SHOE INDUSTRY

A study of cooperation

When Marikina's eighth shoe trade fair ended last week, the nation's "shoe capital" was marking not just another milestone. The fair, in a very real sense, was celebrating the efforts of an entire industry to free itself from the stranglehold of alien hands.

It was also telling the story of how hundreds of homes engaged in the same cottage industry could pool their meager resources, overcome the ruinous effects of fragmentation, and turn out a line of products now highly regarded here and abroad.

Nearly a decade back, shoemaking in Marikina (population: 120,000) was a struggling, if not a dying, industry. Although it had been in existence even before World War 11, it was highly disorganized and, in such a state, became easy prey to exploitative middlemen, mostly aliens, who supplied the industry's requirements and handled the marketing of its products.

Working individually, the shoemakers found themselves at the mercy of these middlemen. No matter how hard they worked, they could never seem to get enough for their efforts. Capital was hard to come by or could only be had at usurious rates. Consequently, production methods remained crude. The whole industry suffered, and the logical result of all this was dormancy, if not deterioration.

In 1963, the Marikina municipal government conducted a survey of the production and marketing aspects of the local shoe industry. The findings in that survey led to a decision to form a system of collective marketing through a trade center or trade fair. The first trade fair was set up in 1965 under the auspices of the Junior Chamber of Commerce of Marikina. A second one was held the following year.

Locally made shoes.

In 1967, a decision was made to turn the Marikina Shoe Trade Fair into a permanent establishment for the promotion of locally made footwear. In that year too, the Marikina municipal council passed a resolution creating the Marikina Shoe Trade Commission "to help, and possibly subsidize the shoe industry, to increase and promote its welfare, so that those dependent on it may increase their income." The commission has since played a significant role in modernizing the shoe industry, helping manufacturers obtain raw materials, and establishing more effective outlets in both the domestic and foreign markets.

Today, Marikina Mayor Osmundo de Guzman, one of the men behind the industry's success story, can justifiably claim that the "tables have been turned." Aliens can no longer dictate shoe prices as Marikina retail groups have expanded to as far as Baguio City in the north and Legazpi City in the south. In Greater Manila alone, marketing of Marikina shoes is handled by six retailer groups and commercial firms. Aside from these retail outlets, the Marikina Trade Shoe Commission has initiated shoe trade fairs in several provinces in the Visayas and Mindanao.

It still has other problems, but the Marikina shoe industry without doubt provides the most striking example of how a fledgling industry thriving in backyards or residential basements can be turned into a highly productive enterprise that gives a substantial contribution to the nation's economy.

As much as 70 percent of the country's total footwear production today is turned out by shoemakers in and around Marikina Valley. Involved are more than 600 manufacturers employing some 35,000 workers. And serving as the industry's principal "display window" is the Shoe Trade Fair situated near downtown Marikina, 20 kilometers east of Manila and just a few minutes' drive from Quezon City, the country's new capital.

The Philippine shoe industry as a whole has an annual productive capacity of 29 million pairs of leather shoes, leather slippers, and rubber shoes, boots, slippers, and sandals valued at P72 million. This is based on the production figures for a three-year period, 1968-1970, as reported by the Central Bank of the Philippines.

The rate of production growth has been spectacular. More than a decade ago, in 1961, the output was only 6.8 million pairs, four times less than current production figures.

While they still have to capture a large share of the foreign market, Philippine-made shoes are beginning to catch the attention of customers in the United States, Canada, Hongkong, Indonesia, Guam, and Thailand.

The Philippines now exports an average of over one million pairs annually. In 1970, footwear exports totalled 1,363,558 pairs valued at \$1,084,965. Of these, 85 percent or 1,103,835 pairs went to the United States.

A study conducted by Urbano A. Zafra, a consultant at what was then the National Economic Council (now absorbed by the National Economic and Development Authority), showed that there is still much room for improvement in the Philippines' footwear exports, which pale in comparison beside those of three other Asian countries. In 1970, for instance, Japan exported to the US \$92,975,000 worth of shoes; Taiwan, \$39,973,000; and Korea, \$12,965,000.

Aware of this disparity, the government has placed the shoe industry on the list of priorities for the country's export program. At present, the groundwork is being laid for the establishment of the Integrated Shoe, Inc. factory, the first export-oriented enterprise scheduled to operate at the free trade zone in Mariveles, Bataan. Teodoro Q. Pena, administrator of the Export Processing Zone Authority, said that "although the project is medium-sized, it is labor intensive with an initial employment of some 500 skilled and semi-skilled workers."

Another area of concern is the modernization and integration of the manufacture of high-quality shoes for export. Along this line, the Marikina Shoe Trade Commission plans to establish a P4 million shoe factory, equipped with the latest shoe-making machinery and capable of producing large volumes of high-grade shoes for export. Sixty percent of the cost will come from subscriptions by several shoe manufacturers, the rest to be borrowed from financial institutions.

Still another problem is the inadequacy of leather and other raw materials used in shoemaking. As a result, a good portion of the leather used locally is still being bought abroad. In 1970, leather imports totalled P2.5 million.

The shoe industry undoubtedly has still many problems to overcome. But the fact that it has hurdled several immediate ones and even increased its production four times over within a decade should be a source of pride to those who have cast their lot with the industry and, more importantly, have kept their faith in the capacity of the Filipino to strike on his own and make a creditable account of himself despite the odds.

US MISSION

For more investments

An investment of \$3.25 billion for the next two decades is vitally needed for transportation and communications in the Philippines and seven other countries in Southeast Asia. To cope with the region's growth and requirements, three-fourths of this amount, or \$2.44 billion, has to be invested before the current decade is over.

The possibilities of this investment proposition, outlined in a regional transport survey a few years back, are now being studied by some 50 American corporations. The corporations, which have banded their resources together in the Southeast Asian Transportation and Communications Conference (SEATAC), have sent a 57-member mission on a tour of Southeast Asia to find out possible areas of investment, with emphasis on transportation and communications.

US executives & Filipino welcomers.

Its first stopover was Manila. The high-level mission, composed of board chairmen, presidents, executive vice presidents, and other senior corporation officials, held talks with President Marcos and members of his Cabinet.

In a dinner for the business executives at Malacanang, the President welcomed their visit as the "beginning of a new, vigorous and vital partnership between the private sector in the United States and the Filipino people bound by understanding for the mutual benefit of both peoples."

He invited the visitors "to be witnesses to what is happening now in the Philippines, the changes that we have brought about that should encourage this partnership."

Reiterating the present Philippine policy on foreign investment, the President said: "We have no misgivings or second thoughts in inviting more investors who are willing to assist in the restructuring of our society."

He assured the visitors stability of their investments, citing the marked improvement of peace and order conditions and the other factors that have brought about a favorable climate for the entry of foreign capital into the country.

Before the President's speech, William J. Bird, vice president of Kaiser Industries Corporation and head of the delegation, expressed appreciation for the hospitality shown them by Filipinos.

Mr. Bird said that, apart from finding out possible areas of investment, the mission was trying to increase friendship between the American private sector and the peoples of Southeast Asia.

After their meeting with the President, members of the delegation were given a top-level briefing by Cabinet and other officials, including Secretary of National Defense Juan Ponce Enrile, Secretary of Finance Cesar Virata, and Central Bank Governor Gregorio Licaros.

The government officials apprised the mission of various aspects of the Philippine situation today.

The visitors showed particular interest in the new government policy liberalizing the rules regarding repatriation of profits and investments. Also described to them in detail were the many and varied incentives available to both local and foreign companies.

Toward the end of their visit, the American business executives expressed the hope that aside from their own possible projects, they would be able to attract other investors who had not yet known about the potentials of business in the Philippines.

They said there was a "great potential and sincerity of purpose in coping with the country's problems so much so that we hope to be part of the overall picture."

From Manila, the visitors split into three groups and flew separately to the other Asian cities in their itinerary.