

SENATE  
P.S. Res. No. 3

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***Introduced by Senator Magsaysay, Jr.***

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**A RESOLUTION**

**URGING THE SENATE COMMITTEE ON TRADE AND COMMERCE TO CONDUCT, IN AID OF LEGISLATION, A COMPREHENSIVE STUDY ON THE PHILIPPINE TEXTILE INDUSTRY IN THE LIGHT OF ITS CONCORDANT ISSUES: THE EFFECT OF GLOBALIZATION, FOREIGN COMPETITION OPEN MARKET ECONOMY, IMPORT LIBERALIZATION, AND TARIFF RESTRUCTURING, PRODUCTIVE AND TECHNICAL EFFICIENCY AND COMPETITIVENESS, PERFORMANCE AND PROFITABILITY, AND OTHER SALIENT MARKET BARRIERS AFFECTING THE SECTOR AND THEREBY, FORMULATE LEGISLATIONS AND POLICIES GEARED TOWARDS THE GROWTH OF THE TEXTILE INDUSTRY**

**WHEREAS**, the Philippine textile industry is one of the most vibrant sector and in years, has been one of the flagship business contributing significantly to the country's economy;

**WHEREAS**, the textile industry began in the 1950s as one of the industries established under the rationale of import substitution and covers fiber production and yarn, fabric and made-up textile manufacture<sup>1</sup>;

**WHEREAS**, in recent months, the people have been criticizing the various programs of the Bureau of Internal Revenue (BIR) creating a negative environment for taxpayers such as the tax compromise and amnesty schemes and the centralized process of issuing tax clearance and similar certificates;

**WHEREAS**, the tax compromise and amnesty schemes adopted by the BIR prejudiced the government and reflected the inability of the Bureau to curb the tax evasion (both from individual income taxpayers and the corporate sector);

**WHEREAS**, while it can be stated that the textile industry registered a rapid growth rate in its inception, such a remarkable performance was not sustained with the following factors accounting for its dismal growth: the industry has been constricted to serving the domestic market with no regard for the export market, the implementation of the decontrol program wherein the limits on the importation of textiles were removed, smuggling which put the industry at a price disadvantage because of the cheaper price of smuggled fabrics, and the changing domestic and international environments resulting to a complex system of policy regulations as import restriction, foreign exchange controls, tariffs, subsidies, and investments incentives;

**WHEREAS**, in recent years, the textile industry has been in the forefront of economic discussion particularly at the height of GATT-WTO deliberation as one of the sectors perceived to be heavily affected by the Agreement<sup>2</sup>;

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<sup>1</sup> The textile industry is classified into two (2) sectors: (1) the primary processing sector which basically include spinning weaving/knitting; (2) the secondary processing sector, which covers made-up textile goods manufacture (e.g., rope, carpets, rugs, etc.). The primary processing stages, they further classified into integrated or non-integrated depending on the number of processing stages, they undertake. If processing involves three incentives, it is labelled as integrated. However, if processing performs only one of two activities, it is classified as non-integrated.

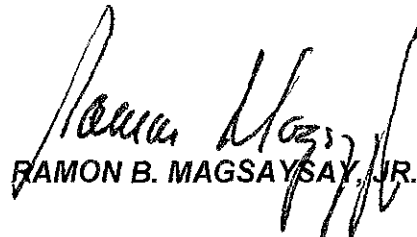
<sup>2</sup> Under the GATT-WTO, the Multi-Fiber Agreement (MFA) was phased out beginning 1995. Concerns have been raised that the Philippines assured markets will be gone once the MFA is abolished. It should be noted however that the removal of the MFA quotas will reinforce the increase in textile and clothing trade which will result from the tariff reductions. The Philippines will have much to gain in the long run if the

**WHEREAS**, the open market competition which is now the defined policy in the world market has not been benefiting the Filipino textile industry as manifested by the following statistics: the industry's share in the total manufacturing value added dropped from 9.7 percent in 1987 to 4.5 percent 10 years later and eventually to 2.9% in 1994, the rampant closure and decline of the textile firms, the abrupt drop in local production of cotton and polyester from a peak of 25,553 metric tons in 1992 to 1,534 metric tons in 1996<sup>3</sup>

**WHEREAS**, the deplorable state of the textile sector should be studied and be given immediate remedial policies by the government: **Now therefore be it**

**Resolved by the Senate of the Philippines**, to direct the Senate Committee on Trade and Commerce to conduct, in aid of legislation, a comprehensive study on the Philippine textile industry in the light of its concordant issues: the effects of globalisation, foreign competition and open market economy, import liberalisation and tariff restructuring, productive and technical efficiency and competitiveness, performance and profitability, and other salient market barriers affecting the sector and thereby, formulate legislations and policies geared towards and the growth of the textile industry.

Adopted,

  
RAMON B. MAGSAYSAY, JR.

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textile and clothing trade is subjected fully to GATT rules and discipline. Open market competition will allow entry into new markets and will also pave the way for more structural changes to be undertaken in the Philippine textile and clothing industry.

<sup>3</sup> Statistics cited in the article entitled "The textile industry tries to compete in globalization era" written by Sheila Oviedo, Today newspaper.