

FUTURES TRADING: ITS APPLICATION IN THE PHILIPPINES

by

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CHAPTER I

INTRODUCTION

One of the most critical problems confronting the Philippines is its continuously deteriorating foreign exchange situation. In order to minimize the outflow of its foreign exchange reserves, substantial amount of funds are currently being channelled into government programs intended to accelerate local production. Research has also been geared toward developing technology for the production of import substitutes. Various types of restrictions have likewise been imposed on imports, which unfortunately have done little in alleviating the situation, due primarily to the inelasticity of the country's demand for most of its import items.

The expansion of both traditional and non-traditional exports, particularly of agricultural products, is at present being heavily pushed. Alongside this strategy are measures adopted to expand the international market for the country's export products, and measures to enable the Philippines to remain competitive in the world market. In this connection, more attractive incentives are now offered to promote foreign investments in the Philippines as a means of diversifying trade sources. To further expand the scope of its international trade, the Philippines has entered into several bilateral and multilateral trade arrangements with other countries.

Due to the unpredictable behavior of international