PN-ACN-441

PHILIPPINE
RETAILERS
ASSOCIATION

FORUM ON THE
NEW RETAIL TRADE LIBERALIZATION ACT OF 2000

1:00 – 5:00 p.m. * April 7, 2000
Isla 1 Ballroom, EDSA Shangri-la Plaza Hotel
Ortigas Center, Pasig City

Sponsored by:

TAPS/ PHILEXPORT

A

S. No. 153
H. No.7602

Republic of the Philippines
Congress of the Philippines
Metro Manila

Eleventh Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-sixth day of July, nineteen hundred and ninety-nine.

[REPUBLIC ACT NO. 8762]

AN ACT LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 1180, AS AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Title.* - This Act shall be known as the "Retail Trade Liberalization Act of 2000."

SEC. 2. *Declaration of Policy.* - It is the policy of the State to promote consumer welfare in attracting, promoting and welcoming productive investments that will bring down prices for the Filipino consumer, create more jobs, promote tourism, assist small manufacturers, stimulate economic growth and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector.

Pursuant to this policy, the Philippine retail industry is hereby liberalized to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.

SEC. 3. *Definition.* - As used in this Act:

(1) "Retail Trade" shall mean any act, occupation or calling of habitually selling direct to the general public merchandise, commodities or goods for consumption, but the restrictions of this law shall not apply to the following:

(a) Sales by a manufacturer, processor, laborer, or worker, to the general public the products manufactured, processed or produced by him if his capital does not exceed One hundred thousand pesos (P100,000.00);

(b) Sales by a farmer or agriculturist selling the products of his farm;

(c) Sales in restaurant operations by a hotel owner or inn-keeper irrespective of the amount of capital: *Provided*, That the restaurant is incidental to the hotel business; and

(d) Sales which are limited only to products manufactured, processed or assembled by a manufacturer through a single outlet, irrespective of capitalization.

(2) "High-end or luxury goods" shall refer to goods which are not necessary for life maintenance and whose demand is generated in large part by the higher income groups. Luxury goods shall include, but are not limited to, products such as: jewelry, branded or designer clothing and footwear, wearing apparel, leisure and sporting goods, electronics and other personal effects.

SEC. 4. *Treatment of Natural-Born Citizen Who Has Lost His Philippine Citizenship.* - A natural-born citizen of the Philippines who has lost his Philippine citizenship but who resides in the Philippines shall be granted the same rights as Filipino citizens for purposes of this Act.

SEC. 5. *Foreign Equity Participation.* - Foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the Securities and Exchange Commission (SEC) and the Department of Trade and Industry (DTI), or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following categories:

Category A - Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than Two million five hundred thousand US dollars (US$2,500,000.00) shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.

Category B - Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of Two million five hundred thousand US dollars (US$2,500,000.00) but less than Seven million five hundred thousand US dollars (US$7,500,000.00) may be wholly owned by foreigners except for the first two (2) years after the effectivity of this Act wherein foreign participation shall be limited to not more than sixty percent (60%) of total equity.

Category C - Enterprises with a paid-up capital of the equivalent in Philippine Pesos of Seven million five hundred thousand US dollars (US$7,500,000.00) or more may be wholly owned by foreigners: *Provided, however,* That in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of Eight hundred thirty thousand US dollars (US$830,000.00).

Category D - Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of Two hundred fifty thousand US dollars (US$250,000.00) per store may be wholly owned by foreigners.

The foreign investor shall be required to maintain in the Philippines the full amount of the prescribed minimum capital,

Many will
Come in especially
w/ good lawyers

Vague

unless the foreign investor has notified the SEC and the DTI of its intention to repatriate its capital and cease operations in the Philippines. The actual use in Philippine operations of the inwardly remitted minimum capital requirement shall be monitored by the SEC.

Failure to maintain the full amount of the prescribed minimum capital prior to notification of the SEC and the DTI, shall subject the foreign investor to penalties or restrictions on any future trading activities/business in the Philippines.

Foreign retail stores shall secure a certification from the Bangko Sentral ng Pilipinas (BSP) and the DTI, which will verify or confirm inward remittance of the minimum required capital investment.

SEC. 6. *Foreign Investors Acquiring Shares of Stock of Local Retailers.* - Foreign investors acquiring shares from existing retail stores whether or not publicly listed whose net worth is in excess of the peso equivalent of Two million five hundred thousand US dollars (US$2,500,000.00) may purchase only up to a maximum of sixty percent (60%) of the equity thereof within the first two (2) years from the effectivity of this Act and thereafter, they may acquire the remaining percentage consistent with the allowable foreign participation as herein provided.

SEC. 7. *Public Offering of Shares of Stock.* - All retail trade enterprises under Categories B and C in which foreign ownership exceeds eighty percent (80%) of equity shall offer a minimum of thirty percent (30%) of their equity to the public through any stock exchange in the Philippines within eight (8) years from their start of operations.

SEC. 8. *Qualifications of Foreign Retailers.* - No foreign retailer shall be allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

(a) A minimum of Two hundred million US dollars (US$200,000,000.00) net worth in its parent corporation for Categories B and C, and Fifty million US dollars (US$50,000,000.00) net worth in its parent corporation for Category D;

(b) Five (5) retailing branches or franchises in operation anywhere around the world unless such retailer has at least one (1) store capitalized at a minimum of Twenty-five million US dollars (US$25,000,000.00);

(c) Five (5)- year track record in retailing; and

(d) Only nationals from, or juridical entities formed or incorporated in countries which allow the entry of Filipino retailers shall be allowed to engage in retail trade in the Philippines.

The DTI is hereby authorized to pre-qualify all foreign retailers, subject to the provisions of this Act, before they are allowed to conduct business in the Philippines.

The DTI shall keep a record of qualified foreign retailers who may, upon compliance with law, establish retail stores in the Philippines. It shall ensure that the parent retail trading company of the foreign investor complies with the qualifications on capitalization and track record prescribed in this section.

The Inter-Agency Committee on Tariff and Related Matters of the National Economic Development Authority (NEDA) Board shall formulate and regularly update a list of foreign retailers of high-end or luxury goods and render an annual report on the same to Congress.

SEC. 9. *Promotion of Locally Manufactured Products.* - For ten (10) years after the effectivity of this Act, ~~at least~~ thirty percent (30%) of the aggregate cost of the stock inventory of foreign retailers falling under Categories B and C and ten percent (10%) for Category D shall be made in the Philippines.

SEC. 10. *Prohibited Activities of Qualified Foreign Retailers.* - Qualified foreign retailers shall not be allowed to engage in certain retailing activities outside their accredited stores through the use of mobile or rolling stores or carts, the use of sales representatives, door-to-door selling, restaurants and sari-sari stores and such other similar retailing activities: *Provided*, That a detailed list of prohibited activities shall hereafter be formulated by the DTI.

goods in the Phil, shelves here

within your premises, if you sell it outside it is no longer stock inventory

SEC. 11. *Implementing Agency; Rules and Regulations.* - The monitoring and regulation of foreign sole proprietorships, partnerships, associations, or corporations allowed to engage in retail trade shall be the responsibility of the DTI. This shall include resolution of conflicts.

The DTI, in coordination with the SEC, the NEDA and the BSP shall formulate and issue the implementing rules and regulations necessary to implement this Act within ninety (90) days after its approval.

SEC. 12. *Penalty Clause.* - Any person who shall be found guilty of violation of any provision of this Act shall be punished by imprisonment of not less than six (6) years and one (1) day but not more than eight (8) years, and a fine of not less than One million pesos (P1,000,000.00) but not more than Twenty million pesos (P20,000,000.00). In the case of associations, partnerships or corporations, the penalty shall be imposed upon its partners, president, directors, manager and other officers responsible for the violation. If the offender is not a citizen of the Philippines, he shall be deported immediately after service of sentence. If the Filipino offender is a public officer or employee, he shall, in addition to the penalty prescribed herein, suffer dismissal and permanent disqualification from public office.

SEC. 13. *Repealing Clause.* - Republic Act No. 1180, as amended, is hereby repealed. Republic Act No. 3018, as amended, and all other laws, executive orders, rules and regulations or parts thereof inconsistent with this Act are repealed or modified accordingly.

SEC. 14. *Separability Clause.* - If any provision of this Act shall be held unconstitutional, the other provisions not otherwise affected thereby shall remain in force and effect.

SEC. 15. *Effectivity.* - This Act shall take effect fifteen (15) days after its approval and publication in at least two (2) newspapers of general circulation in the Philippines.

Approved,

MANUEL B. VILLAR, JR.
Speaker of the House of Representatives

BLAS F. OPLE
President of the Senate

This Act, which is a consolidation of Senate Bill No. 153 and House Bill No. 7602, was finally passed by the Senate and House of Representatives on February 15, 2000.

ROBERTO P. NAZARENO
Secretary General House of Representatives

HEZEL P. GACUTAN
Secretary of the Senate

Approved:

MAR 0 7 2000

JOSEPH E. ESTRADA
President of the Philippines

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ELEVENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

S E N A T E

COMMITTEE REPORT NO. 41

Submitted by the Committee on Trade and Commerce on April 28, 1999

Re: S. No. 153

Recommending its approval with amendments

Dissenting: Senators Magsaysay, Jr., Coseteng and Legarda-Leviste

Sponsor: Senator Osmeña III

MR. PRESIDENT:

The Committee on Trade and Commerce, to which was referred S. No. 153, introduced by Senator Osmeña III, entitled:

"AN ACT LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 1180, AS AMENDED, AND FOR OTHER PURPOSES"

has considered the same and has the honor to report it back to the Senate with the recommendation that it be approved with the following amendments:

1. On page 1, line 2, replace the number "8" to "9";
2. On page 1, line 7, after the comma (,) after the word "consumer", insert the words "PROMOTE INVESTMENTS";
3. On page 1, lines 7-8, delete the phrase "stimulate economic growth";
4. On page 1, line 9, after the comma (,) after the word "manufacturers", insert the phrase "STIMULATE ECONOMIC GROWTH";
5. On page 2, line 14, insert the following phrase at the start of the sub-paragraph "SALES IN RESTAURANT OPERATIONS BY";
6. On page 2, line 14, insert the word and a hyphen "INN-" before the word "keeper";
7. On page 2, line 14, delete the phrase "operating a restaurant" after the word "keeper";
8. On page 2, line 23, delete the comma (,) between the words "registration" and "with";

9. On page 2, line 29, delete the word "Five" and replace with "ONE HUNDRED";

10. On page 2, line 29, delete the figure "₱5,000,000" and replace with "₱100,000,000";

11. On page 2, line 30, delete the comma (,) after the word "citizens" and replace with the word "AND";

[illegible] natural born citizens of the Philippines";

13. On page 3, lines 3-9, delete the entire paragraph;

14. On page 3, line 10, replace the letter "C" after the word "Category" to "B";

15. On page 3, line 10, replace the word "Ten" with "ONE HUNDRED";

16. On page 3, line 11, replace the figure "₱10,000,000" with "₱100,000,000";

17. On page 3, between lines 12 and 13, insert a new "Category C" as follows:

> "CATEGORY C - ENTERPRISES SPECIALIZING IN HIGH-END OR LUXURY PRODUCTS WITH A PAID-UP CAPITAL OF ONE MILLION PESOS (₱1,000,000) PER BRANCH MAY BE OWNED ONE HUNDRED PERCENT (100%) BY FOREIGNERS: *PROVIDED*, THAT SUCH BRANCH IS LOCATED WITHIN SHOPPING CENTERS.;

18. On page 3, line 13, delete the comma (,) between the words "that" and "for";

19. On page 3, line 16, insert the word "FURTHER" between the comma (,) and "That";

20. On page 3, line 16, delete the comma (,) between the words "that" and "five";

21. On page 3, line 16, after the word "That", insert the following phrase "FOREIGN RETAILERS ENTERING THE PHILIPPINES";

22. On page 3, line 16, delete the word and figure "five (5)" and replace with the word and figure "TWO (2)";

23. On page 3, line 17, delete the words and figure "one hundred percent (100%)" and insert the following "SHALL BE ALLOWED NOT MORE THAN SIXTY PERCENT (60%)";

24. On page 3, line 17, before the word "equity", delete the word "foreign";

25. On page 3, line 18, delete the words "shall be allowed";

26. On page 3, lines 19-22, delete the rest of the sub-paragraph" with a minimum paid-up capital of Five million pesos (₱5,000,000): *Provided*, That foreign investors in Category B enterprises shall not be allowed options to buy any part of its local partner's [redacted]

27. [redacted]

28. On page 4, line 2, after the acronym "(BSP)" insert the following "AND THE DEPARTMENT OF TRADE AND INDUSTRY";

29. On page 4, lines 5-9, delete the entire paragraph;

30. On page 4, line 13, delete the apostrophe (') in the word "It's";

31. On page 4, line 16, before the word "may" insert the words "OR MORE";

32. On page 4, line 16, delete the words "capitalized at less than" and replace with "WITH A PAID-UP CAPITAL OF";

33. On page 4, line 17, delete the word "situated" and replace with "ESTABLISHED";

34. On page 4, line 19, delete the word "but" and replace with "AND IN";

35. On page 4, line 20, delete the words "are included" and replace with "AND IN THE PROVINCES OF CAVITE, LAGUNA, RIZAL AND BULACAN";

36. On page 4, line 20, replace the period (.) with a colon (:) and insert the following "*PROVIDED, HOWEVER,* THAT";

37. On page 4, line 20, change the capital letter "F" in "Foreign" to small letter "f";

38. On page 4, line 21, delete the words "National Capital Region" and replace with "AFOREMENTIONED AREAS";

39. On page 4, line 22, after the word "the" insert the words "SECRETARY OF THE";

40. On page 5, lines 9-29, delete the entire Section 6, Renumber the succeeding sections accordingly;

41. On page 6, line 2, after the word "selling" insert the phrase "AND SUCH OTHER SIMILAR RETAILING ACTIVITIES";

42. On page 6, line 13, delete the word "Act"; and

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43. On page 7, line 5, insert the word "THEREBY" between the words "affected" and "shall".

Respectfully submitted:

- dissent
(Sgd.) RAMON B. MAGSAYSAY, JR.
Chairman
Committee on Trade and Commerce

VICE CHAIRMEN:

- dissent
(Sgd.) ANNA DOMINIQUE M.L. COSETENG

- with amendments
(Sgd.) ROBERT S. JAWORSKI

(Sgd.) SERGIO R. OSMEÑA III

M E M B E R S:

(Sgd.) RODOLFO G. BIAZON

- with reservations
(Sgd.) JUAN M. FLAVIER

- with amendments
(Sgd.) RENATO L. "COMPAÑERO" CAYETANO

with amendments
(Sgd.) VICENTE C. SOTTO III

- dissent due to inappropration of timing
(Sgd.) LOREN LEGARDA-LEVISTE

EX-OFFICIO MEMBERS:

- with reservations & amendments
(Sgd.) BLAS F. OPLE
President Pro-Tempore

(Sgd.) FRANKLIN M. DRILON
Majority Leader

- with reservations & amendments
(Sgd.) TEOFISTO T. GUINGONA, JR.
Minority Leader

HONORABLE MARCELO B. FERNAN
President of the Senate
Pasay City

agl/aar

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ELEVENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

SENATE

S. No. 153

Introduced by Senator Osmeña III

AN ACT
LIBERALIZING THE RETAIL TRADE BUSINESS, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 1180, AS AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Title*. - This Act shall be known as the "Retail Trade Liberalization Act of 1998."

SEC. 2. *Declaration of Policy*. - It is the policy of the State to attract, promote and welcome from domestic and foreign individuals, partnerships, associations, and corporations productive investments that will bring down prices for the Filipino consumer, stimulate economic growth, create more jobs, promote tourism, assist small manufacturers, and enable Philippine goods and services to become globally competitive through the liberalization of the retail trade sector.

Pursuant to this policy, the Philippine retail industry is hereby liberalized to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices.

SEC. 3. *Definition*. - As used in this Act, "retail trade" shall mean any act, occupation or calling of habitually selling merchandise, commodities or goods in small quantities directly to the ultimate consumer for personal or household consumption, excluding the following, to which the restrictions of this law shall not apply:

(a) Sales by a manufacturer, processor, laborer, or worker, to the general public the products manufactured, processed or produced by him if his capital does not exceed One hundred thousand pesos (₱100,000);

(b) Sales by a farmer or agriculturist selling the products of his farm;

(c) Sales by a manufacturer or processor to industrial and commercial users or consumers who use the products bought by them to render service to the general public and/or to produce or manufacture goods which are in turn sold by them;

(d) A hotel owner or keeper operating a restaurant, irrespective of the amount of capital, provided that the restaurant is incidental to the hotel business;

(e) Sales by a manufacturer or processor to the government or its agencies, including government owned and controlled corporations.

SEC. 4. *Foreign Equity Participation.* - Foreign partnerships, associations, and corporations not otherwise disqualified by the Constitution or by law, may, upon registration, with the Securities and Exchange Commission and the Department of Trade and Industry, or in case of single proprietorships, with the Department of Trade and Industry, engage or invest in the retail business, subject to the following categories:

Category A - Enterprises with a paid-up capital of less than Five million pesos (₱5,000,000) shall be reserved exclusively for Filipino citizens, corporations wholly owned by Filipino citizens and former natural born citizens of the Philippines;

Category B - Enterprises with a paid-up capital of at least Five million pesos (₱5,000,000) but less than Ten million pesos (₱10,000,000), shall qualify for foreign equity participation of up to sixty percent (60%): *Provided*, That former natural born citizens of the Philippines shall be qualified to one hundred percent (100%) equity participation;

Category C - Enterprises with a paid-up capital of Ten million pesos (₱10,000,000) or more may be one hundred percent (100%) owned by foreigners;

Provided, That, for purposes of this Act, the term Filipino citizens shall include former natural born citizens of the Philippines.

Provided, That, five (5) years after the effectivity of this Act, one hundred percent (100%) foreign equity participation shall be allowed in retail trade enterprises with a minimum paid-up capital of Five million pesos (₱5,000,000). *Provided*, That, foreign investors in Category B enterprises shall not be allowed options to buy any part of its local partner's equity.

Provided, further, That, all retail trade enterprises in which foreign ownership exceeds 75% shall offer a minimum of thirty percent (30%) of its equity to the public through any stock exchange in the Philippines within ten (10) years of start of operations while those enterprises with foreign ownership between sixty percent (60%) and seventy-five percent (75%) shall offer a minimum of fifteen percent (15%) of its equity to the public.

Foreign investors shall secure a certification from the *Bangko Sentral ng Pilipinas* (BSP), which will verify or confirm inward remittance of the minimum required capital investment.

For enterprises classified under Categories B and C, the minimum paid-up capital requirement for each branch situated within shopping centers shall be One million pesos (₱1,000,000) and Five million pesos (₱5,000,000) for branches not located within shopping centers.

As contrasted against public markets, a shopping center is a modern retailing complex, open or enclosed, in which at least twenty (20) retail establishments are operating. It's boundaries shall include its parking lots. The Department of Trade and Industry shall be authorized to approve shopping centers where foreign retail branches capitalized at less than One million pesos (₱1,000,000) may be situated.

Foreign retail stores shall be established only in cities but municipalities within the National Capital Region are included. Foreign retail stores may be established in municipalities outside the National Capital Region upon submission to the DTI of a board resolution from the concerned *Sangguniang Bayan* requesting that foreign retailers be permitted to conduct business in their municipalities: *Provided, further,* That said *Sangguniang Bayan* shall not discriminate among foreign retailers.

SEC. 5. *Requirements for Foreign Retailers.* – Any foreign retailer, before being allowed to engage in the retail trade in the Philippines, must have no less than:

(a) Fifty-million U.S. dollars (US$50,000,000) in paid-up capital in its mother corporation;

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(b) Five (5) retailing branches or franchisees : operation anywhere around the world unless such retailer h(at least one branch capitalized at a minimum of twenty-five million,US dollars (US$25.000,000): and

(c) Five (5) year track record in retailing.

The Department of Trade and Industry is hereby authorized to pre-qualify all foreign retailers before the are allowed to conduct business in the Philippines.

SEC. 6. *Foreign Companies with Existing Franchise Agreement/s.* - Any existing franchise agreement between foreign franchisor and a Filipino franchisee operating store or stores exclusively offering a particular line c products or services shall be respected. The foreign franchisor shall not be allowed to compete against its local franchisee by opening a wholly or partially owned store selling the same product line, using the same trade name c offering the same service for a period of ten (10) year from the effectivity of this Act, unless the local franchisee agrees otherwise. However, the foreign franchisor, subject to the approval of its local franchisee may acquire up to a maximum of forty percent (40%) in the equity of the Philippine franchise.

For purpose of this Act, franchise shall be defined a a contract between a foreign company and a Filipino national to operate a store or stores utilizing the foreign company' patented product and/or services or a store or store dedicated to a specific brand or line of products within the Philippines. Dealerships and distributorships are not covered by this Section.

SEC. 7. *Negative List.* - Qualified foreign retailer shall not be allowed to engage in certain retailing activities such as retailing through mobile or rolling stores or carts, multi-level selling, and door-to-door selling.

SEC. 8. *Implementing Agency; Rules and Regulations.* - The monitoring and regulation of foreign sole proprietorships, partnerships, associations, or corporations allowed to engage in retail trade shall be the responsibility of the Department of Trade and Industry.

The Department of Trade and Industry, in coordination with the Securities and Exchange Commission, the National Economic Development Authority, and the *Bangko Sentral ng Pilipinas* shall formulate and issue the implementing rules and regulations necessary to implement this Act within ninety (90) days after its approval Act.

SEC. 9. *Penalty Clause.* - Any violation of this Act shall be punished by imprisonment of not less than one (1) year but not more than five (5) years and by a fine of not less than One million pesos (₱1,000,000) but not more than Ten million pesos (₱10,000,000). In the case of associations, partnerships or corporations, the penalty shall be imposed upon its partners, president, directors, manager, and other officers responsible for the violation. If the offender is not a citizen of the Philippines, he shall be deported immediately after service of sentence. If the Filipino offender is a public officer or employee, he shall, in addition to the penalty prescribed herein, be dismissed from the public service, perpetually disenfranchised, and perpetually disqualified from holding any public office.

SEC. 10. *Repealing Clause.* - Republic Act No. 1180 is hereby repealed. All other laws, executive orders, rules

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and regulations or parts thereof inconsistent with this Act are repealed or modified accordingly.

SEC. 11. *Separability Clause.* - If any provision of this Act shall be held unconstitutional, the other provisions not otherwise affected shall remain in force and effect.

SEC. 12. *Effectivity.* - This Act shall take effect fifteen (15) days after its approval and publication in at least two (2) newspapers of general circulation in the Philippines.

Approved,

fea/ED/Aug98

COMPARATIVE ASSESSMENT BETWEEN THE PHILIPPINES AND OTHER COUNTRIES

INTRODUCTION

Over the last few years, foreign direct investment has become a major source of financing flows to developing countries. In addition to providing capital to the host country, foreign investment has also brought the improvement of technological and managerial standards, an increase in labor productivity, and better access to export markets.

A favorable economic performance generally attracts foreign investment. However, the host country's regulations and policies with respect to foreign investment have also been cited to be a major determinant of the amount of foreign investment a country actually receives. Greater openness makes developing countries, particularly Asian countries, more sensitive to external conditions. Despite the slowdown in growth of world trade during the 1960-1970 period, Asia's outward looking developing countries fared rather well by taking advantage of expanded trade in manufactures and maintaining international competitiveness.

The Philippines has lagged behind most of its Asian neighboring countries which have attained higher rates of real output growth and export expansion. The trend towards market-based and export-oriented development strategies has led to liberalization moves by various countries not only in Asia but also in Africa and Latin America. Consistent with the liberalization trend, the Philippines enacted in 1991 a Foreign Investments Act which allowed entry of foreign investors in many sectors of the economy. However, retail trade is not among the liberalized sectors.

In this section, a comparison of the retail trade sector in eight developing and newly industrializing countries is made. The purpose of the analysis is not only to highlight the relative size of each country's retail trade sector, but also to indicate its degree of openness with respect to foreign investment in the said sector. The end-objective of this analysis is to compare the status and progress of the Philippine retail trade sector vis-a-vis those of Indonesia, Korea, Malaysia, Mexico, Taiwan, Thailand, and Singapore and provide an appropriate framework for policy reform for the Philippines using the relevant experiences of other countries.

OVERALL PATTERNS AND TRENDS

From 1970 until 1990, the average GDP shares of the wholesale and retail sector in each of the eight countries remained at relatively high levels with averages during this period ranging from 11.8 percent for Malaysia to 26.6 percent for Mexico (see Table 28). The GDP shares of countries (such as Thailand and Singapore) that have liberalized their retail trade sector earlier are much higher compared to those in countries that have liberalized later (e.g. Korea and Malaysia).

Table 28
Comparative Shares of Wholesale and Retail Sector to Total GDP, 1970-1990
(In Percent of GDP)

	1970	1980	1985	1990	Average
Indonesia	16.4	15.4	14.6	16.1	15.6
Korea	12.7	12.3	12.2	12.6	12.4
Malaysia	12.0	12.1	12.1	11.0	11.8
Mexico	25.9	28.0	26.7	25.9	26.6
Philippines	11.2	13.2	15.7	15.0	13.8
Singapore	22.5	18.9	17.0	17.5	18.9
Taiwan	13.4*	12.9	13.9	15.5	13.9
Thailand	22.5	21.3	20.9	22.4	21.7

* Refers to 1975.

Sources: United Nations, National Accounting Statistics: Main Aggregates and Detailed Tables, 1990.
Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries, 1993.
Price Waterhouse, Doing Business in Taiwan, 1992.

In terms of the retail sector's value added per worker in 1990, countries with the highest levels include Singapore (US$ 74,902) and Thailand (US$ 51,383). Based on 1988 data, Taiwan's retail industry posted an even higher value added per worker at US$132,760 compared to that of Thailand and Singapore. In addition, except for Korea and Thailand which posted slightly higher growth rates in private final consumption expenditures (PFCE) between the periods 1970 to 1980 and 1980 to 1990, all the other countries' PFCE dropped during the above-mentioned periods (see Table 29).

Table 29
Profile of the Retail Sector in Selected Countries
1990

Country	Value Added Per Worker* (US$)	GDP Growth Rate (In Percent)		Private Final Consumption Expenditures Growth Rate (In Percent)	
		1970-80	1980-90	1970-80	1980-90
Indonesia	24,220	7.2	5.6	24.9	5.6
Korea	17,176	8.1	9.3	6.6	8.2
Malaysia	1,409	7.9	5.9	14.4	5.2
Mexico	217	6.6	1.7	24.7	1.6
Philippines	1,425	5.9	1.8	4.7	3.0
Singapore	74,902	9.0	7.1	7.1	5.8
Taiwan	132,740**	9.7	7.7	n.a.	22.1***
Thailand	51,383	6.8	7.8	6.2	6.2

Note: Due to the wide discrepancy between the figures for years 1970 and 1980 in the 1990 United Nations National Accounts Statistics Report as a result of adjustments in statistical methodologies, figures from the 1993 World Development Report were used to derive the 1970 to 1980 GDP growth rate for Indonesia and Malaysia. The rest of the growth rates for period 1970 to 1980 and 1980 to 1990 were computed using the United Nations Statistics.

n.a. - not available
* - Corresponds to wholesale and retail trade.
** - Reflects 1988 figures.
*** - Reflects 1986 to 1990 growth rate.

Sources of Base Data: United Nations, National Accounts Statistics: Main Aggregates and Detailed Tables, 1990.
World Bank, World Development Report, 1993.
EUROMONITOR, International Marketing Data and Statistics, 1993.

New retail establishments are expected to be established in most of the countries under study. Competitive pressures in these countries are compelling existing retailers to widen their supply network and upgrade facilities before business rivals decide to operate in the same area. Local retailers are expected to focus on providing service to a larger audience across a wider geographical area and catering to lower and middle income groups. On the other hand, foreign retailers are targeting the upper income segments of the market. These developments in the retail trade sector will result in an increasingly competitive environment. Price competition between outlets is likely to become more keen. An oversupply of certain outlets will exist for a given period until retailers adjust to the changing environment and adopt marketing strategies aimed at positioning. Foreign retailers and new entrants would pioneer redirecting strategies towards market niching and away from the traditional retailing strategy of price competition.

Two market segments in the retailing sector will eventually emerge: large local retailers that will adopt a strategy to attain economies of scale, and foreign stores (some with local partners) that will aim for market prominence and long-term profitability by targeting the upscale market in these countries. A more specialized and diversified retail trade sector will take shape.

One-store department stores will expand and transform into chain store outfits using new management techniques. New technologies involving point of sale (POS) information systems and barcoding will grow at a faster rate. In some countries (e.g. Malaysia, Thailand, Indonesia, and the Philippines) retail trade developments such as the growth of the supermarket industry have initiated the modernization efforts which started the trend of getting people to buy their fruits, vegetables, and most supplies from the supermarkets rather than at public markets or sidewalk vendors. In the mature stage of retail trade sector development, strategic alliances between local retailers and foreign investors would become a reasonable survival strategy. Training programs aimed at maximizing employees' potential capabilities and efficiency will be encouraged by the retailer groups. In addition, convenience stores will proliferate.

POLICIES OF HOST GOVERNMENTS ON FOREIGN INVESTMENT IN RETAIL TRADE

Policy makers in developing countries have passed through periods of changing attitudes towards allowing foreign investment, in general, and foreign investment in retail trade, in particular. This is partly explained by a widespread ambivalence - a positive interest in its potential role in development and a negative view of foreign control over the local economy. However, during the 1980s, a widespread shift towards a generally more positive attitude occurred. The global debt crisis led many countries to ease their restrictions on foreign investments and put increased emphasis on market-based trade, investment, and export policies. One particular trend that has been evident over the last two decades is the decline in the incidence of expropriation. Although expropriation has thus waned as a problem for investors, host countries have adopted diverse restrictions in an effort to influence the inflow of foreign investment in the retail trade sector. These policy components are described below in summary form for the Philippines vis-a-vis the other seven selected host countries (see Table 30).

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Table 30
Comparative Experiences of Selected Countries
Regarding Foreign Participation In Retail Distribution Activities
1993

Status/Function	Indonesia	Korea	Malaysia	Mexico
Nature of Foreign Investment Code or Act	Foreign investment in retail trade not permitted as of 1993. Wholesale activities permitted with some restrictions.	July 1981 code established opening of retail markets. Oct. 1988 formulated open door, step-by-step policy as part of trade promotion.. 1993 begins third phase liberalization plan for "open" access by 1998.	Retail sector open to foreign investors with 30% or less equity, with no incentives. Emphasis, with incentives, on hi-tech, hi-value added or export industries.	Since 1988 foreign investments actively encouraged. Few impediments to foreign capital investment; foreign equity allowed to reach 100% in most sectors.
Nature of Foreign Participation	No significant foreign investment in retail. Franchising operations expanding rapidly.	Limited foreign investment as a result of limits on size and number of stores, high import tariffs and intangible restrictions.	Bumiputras law restricts foreign ownership to 30 percent or lower. Many Malaysian foreign operations are subsidiaries of Singapore foreign joint ventures.	Since 1988 foreign investments actively encouraged. No impediments to foreign capital in retail, wholesale trade.
Investment Incentives	None.	None.	Many fiscal incentives for industrial projects. No incentives for retail operations.	None. No investment incentives for distribution.
Current Business Climate	Liberalization in progress. Economy is fairly strong.	Small retailers continue to oppose opening of super stores (above 3,000 sq.m.).	Strong economic growth in manufacturing, chemicals and food products. Retail growth has been steadily growing with many foreign joint ventures.	Extreme optimism. Mexico anticipates adoption of NAFTA.
Impetus for Liberalization	Need to maintain competitive position vis-a-vis other nations.	US, European and Japanese officials pressure Korea to open markets as quid pro quo for access to foreign markets.	Continue to allow foreign retail diversification on a minority equity basis.	Mexican economy rapidly becoming fully liberalized and privatized.
Impact and Cost Benefit of Prospective Liberalization	Cost/benefit of liberalization to be compared with impact on domestic retailers.	Congestion in urban areas and closing of small shops will slow growth of large foreign retailers. Benefits will be lower prices and greater value.	Consumer and industrial customers benefit from foreign retail/wholesale distribution joint ventures.	Economic indicators are bullish.
Illustrative Foreign Investment	No significant foreign investment in retail operations. Many indirect alliances between Chinese-based organizations and foreign investors and operators.	Total investment as of 1991 was US$65 million, US$27 million of which were made by US firms. Franchised fast food operations becoming popular.	Many Singapore-based retail joint ventures, TOYS-R-US a US mass merchant and Japanese retail operations.	GM, Ford, Chrysler, Nissan Motors have major auto operations; since 1980s Pepsi Cola, McDonald's and Pizza Hut places abound. Wal-Mart entered last year. Foreign investments rose five fold in past few years, as result of return of flight capital during 1980s.
Average Share of Retail/Wholesale Trade to GDP (Constant Prices), 1970 to 1990	15.6%	12.4%	11.8%	26.6%
CAGR, Gross Value Added of Retail/ Wholesale Trade 1970 to 1990	16.8%	8.7%	10.1%	13.2%

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Table 30 (Cont'd.)
Comparative Experiences of Selected Countries
Regarding Foreign Participation in Retail Distribution Activities
1993

Status/Function	Philippines	Singapore	Taiwan	Thailand
Nature of Foreign Investment Code or Act	Foreign Investments Act of 1991 does not permit foreign investment in retail trade.	Open for foreign ownership in retail and wholesale distribution without incentives.	Most services and distribution operations open to foreigners since 1986.	Open to retail US investors since 1966. Other retail foreign investors should be minority owners. Locally produced foodstuffs can not be sold in Thailand by foreign company.
Nature of Foreign Participation	Use of brandname and franchising operations.	Guideline for new foreign investors is 51 percent local ownership in retail operations. Exceptions occur - TOYS-R-US owns 50 percent of a 3-store operation.	Japanese retailers have 23 percent of large scale business in Taipei. US firms represented on small scale.	Foreign participation limited to 49 percent unless large capital investment required, or high technology imported. Trade Free Zones allow 100 percent foreign equity with 100% export.
Investment Incentives	BOI incentives exist for projects classified as export-oriented or tourism-oriented.	Many fiscal and non-fiscal incentives for high-technology, high-value added industries. No incentives exist for retail/ wholesale operations.	None for distribution.	Many fiscal incentives for industrial projects. None for retail operations.
Current Business Climate	Liberalization is contemplated.	Economy adjusting to post low labor cost era. Hi-technology, and multi-national base manufacturing being encouraged.	Further liberalization proposed.	Supermarket, department store glut, as a result of rapid industrial economic growth. Japanese stores continue to expand.
Impetus for Liberalization	To enhance competition and efficiency.	Singapore is an alternative to Hong Kong as a regional shopping center.	Capital from Hong Kong is being combined with Japanese capital and distribution technology.	Continue policy of foreign retail joint ventures as it demonstrates overall benefits to consumers.
Impact and Cost Benefit of Prospective Liberalization	Compares increased sales of foreign retailers with decreased sales of local retailers.	ASEAN Free Trade agreement will further reduce duties in neighboring countries and assist regional wholesalers.	Cost of goods falling and availability rising as liberalization continues.	Foreign retail investors bring in foreign exchange and merchandise not solely relying on domestic sources.
Illustrative Foreign Investment	Negligible foreign investment in retail operations.	Many food franchises, foreign wholesale distribution companies, specialty department stores and Japanese general department stores.	Eighteen Japanese companies represented in over 100 stores. US based TOYS-R-US has 3 outlets. Extensive operations of 7-11 franchise.	Large number of foreign joint ventures in department stores and supermarkets.
Average Share of Retail/Wholesale Trade to GDP (Constant Prices), 1970 to 1990	13.8%	18.9%	14.4%	21.8%
`AGR, Gross Value Added of Retail/ Wholesale Trade 1970 to 1990	3.7%	6.8%	20.6% (1988 to 1992)	7.2%

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Table 31 shows the various rules governing foreign participation in liberalized areas in these countries.

Table 31
Rules Governing 100 Percent Foreign Equity Participation in Liberalized Areas of Economies of Eight Selected Countries
1993

Rules	Indonesia	Korea	Malaysia	Mexico
Capital Requirements	A project must have a paid-up capital of at least US$450 million	None	At least $50 million (Malaysian) in fixed asset investment (excluding land) or in projects that generate 50 percent or more value added. This rule only applies to projects exporting less than 80 percent of their output.	Initial investment in fixed assets during pre-operating stage may not exceed US$100 million. For larger investments investors must inform the authorities.
Divestment Rules	In the first five years of commercial operation, 5% equity may be offered to local partners; after 15 years, it should be increased to 20 %.	None	None	None
Floor Space Restriction in Retail Trade	None	Not to exceed 2,000 sq.m.	None	None
Access to Capital Markets	None	None	Foreign investors have access to local capital markets but are required to source at least 60% of local borrowings from a domestically incorporated bank.	An investment must consist of foreign funds. Investment may use funds held in Mexico. Companies must maintain an overall favorable foreign exchange balance during the first three years of operation.

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Table 31 (cont.)
Rules Governing 100 Percent Foreign Equity Participation in Liberalized Areas of Economies of Selected Countries

Rules	Philippines	Singapore	Taiwan	Thailand
Capital Requirements	At least US$500,000 paid-in capital in small and medium sized domestic enterprises, unless they are involved in advanced technology as defined by the Department of Science and Technology.	To avail of 50 percent exemption of tax on qualifying profits, a minimum investment of US$2million is required in buildings and production equipment for the establishment/ improvement of warehousing facilities for export goods; or for providing technical and engineering services wholly or mainly to non-residents of Singapore.	The minimum capital requirement for trading is NT$5 million and NT$1 million for other businesses.	None
Divestment Rules Requirements	None	None	None	For large projects (excluding land and working capital) that entail over 1,000 million baht, 100% foreign ownership is allowed for five years after start-up. Thai ownership must be 51% after five years.

Table 31 (cont.)
Rules Governing 100 Percent Foreign Equity Participation in Liberalized Areas of Economies of Selected Countries

Rules	Philippines	Singapore	Taiwan	Thailand
Floor Space Restriction in Retail Trade	None	None	None	None
Access to Capital Markets	None	None	None	None

Indonesia

Although Indonesia is steadily liberalizing its economy and encouraging private sector participation, it still does not permit foreign investments in the retail trade sector. Products of foreign firms in Indonesia may not even be sold to local retail outlets. In 1991, the wholesale distribution sector was opened to foreign capital with the condition that joint venture partners hold a majority of shares within a prescribed time.

Korea

Impediments to retail foreign investment still exist, principally in terms of high import tariffs, size of operation (presently 2,000 square meters) and number of outlets that can be owned by a foreign firm. These and other restrictions, particularly those imposed on large stores that wish to operate in congested areas also affect domestic retail firms.

Since 1990, the wholesale sector in Korea has been generally open. There are, however, some restrictions causing difficulties in penetrating domestic business cartels, and overcoming local municipal rules.

In 1991, the retail business was opened to foreign investors. In particular, foreign investment was allowed in businesses with not more than ten stores and with each store having a space of less than 1,000 square meters.

As of 1993, restrictions on the size and nature of retail operations were further relaxed to permit foreign participation in businesses with not more than ten retail stores with floor space of each store not exceeding 2,000 square meters. Size limitation is expected to increase to 3,000 square meters. Beginning July 1993, foreigners can participate up to 50 percent of investment in distribution activities.

Full access to Korean distribution operations is expected to be reached not later than 1998 under existing guidelines calling for further step-by-step liberalization efforts.

Malaysia

In general, Malaysia's foreign investment regulations specifically target manufacturing industries engaged in exports, high technology, and high investment requirements. Investment incentives are geared towards attracting high technology, high value-added, and export-oriented industries.

The retail trade sector is open to foreign investors with 30 percent or less equity, and with no incentives. The entry of major business groups is transforming the retail trade sector in Malaysia. Some of the well-known stores which entered the retail market between 1984 and 1991 include Chujitsu, Jaya Jusco, Yaohan, Parkson, Sogo, Isetan, Kerry's and CK Tang. Large-scale operations are expected to dominate Malaysia's retail industry.

Malaysia's positive attitude towards foreign investment in the retail trade sector is supported by its openness to the entry of new foreign retailers despite the situation that existing national and foreign retailers are already serving the market well.

Mexico

Since 1988, Mexico has moved from a policy of restricted foreign investment into one of nearly complete liberalization. Investments in retail and wholesale businesses are open to foreigners on the same basis as domestic firms. One hundred (100) percent foreign ownership is permitted, although almost all foreign firms have local equity partners. Some of the principal U.S. retail establishments include Wal-Mart, Sears, and J.C. Penny. There are no specific incentives offered to investors, local or foreign, in retail or wholesale businesses.

Philippines

The Foreign Investments Act of 1991 (R.A. 7042) or FIA, allows the entry of foreign investors into many sectors of the economy. However, activities mandated by existing laws to be prohibited to foreign investors are retained. One of these restricted areas is the retail trade sector. Instead of improving access in the retail and wholesale sector, FIA added one more restriction in its transitory negative list for this sector. It restricts foreign investment in import and wholesale activities not integrated with production or manufacture of goods.

Singapore

The Singapore market has always been open to foreign investment in both retail and wholesale trade. Foreign equity can be 100 percent for any enterprise unless noted. The Singapore government, however, prefers to see joint ventures in the retail trade sector with 51 percent local participation. There are some investment incentives such as 50 percent reduction over five years on applicable profit tax given to Southeast Asian regional warehousing companies which invest more than S$2 million. Toys-R-Us , an American mass merchant of toys has a joint venture in Singapore. The equity distribution is 50-50 percent, which shows moderation of the 51 percent guideline in the Foreign Investment Program. The Economic Development Board (EDB) uses discretion in recommending equity distribution in specific foreign investments.

Taiwan

Since 1986, Taiwan has opened most of its services and distribution sectors to foreign investment. Full participation (100 percent ownership) is now standard for investment in retailing and wholesaling, fast food operations and chains, and department stores. Taiwan authorities promote technical rather than capital inducements.

Taiwan's retail sector has been open to foreign investment since 1990. Investments in trading, wholesaling, franchising, and leasing activities are permitted and encouraged. Franchising of U.S. fast food service organizations is widespread. Japanese distribution companies, including Yaohan and Seibu, as well as Hongkong firms are very active in large-scale warehousing operations. As of 1992, 18 firms with Japanese investments had a total of 102 stores. During the same year, four stores with U.S. investments operated several stores. Franchising is very popular. U.S. firms are the market leaders, followed by Japan and Hongkong. Seven-Eleven, for example, which is Japanese-owned but whose operations are U.S.-based, supports half a dozen outlets in Taiwan. In 1991, stores with Japanese investment accounted for 23 percent of all department store sales in Taipei. No specific incentives are provided to general merchandising or retail trade.

Thailand

Consistent with its outward-looking and market-oriented economic policy, the Royal Thai government maintains a positive attitude towards foreign investment. Foreign joint ventures in retail and wholesale operations are neither prohibited nor provided incentives. The major foreign retailers operating in Bangkok are Daimaru, Takashimaya, Sogo, Tokyu, and Makro.

The U.S.-Thai Treaty of Amity and Economic Relations of 1966 allows U.S. citizens and businesses incorporated in the U.S. or Thailand (majority owned by U.S. entities) to operate on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business Decree of 1972. However, communications, transport, banking, exploitation of land or natural resources,and domestic trade in agricultural products are restricted activities. In practice, many Americans choose to form joint ventures with Thai partners and allow them to hold the majority stake because of their familiarity with the Thai economy and local regulations.

The Alien Business Decree of 1972 stipulates that an alien who intends to engage in retail trade shall apply for a permit to the Director General. In cases where the granting of a permit is deemed appropriate, the Director-General may prescribe conditions in accordance with the provisions of the law such as:

- ratio of capital and loans to be used in business;
- funds which must be brought in from overseas for use in the business;
- ratio of capital between Thais and aliens; and
- ratio between Thais and persons responsible for the management of the business.' The Alien Business Decree of 1972 states that an alien who intends to engage in retail trade should submit an application for a permit to the Director General.

Foreign investment in Thailand does not require Board of Investment (BOI) approval. Many foreign companies and most U.S. companies operating in Thailand receive no special BOI privileges or are not even eligible for BOI incentives.

OUTLOOK FOR THE FUTURE

The eight selected countries present a wide range of prospects for foreign investment in retail trade and illustrate the different factors that influence those prospects. Indonesia is steadily casting aside its reputation of being a high cost, and a highly regulated economy. The government has made strides to liberalize the economy in the past few years. Despite the improvements in the regulatory environment, Indonesia continues to be viewed by foreign firms as having a restrictive policy in the retail trade sector.

However, consistent macroeconomic policy and rising per capita income make Indonesia an attractive place for foreign retailers to penetrate. Foreign investment in the retail trade sector is likely to increase through use-of-name franchise using local partners. However, the regional trend towards foreign participation in the retail trade sector in Singapore and Malaysia will put a lot of pressure on Indonesia to reconsider its backsliding on reforms in the retail trade sector.

In Korea, foreign participation in the distribution sector is expected to be fully liberalized by 1998. Relaxation of restrictions on the number of stores and per store floor area is expected to increase the number of large-sized specialty stores. Imports of advanced distribution technology will be facilitated through technological cooperation with foreign companies. Productivity and customer service will be improved by developing new management techniques and promoting information systems.

Malaysia is following Singapore's pattern of economic development by encouraging direct investment. Since Malaysia was part of the British Empire, foreign retail and wholesale businesses have been operating for a long time. The government has experienced the economic success of good and steady incentive plans for foreign and domestic investors. Malaysia will continue in this path. The per capita disposable income is expected to rise and this will definitely help wholesalers and retailers, both foreign and local.

The liberalization of foreign investment policies in Mexico, in combination with stable macroeconomic environment and political stability, will likely encourage continued increases in annual investment flows in the retail trade sector. Mexico's commitment to the North American Free Trade Agreement (NAFTA) will complement its liberalization moves to open up market access in terms of both tariff and non-tariff issues. Instrumental in this success of structural reforms in Mexico have been cautious financial policies, improved macroeconomic environment, and a competitive exchange rate.

Among the eight selected countries, the Philippines offers an opening for sustained growth given its market size and relative political stability. The liberalization of the retail trade sector will offer foreign investors the market signal that the basic economic and political conditions for an attractive environment are seriously pursued.

Over the longer term, Singapore will be concerned about continuously rising business costs and a sharply declining rate of productivity growth. The Economic Development Board (EDB) plans to restructure and reduce existing shops as well as encourage retailers to upgrade and improve productivity and profitability. The stores in the Housing Development Board (HDB) estates will be reduced and owners will be given ex-gratia payments to bring supply more in line with demand. The plans also reveal that small stores should pull their resources and centralize key operations to save on overhead costs and increase profit margins. This will also strengthen their bargaining power with suppliers and improve their competitiveness with larger department stores. Bulk buying distribution and promotion as a group will achieve economies of scale. Economic groupings can also promote self-help among retailers in the promotion and maintenance of their shopping centers or neighborhood stores. The other aspect of the plan is the integration of information technology to their operations. Eventually, more and more stores will operate in satellite towns as these towns develop into regional centers.

Taiwan's six-year National Development Plan contains key programs for the development of the retailing industry such as the promotion of productivity and strong purchasing power. These are perceived to attract more international investors to set up retail businesses in Taiwan. Both the government and industry have positive reactions to the liberalization of retail and wholesale operations. Thus, policy moves towards encouraging foreign retailers to operate in Taiwan are likely to intensify.

Thailand imposes no restrictions on foreign investment in retail and wholesale businesses. However, the important role played by the Thai language in business and local customs has encouraged foreign investors to establish tie-ups with Thai partners. Thailand will continue on this path and diversify the location of the new investments to areas outside of Metro Bangkok. The per capita disposable income will continue to rise and bode well for wholesalers and retailers whether foreign or domestic. Furthermore, liberalization of retail and wholesale businesses will allow the efficient and cost effective distribution of goods, food and services, and upgrading of the consumer's standard of living. Foreign retailers will compete aggressively thereby making the domestic retailers efficient. Strong domestic retailers such as Central and Robinson will continue to entertain foreign partners to provide the technical assistance, marketing know-how and infrastructure support services that are needed to strengthen their competitive position versus foreign retailers such as Yaohan and Tokyu.