

COMMENTS ON HOUSE BILL NO. 4595 “AN ACT AMENDING REPUBLIC ACT NO. 8762, OTHERWISE KNOWN AS THE RETAIL TRADE LIBERALIZATION ACT, AND FOR OTHER PURPOSES”

In the nearly 20 years since Retail Trade Liberalization Law of 2000 was enacted, only 22 foreign retailers have been pre-qualified by the DTI-BOI.¹ The proposal to lift equity and capitalization requirements is therefore a welcome development. However, there are two other measures in RA 8762 that need attention as they could negate the liberalization intent of the amendments and diminish the gains from further market opening.

Promotion of locally manufactured products

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.

Evidence must be provided on the effectiveness of this requirement which could act as a barrier to entry. Mandating a certain *share* of inventory to be sourced locally could discourage the entry of potential firms if local products are not competitive in terms of price and quality. If the policy objective is to support Philippine-made products, a better approach would be for the government to provide direct assistance to local producers so that they can be integrated into the supply chain of big retailers – whether foreign or local. This would help increase the *total value* of locally manufactured products being sold not only domestically but possibly even in overseas markets where the foreign retailer operates if the local producers are able to meet their requirements/standards and be part of their global value and supply chains.

Prohibition activities of qualified foreign retailers

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 representative, 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.

The policy objective behind this measure is not clear. It appears to limit the ability of foreign retailers to innovate and introduce a new service, a new delivery system or engage in marketing innovation (e.g. adopting new sales channels). In addition, if the restriction only applies to foreign retailers then it would distort the market’s level playing field.

¹ List of Foreign Retailers Prequalified as of December 2016
<http://www.boi.gov.ph/files/laws/List%20of%20Foreign%20Retailers%20Prequalified%20as%20of%20December%202016.pdf> (accessed on March 6, 2018)