentives are not overly generous relative to those found elsewhere.

Moreover, the most important export incentive may well be the Philippine exchange rate, one of the few in the less developed world which is not substantially overvalued. This has allowed exporters to receive relatively high export prices (in terms of domestic currency) without the need for substantial, direct export incentives. Moreover, the steady change in the Government's tariff exchange rate policy in favor of exporters and away from the highly import-

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substituting bias of the 1950s and 1960s has no doubt had a substantial psycho-logical impact on exporters, in addition to its obvious financial benefits.

One aspect of the incentive system which we were unable to examine empirically was the bias of the investment licensing program for or against potential export projects. This would make an interesting topic for future study.

We have chosen not to reproduce herein the statistical analysis of the questionnaire but to only summarize the major results. The interested reader is referred to Chapters 7 and 8 of the Supplementary Report.

As noted above, our major goals were to discover the kinds of firms which moved along the export path and to determine the forces which motivated them to do so. Our results suggest that firms progressing along the export path do have certain special characteristics; for instance, they tend to be younger and to be run by their owners rather than by managers. Some degree of foreign ownership is also associated with such firms although foreign tie-ups may retard firms in expanding exports. And finally, export firms tend to be more "progressive." Domestic market positions also seem to influence export decisions with some weak evidence that poor domestic conditions encourage the investigation of exports. Perceived threats from domestic competition also seem to be associated with exporting firms except when that competition is foreign owned. More important than domestic market power, however, is the existence of excess capacity.

The desire to employ excess capacity is a strong motivation for firms to proceed along the export path even if the existence of excess capacity does not stem from domestic market difficulties. At every stage, firms cited capacity utilization as a prime reason for export.

Our investigation of the goals of the firm turned up few clear conclusio except that firms expect roughly the same goals of export as they do of their overall activities. Exports seem not to be undertaken to satisfy any special needs (except perhaps the utilization of excess capacity as noted above) but rather are seen as an integral part of the firm's overall activities. In particular, short-run profits do not seem to be an expected goal of exports, and firms which are willing to accept lower profits on export sales than on domestic sales are more likely to export. It would seem that the profits on export sales need not be large.

A firm's relationship with government shows an interesting association with exports as firms further along the export path seem more rather than less disillusioned by government and government policy. Since it is difficult to explain why disillusionment would encourage exports, we tend to conclude that exporting firms' contacts with government are more likely to lead to problems and subsequent disillusionment than do the contacts of non-exporting firms.

Firms with more knowledge of exports are more likely to investigate them. This not surprising observation suggests that export information be widely disseminated. And there are certain indications that the information should be objective. Firms which did not in their investigation of exports discover any unexpected impediments to export were more likely to go on to export than those which did discover unexpected impediments, regardless of the number expected. One of the ways in which a firm first learns of exports is through enquiries from foreign buyers. Yet, although many of the firms in our sample had been approached by foreign buyers and, although these contacts did stimulate the investigation of exports, such contacts did not in themselves lead ultimately to the initiation of exports.

The types of difficulties expected by firms going on to export are suggestive. It is high costs and not low export prices which seem the major deterrent to export. Both result in low profits of course, but the former is consistently cited by all firms at all stages of the export path as a major, if not the major difficulty. The cost and availability of raw materials are particularly prominent as well in the problems which firms wish to see government address, and assistance in procuring reasonably priced raw materials is the most consistently mentioned form of assistance desired. Uncertainty in the export market is also an important deterrent to export.

Most firms would like to see increased government assistance for exports but their idea of assistance is quite broad, going far beyond the purely financial incentives. Indeed, the role of financial incentives in export decisions is not at all clear. Most export firms suggested that they would have exported even if incentives had not been available and would not cease exporting if they were withdrawn, while most firms which decided against export claimed that the presence or absence of incentives also had little to do with their decision. In addition, many firms do not avail themselves of all possible incentives. All this suggests that the role of financial incentives is small. Yet, in seeming contradiction, most firms felt that increased incentives would lead them to increased exports. (These responses are summarized in Table 2.)

The seeming contradiction in these areas, however, becomes resolved when we view the initiation of exports as an innovation rather than simply as a marginal change in the firms' activities. Innovations often call for large investments in many areas, from production to management, and these investments may in turn demand substantial and relatively certain returns. As noted above, we speculated that the incentives under the Philippine export promotion scheme were small and figures provided by the firms tend to confirm this speculation.

TABLE 2

Responses to Questions about Incentives

	Yes %	No %	number of firms responding
All firms:			
Did the firm receive direct government assistance when it was established?	30	70	185
Did any government policies (e.g. tariffs) indirectly encourage the establishment of the firm?	30	70	181
Exporters only:			
Did the firm know before it considered exporting of the incentives available?	74	26	120
Would the firm have exported if government incentives and services had not been available?	73	27	134
Would the firm continue exports if government assistance were withdrawn?	31	69	124
Would the firm increase exports if government assistance were increased?	92	8	129
Are incentive payments handled quickly and fairly by:			
BOI	91	9	99
other agencies	59	41	93
Do present incentives induce increased labor content?	76	24	118
Has the above inducement changed since PD 92?	29	71	72
Do you think the life of the incentives will be extended for your firm?	86	14	95
What do you see as the condition of the firm's export activity when incentives expire?			107
very good	5		
good	52		
poor	27		
very poor	16		
Never exported only:			
Did the presence or absence of incentives enter the firm's decision not to export?	11	89	36
Would the firm again consider exporting if more assistance were available?	81	19	37

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It may well be that incentives, at their current, modest levels, are not of themselves sufficient to motivate exports. This may be particularly so in the uncertain economic and policy climate perceived by most Philippine firms where dependence upon any current policy measures might be avoided as being too risky. Other more "stable" factors--factors over which the firm has more control--would then form the basis for a positive export decision. Once exporting however, i.e., once the investment has been undertaken, incentives are useful and may be considered in making marginal decisions about the volume of exports. There is, then, a two-part problem, getting the firm to export and then increasing the level of its exports; financial incentives may be useful for the latter but not so useful for the former. (Or, to put it differently, the level of incentives required for the former may be completely inappropriate for the latter.) Other kinds of assistance--i.e., direct aid in establishing an export business--may thus be more appropriate for potential exporters and the responses of our sample firms suggest the variety and importance of such assistance could be substantial.

The kinds of government support desired by the firms in our sample are listed in Table 3 (firms were asked for the "most important things the government could do if it really wanted to encourage exports in this industry"). Although financial incentives figure prominently in their responses, they be no means stand alone.

Policy Implications

The major policy implications of this study stem, we believe, from the rather clear conclusion that the decision to export is indeed seen by Philippine firms as an innovation. Innovations do not result from marginal

TABLE 3

The Most Important Things Government Could Do to Encourage Exports

	number of mentions	proportion of all mentions (%)	proportion of firms responding (%)
Give more incentives	57	19	34
Assist in financing	39	13	23
Reduce tariffs on raw materials, reduce the cost of utilities	38	13	23
Improve export procedures and government services	35	12	21
Assure the availability of raw materials	18	6	11
Establish a better information and consultation center	13	4	8
Eliminate the export tax	11	4	7
Assist in export marketing	11	4	7
Subsidize labor training programs	10	3	6
Assist in developing better production technology	10	3	6
Relax restrictions on imported capital	9	3	5
Establish bonded production facilities	9	3	5
Reduce high ocean freight rates	4	1	2
Assist in the provision of infrastructure	3	1	2
Abolish the minimum wage	2	1	1
Other	27	10	16
Total	296	100	

decisions, and therefore neither marginal analysis nor policies designed on the basis of marginal analysis will work properly in inducing firms to export.

Traditional financial incentives are designed to alter the relative profitability of export versus domestic activities, on the margin. They are not designed, however, to induce innovation. Of course, incentives do increase the relative profitability of the innovative activity and increase the likelihood that it will be undertaken. Yet profitability is not the only consideration in the decision to innovate and the degree of profitability needed to overcome other obstacles to innovation, such as uncertainty, a lack of information or simple inertia, may be great. Moreover, unlike the cost of inputs and the prices of outputs, these other impediments to innovation will vary greatly from firm to firm. Therefore, although financial incentives may result in equal profit incentives for different firms, they will not result in equal amounts of innovative activity. There are then two problems: different firms will require different amounts of incentives and the amounts of incentives required for the introduction of exports may prove to be overgenerous for the maintenance and expansion of exports. What are needed then are: 1) some method of identifying those firms most likely to innovate, along with the level of incentives appropriate for each and/or 2) other, hopefully more efficient means than financial incentives of inducing innovations. This latter accomplishment would allow financial incentives to be used more efficiently in their proper role of altering marginal decisions on the maintenance and level of the export activity.

We should note again that the Board of Investments is also aware of these problems for it faces the not uncommon situation of awarding overgenerous incentives to exporting firms while still wondering about the best way to induce new exporters.

Our study has shown, we believe, that export firms do share certain characteristics and that it therefore might be possible to identify likely candidates for export promotion. It is not clear, however, how useful this observation may be to policy makers. First, we have only begun to define those characteristics and we have not ourselves attempted to identify potential exporters, ex ante. This is a potentially fruitful area for future research. Second, under present incentive schemes, government would have difficulty in discriminating among firms. Financial incentives must be offered equally to all comers for both good political and better administrative reasons. To attempt to discriminate among firms on the basis of the rather subjective characteristics we have begun to define would invite both conscious and unconscious abuse. Our two problems then may not be separable; it may not be useful to identify likely exporters if current financial incentives remain as the major policies inducing initiation.

Another observation of the study gives this point increased relevance. Most export firms do not make the decision to export on the basis of financial incentives at all but rather they make their decisions on the basis of other, more fundamental considerations. Many firms seem not to avail of all the incentives for which they are eligible, and most firms insist that they would have decided to export even in the absence of incentives and would continue to export if incentives were withdrawn. Firms disregard incentives for at least two, interrelated reasons. First, immediate profitability is not the only consideration in the decision to export. Our data suggest that firms seek rather more long-run goals from export and that they are more effectively pushed than pulled into the export activity. Second, firms are reluctant to place too much faith in government policy and this element of uncertainty makes firms hesitant to engage in any so fundamental a change in the operations of the firm solely on the basis of government incentives. And indeed, since the life of the incentives is limited for each firm by law, firms would be foolish to rely heavily upon them even if they felt more certain about the future of government policy. Strong incentives should be limited in duration because they become much more powerful and therefore much less necessary in the marginal decisions of established exporters; yet the limited life of these incentives renders them much less effective in performing the task they were intended to perform, namely inducing firms to initiate exports.

This is not an unfortunate situation as government should wish to see export decisions made on a sound economic basis. If we have learned anything from the growing literature on infant and state-supported industries it is that activities initially dependent upon subsidies seldom mature to self-sufficiency. And the Philippines is particularly fortunate in this regard since its reasonable exchange rate allows firms to arrive at sound economic decisions in the social as well as the private sense without large incentives.

We do not, of course, wish to argue that incentives are then unnecessary, simply that financial incentives may not be the most appropriate means of inducing firms to begin exports.

What then does induce the initiation of exports? Well in keeping with the view of exports as an innovation, a push of some kind seems particularly important. For the firms in our sample, the desire to utilize excess capacity seemed to be a major push, as was the existence of domestic competition. Yet it was not the weaker firms which were induced by these forces, for firms seldom mentioned poor profit performance as an inducement to export. Rather it seemed as if excess capacity or decreasing domestic market potential forced firms to reexamine their whole orientation. Firms were not then pushed into exports by temporary crises, but by more long-term considerations. Short-run profits were definitely not a goal of firms initiating exports.

Once again it is not clear how useful an observation this is, for how can government policy yield such a push? Can government threaten domestic market positions or purposefully create excess capacity? In the former case it would be very difficult to induce firms to trust government by engaging in exports if government were playing heavy-handed in domestic markets. And, in the latter case, the creation of excess capacity can be extremely costly in capital-scarce economies. Yet perhaps there are some more useful implications.

First, the "push" factor points to the oft-noted fact that mature, competitive industries make better export prospects. Domestic competition in mature industries can provide the push required for export. In addition, this same competition along with the often declining growth rates of domestic sales in such industries can result in the excess capacity which prods firms to consider exports and which allows them to do so. Of course, government cannot play too direct a role in this process; the stimulation of competition is a matter of overall development strategy rather than of specific incentives. Yet the importance of "market" solutions in the context of private firms is demonstrated once again. Industrial licensing policies are, perhaps, one area in which government can play a more direct role in this process. The licensing of extra capacity in mature industries, largely for competitive reasons, should be given a more sympathetic hearing than is normal, if the industry involved might potentially export.

Second, the existence of excess capacity might serve as one easily identified characteristic of potential exporters. If government can identify those firms and industries where "push" factors are already in operation, government inducements to export might be more effectively and efficiently applied. We should note at this juncture that firms often seem to have been induced to export by the successful export activities of other firms in their industry. The existence of this "demonstration effect" and the need for a prodding toward export would seem to imply that a concentration of promotion efforts at the industry level rather than the firm level might be more effective. The same push factors are likely to apply to several firms within the industry, many impediments to export are as or more easily solved at the industry level than at the firm level and the externalities of the demonstration effect can be more effectively employed. Japan and Korea both seem to have used this approach to good effect.

Third, "push" factors other than competition and excess capacity might be employed. We noted that enquiries from abroad were useful in inducing firms to consider exports. Although they were not, in themselves, sufficient to lead firms to the initiation of exports, such inducements may at least satisfy the precondition that firms be made forcefully aware of the export activity. In this vein we should emphasize that the simple availability of accurate information about exports and exporting is very important in the early stages of the export path. Firms cannot consider alternatives about which they have little information ; the provision of useful and accurate information (e.g. of export prices, policies, procedures and successful experiences) to a large number of firms without their first having to request it could prove to be an inexpensive but effective means of promotion. Although the provision of information and foreign contacts may not seem to provide a p[illegible] to export, evidence from this and other studies suggests that firms will accept an innovation if they can effectively be made aware of its soundness.

Of course, other policies too might be used to provide a "stick." For instance, the Philippines now requires exports for the registration of certain firms, especially foreign-owned firms, and other countries tie capacity licenses and the provision of raw materials to a commitment to export. Such policies are no doubt effective but their effectiveness is generally limited to those firms wishing to expand or change products, i.e., the more innovative firms. Yet these firms may, given the existence of relatively rational market signals, be the very firms least needful of heavy-handed policies. Does an "overkill" present problems? We are not in a position to give a definitive answer. Clearly not all firms are equally capable of efficient exports and one danger of overly powerful incentives is that inefficient firms might be induced or forced to engage in exports. This danger would seem to be more prevalent when the incentive takes the form of the stick rather than the carrot. Indeed, one of the beauties of financial incentives is that they bestow roughly equal gains on all firms and therefore maintain the differential between more and less efficient firms. Force, on the other hand, tends to make no such distinctions.

An important area of future research would seem to be this problem of how best to provide the "push" factors which are seemingly necessary for the initiation of exports.

All of the discussion to this point has assumed that the market properly reflects the basic soundness of exports as an innovation for the firm in terms of its private and social profitability. Although this is not a valid assumption in many LDCs, it does seem to be a valid one in the Philippines, at least since the advent of the liberalizing policies of the past five to ten years.

Yet there is room for policy action in this regard as was indicated by the responses of the firms in our sample. In particular, firms wish to see government act in the areas of raw material supplies and export finance. Of course any firm would like to see government take any action which will lower its costs without regard to whether the action is socially justified or not. Therefore, government should not accept as justified any and all demands of the firms. But the kinds of problems cited by firms seem amenable to government policy and justified by the circumstances.

We are not now in a position to suggest policy solutions to these problems; the formulation of solutions would require more detailed research into specific areas of difficulty. But the general thrust of our findings indicates that government should, where possible, concentrate on providing, through the market, a sound economic basis for the export activity while at the same time prodding firms to actively consider the new activity. Certain policies, such as the duty drawback, may therefore be necessary in order for market imperfections to be ameliorated. However, as long as firms continue to pay more attention to market signals than to government incentives, the market, not simply government subsidies, must reflect the profitability of exports.

This study has, perhaps, raised more questions than it has answered. But, if it has at least indicated the relevant questions to be asked, it will have succeeded in the majority of its goals. If we were to isolate the single most important observation it would have to be that direct financial incentives have not led Philippine firms to consider exports; rather it has been the more direct prodding of domestic difficulties and external contacts which has done so. The experience of other countries, such as India, where import and industrial licensing policies have been used successfully to "prod" firms to export, confirms the importance of domestic factors in export decisions.

Yet the wisdom of interfering so directly in the affairs of the firm is not clear. Such interference generally results in distrust of government by the firms and may therefore be self-defeating in the long run. More importantly, the economic costs of such interference are frequently very great, in terms of inefficient resource allocation, and yet they are hard to measure and even harder to control. The beauty of direct financial incentives is their simplicity, both in measurement and control, and it remains to be seen if more effective policies can be designed for the early stages of the export path.

At the later stages, firms seem much more cognizant of the direct profitability of exports and thus of the role of export incentives. Here, however, the incentives required may be far smaller than those needed at the earlier stages. Firms are more aware of the benefits of exports to their business, perceived risks may be much smaller, and export-related costs may have decreased.

We conclude that the decision to export is an innovation for the firm and that government policies should then distinguish between the recruitment of new export firms and the encouragement of existing export firms. Direct financial incentives, although possibly effective for the latter purpose, do not seem effective for the former.

EXPORT INCENTIVES PROJECT
University of the Philippines-University of Michigan
1974

(NOTE TO INTERVIEWER: In making your introductory comments, please emphasize three things, namely, (1) the confidentiality of the information obtained in the interview, (2) the four stages involved in the firm's export development sequence, and (3) the great importance of assigning events to the specific stage to which they belong. Below is an example, more or less, of how a typical introduction may go.)

INTRODUCTORY COMMENTS

This survey is for a project being done jointly by researchers from the University of the Philippines and the University of Michigan. It is a study which will be used for scholarly purposes. It is not being done for any government department not will any government department have access to the results of individual interviews. The identity of the firms will be kept strictly confidential; all data will be presented in such a way that no firm can be identified.

The study is intended to obtain a better understanding of how and why firms turn to exports as a regular activity, and how the presence of export incentives influences their decisions. We have tried to distinguish <u>four</u> stages on the path to a firm's becoming a full-pledged exporter:

At the <u>first</u> stage, a non-exporting firm begins to think about exporting and then decides either to seriously and systematically investigate export possibilities or to forget the whole matter.

At the <u>second</u> stage, a firm which has investigated exports decides either to export or not to export.

The <u>third</u> stage finds an exporting firm wondering whether to seriously and systematically investigate expanding its export activities.

The <u>fourth</u> and last stage involves the actual decision as to whether exports will or will not be expanded.

Introductory Comments

We would like to follow your firm through these various stages, up to the stage at which it is now located. It may be difficult to separate each stage in time--we often find firms sliding from one decision to the next without consciously having done so--but we ask that you think back over your experience and remember events pertinent to each of the stages described above.

We will begin with a few questions about the firm and its background and then proceed to the rest of the interview. At the end of the interview we will ask you to help us fill out a very brief list of statistics about your firm. If you feel strongly that a question is inappropriate, simply say so. Please do not hesitate to expand upon any answers or to make any comments which you feel are relevant.

EXPORT INCENTIVES PROJECT
University of the Philippines-University of Michigan

FORM A: BASIC INFORMATION
(For all firms)

I. Introduction

1. Name of firm ______________________________

Address ______________________________

Telephone Number ______________________________

Respondent:

2. Name ______________________________

3. Position ______________________________

Interviewer:

Name ______________________________

Date of interview ______________________________

II. History of Firm

4. Date established (month) __________ (year) __________

5. Ownership (check):

(a) Wholly Filipino owned __________
(b) Majority Filipino owned __________
(c) 51/50 Filipino/foreign owned __________
(d) Majority foreign owned __________
(e) Wholly foreign owned __________
(f) Independent __________

(g) Subsidiary of a Filipino firm ____________
(h) Subsidiary of a foreign firm ____________

If partially foreign owned, i.e., (b) or (d) above,
proportion of foreign ownership __________%
nationality of foreign owner(s)

____

If subsidiary of foreign firm, i.e., (h) above,
name of parent company

____

nationality of parent company

____

6. Principal organizers or managers/their background or business experience (eg. commerce, finance, manufacturing, etc.)

	Name	Background/Experience
(a)	____________________	__________________________
(b)	____________________	__________________________
(c)	____________________	__________________________
(d)	____________________	__________________________

(e) Did any of the organizers/managers have any experience in export/import trade? YES NO

7. (a) Current Manager ____________________________
(b) Relation to Principal organizer(s) ____________
(c) Did the current manager have any import/export experience before joining the firm? YES NO

8. Have any of the owner(s) and/or other high-level employees of the firm attended college?

owner(s)	YES	NO
firm manager	YES	NO
export manager	YES	NO
other (specify)	YES	NO

9. Have any of the owner(s) and/or other high-level employees of the firm graduated from an undergraduate or graduate business curriculum?

owner(s)	YES	NO
firm manager	YES	NO
export manager	YES	NO
other (specify)	YES	NO

10. Have any of the owner(s) and/or other high-level employees of the firm ever attended an "export seminar" or other similar event relating to exports?

owner(s)	YES	NO
firm manager	YES	NO
export manager	YES	NO
other (specify)	YES	NO

11. Have any of the owner(s) and/or other high-level employees of the firm ever traveled abroad?

owner(s)	YES	NO
firm manager	YES	NO
export manager	YES	NO
other (specify)	YES	NO

12. Do any of the owner(s) and/or other high-level employees of the firm speak a foreign language other than English or Spanish?

owner(s)	YES	NO
firm manager	YES	NO
export manager	YES	NO
other (specify)	YES	NO

13. Activities, Products and Markets of the firm:

(a) Current (pay special care to export activities.)

Activities (eg., manufactures, import, etc.)	Products	Domestic Market (eg., Manila, provinces	Export Market (eg., U.S., none)	Date Begun

(b) Discontinued (pay special care to export activities.)

Activities (eg., manufactures, import, etc.)	Products	Domestic Market (eg., Manila provinces)	Export Market (eg., U.S. none)	Original Activity	Date Stopped

14. Specifically, was the firm established, in part, as an

importer? YES NO

exporter? YES NO

15. As you see them, what are the major goals of the firm? (Mark goals in column A 15 of Form Y. Write in any goals not listed on Form Y.)

16. Specifically, how do the following rank as goals for the firm, i.e., major, minor or inconsequential? (Enumerate all goals on Form Y not already mentioned in the above question and mark the response in column A 16).

17. Given the goals you have mentioned, are there any toward which you feel the firm is failing to make satisfactory progress? Are there any toward which progress is very satisfactory? (Do not enumerate goals but mark the appropriate responses in column A 17 of Form Y).

18. What rate of return (or what pay-back period) does the firm desire on new investments?

____

III. Market Information

19. Does the firm produce at all for the domestic market? _ES NO

<u>(If no, skip to question 28. Otherwise, continue)</u>

<u>For firms producing at least partly for the domestic market</u>

20. What proportion of the domestic market does the firm hold? ____________%

21. Has the firm's position in the domestic market over the past five years (check one) -

(a) grown stronger ____________
(b) remained the same ____________
(c) grown weaker ____________

22. Does the firm's domestic market position now seem

(a) threatened by Filipino owned, domestically based competitors YES NO

(b) threatened by foreign owned, domestically based competitors YES NO

(c) threatened by foreign owned, foreign based competitors, i.e., imports YES NO

(d) threatened by falling or stagnant domestic demand YES NO

(e) threatened by rising costs YES NO

(f) threatened by a shortage of inputs YES NO

(g) threatened by a change in government policy YES NO

(h) threatened by other (specify) YES NO

(i) not threatened YES NO

23. Do the firm's <u>major</u> competitors include firms which are

(a) Filipino owned and domestically based YES NO

(b) foreign owned and domestically based YES NO

(c) jointly owned and domestically based YES NO

(d) don't know ownership but domestically based YES NO

(e) foreign owned and foreign based (i.e., imports) YES NO

(f) other (specify) YES NO

____

24. Can the firm raise its price upon its own initiative <u>without</u> losing a lot of sales to its competitors? YES NO

25. Could the firm now sell more of its product on the domestic market without having to lower its prices? YES NO

If yes, why has it not done so?

____

26. What are the possibilities for growth in the domestic market? (check one)

(a) excellent ____________
(b) good ____________
(c) fair ____________
(d) poor ____________

27. Is the firm (check one)

(a) exporting at present? ______

(b) no longer exporting, having exported in the past? ______

(c) not exporting, having never exported in the past? ______

Only for those who checked (c)

(d) Has the firm ever seriously and systematically explored the possibility of exporting? YES NO

28. Who would be responsible for making decisions regarding exports?

______

His position ______

29. Does the firm have any department responsible for seeking new markets or activities? YES NO

30. Do you have any tie-up with a foreign firm? YES NO

If yes:

Type of tie-up

Production/Marketing license ______
Technical/Managerial assistance from foreign firm ______

Name(s) of foreign firm(s) ______

Nationality(ies) of foreign firm(s) ________________

Product(s)/Service(s) involved ________________

Specific technical/managerial position(s) involved ________________

Does this tie-up in any way involve or restrict exports? YES NO

If yes, how? ________________

31. Has the firm begun producing any new products within the past 5 years? YES NO

32. Has the firm ceased producing any products within the past 5 years? YES NO

33. Has the firm changed the methods and/or organization of its production process within the past 5 years? YES NO

34. Has the firm tried to enter new domestic markets within the past 5 years? YES NO

35. Has the firm begun selling to any new export markets within the past 5 years? YES NO

If yes, number of new countries ________

total number of new buyers ________

36. Has the firm changed the specifications and/or features of its products within the past 5 years? YES NO

37. Has the firm in either its domestic or export markets begun any new marketing campaigns or substantially changed its existing marketing practices within the past 5 years? YES NO

38. Does the firm consider itself progressive in relation to other firms in this industry? YES NO

39. Does the firm consider itself progressive in relation to other Philippine firms in general? YES NO

40. Overall, how satisfied is the firm with its current situation? (check one)

very satisfied	________
satisfied	________
dissatisfied	________
very dissatisfied	________

(Go to Form B, starting -
with Part I if the answer to question 27 is "(a)," "(b)" or "YES" on "(d)"--i.e., if the firm has ever exported or considered exports, and
with Part II if the answer to question 27 is "NO" on "(d)"--i.e., if the firm has never considered exports.)

FORM B: EXPLORATION OF EXPORTS

Note to interviewer: Please indicate to the respondent that you are now on the first stage of the export development sequence.

(For firms which have seriously considered exports at any time, i.e., those who checked either (a) or (b) or "Yes" to (d) of question 27, Form A, start with Part I; for firms which never considered exports, skip to Part II.)

PART I. YES, Explored Exports

Background Before Exploration

1. How did the firm originally feel exports would contribute to the goals of the firm, i.e., the goals listed previously? Did the firm feel exports would contribute greatly, a little, not at all or detract from each of these goals? (For each goal marked in columns A15 and A16 mark the appropriate responses in column B1 of Form Y.)

2. What rate of profit, relative to the rate of profit on domestic sales, do you think the firm would have then required on exports? (check one)

   higher? ______
   the same? ______
   lower? ______

3. What major or minor problems or impediments to initiating exports did the firm originally see? (If the impediment is listed on Form Z, mark the appropriate response in column B3. Write in any impediments not already listed.)

4. Specifically, did the firm then see any of the following as major or minor impediments to initiating exports? (Enumerate all impediments on Form Z, which were not mentioned in the question above and mark the appropriate response in column B4.)

Note to interviewer: This is the only time the impediments will be enumerated so do so clearly and carefully so that the respondent can recall them in later questions.

5. Before the firm systematically explored the possibility of exporting, did the firm know:

(a) the standard f.o.b. export price? YES NO

(b) about financing arrangements for the export of this product? YES NO

(c) about shipping arrangements for the export of this product? YES NO

(d) about product specifications (eg., special features, packaging) required of exports? YES NO

(e) the names of any foreign buyers of this product? YES NO

(f) the names of any agents in the Philippines which handled the export of this product? YES NO

(g) of successful Philippine exporters of this product? YES NO

(h) of any government subsidies or support for the export of this product? YES NO

6. From what sources had the firm attained whatever information it had about exports, eg., from

(a) other firms? YES NO

(b) trade publications? YES NO

(c) newspapers? YES NO

(d) government announcements or publications YES NO

(e) contacts with buyers or agents abroad? YES NO

(f) contacts with traders of agents in the Philippines

(g) other (specify)? ______________________

____

Form B: Exploration of Exports

<u>Initial Exploration</u>

7. When did the firm first begin to explore exports as a possible activity? (month)______(year)____

8. What prompted the firm to actively explore the possibility of exporting?

(a)	dissatisfaction with the level of total earnings	YES	NO
(b)	dissatisfaction with the <u>rate</u> of profit on domestic sales	YES	NO
(c)	dissatisfaction with underutilized capacity	YES	NO
(d)	dissatisfaction with the possibilities for growth in the domestic market	YES	NO
(e)	the existence or possibility of too much competition in the domestic market	YES	NO
(f)	the success of other firms in the industry in exports	YES	NO
(g)	inquiries from foreign buyers or agents	YES	NO
(h)	the travel abroad of an owner or employee of the firm	YES	NO
(i)	other (specify) ______________________		

9. Please describe how the firm went about exploring exports. Specifically,

(a) who handled this job?

____

(b) what information did the firm seek?

____

(c) where did the firm find the information it sought, eg., from

(a)	other firms?	YES	NO
(b)	trade publications?	YES	NO

(c) newspapers? YES NO

(d) government announcements or publications? YES NO

(e) contacts with buyers or agents abroad? YES NO

(f) contacts with traders or agents in the Philippines YES NO

(g) other (specify) ________________

____

(d) how long did the process take? ______

10. What, if any, impediments to exports were discovered in the course of its investigation which precluded any further consideration of the export possibility?

____

____

After Exploration

11. After exploring exports, did the firm discover that exports would not make the expanded contribution to one or more of the goals which had been set for them? YES NO

12. Did the firm discover that exports would contribute toward one or more goals which had not been set for them? YES NO

If yes, toward which goal(s)?

____

Form B: Exploration of Exports

---

13. Specifically, after the exploration of exports, did the firm think that exports would be (check one)

more profitable	______
just as profitable	______
less profitable	______

14. Did the firm discover that one or more of the expected impediments to export would not turn out to be as important as originally anticipated? YES NO

    If yes, which impediment(s)?

    ____

15. Did the firm discover one or more impediments to export which would actually be more important than anticipated? YES NO

    If yes, which impediment(s)?

    ____

16. After the exploration of exports was the firm convinced that exports would be (check one)

more desirable	______
just as desirable	______
less desirable	______

    than it had originally thought?

For firms which decided to export, i.e., "(a)" or "(b)" in question 27, Form A, continue with Form C, Part I.

For firms which decided not to export, continue with Form C, Part II.

Form B: Exploration of Exports

PART II. For firms which never considered exports, i.e., those who answered "No" to question 27(d) Form A.

17. Please tell us what you know about exports of your product(s) from the Philippines. Would you know:

(a)	the standard f.o.b. export price?	YES	NO
(b)	about financing arrangements for the export of this product?	YES	NO
(c)	about shipping arrangements for the export of this product?	YES	NO
(d)	about product specifications (eg., packaging) required of exports?	YES	NO
(e)	the names of any foreign buyers of this product?	YES	NO
(f)	the names of any agents in the Philippines which handle the export of this product?	YES	NO
(g)	of successful Philippine exporters of this product?	YES	NO
(h)	of any government subsidies or support for the export of this product?	YES	NO

18. From what sources has the firm learned about exports and export sales, eg., from

(a)	other firms?	YES	NO
(b)	trade publications?	YES	NO
(c)	newspapers?	YES	NO
(d)	government announcements or publications?	YES	NO
(e)	contacts with buyers or agents abroad?	YES	NO
(f)	contacts with traders or agents in the Philippines?	YES	NO
( )	other (specify)? ____________________		

____

19. How does the firm feel exports might contribute to the goals of the firm, i.e., those listed previously? Does the firm feel exports would contribute greatly, a little, not at all or even detract from each of these goals? (For each goal marked in columns A15 and A16, mark the appropriate response in column F24 of Form Y.)

20. If the firm were to export, would the rate of profit that it would require on exports be (check one)

higher ______
the same ______
lower ______

than the current rate on domestic sales?

21. What major or minor problems or impediments to initiating exports does the firm see? (If the impediment is listed on Form Z, mark the appropriate response in column F26. Write in any impediments not already listed. Do not enumerate impediments, but give examples if necessary.)

22. Why has the firm never systematically investigated the possibility of exporting?

____

____

23. Does the firm feel that exports are -

(a) too "risky" or "uncertain" at this time? YES NO

(b) not compatible with current activities of the firm? YES NO

(c) not compatible with possible future activities of the firm? YES NO

(d) simply "too much trouble"? YES NO

(e) obviously unprofitable? YES NO

Form B: Exploration of Exports

24. Did the travel abroad of an owner or employee of the firm stimulate any interest in exporting? YES NO

25. What are the firm's plans for the future, eg., does it plan to:

    (a) increase output? YES NO

    (b) invest in new plant or equipment? YES NO

    (c) enter new domestic markets? YES NO

    (d) diversify products? YES NO

    (e) other (specify)? ________________

    ____

26. What changes in prices, costs, government policies, etc. might lead the firm to consider the possibility of exporting?

____

____

____

27. What changes in prices, costs, government policies, etc. might lead the firm to begin exporting?

____

____

____

(Go to Form G.)

FORM C: EXPORT OR NO EXPORT.

Note to interviewer: Please indicate to the respondent that you are now on the second stage of the export development sequence.

(For firms which decided--

to actually export, i.e., answered (a) or (b) to question 27, Form A, start with Part I;

not to export, i.e., answered (c) to question 27, Form A, skip to Part II.)

PART I. YES, Export

1. Exactly why did the firm decide to export?

   ____

2. When did the firm begin exporting?

   month ______________ year __________

3. What product(s) did it then export?

   ____

   ____

4. How much did the firm export in the first 12 months of its export operations?

   ____

5. In the first 12 months, did the firm (check one)

   (a) purposely hold back exports to test the market, or ______

   (b) try to export as much as it could? ______

6. Did the firm have to alter its product, its production processes of its normal methods of doing business in order to export? YES NO

   If yes, please explain ______________

   ____

   ____

7. In its first experiences, did the firm find that it could compete well in its export markets? YES NO

8. Did the firm discover that exports did not contribute to one or more of the goals which had been set for them? YES NO

   If yes, which goal(s)? ______________

   ____

9. Did the firm discover that exports contributed to one or more goals which had not been set for them? YES NO

   If yes, which goal(s)? ______________

   ____

10. Did the firm discover that one or more of the expected impediments to export were actually not as important as had been anticipated? YES NO

    If yes, which impediment(s)? __________

    ____

11. Did the firm discover one or more impediments to export which were more important than anticipated? YES NO

    If yes, which impediments? __________

    ____

12. Was the profit on export sales then (check one)

higher	________
the same	________
lower	________

than that on domestic sales?

13. Altogether, how did the success of the original export experience compare with the firm's expectations (check one):

exceeded expectations	________
matched expectations	________
fell short of expectations	________

14. Has the firm ever systematically considered the expansion of exports? YES NO

(If the answer is Yes, proceed to Form D, Part I.

If the answer is No, proceed to Form D, Part II.)

II. NO Exports

15. Why did the firm decide not to export? Was it because it had a feeling:

(a) that exports were somehow not compatible with the firm's present activities? YES NO

(b) that exports would not be compatible with possible future activities of the firm? YES NO

(c) that exports were too "risky" or too "uncertain"? YES NO

(d) that not enough was known about exports for the firm to commit itself? YES NO

(e) that exports were simply "too much trouble". YES NO

(f) that exports were simply not profitable? YES NO

(g) and/or some other reason(s)? (specify) ____________________

____

16. Are the firm's attitudes toward exports now (check one):

more favorable ________
the same ________
less favorable ________

than they were when the decision not to export was made?

17. What are the firm's plans for the future, eg., does it plan to

(a) increase output YES NO
(b) invest in new plant or equipment? YES NO
(c) enter new domestic markets? YES NO
(d) enter new product markets? YES NO
(e) other (specify)? ______________

____

18. What changes in prices, costs, government policies, etc. might cause the firm to actively reconsider the possibility of exporting?

____

____

19. What changes in prices, costs, government policies, etc. might cause the firm to actually begin exporting?

____

____

(Go to Form G.)

FORM D: EXPLORATION OF EXPANSION

Note to interviewer: Please indicate to the respondent that you are now on the third stage of the export development sequence.

(For firms, whether or not they still export,

that actively explored expansion, i.e., "yes" to question 14, Form C, proceed with Part I;

that have never considered expansion, i.e., "No" to question 14, Form C, skip to Part II.)

PART I: YES, Explored Expansion

1. Before the firm began to explore the expansion of exports, how did the firm feel that the expansion of exports would contribute to the goals of the firm: greatly, a little, not at all, or detract? (For each goal marked in columns A15 and 16, mark the appropriate response in Column D1 of Form Y.)

2. What rate of profit on expanded exports did the firm want, relative to that on then current exports? (check one)

   higher ______
   the same ______
   lower ______

3. Before the firm began to explore the expansion of exports, what major or minor impediments to expanding exports did the firm foresee? (Do not enumerate impediments but mark the responses in column D3 of Form Z.)

4. When did the firm first begin exploring the expansion of exports? month______year_____

5. What prompted the firm to examine the possibility of expanding its exports?

(a)	the realization that export market was more profitable	YES	NO
(b)	dissatisfaction with the level of total earnings	YES	NO
(c)	dissatisfaction with <u>rate</u> of profit on domestic sales	YES	NO
(d)	dissatisfaction with underutilized capacity	YES	NO
(e)	dissatisfaction with the possibilities for growth in the domestic market	YES	NO
(f)	the existence or possibility of too much competition in the domestic market	YES	NO
(g)	the success of other firms in the industry in expanding exports	YES	NO
(h)	gradually increasing export orders	YES	NO
(i)	inquiries from foreign buyers or agents	YES	NO
(j)	the travel abroad of an owner or employee of the firm	YES	NO
(k)	other (specify) ____________________		

____

6. Was the conduct of this second exploration basically different from the first exploration, i.e., that of exploring the initiation of exports? YES NO

(a) who handled this second exploration job? ________________

(b) what kind of information did the firm seek? ________________

____

____

(c) where did the firm find the information it sought, eg., from

(a) other firms?	YES	NO
(b) trade publications?	YES	NO
(c) newspapers?	YES	NO
(d) government announcements or publications?	YES	NO
(e) contacts with buyers or <u>agents</u> abroad?	YES	NO
(f) contacts with traders or agents in the Philippines?	YES	NO
(g) other (specify) ______________		

(d) how long did the process take?

____

____

7. What, if any, impediments to expanding exports were discovered in the course of its investigation which <u>precluded</u> any further consideration of expanded exports?

____

____

____

8. After exploring the expansion of exports, did the firm discover that the expansion of exports would <u>not</u> make the expected contribution to one or more of the goals which had been set for them? YES NO

If yes, toward which goal(s)? ______________

____

9. Did the firm discover that the expansion of exports would contribute toward one or more goals which had not been expected of them? YES NO

   If yes, toward which goal(s)? __________

   ____

10. Specifically, after exploring the expansion of exports, was the firm convinced that expanding exports would be (check one)

    more profitable ______
    just as profitable ______
    less profitable ______

    than had been previously thought?

11. Did the firm discover that one or more of the expected impediments to expanding exports would not turn out to be as important as originally anticipated? YES NO

    If yes, which impediment(s)? __________

    ____

12. Did the firm discover one or more impediments to expanding exports which would actually be more important than anticipated? YES NO

    If yes, which impediment(s)? __________

    ____

13. After exploring the expansion of exports, was the firm convinced that an export expansion would be (check one) -

    more desirable ______
    just as desirable ______
    less desirable ______

    than had been previously thought?

---

14. After the exploration, was the final decision to expand exports? YES NO

(Go to Form E, starting -

with Part I if the firm answered "Yes" to question 14, i.e., decided to expand exports; and

with Part II if the firm answered "No" to question 14, i.e., decided not to expand exports.)

PART II. NO, did not Explore Expansion

15. Why has the firm never systematically explored the possibility of expanding its exports?

____

____

____

16. Does the firm see any barriers to expanded exports which could not be overcome? YES NO

If yes, what are these barriers?

____

____

____

17. Does the firm feel that expanding exports

(a) will conflict with present activities of the firm? YES NO

(b) will not be compatible with possible future activities of the firm? YES NO

(c) is too "risky" or "uncertain" YES NO

(d) is "too much trouble"? YES NO

(e) is simply not profitable? YES NO

18. How does the firm feel that the expansion of exports would contribute to the goals of the firm: greatly, a little, not at all, or detract? (For each goal marked in columns A15 and A16 mark the appropriate response in column D18 of Form Y.)

19. What rate of profit relative to the rate of profit on current export sales would the firm require on expanded exports? (check one) -

higher ______
the same ______
lower ______

20. What major or minor impediments to expanding exports does the firm foresee? (Do not enumerate impediments but mark responses in column D20 of Form Z.)

21. What are the firm's plans for the future, eg., does it plan to

(a) increase output YES NO
(b) invest in new plant or equipment? YES NO
(c) enter new domestic markets? YES NO
(d) enter new product markets? YES NO
(e) other (specify) ____________

____

22. What changes in prices, costs, government policies, etc. might cause the firm to consider expanding its exports?

____

____

Form D: Exploration of Expansion

---

23. What changes in prices, costs, government policies, etc. might cause the firm to actually expand its exports?

____

____

(Go to Form F, starting -

with Part I if the firm still exports; i.e., "(a)" in question 27, Form A, and

with Part II if the firm no longer exports, i.e., "(b)" in question 27, Form A.)

FORM E: EXPANSION OF EXPORTS

Note to interviewer: Please indicate to the respondent that you are now on the fourth and last stage of the export development sequence.

(For firms which decided to expand exports, i.e., "Yes" for question 14, Form D, start with Part I. For firms which decided not to expand exports, skip tp Part II.)

PART I. YES, Expand Exports

1. Exactly why did the firm decide to expand exports? ______________________

____

2. In what form(s) did the firm undertake its expansion of exports? Specifically, did the firm

(a)	expand the sales of existing export products?	YES	NO
(b)	introduce new export products?	YES	NO
(c)	expand sales in existing export markets?	YES	NO
(d)	open new export markets?	YES	NO
(e)	add more men?	YES	NO
(f)	set up new machines to increase output?	YES	NO
(g)	set up new machines to change product features and/or improve quality?	YES	NO
(h)	adopt new production techniques?	YES	NO
(i)	adopt new marketing techniques?	YES	NO

3. Did success with the expansion of exports (check one):

(a) surpass the firm's expectations? ____
(b) met expectations? ____
(c) fall short of expectations? ____

4. Did the firm discover that expanded exports did not contribute to one or more of the goals which had been set for them? YES NO

   If yes, which goal(s)? ____________________

   ____

5. Did the firm discover that expanded exports contributed to one or more goals which had not been set for them? YES NO

   If yes, which goal(s)? ____________________

   ____

6. Did the firm discover that one or more of the expected impediments to exports were actually not as important as had been anticipated? YES NO

   If yes, which impediment(s)? ______________

   ____

7. Did the firm discover one or more impediments to export which was more important than anticipated? YES NO

   If yes, which impediments? ________________

   ____

8. Was the profit on expanded exports then (check one)

   higher ______
   the same ______
   lower ______

   than on then existing export sales?

9. Does the firm now feel it can:

   (a) depend upon exports as a long-term activity? YES NO

   (b) expand exports still further YES NO

   (c) specialize in export sales YES NO

10. What are the firm's plans for the future, eg., does it plan to:

   (a) increase output? YES NO

   (b) invest in new plant or equipment YES NO

   (c) enter new domestic markets? YES NO

   (d) enter new product markets? YES NO

   (e) other (specify)? ____________________

   ____

(Go to Form F, starting -

with Part I if the firm is still exporting, i.e., "(a)" for question 27, Form A, and

with Part II if the firm is no longer exporting, i.e., "(b)" for question 27, Form A.)

PART II. <u>NO, did not Expand Exports</u>

11. Why did the firm decide not to expand exports? Was it because it had a feeling:

   (a) that expanded exports were somehow not compatible with the firm's <u>present</u> activities? YES NO

   (b) that expanded exports would not be compatible with possible <u>future</u> activities of the firm? YES NO

(c) that expanding exports was too "risky" or too "uncertain"? YES NO

(d) that not enough was known about exports for the firm to commit itself? YES NO

(e) that expanding exports was simply "too much trouble", YES NO

(f) that expanding exports was simply not profitable? YES NO

(g) and/or for some other reason? (specify) ____________________

____

12. Are the firm's attitudes toward expanding exports now (check one):

more favorable ______
the same ______
less favorable ______

than they were when the decision not to expand exports was made?

13. What are the firm's plans for the future, eg., does it plan to

(a) increase output? YES NO

(b) invest in new plant or equipment? YES NO

(c) enter new domestic markets? YES NO

(d) enter new product markets? YES NO

(e) other (specify)? ____________________

____

14. What changes in prices, costs, government policies, etc. might lead the firm to actively reconsider the possibility of expanding its exports?

____

____

Form E: Expansion of Exports

15. What changes in prices, costs, government policies, etc. might lead the firm to actually expand its exports.

____

____

(Go to Form F, starting -

with Part I if the firm is still exporting, i.e., "(a)" for question 27, Form A, and

with Part II if the firm is no longer exporting, i.e., "(b)" for question 27, Form A.)

FORM F: ADDITIONAL INFORMATION

For firms which -

are still exporting, i.e.,"(a)" to question 27, Form A, start with Part I;

are no longer exporting, i.e., "(b)" to question 27, Form A, go to Part II.

PART I. Still Exporting

1. Does the firm -

   (a) employ the services of agents or sales representatives? YES NO

   (b) have any difficulty locating competent agents or representatives? YES NO

   (c) have any offices abroad? YES NO

   If yes, how many? ____________

2. Has the firm invested money in export marketing and advertising? YES NO

   If yes, how much over the past five years? ________

   In what types of expenditures? ________

   ____

   ____

3. Does the firm plan on investing in export marketing and advertising in the future? YES NO

   If yes, could you give a general idea of how much? ________

4. Question deleted.

Form F: Additonal Information

---

5. Did the firm have to hire more workers because of its export activities? YES NO

   If yes, roughly how many
   production workers ____________

   other employees? ____________

   since when? (month)________(year)________

6. Have any of your buyers inquired about whether the firm receives export incentives? YES NO

   If yes, have they asked you to lower your export prices? YES NO

7. Is the rate of profit on export rates currently (check one)

   higher ____________
   the same ____________
   lower ____________

   than that on domestic sales?

8. What do you see as the major disadvantages to exporting. ____________________________

   ____

   ____

9. Do you feel that the expiration of tariff preferences in the U.S. for Philippine goods (the Laurel-Langley Agreement) will affect your exports? YES NO

10. What are the major sources of competition in the firm's foreign markets? ____________

    ____

Form F: Additional Information

---

11. Do you feel that this firm can survive the competition? YES NO

    Why or why not? ____________________

    ____

12. What could this firm do to improve its competitive position?

    ____

    ____

13. Do you find the export market a dependable source of revenue? YES NO

(Go to Form G.)

PART II. No Longer Exporting

14. When did the firm stop exporting?

    (month) ____________(year)______________

15. Why did the firm decide to cease exporting?

    ____

    ____

16. Specifically, did the reasons for discontinuing exports include a feeling that exports:

    (a) were not compatible with the firm's existing activities? YES NO

    (b) were not compatible with possible future activities of the firm? YES NO

(c) were too "risky" or too "uncertain" YES NO

(d) were not well enough known (i.e., there was insufficient available information about exports) for the firm to commit itself? YES NO

(e) were simply "too much trouble"? YES NO

(f) were no longer needed in order to fulfill the firm's goals? YES NO

(g) were no longer profitable? YES NO

(h) could not prosper under government policies in effect at that time? YES NO

17. Did any specific change in government policies lead to the discontinuation of exports? YES NO

If yes, what change? ____________

____

18. Are the firm's attitudes toward exports now (check one) -

(a) more favorable ______
(b) the same ______
(c) less favorable ______

than they were when exports were discontinued?

19. What are the firm's plans for the future, eg., does it plan to

(a) increase output YES NO

(b) invest in new plant or equipment? YES NO

(c) enter new domestic markets? YES NO

(d) enter new product markets? YES NO

(e) other (specify)? ____________

____

Form F: Additional Information

---

20. What changes in prices, costs, government policies, etc. might lead the firm to actively reconsider the possibility of exporting?

____

____

21. What changes in prices, costs, government policies, etc. might lead the firm to actually resume exporting?

____

____

____

(Go to Form G.)

FORM G: RELATIONSHIP WITH GOVERNMENT
(To be given to all firms)

In General

1. (a) Did the firm receive any direct government assistance when it was established, for instance loans from the Development Bank of the Philippines or special tariff arrangements? YES NO

   (b) If yes, what specific form of assistance did the firm receive? ______________________

   ____

2. Did any government policies, such as a change in tariffs, indirectly encourage the establishment of the firm, even though they were not necessarily designed to do so? YES NO

3. In its domestic activities, has the firm ever had any dealings with government agencies? YES NO

   If no, why not?

   ____

   ____

   (proceed to question 4.)

   If yes,

   (a) please describe the nature of those dealings (i.e., obtaining approval of expansion plans, etc.)

   ____

   ____

(b) is the firm happy with is relationship with the government, specifically with -

(i) the BOI YES NO
(ii) other agencies YES NO

(c) does dealing with government require a significant amount of extra time and/or expense -- specifically with -

(i) the BOI YES NO
(ii) other agencies YES NO

(d) does the firm find that access to government agencies is easy, specifically with -

(i) The BOI YES NO
(ii) other agencies YES NO

(e) are matters concerning the firm handled quickly and fairly by the government, specifically by

(i) the BOI YES NO
(ii) other agencies YES NO

(f) Please elaborate on any or all of the foregoing if you wish.

____

____

____

____

4. In general, do you feel that the government is sympathetic to the problems of firms in this industry? YES NO

Form G: Relationship with Government

---

5. Do you think the government would respond with speed and fairness to legitimate requests for aid to this industry, if it were required? YES NO

6. In the past five years, has the firm's view regarding its relationship with the government (check one) -

   (a) improved? __________
   (b) remained the same? __________
   (c) declined? __________

7. Do you feel that the government is generally committed to its present policies regarding private business? YES NO

8. Would the firm undertake new investments in plant or equipment, or try to expand its market if its profitability depended upon -

   (a) the continuation of present government policies? YES NO

   (b) government policies promised for the future? YES NO

9. Has the firm been hurt by changes in government policy in the past? YES NO

<u>With Specific Reference to Exports</u>

10. Speaking now particularly of <u>exports</u>, do you feel that the government is truly committed to the expansion of exports, as it has recently claimed? YES NO

11. Are there any government policies and/or incentives which tend to -

   (a) subsidize or otherwise encourage exports from this industry? YES NO

   If yes, what policies are these? __________

   ____

   ____

(b) discourage exports from this industry? YES NO

If yes, what policies are these? ______________

____

____

12. How did the firm learn about the incentives and assistance which the government has offered exporters, e.g., from

(a) other firms YES NO
(b) trade publications YES NO
(c) newspapers YES NO
(d) government announcements or publications YES NO
(e) contacts with buyers or agents abroad YES NO
(f) contacts with traders or agents in the Philippines YES NO
(g) other (specify) ______________________________

____

13. (a) Does the firm feel any compulsion from the government to export? YES NO

(b) If yes, what form does this compulsion take?

____

____

____

14. Do exports earn the "good will" of the government? YES NO

(If the firm has never exported, i.e., "(c)" for question 27, Form A, skip to question 28; otherwise continue with questions 15-27).

15. Did the firm know, <u>before</u> it even considered exports seriously, about the government incentives and services which were available? YES NO

Form G: Relationship with Government

---

16. Are there any export incentives and/or other policies which the firm does not make use of? YES NO

If yes, why is that ? ______________________________

____

17. Which of the following incentives do you feel are very valuable, merely useful, or useless for firms in your industry; and which has your firm actually used?

	Very valuable	merely useful	useless	actually used
(a) income tax exemption				
(b) import duty exemption				
(c) import duty exemption on equipment				
(d) tax credit on domestic inputs				
(e) tax credit on domestic equipment				
(f) export tax exemption				
(g) deduction of labor training expenses				
(h) accelerated depreciation				
(i) right to employ foreign nationals				
(j) preference on government loans				
(k) additional incentives for infrastructure				
(l) simplified export procedures				
(m) other (please specify) ______________				

Form G: Relationship with Government

18. Would the firm have exported even if government incentives and services had not been available? YES NO

19. Would the firm continue exports if government assistance were withdrawn? YES NO

20. Would the firm increase exports if government assistance were increased? YES NO

21. Are requests for incentive payments handled quickly and fairly, specifically by

    (a) the BOI YES NO
    (b) other agencies YES NO

22. (a) Overall, do present government incentives induce the firm to increase its labor content and/or domestic material input content? YES NO

    (b) Has the change in the tax credit under Presidential Decree No. 92 changed this inducement at all? YES NO

    If yes, how? ______________________________

23. Relative to its total costs, what is the proportion of

    (a) current labor cost? __________%
    (b) current import cost? __________%
    (c) depreciation? __________%
    (d) capital equipment coming from domestic sources which is needed to produce
        exports? __________%
        domestic output? __________%

24. By how much would the firm have to raise its export price in order to still make the same profits on exports, after taxes (if they do not know, make them guess):

    (a) if there were no drawback of import duties? __________%
    (b) if there were no income tax incentives for exporters? __________%
    (c) if there were no export incentives of any kind? __________%

Form G: Relationship with Government

---

25. What do you foresee as the condition of your export business when your export incentives expire (check one) -

(a) very good ____________
(b) good ____________
(c) poor ____________
(d) very poor ____________

26. Do you think the life of the incentives will be extended for your firm? YES NO

27. Is it possible for firms to "abuse" the incentives offered for export? YES NO

If so, how? ________________________________

____

(Skip to question 32)

28. Did the presence or absence of government services and incentives enter into the firm's decision not to export? YES NO

29. If your firm were to export and take advantage of all the incentives available to it, by how much do you think you could lower the export price below the domestic price and still earn the same profit on each? __________%

30. (a) Would the firm consider exporting if more government assistance was made available? YES NO

(b) If yes, what kind of assistance would be necessary? ____________________________

____

____

31. Do you think that if the firm decided to export, its requests for incentive payments and other assistance would be handled quickly and fairly? YES NO

Form G: Relationship with Government

32. (For all firms) In general what would be one or two most important things the government could do if it really wanted to encourage exports in this industry?

THANK YOU VERY MUCH

FORM Y

check (✓) goals under appropriate column

Goals of the Firm	A								B				D			
	A15	A16			A17				B1 B 19				D1 D18			
	Major	Major	Minor	Inconsequential	Very satisfactory	Satisfactory	Unsatisfactory	Very unsatisfactory	Contr. greatly	Contr. little	Contr. not at all	Detract	Contr. greatly	Contr. little	Contr. not at all	Detract
Profits																
1. Increase the rate of profit																
2. Maintain the current rate of profit																
3. Insure a steady return to investment																
Markets/Sales																
4. Increase the current share of domestic market																
5. Maintain the current share of domestic market																
6. Develop new markets																
7. Increase the rate of growth of sales																

FORM Y

Please check (✓) goals under appropriate column

Goals of the Firm	A								B.				D			
	A15	A16			A17				B1 B 19				D1 D18			
	Major	Major	Minor	Inconsequential	Very satisfactory	Satisfactory	Unsatisfactory	Very Unsatisfactory	Contr. greatly	Contr. little	Contr. not at all	Detract	Contr. greatly	Contr. little	Contr. not at all	Detract
Others																
8. Increase utilization of capacity																
9. Employ more workers																
10. Lead other firms in the industry																
11. Exploit short-term profit opportunities																
12. Develop long-term possibilities for growth and profit																
13. Maintain the existence, independence and security of the firm																
14. Improve the reputation of the firm and its products																
15. Cooperate with the government																
16. Contribute to the growth of the Philippine economy																

FORM Y
Please check (√)goals under
appropriate column

<table>
<tr><th rowspan="3">Goals of the Firm</th><th colspan="8">A</th><th colspan="4">B</th><th colspan="4">D</th></tr>
<tr><th>A15</th><th colspan="3">A16</th><th colspan="4">A17</th><th colspan="4">B1
B19</th><th colspan="4">D1
D18</th></tr>
<tr><th>Major</th><th>Major</th><th>Minor</th><th>Inconsequential</th><th>Very satisfactory</th><th>Satisfactory</th><th>Unsatisfactory</th><th>Very Unsatisfactory</th><th>Contr. greatly</th><th>Contr. little</th><th>Contr. not at all</th><th>Detract</th><th>Contr. greatly</th><th>Contr. little</th><th>Contr. not at all</th><th>Detract</th></tr>
<tr><td>17. Indicate other goals of the firm not enumerated above.
____
____
____________________</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

FORM Z

Please check (✓) impediment under appropriate column

Impediments to Exports	B: B3 B21 Major	B: B4 Major	B: B4 Minor	B: B4 Inconsequential	D: D3 D20 Major	D: D3 D20 Minor	D: D3 D20 Inconsequential
Costs and Profitability							
1. Export price is too low							
2. Cost of raw materials is too high							
3. Cost of labor is too high							
4. Freight charges are too high and/or sailings too infrequent							
5. Export tax is too high							
6. Foreign marketing costs, including travel abroad, are too high							
7. The cost of credit is too high							
Supply of Resources							
8. Production capacity is insufficient							
9. Some raw materials are in short supply							

FORM Z

Please check (✓)impediment under appropriate column

	B				D		
	B3 B21	B4			D3 D20		
Impediments to Exports	Major	Major	Minor	Inconsequential	Major	Minor	Inconsequential
10. Machinery and equipment needed for exports is difficult to obtain							
11. Trained labor is in short supply							
12. Labor unrest makes the supply of labor uncertain							
13. There is shortage of funds for expansion							
14. There is a shortage of funds for working capital and credit							
15. Managers and other personnel experienced in exports are hard to find and/or expensive to train							
16. The firm does not have the technical resources needed for exports							
Marketing Problems							
17. Tariffs in importing countries are too high or quotas too low							
18. Import regulations abroad are difficult to satisfy							
19. Competition in export markets is too great							

FORM Z

Please check (✓) impediment under appropriate column

Impediments to Exports	B. B3 B21 Major	B. B4 Major	B. B4 Minor	B. B4 Inconsequential	D. D3 D20 Major	D. D3 D20 Minor	D. D3 D20 Inconsequential
20. Cannot find enough information about foreign markets							
21. Image of Philippine goods is poor							
Other Difficulties							
22. The firm is too busy with domestic operations							
23. It is difficult to arrange payments and collections							
24. Export orders are too irregular to depend upon							
25. Economic conditions abroad are too unsettled							
26. Economic conditions at home are too unsettled							
27. Government policies are too uncertain to depend upon							
28. Export orders are too large for the firm to supply							
29. Others. ________________							
________________							

EXPORTS INCENTIVES STUDY
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STATISTICAL SHEET

Name of firm ______________________________

Address ______________________________

Assets: Replacement Costs ____________________

Gross Book Value ____________________

Net Book Value ____________________

Sales:

	1968		1969		1970		1971		1972		1973	
Domestic Product	Quantity	Receipts	Quantity	Receipts	Quantity	Receipts	Quantity	Receipts	Quantity	Receipts	Quantity	Receipts
Export Product												

Statistical Sheet

Capacity:	1968	1969	1970	1971	1972	1973
Average quantity of output (per month)						
(per year)						
Rated Capacity (24-hour operation)						
how many shifts in full utilization						
crew size of typical shift						
Labor Force:						
Production personnel skilled						
unskilled						
Technical						
Managerial						
Others						
Total Import Bill (Pesos)						
Total Costs (Pesos)						

Date ____________________ Interviewer's name ______________

Summary Sheet

(The interviewer should give here a brief evaluation of the interview - e.g. how it went, how knowledgeable and cooperative the respondent was, how honest his answers seemed to be, etc. In addition, write here any information about the firm which would help us evaluate the interview and use this space to note information volunteered by the respondent which does not seem to fill into any of the forms. Any and all relevant comments by the respondent and the interviewer are welcome.)