

Comments on the proposed amendments to the Retail Trade Law of 2000 – RA 8762

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1. Prospective benefits from a more open domestic market for distribution services include inflows of capital and technology as well as the introduction of efficient and modern supply chain practices. Moreover, with appropriate and properly enforced regulations including those dealing with anti-competitive practices, consumers will not just enjoy lower prices and more choices but also higher-quality products and better safety standards (Arkell 2010).
2. The proposal to lower the minimum paid up capital for foreign retailers is a step in the right direction as the Retail Trade Liberalization Law has not been effective. As has been pointed out, the law is “deceptively named” (Teehankee 2016, p. 63). In the nearly 20 years since RA 8762 was passed, only 22 foreign retailers have entered the domestic market under this law (DTI-BOI n.d.)
3. The proposal to lower the required share of locally produced stock inventory from 30% to 10% in the aggregate cost of the stock inventory of foreign retailers also reduces a barrier to entry. However, even a lower threshold could still deter entry.

Mandating a certain *share* of inventory to be sourced locally will discourage entry of potential foreign retailers if local products are not competitive. To support Philippine-made products, a better approach would be for the government to provide assistance directly to local producers/manufacturers. Their capacities must be strengthened in order to be integrated into the supply chains of retailers - whether foreign or local. The government must also fix transport and logistics bottlenecks. These measures will help increase the *total value* of locally produced goods being sold not only domestically but possibly even in overseas markets where the foreign retailer operates such that they become part of their international supply chains. The government could also facilitate better linkages between local producers and foreign retailers, as well as employ demand-side strategies that encourage consumers to buy local.

References

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