

Comments and discussions

Hitoshi Hirakawa*

Dr. Peter Lee U's paper, entitled 'A Tale of Two Philippine Industries' attempts to analyze two main industries in the Philippines, namely the automotive and electronics industries which are drastically in contrast with each other.

The Philippine automotive industry has a long history - starting from the establishment of Fabar Inc. in 1951 which assembled vehicles in completely knocked-down form. The industry was supported by the government's import substitution policy in the 1950s as well as by some of its industrial policies such as the Motor Vehicle Development Program and People's Car Program in the early 1970s and 1990s, respectively. However, its market was very limited, and the industry had less competitiveness and exported only a few.

In contrast, the electronics industry is now the largest in the Philippine manufacturing industry. In 2000 alone, the industry accounted for about 90 percent of the country's total exports, of which about 65 percent was exported by electronics industry. The electronics industry has also a long history like the automotive industry - the first air conditioner company, Aircon, Inc., and the first refrigerator manufacturer, Ysmael Steel Company, among others, were established in the 1940s and enjoyed government import substitution policies such as the Electronics Local Content Program of 1975. In spite of such support, however, these local companies never took the main lead in exports. Almost all exporters are located in industrial export zones, and foreign companies which were affiliates of multinational companies from Japan, the United States and others mainly invested in the 1990s.

The author tries to explain the reasons behind the Philippine electronics industry's success in comparison with the automotive industry, even though both were recipients of government intervention. He focuses on the two industries' contrasting and unique circumstances, and the timing of the electronics industry's birth. Then, he sums up that although government industrial policy for the automotive industry failed, the government's investment incentive program took a crucial role in attracting foreign electronics companies. In this regard, he acknowledges(?) the government role and does not support the thought theory (?) of neoclassical economics which asserts that 'government should step in only in instances of market failure,' and 'market intervention distorts price signals.'

In his paper, we will understand the fundamental history of the Philippines' two main manufacturing industries which are in great contrast, and consider again the sophisticated relationships between state and market. I wish to comment on one thing. We are now in a globalized world in which multinational companies' strategies are crucial in the industrialization of developing countries. Although liberalization and industrial policies led by governments are important, these are only part of elements that industries in developing countries need to grow and obtain competitiveness in the world market. For Philippine industrialization to be successful, I hope that the author makes deeper research from a wider perspective.

*Professor, Graduate School of Economics, Nagoya University