Doing Business in the Philippines:

2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In the Philippines

Market Overview Return to top

Key Economic Indicators and Trade Statistics

- The Philippines was one of the strongest economic performers in the region last year, enjoying a 6.6 percent growth rate in 2012, second only to China. That growth continued into the first quarter of 2013, with a 7.8 percent year-on-year increase. The growth rate is projected to stay at about six percent or higher in 2013.
- Government and consumer spending fueled the growth. On the production side, the service sector drove the acceleration, with the industrial sector (primarily construction and electricity/gas/water supply) also contributing to growth. Remittances by Overseas Foreign Workers (OFW) continue to be a major economic force in the country's economy. GDP-per-capita has risen to about $2,600.
- The national government's fiscal deficit ended 2012 at 2.3 percent of GDP, below the programmed 2.6 percent-to-GDP ratio but up from two percent in 2011. After a slow start, the government accelerated spending during the last four to five months of 2012 and, although still short, moved closer to targeted full-year levels to make up for the significant under-spending in 2011 (attributed to deliberate efforts to review projects and put in stronger transparency and accountability measures). The lower-than-programmed disbursements mainly reflected shortfalls in infrastructure outlays. The tax-to-GDP ratio increased by 0.6 percent year-on-year to 12.9 percent but fell short of the government's goal and continues to lag the ratio in most regional neighbors.
- Average year-on-year consumer price inflation slowed from 4.8 percent in 2011 to 3.2 percent in 2012, at the lower end of the 3 -5 percent range targeted by the Philippine Central Bank.
- The good economic news has been diminished by the fact that the unemployment rate has stayed above the seven-percent mark.
- Nonetheless, the improvement in the overall indicators in the Philippines has been recognized by Fitch and S&P when both ratings agencies upgraded Philippines to "investment grade."
- U.S. exports have grown by about 40 percent since 2009. U.S. exports totaled just over $8 billion in 2012. The Philippines ranks as the 30th largest export destination for U.S. products. The annual U.S. trade deficit with the Philippines stands at about $1.5 billion.

- For 2012, the United States, China, and Japan were the top exporters to the Philippines, accounting for 11.5, 10.8 and 10.4 percent of total Philippine merchandise imports, respectively. Other major import sources include Taiwan, the Republic of Korea, and Singapore.
- The foreign exchange rate appreciated further and averaged 42.23 Philippine pesos (PhP) to the U.S. dollar during 2012, up 2.5 percent from the previous year. The peso closed 2012 at 41.05 to the U.S. dollar, up 6.4 percent from the end of 2011 (PhP43.84 per U.S. dollar). As of the time of this writing (June 2012), the peso had weakened to about 43 pesos per dollar, reflecting foreign portfolio capital withdrawals (see below).
- Helped by low domestic interest rates and optimism over Philippine economic prospects, the Philippine Stock Exchange index (PSEi) hit 38 record-breaking levels during 2012 to close 33 percent higher year-on-year (Asia's second-best performer). After rising further to historic highs until mid-May 2013, the PSEi has since lost most of its year-to-date gains as investors repositioned funds in U.S. assets on signs of improving macroeconomic prospects and expectations that U.S. monetary authorities would begin to pare monetary stimuli.

Political Situation and Other Issues that Affect Trade

- The political situation in the Philippines is considered to be stable. Philippine voters elected President Benigno S. Aquino III on May 10, 2010, by a wide margin, to a single six-year term, in the country's first nationwide automated elections. Mid-term elections were held under generally peaceful conditions, with Aquino's slate of candidates winning nine of the 12 available seats in the Senate. Aquino is limited to one term, due to expire in 2016.
- On October 7, 2012, the Philippine Government and the Moro Islamic Liberation Front announced a peace framework agreement. Talks are ongoing to reach a final agreement.
- The Philippines is considering but has not yet signed on for the negotiations of the Trans-Pacific Partnership agreement.

Market Challenges

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- Surveys by the World Bank and others have noted progress in improved economic governance and overall improvement in business conditions. The Philippines rose 10 spots in the latest World Economic Forum's Global Competitiveness Index (65/145 in 2012). Nonetheless, the country's rating remained largely the same in other indices such as the International Finance Corporation (IFC) Ease of Doing Business (138/185 in 2012 versus 136/183 in 2011).
- **Graft and Corruption:** President Aquino's ascent to power was due largely to his campaign promise to fight corruption and promote and be an example of transparency and good governance. The Government has made strides in fighting graft and corruption. Nonetheless, they remain major business constraints. Transparency International still ranks the Philippines in the lower half of its latest survey (105/179).
- **Ineffective Judicial System:** A severe shortage of judges and prosecutors, corruption, and a weak record of prosecution plague the judicial process. Most cases have taken many years to reach a final conclusion.

- **Limited Ownership:** The Philippines has restricted foreign ownership in several industry sectors, including communications, advertising, and education. With certain exceptions, bids for Government contracts must have 60 percent local participation. The Government also maintains a Negative List for the practice of certain professions. See Chapters 5 and 6 for more detailed information.
- **Regulatory System:** Product registration, product standards, and environmental and labeling requirements place restrictions on certain products. See Chapter 5 for additional information.
- **Infrastructure:** The high economic growth rate and the growing population have put a strain on the Philippines' infrastructure, ranging from energy to roads, ports and airports. The country's reserve margins in the energy sector will be low for the next few years. Capacity at Ninoy Aquino International Airport (NAIA), the primary international gateway, is beyond rated levels and is a significant impediment to development and tourism. There is a need for a transportation master plan to determine what modes of transportation will best address vehicle congestion in key parts of the country. The Aquino administration has launched its Public-Private Partnership (PPP) program to address the country's most pressing infrastructure needs.

Market Opportunities

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- Best prospects for U.S. companies in the Philippines are information and communication technology (ICT), medical, electric power (including renewables), and water resources, respectively.
- ICT companies, in particular, may find opportunities in the growing Business Process Outsourcing (BPO) sector, which is growing at a rate of 15 percent a year. U.S. medical technology is widely used in private hospitals here. Energy production, conversation and efficiency are top priorities as the country is presently operating on a low reserve margins and at high rates, with many remote areas suffering blackouts. Companies in the water/wastewater management will also find opportunities in the Philippines.
- Other promising sectors include franchising, defense and aviation, security, and infrastructure projects.
- Many of these sectors are further intertwined in the current Philippine government's Public-Private Partnership (PPP) program targeting those projects of priority to the government. The Government of the Philippines actively seeks foreign investment to promote economic development of these PPP projects (see Chapter 4).
- The Philippines ranks in the top 10 markets in the world for U.S. food and beverages and continues to be a promising market for U.S. companies in this sector.

Asian Development Bank

- The Asian Development Bank, Asia's premier multilateral development institution, is headquartered in Manila. U.S. firms are advised to explore the lucrative business opportunities that are derived from the $22 billion that the ADB awards it 45 developing member countries annually. The ADB has a goal of 50% private-sector participation in ADB-financed projects by 2020."

- Major sectors financed by ADB include energy, transport, water supply, education, agriculture and other development-related initiatives. ADB also lends directly to the private sector through its Private Sector Department. U.S. firms are competitive in bidding for ADB projects and have won nearly $9 billion in ADB contracts since 1966.

Market Entry Strategy

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- Agents and distributors are commonly used in the Philippines and are essential for most U.S. companies (See Chapter 3.)
- U.S. companies should be patient yet diligent in pursuing contracts, particularly with projects with the Philippines Government.
- U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Philippines. For more information, visit http://export.gov/philippines/ and click "Services for U.S. Companies." You may also contact CS Philippines (http://export.gov/philippines/contactus/index.asp) or a local U.S. Export Assistance Center (http://export.gov/usoffices/index.asp)
- The U.S. Commercial Services Liaison to the Asian Development is also available to assist US firms pursue lucrative business opportunities at the bank and in the markets of its 45 developing country members.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2794.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Agent/distributor arrangements are common in the Philippines. Local companies are often eager to pursue discussions once they have examined a U.S. firm's website/product literature and have determined that there is a market for the product. Contracts between U.S. manufacturers and their Filipino agents/distributors typically contain the following key elements:

1. General Provisions: Identification of parties to the contract, duration of the contract, conditions for cancellation, definition of covered goods, definition of territory or territories, and, whenever necessary, sole and exclusive rights;

2. Rights and Obligations of Manufacturer: Conditions of termination, protection of sole and exclusive rights, sales and technical support, tax liabilities, conditions of sale, delivery of goods, prices, order refusal, inspection of distributor's books, trademark/patent protection, information to be supplied by the distributor, marketing, advertising and sales promotion, responsibility for claims/warranties, and inventory requirements;

3. Rights and Obligations of Distributor: Safeguarding manufacturer's interest, intellectual property rights, payment arrangements, contract assignment, customs clearance, observance of conditions of sale, after-sales service, and information to be supplied to the manufacturer.

There are no laws that impede termination of an agent/distributor contract, should either party wish to do so. Contracts usually specify that a 30-day notice be given in the event of cancellation, or as mutually agreed upon by both parties. Standard agent commissions range from five to 10 percent, but vary by industry. Legal assistance in drafting and enforcing contracts is highly recommended.

A prototypical Philippine agent or distributor profile does not exist. Firms can range in size, from small (fewer than 25 employees handling a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some firms focus on the Metro Manila area, whereas others provide additional service to provincial commercial centers such as Cebu, Davao, Iloilo, and Baguio, either directly or through a network of dealers, retailers, sub-agents, and/or re-sellers.

Local agents and distributors working with foreign suppliers often employ forward sales or indent arrangements. In a forward sales arrangement, distributors place an order from the foreign supplier and then sell the product to the local end-user or customer. Under an indent arrangement, end-users or customers directly place orders with the supplier. The indenter then receives a pre-determined commission for each successful sale. In some instances, distributors and/or their respective dealers also maintain inventories to serve the recurring requirements of major customers.

Corporate agents/distributors must register with the Philippine Securities and Exchange Commission (SEC). Sole proprietorship agents must register with the Department of Trade and Industry (DTI).

U.S. firms selecting a Philippine representative should consider, among other factors, the following: (a) whether the distributor has sufficient financial strength to maintain appropriate stock, provide effective after-sales service, or offer competitive payment terms; and (b) whether the representative's geographic sales area covers strategic markets in the Luzon, Visayas, and Mindanao regions.

U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Manila, which include an International Partner Search (IPS), International Company Profile (ICP), the Gold Key Service (GKS), and Platinum Key Service.

Establishing an Office

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The principal forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business structures include joint stock companies, joint accounts, business trusts, and cooperatives.

Multinational firms, depending on the nature of their intended business activity in the Philippines, may avail of the following modes of entry into the Philippine market: subsidiary, regional headquarters (RHQ), regional operating headquarters (ROHQ), branch office, representative office, a licensing and franchising agreement, a joint-venture agreement or a retail trade business. Further information on specific registration requirements and incentives for these different options are available from the Commercial Service Philippines.

In general, a business enterprise must comply with the following requirements before it can begin operations in the Philippines.

Business Registration Procedures

	WHERE TO REGISTER	REQUIREMENTS AND FEES	TIMETABLE
1. Corporation/ Partnership	Securities and Exchange Commission (SEC) www.sec.gov.ph	1/5 of 1 percent of the authorized capital stock	Within three to five working days
2. Single Proprietorship	Department of Trade and Industry (DTI)-NCR www.dti.gov.ph	Cost will range anywhere from US$5 to US$50 depending on the territorial jurisdiction. Foreign applicants are subject to the following additional fees for the Certificate of Authority to engage in business under the Foreign Investments Act (RA 7042): (1) Filing Fee – Approximately US$15.00 (2) Registration Fee Approximately US$125.00	Within 24-hours
3. Incentives Availment (OPTIONAL)	Board of Investments (BOI) www.boi.gov.ph Philippine Economic Zone Authority (PEZA) www.peza.gov.ph Clark Development Corporation (CDC) www.clark.com.ph Subic Bay	BOI - Depends on company's project cost PEZA – US$90.00 CDC – US$50.00 SBMA – US$50.00	BOI – within 20 working days PEZA – two weeks CDC – Two to three weeks SBMA – Three to four weeks

	Metropolitan Authority (SBMA) www.sbma.com		
4. Tax Identification No.- (T.I.N.)	Bureau of Internal Revenue (BIR) www.bir.gov.ph	Approximately US$15.00	Within 24-hours
5. Mayors Permit (License to Operate)	Local Government Unit (LGU) or Office of the Mayor where business is located	Depends on the capital, varies for every LGU	Depends on LGU's timetable
6. Barangay Clearance Certificate	Local Government Unit (LGU) or Office of the Mayor where business is located	Depends on the capital, varies for every LGU	Depends on LGU's timetable
7. Employer/ Employee (S.S.S. Registration No.)	Social Security System (SSS) branch where business is located www.sss.gov.ph	None	Within 24-hours
8. Environmental Clearance Certificate (ECC)/or Certificate of Non-coverage (CNC)	Department of Environmental and Natural Resources (DENR) www.emb.gov.ph	ECC Non-Critical – US$110 ECC Critical – US$150 CNC – US$5	ECC Non-Critical – 20 working days ECC Critical – 40 working days CNC – may vary from one day to two weeks
9. Utilities installation	<u>Telecom Services (landline, internet, mobile)</u> a. PLDT (171 Customer service) www.pldt.com.ph b. SMART 888-1111 (Customer hotline) www.smart.com.ph c. GLOBE 730-1000 (customer hotline www.globe.com.ph	Telecom services - depends on the categories, type of model unit	Within 24-hours Within two weeks

	<u>Water and Electricity</u> a. Water Maynilad Water Services (1626) Manila Water Co., Inc. (1627) www.maynilad.com.ph b. MERALCO (Manila Electric Company) (16-211; 631-111) www.meralco.com.ph	Water and electricity – depends on the capacity requirement per cubic meter (for water) and kilowatt hour (for electricity)	Within two (2) to four (4) weeks

Source: Philippine Board of Investments, National Economic Research and Business Assistance Center

The number of permits and procedures in "Starting a Business" put the Philippines at #1 in the World Banks's Doing Business Index.

Detailed information on openness to and restrictions on foreign investment may be found in Chapter 6.

Franchising Return to top

Franchising continues to be one of the fastest growing sectors of the Philippine economy and a powerful tool for economic development. Demand continues to grow for new products and services, providing new opportunities for U.S. companies. Population growth, consumer preferences, and increased economic activity contributed to the growth of franchises in the Philippines.

To sustain overseas franchises, foreign franchisors usually offer financing schemes and marketing support to local franchisees. The most successful companies that are expanding market share generally receive such support from their foreign principal.

Master franchise fees vary widely, depending on the type of business and are defined in the agreement between the parties. The royalty fee that a franchisor collects from a franchisee incorporates all aspects of the franchise business which may include the use of trade name, trademark, and the system or concept of the franchise.
One hundred percent (100 percent) foreign ownership is allowed for Philippine retail trade enterprises (which most franchise outlets are). These are: (a) upfront paid-up capital of USD 2,500,000.00 or more, provided that investments for establishing a store is not less than USD 830,000.00 or (b) specializing in high-end or luxury products, provided that the paid-up capital per store is not less than USD 250,000.00 (Section 5 of Republic Act 9762). No foreign equity is allowed in Retail Trade Enterprises with less than the above mentioned capital.

The GRP's liberalized trade practices are embodied in the Intellectual Property Code of the Philippines - Republic Act No. 8293. Under the law, franchisors do not have to register their franchise agreements as long as these agreements do not contain any of the prohibited clauses under Section 87 and do contain all the mandatory provisions under Section 88 of the IP Code. The law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Philippine Central Bank, Bangko Sentral ng Pilipinas (BSP).

Franchise agreement clauses prohibited under Section 87 are those that:

- Imposes upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- Reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- Contains restrictions regarding the volume and structure of production;
- Prohibits the use of competitive technologies in a nonexclusive technology transfer arrangement;
- Establishes a full or partial purchase option in favor of the licensor;
- Obligates the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- Requires payment of royalties to the owners of patents for patents that are not used;
- Prohibits the licensee to export the licensed product, unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;
- Restricts the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;
- Requires payments for patents and other industrial property rights after their expiration or termination arrangement;
- Necessitate that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- Limits the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes, or equipment;
- Prevents the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;

- Exempts the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and,

- Includes clauses with equivalent effects.

The following are the mandatory provisions required under Section 88:

- The laws of the Philippines shall govern the interpretation of the contract and, in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

- Continued access to improvement in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

- In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and,

- The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Direct Marketing Return to top

In the Philippines, a distinction is made between direct selling and direct marketing. The basic difference lies in the closeness of contact. Whereas direct marketing is usually conducted through phone, e-mail, direct mail or courier, direct selling involves personal contact with a prospective customer. Direct selling agents typically visit customers at home, at the workplace, or at points of contact other than a permanent retail establishment.

The direct selling medium covers a wide array of products including cosmetics, apparel, food supplements, fashion jewelry, books, appliances, home items, personal care products and toys. A direct selling agent may present to one or several customers at a time.

In recent years, the multi-level marketing approach to direct selling has become increasingly popular. This approach involves a “down line” system in which an agent recruits other agents and obtains a share of the earnings or commissions from each of the employees, as well as from others whom are brought into the workforce network.

The Direct Selling Association of the Philippines (http://www.dsap.ph) currently has 31 members. U.S. firms such as Amway, Avon, Herbalife, Fuller Life, Nu Skin, Mary Kay, Reliv, and Sunrider have established direct selling distributorship networks in the country.

The Direct Marketing Association of the Philippines (DMAP) has more than 100 active corporate members. Direct mail (via post or courier service) continues to be a primary mode of direct marketing. In recent years, however, the local market has been exposed to a wider array of direct marketing media such as product sampling, business reply envelopes, fax-back forms, marketing via e-mail, the Internet, telemarketing, leafleting, establishment of membership clubs, and, recently, Short Message Service or SMS.

The Consumer Code of the Philippines covers the legalities of direct selling and direct marketing. Firms interested in engaging in either direct selling or direct marketing can coordinate their activities with the Department of Trade and Industry (DTI).

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Undersecretary for Consumer Welfare and Trade Regulation Group (GWTRG)
Management Services Group (MSG)
Department of Trade and Industry
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Tel: (632) 976 5729; 899 7450
Fax: (632) 751-3335
E-mail: useczcm@dti.gov.ph
Website: http://www.dti.gov.ph

Joint Ventures/Licensing Return to top

Businesses can begin operations in the Philippines through joint ventures with local enterprises.

The Government of the Philippines (GPH) no longer requires submission of licensing/technology transfer arrangements for approval and registration by the Intellectual Property Office. Voluntary submission is strongly encouraged to ensure compliance with Sections 87 and 88 of the Intellectual Property Code, since non-conformance with Section 87 on Prohibited Clauses and Section 88 on Mandatory Provisions automatically renders the arrangement unenforceable. The Intellectual Property Office may allow exemption from conformance with Section 87 and 88 after an evaluation under the provisions of Section 91 on Exceptional Cases.

The Intellectual Property Code of the Philippines defines technology transfer arrangements as contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment, or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for the mass market. Distributorship agreements will be included in the coverage if this includes the licensing of trademarks. The provisions of the Intellectual Property Code cover retainerships of firms or individual technicians who render management and technical consultancy services.

Selling to the Government Return to top

All procurement for the Philippine government (departments, bureaus, offices and agencies, state universities and colleges, government - owned and/or-controlled corporations, government financial institutions, and local government units) is governed by Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA). The GPRA, in all cases, observes the following principles on government procurement (text as stated in Section 3 of RA 9184):

- Transparency in the procurement process and in the implementation of procurement contracts.
- Competitiveness by extending equal opportunity to enable private contracting parties, who are eligible and qualified to participate in public bidding.
- Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method.
- System of accountability where both the public officials directly or indirectly involved in the procurement process, as well as, in the implementation of procurement contracts and the private parties that deal with government are, when warranted by circumstances, investigated and held liable for their actions relative thereto.
- Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.

Section 4 of RA 9184 and its IRR states that all Philippine government procurement is subject to the governing principles of government procurement (as indicated above). This applies to all procurement regardless of the source of funds, whether local or foreign. However, when a procurement project is funded by a treaty or international or executive agreement which specifically provides for the application of a different set of procurement rules, such rules may apply.

The Procurement Service (PS), an attached agency of the Department of Budget and Management (DBM), is tasked with the central procurement of Common-Use Supplies for the Government in accordance with Letter of Instruction No. 755 and Executive Order No. 359 series of 1989. Government agencies undertake their own procurement for items, general support services, infrastructure projects, and consulting services necessary in the transaction of public businesses or in the pursuit of any government undertaking. As such, it is not only the PS that implements the policy decision of the Government Procurement Policy Board (GPPB), but all government agencies.

The GPPB issues policies, rules, and guidelines relative to government procurement. The GPPB was established by virtue of RA 9184 as the central policy-making body of Government. The Board is composed of the department heads of twelve national government agencies and one representative from the private sector. The Secretary of the Department of Budget and Management is chairs the GPPB and the Secretary for Socio-Economic Planning (Director General) of the National Economic and Development Authority acts as the alternate chair.

The Board's duties and responsibilities under Section 63 of RA 9184 may be summarized into three main functions:

- *Policy-making*: the authority to issue and amend the IRR of RA 9184 and prepare generic procurement manuals and standard bidding forms;

- *Capacity Building*: the responsibility to establish a sustainable training program; and

- *Monitoring*: the authority to review the effectiveness of the procurement law and to assist procuring entities improve their compliance.

The GPPB website (http://www.gppb.gov.ph) also provides up to date resolutions, guidelines, standard bidding documents, procurement manuals, and opinions issued by the GPPB.

Projects funded by the Philippine government have a national ownership requirement. Sixty percent Filipino ownership is required for goods and consulting services. In the case of procurement of infrastructure projects, the requirement is for at least 75 percent Filipino ownership. However, the Implementing Rules and Regulations (IRR) of RA 9184 recognize several exceptions to the national ownership requirement. More information on these exceptions is available from the IRR – Sections 23.5.1.2 (Goods), 23.5.2.2 (Infrastructure Projects) and 24.3.3 (Consulting Services). A copy of RA 9184 and the IRR may be requested from the U.S. Commercial Service in Manila. You may also refer to the following links - http://www.gppb.gov.ph/laws/laws/RA_9184.pdf and http://www.gppb.gov.ph/laws/laws/RevisedIRR.RA9184.pdf.

Section 25 of RA 9184 and its IRR allow bidders to submit their bids through their duly authorized representatives. Unless acting as agent of the manufacturer, distributors are considered as a separate entity from the manufacturer, and are thus evaluated on the basis of its own legal, technical, and financial capacity.

Philippine government procurement typically adheres to the following process:

- Prospective bidders to simultaneously submit their eligibility and bid requirements simultaneously.
- The bidding process uses the two-envelope system. The first envelope is opened to determine the bidders' compliance with the eligibility criteria and project's specific requirements. The Bids and Awards Committee (BAC) will disqualify a bidder with incomplete documents.
- The second envelope is opened only for bidders who have complied with the submission of the first envelope's requirements. After opening the second envelope, the BAC will evaluate all complying bids.
- Based on a detailed evaluation, bids will be ranked according to total calculated bid price. The total calculated bid price is the price evaluated and corrected for errors, discounts, foreign exchange adjustments, and other minor modifications. Bids that exceed the Approved Budget for the Contract are automatically disqualified.
- The BAC then verifies, validates, and ascertains all the submitted documents of the bidder with the lowest calculated bid, and checks whether the submitted offer

complies with the technical requirements/specifications of the project. The contract will be awarded to the lowest calculated responsive bid.

More detailed information on the bid process is available from Sections 25, 30, 32, 33, and 34 of RA 9184 and it's IRR.

Public procurement by the Philippines covers goods, infrastructure projects, and consulting services necessary in the transaction of public businesses or in the pursuit of any government undertaking. Opportunities to sell to the Philippine government range from transport infrastructure projects, military and defense equipment and spare parts to information technology and automation. The major government purchasers are the Department of Transportation & Communication, Department of Public Works & Highways, Department of National Defense, Department of Education, Department of Health, National Power Corporation, National Electrification Administration, National Housing Authority, National Irrigation Administration, and Local Water Utilities Administration.

Another consideration when selling to the Philippine government is the country's Countertrade Program. The Philippine International Trading Corporation (PITC), a government-owned and controlled corporation (GOCC) created in 1973 by Presidential Decree (PD) 252, is the lead implementing agency of the Philippine Countertrade Program. Pursuant to Executive Order (EO) 120, all government procurement of foreign capital equipment, machinery, products, goods, and services valued at US$1 million or more should include a countertrade agreement. Countertrade can be in the form of any of the following arrangements:

- Counter purchase or Reciprocal Trade: Foreign supplier reciprocally commits to purchase Philippine goods or services to be exported to the supplier's country or a third country.
- Product Buy Back: The foreign supplier of the equipment or machinery is paid with the resulting product manufactured by the subject equipment.
- Offset: The foreign supplier commits to one of the following activities: an investing, technology-transfer, assisting in establishing new industries, or employment creation in the Philippines
- Trade-for-Debt Swap: A loan by a government agency from a foreign creditor is settled partially or in full by way of product, goods, or services sales to be provided by a third party.
- Any combination of the first four.

Distribution and Sales Channels Return to top

Philippine distribution and sales channels vary from industry to industry. Stocking distributors (described below) import consumer goods for resale to retailers. Capital equipment imports usually go through an agent or distributor before reaching the end-user. Some end-users import directly. In general, the use of local agents or distributors greatly improves the opportunity for market success of an exporter, as they serve as important market links. Local agents regularly monitor the development of bidding processes and procurement opportunities. It is critical that U.S. suppliers support their Philippine representatives through frequent communication, regular training, and promotional assistance.

There are currently two types of importers in the Philippines: stocking distributors and indenters. Stocking distributors are bound by a contract to buy and sell prescribed number of items as stated in their agreement with the foreign supplier. Indenters, on the other hand, act as brokers between foreign suppliers and the end user, thus saving on capital outlays for expensive equipment and avoiding the need to stock high-priced products. Usually, a buyer who orders from an indenter already has the financing for the goods.

Customers will often open a letter of credit (L/C) for direct purchase from a foreign exporter. Under these arrangements, the local representative or agent gets a commission for the sale, known as an indent sale. Indent agents also handle after-sales service support.

In bidding situations, local agents are effective marketing tools and sources of information. In selecting local firms as agents, U.S firms should consider whether the local firm is licensed or registered by the implementing agency, or whether they have a track record of similar projects. Many U.S. firms use the U.S. Commercial Service's International Company Profile (ICP) program to assess a prospective agent's capability and reputation in the market.

Despite having the presence of a local distribution/sales agent, it is critical that foreign manufacturers visit the country and familiarize themselves with the market. Foreign suppliers must also establish a strong personal relationship with the end customer.

Manila, the country's capital, is the hub for industrial and financial activity, transportation and communications, trade, and educational services. Most of the Philippine's national importers and distributors are located in Metro Manila. Within Manila, Makati City is known as the central business district. Makati is home to many multinational company headquarters, commercial bank head offices, and high-end shopping establishments. The majority of high-end retail brands have flagship stores located in Makati City. Other key business areas in Metro Manila include Taguig City and Ortigas Center in Mandaluyong City.

Outside of Manila, other major regional centers are Cebu City, Iloilo, Davao, and Zamboanga. Cebu City, the third largest city in the Philippines, and Iloilo are the primary trading centers for the middle portion of the archipelago (the Visayas Region). Davao, the second largest city in the Philippines, enjoys a near trade monopoly in Southern Mindanao, due to the numerous land and water connections to nearby provinces. Zamboanga City functions partly as an interregional center.

Selling Factors/Techniques

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Understanding the local business culture will help U.S. suppliers' gain and maintain market leadership. At the outset, U.S. business partners should conduct adequate due diligence before selecting local distributors, agents, or representatives, as these are crucial market linkages. In this regard, the U.S. Commercial Service in Manila (CS Philippines) assists U.S. exporters in finding representatives overseas through its services which include: International Partner Search (IPS), Gold Key Service (GKS), and International Company Profile (ICP) reports, among others.

After concluding an agreement, U.S. suppliers should visit the Philippines on a regular basis in order to become familiarized with and understand the latest market trends and developments in the country, to show support for their local representatives, and to pay courtesy calls on major accounts. Meanwhile, local representatives are expected to make regular customer calls, and to update U.S. firms of recent industry trends and developments. This will help in identifying sales leads and other business opportunities.

The development of training programs for customers and distributors, advertising and product promotional support, and participation in trade fairs, exhibitions, and product seminars are also important tools for initiating market entry, increasing product awareness and maintaining industry prominence. In this regard, CS Philippines offers low-cost, customized business facilitation services to assist U.S. companies, particularly those that are new-to-market.

In many instances, establishing smooth interpersonal relations with Philippine clients is the key to clinching a sale. An overly aggressive demeanor may not be appropriate when doing business in the Philippines, and even less so in settling sales disputes. Clients tend to favor partners who are aware of and abide by the nuances of local business culture.

More often than not, there is a vague distinction between social and business contacts. As such, referrals from prominent members of social, political, and business circles can prove to be very useful in facilitating introductions. It is also critical to follow-up on initial sales calls. Several follow-up efforts may be needed before an actual order is placed.

U.S. firms may also work with their local partners in liaising with relevant professional, industry and trade associations/ organizations, as well as business chambers such as the American Chamber of Commerce of the Philippines (AmCham) and the US-ASEAN Business Council. Organizations such as these often serve as advocates for industry-specific issues and concerns. Moreover, many of these organizations hold regular events such as trade shows, conferences, or conventions, which feature the latest products and technologies and are often a useful venue for networking and business matchmaking.

English is the main language used for trade and sales correspondence. Sales literature (for example, product brochures, catalogs, and advertisements) and instructions on product use, installation, and labeling are mostly written in English. In some instances, instructions or product advertising should be translated into Filipino/Tagalog or the regional/provincial dialect (as in the case of pesticides and other agricultural inputs) to achieve wider reach and impact. For imported items, price quotations in dollars are acceptable, but a Philippine peso equivalent should also be noted.

Electronic Commerce Return to top

The Philippine E-Commerce Law-Republic Act 8792 (June 2000) has made the Philippines a player in the global e-commerce marketplace. Both commercial and government activities fall under the scope of this legislation.

E-commerce remains at infancy level and holds significant growth potential. Slow e-commerce growth can be attributed to several factors including:

- Low PC Penetration: PC penetration is estimated at 20 percent. Internet usage is estimated at 35 percent.
- Low Broadband Penetration: More Filipinos access the web through internet cafés and their workplace. Broadband access from home is used by just 5 percent of the population.
- Security Concerns: The Filipino consumer requires further education on security measures in place that can protect their online transactions. This will establish increased levels of confidence in online banking, purchasing, and selling.
- Lack of a “data protection” law that will promote user confidence in electronic commerce
- Low Credit Card Penetration: Credit card usage is still limited as most Filipinos prefer cash transactions.

Below are some examples of Philippine B2B websites:

- www.b2bpricenow.com - A trading portal with close to 11,000 members, most of which are cooperatives. Provides on market information for agriculture, consumer manufactures, and industrial manufactures. Officially endorsed by the Philippine Congress as the Philippine e-Marketplace for Agriculture and Fisheries.
- www.asiarx.com - Caters primarily to the pharmaceutical and medical supply industry and is unique in its regional scope (covers eleven regional countries, including the Philippines).
- http://philippines.tradekey.com – A B2B marketplace connecting Filipino exporters with overseas buyers.
- www.sulit.com.ph - Sulit.com.ph is a buy and sell website catering primarily to the Filipino market. It is an online classified ads and marketplace in the Philippines where people buy and sell a wide variety of goods, products, and services under different categories

Other B2C portals include:

- MyRegalo.com and Divisoria.com for general merchandise
- SME.com.ph for consumer, agricultural, and industrial merchandise
- Regaloservice.com for Gift delivery service
- Bidshot.com and PinoyAuctions.com for auction items
- National Bookstore, Fully Booked, Goodwill, and PowerBooks for books

Other Philippines search engines and web directories:

- http://www.alleba.com - Searchable web directory of Internet resources covering many aspects of the **Philippines**
- http://www.pinoysites.org - Web directory and search engine of Filipino and Philippine based websites
- http://www.filipinolinks.com - Philippine web directory
- http://www.yehey.com - Philippine search engine
- http://www.eyp.ph - The largest online yellow pages in the Philippines

B2C websites are experiencing rapid growth. Opportunities lie in banking/financial services, bill payment, travel bookings, shopping, movie reservations, mobile phone credit/load, and others. The advantage of these services is the convenience afforded in transacting from home, the office, or an internet café.

Online banking is gaining popularity and will continue to experience strong growth as more Filipinos gain access to the internet. The Bangko Sentral ng Pilipinas (Philippine Central bank) reported that 111 offered electronic-banking services as of 2012. This number includes 33 universal and commercial banks, 23 thrift banks, and 55 rural banks. Following are links to some of the universal banks:

Bank of the Philippine Islands (www.bip.com.ph)
Citibank Philippines (www.citibank.com.ph)
Union Bank (www.unionbankph.com)
Metrobank (www.metrobank.com.ph)
HSBC (www.hsbc.com.ph)
Philippine National Bank (www.pnb.com.ph)
Banco De Oro (www.bdo.com.ph)
Allied Bank (www.alliedbank.com.ph)
United Coconut Planters Bank (www.ucpb.com)
Philippine Bank of Communications (www.pbcom.com.ph)
PSBank (www.psbank.com.ph)

In the travel industry, major Philippine airlines (for example, Philippine Airlines, Cebu Pacific, Air Philippines, and Zest air) have introduced online booking and electronic ticketing or “e-tickets” services for domestic and international flights. More and more Filipinos are now booking online. Online transactions are not yet as popular in the land and sea transport sectors where most transactions are still paper-based and conducted through sales and ticketing agents. Following are websites of Philippine airlines with online transaction capability:

Philippine Airlines (www.philippineairlines.com)
Cebu Pacific (www.cebupacificair.com)
Zest Air (http://flyzest.com)

E-learning is an emerging market in the Philippines, and has vast potential for growth. Usage is still sporadic, but cuts across several industries, business sizes, school levels, and locations. Blended learning (i.e., combining technology with personal interaction) is still the preferred mode for implementing e-learning programs, whether in the corporate or academic environment. Most users currently represent only a small segment of the Philippine education and business communities. There are no stereotypical e-learners; schools large and small can be found using the technology. While most users are concentrated in the Metro Manila area, some activity is beginning in secondary cities. Filipino culture has a strong preference for face-to-face interaction.

Certain barriers for e-learning exist, most notably infrastructure (for example, internet penetration is still low and basic education requirements like books and classrooms are often not met at the national level). Furthermore, because the market is young, most end users still need to be educated on e-learning’s value proposition. Recently, the Philippines is pursuing the passage of the “Open Learning and Distance Education Act of 2011,” which seeks to make distance learning more accessible to Filipinos and institute policies that ensure the quality of these distance-education programs.

Tertiary institutions in the Philippines offering distance-learning programs include the Philippine Women's University (PWU), De La Salle University, Polytechnic University of the Philippines and the Pamantasan ng Lungsod ng Maynila. Other universities such as Ateneo de Manila University, De La Salle University and University of Santo Tomas offer some form of online courses. Many of these academic institutions use pre-packaged programs. The Technical Education and Skills Development Authority of the Philippine Government uses an open-sourced management system to help educators create online learning communities in carrying out technical and vocational education programs.

Trade Promotion and Advertising Return to top

The Philippines is a brand-conscious market. Advertising plays a significant part in promoting the sale of most consumer goods. Most of the leading advertising agencies in the country are affiliated with international agencies. Through the years, advertising in the Philippines has gone beyond the traditional tri-media outfits (i.e., print, TV and radio). Local advertisers now also make use of electronic billboards, web advertising, mass transit or public transport advertising, special events and product launches, direct marketing and other tools to promote their products. Although some advertisements utilize Western image models or concepts, many market segments are "localized" versions of product advertising and brand-building. The use of celebrity endorsers or other high-profile personalities is a well-tested formula for local advertising.

As of June 2012, there are 373 TV stations with only four major networks operating nationwide – ABS-CBN, GMA, TV5, PTV 4. The broadcast sector is dominated by ABS-CBN Broadcasting, GMA Network and TV5. TV5 is owned by telecom giant, PLDT. ABS-CBN is owned by the Lopez Group. All these broadcast networks use U.S. equipment and are expected to invest heavily in digital television transmission equipment. There are 804 FM Radio Stations and 398 AM Stations. There are over 1000 Cable TV providers in the country.

Print media includes more than nine daily newspapers, 19 national tabloids, over 100 provincial newspapers, and more than 100 magazines and publications covering a diverse range of themes (for example, entertainment, leisure and lifestyle, sports, hobbies and recreation, business and trade, religion, fashion, culinary, specific market segments, health, travel, IT, agriculture, etc.). These are published in weekly, fortnightly, monthly, bi-monthly, or annual issues. Provincial newspapers and regional publications are additionally available.

Internet penetration has recently increased, but is still relatively low, compared to Asian neighbors such as Singapore, Taiwan and Japan. Online advertising is gaining some popularity as social networking/marketing has taken a step forward to capture the younger Filipino market. In recent years, web-based advertising is typically being placed on the most visited local websites (online news and entertainment media, local search portals, etc.). Although most of the major companies in the Philippines maintain their own respective websites, the content quality, level of sophistication, and interaction with site visitors is varied.

Text messaging (also referred to as SMS or short message service) is gaining popularity as an advertising medium because it is relatively inexpensive and allows businesses to reach out to highly targeted consumers. The Philippines has over 100 million mobile subscribers with the ability to receive text messages. Large companies can send instant promotional messages via text message which serve as an effective viral marketing strategy. The use of other social networks such as Facebook and Twitter have also gained momentum in reaching out to niche markets for consumer brands, especially among young people. The Philippines is ranked 10th with the most new number of Twitter accounts with a 21.18 percent increase for first quarter of 2013.

Over the last few years, local organizers have initiated several industry-specific trade shows and exhibitions. These trade promotion activities cater to a wide array of sectors including construction, clean energy, health and lifestyle, furniture and home décor, food and food equipment, regional products, giftware, franchise opportunities, education, industrial goods, automotive, maritime and defense, sporting goods, apparel, telecommunications and IT, among others. Popular venues for holding these events include shopping malls (for example, SMX Convention Center within the SM Mall of Asia complex), trade halls (e.g., World Trade Center and the Philippine Trade Training Center), and convention centers. The U.S. Commercial Service participates in some of the more prominent local trade shows and regularly informs U.S. companies when such opportunities arise.

The U.S. Commercial Service in Manila offers web-based information and advertising services for U.S. companies, including:

- The Business Service Provider (BSP) is a listing of Philippine-based companies that can provide U.S. companies with business facilitation services. The network includes contacts in advertising, consulting, legal, real estate, transportation services, logistics, travel, and other business services useful to U.S. companies doing business in the Philippines. A complete listing of companies and links to their respective websites can be found on: http://export.gov/philippines/businessserviceproviders/index.asp

- The Featured U.S. Exporters (FUSE) is a catalogue of U.S. products featured on websites of U.S. Commercial Service offices around the world. FUSE enables U.S. companies to target specific country markets in the local language of business. Catalogue advertisements are currently offered free of charge to qualified U.S. exporters seeking trade leads or representation in over 30 markets around the world. Information on how to join the FUSE program can be found on: http://www.buyusa.gov/home/fuse.html

- Local Fair and Trade Show Organizers:
    - Global Link Philippines – http://www.globallinkph.com
    - Leverage International (Consultants) Inc. – http://www.leverageinternational.com
    - Primetrade Asia Incorporated – http://www.primetradeasia.com
    - Worldbex Services International – http://www.worldbex.com
    - Fiera de Manila - http://www.fmi.com.ph

- Major Local Newspapers:
    - Businessworld – http://www.bworldonline.com
    - Manila Bulletin – http://www.mb.com.ph
    - Manila Standard Today – http://www.manilastandardtoday.com
    - The Manila Times – http://www.manilatimes.net
    - The Philippine Daily Inquirer – http://www.inquirer.net

- The Philippine Star – http://www.philstar.com
- The Business Mirror – http://www.businessmirror.com.ph

- Major Radio / TV Stations:
    - ABS-CBN (TV) / DZMM (Radio) – http://www.abs-cbn.com
    - GMA (TV) / DZBB (Radio) – http://www.igma.tv

Pricing Return to top

Typical retail markups average 30 percent of invoice value, but markup percentages range from a minimum of 7 to 10 percent for regulated goods such as glass, aluminum, etc. to 10 to 15 percent for most consumer goods and as much as 30 percent for high-end or luxury items. These rates enable distributors, wholesalers, and retailers to recover expenses incurred in importing equipment, raw materials, or finished goods, such as import duties, Value Added Tax (VAT), discounts to customers, commissions to company-employed agents and independent provincial dealers, warehousing fees, shipping charges (some are charged to the importer), and other Bureau of Customs fees.

Retailers typically earn a 20 to 30 percent profit margin on most non-food retail items, but margins may vary widely depending on mutually agreed sale terms and conditions.

Generally, all transactions involving the sale of goods, properties and/or services are subject to Value Added Tax or VAT. VAT is imposed on the gross selling price (for sale of goods) and gross receipts (for the rendering of services). There has been no change to this law. In February 2006, the Expanded Value Added Tax (EVAT) Law increased VAT from 10 to 12 percent across the board. The VAT on imported goods is based on the total value used by the Philippine Bureau of Customs in determining tariffs and duties.

In most cases, VAT is already imputed in the final invoice price as it is billed to the buyer, unless the exporter stipulates that it is not included. Typically, a foreign exporter will collect VAT from his Filipino buyer and remit the tax to the government. If the Philippine buyer re-sells the product locally, such as in a distributor relationship, the local re-seller passes the VAT onto the local buyer in the invoice price.

Sales Service/Customer Support Return to top

After-sales service and support is extremely important to the Philippine market. It is imperative that U.S. vendors provide adequate support during and after the warranty period in order to provide utmost customer satisfaction and build brand equity. For example, the Procurement Law prescribes that the procuring entity retains 10 percent of total project cost for the duration of the warranty period. The 10 percent will only be turned over to the vendor after it has completed its warranty commitment.

U.S. firms with substantial sales in the Philippines usually establish a branch office, which can provide after-sales service and support to their local distributors or resellers. The strategy of having local presence provides for a competitive advantage. An alternative to having a Philippine office is supporting the Philippine market from an Asian regional office located either in Singapore, China, or Taiwan. The proximity of these Asian economies can prove to be advantageous to U.S. companies.

Protecting Your Intellectual Property Return to top

Several general principles are important for effective management of intellectual property ("IP") rights in the Philippines. First, it is important to have an overall strategy to protect one's IP. Second, IP is protected differently in the Philippines than in the U.S. Third, rights must be registered and enforced in the Philippines under local laws. U.S. trademark and patent registrations are not recognized in the Philippines. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis. Thus, trademark and patent protection must be applied for before selling products or services in the Philippine market. Companies should understand that intellectual property is primarily a private right and that the U.S. government (USG) generally cannot enforce rights for private individuals in the Philippines. The rights' holders have the responsibility to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Philippine law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the USG stands ready to assist, there is little that the government can do if the rights holders have not taken the fundamental steps necessary to securing and enforcing their IP rights in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

U.S. businesses interested in access to the Philippine market should conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be "bad" actors. Projects and sales in the Philippines require constant attention. Work with legal counsel familiar with Philippine laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

Small and medium-size companies should understand the importance of working with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Philippine and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce (American Chamber of Commerce of the Philippines)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues – including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.StopFakes.gov.

- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers the Philippines at: http://www.uspto.gov/ip/global/attache/.

Due Diligence Return to top

It is wise for a U.S. company to confirm the reputation of a Philippine entity prior to entering into a business relationship. To help with this important process, the U.S. Commercial Service in the Philippines offers the International Company Profile (ICP) program. The ICP provides information on Philippine companies; including company background and product information, references, financial data/creditworthiness, market information and general outlook, and reputation. For more information, or to order an ICP, please contact the U.S. Commercial Service Philippine office (http://export.gov/philippines/contactus/index.asp). Alternately, you may visit a U.S. Department of Commerce office. (Visit http://export.gov/usoffices/index.asp to find a location near you).

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http://export.gov/philippines/businessserviceproviders/index.asp

Web Resources Return to top

www.sec.gov.ph
www.dti.gov.ph
www.boi.gov.ph
www.peza.gov.ph
www.clark.com.ph
www.sbma.com
www.bir.gov.ph
www.sss.gov.ph
www.emb.gov.ph
www.pldt.com.ph
www.smart.com.ph
www.globe.com.ph
www.maynilad.com.ph
www.meralco.com.ph
http://www.dti.gov.ph
http://www.dbm.gov.ph/
http://www.gppb.gov.ph
http://www.gppb.gov.ph/laws/laws/RA_9184.pdf
http://www.gppb.gov.ph/laws/laws/RevisedIRR.RA9184.pdf
http://www.pitc.gov.ph/
www.b2bpricenow.com
www.asiarx.com
http://philippines.tradekey.com
http://www.alleba.com
http://www.pinoysites.org
http://www.filipinolinks.com
http://www.eyp.ph
www.bip.com.ph
www.citibank.com.ph
www.unionbankph.com
www.metrobank.com.ph

www.hsbc.com.ph
www.pnb.com.ph
www.bdo.com.ph
www.alliedbank.com.ph
www.ucpb.com
www.pbcom.com.ph
www.psbank.com.ph
www.philippineairlines.com
www.cebupacificair.com
http://flyzest.com
http://export.gov/philippines/businessserviceproviders/index.asp
http://www.buyusa.gov/home/fuse.html
http://www.globallinkph.com
http://www.leverageinternational.com
http://www.primetradeasia.com
http://www.worldbex.com
http://www.fmi.com.ph
http://www.bworldonline.com
http://www.mb.com.ph
http://www.manilastandardtoday.com
http://www.manilatimes.net
http://www.inquirer.net
http://www.philstar.com
http://www.businessmirror.com.ph
http://www.abs-cbn.com
http://www.igma.tv
www.StopFakes.gov
http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
http://www.uspto.gov/ip/global/attache/
http://export.gov/philippines/businessserviceproviders/index.asp

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Leading Sector #1: Information Technology
- Leading Sector #2: Electrical Products
- Leading Sector #3: Telecommunications
- Leading Sector #4: Water Resources Equipment & Services
- Leading Sector #5: Medical Equipment

Agricultural Sectors

Leading Commercial Sector #1: Information Technology

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	(6,161,957)	(6,365,641)	(6,683,923)	(7,018,120)
Total Local Production	-	-	-	-
Total Exports	22,024,153	20,506,781	21,532,120	22,608,726
Total Imports	15,862,196	14,141,140	14,848,197	15,590,606
Imports from the U.S.	2,747,683	2,637,005	2,768,855	2,907,297
Exchange Rate: 1 USD*	43.31	42.23	N/A	N/A

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: No available information
Total Exports: Philippine National Statistics Office
Total Imports: Philippine National Statistics Office
Imports from U.S.: U.S. Census Bureau
* Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

One of the major contributors to the IT sector growth in the Philippines is the IT Enabled – Business Process Outsourcing (BPO) industry. According to the Information Communications Technology Office (ICTO), the country's goals by 2016 are to (1) become a world leader in Healthcare Information Management Outsourcing, Finance and Accounting Outsourcing, HR Outsourcing, and Animation and Game Development, (2) increase GDP contribution to 8.6 percent, (3) generate US$25 billion in export revenue, and (4) create four million direct and indirect jobs.

The Philippines is emerging as one of the world's top social media users. It is currently the eighth largest country on Facebook with a total of 30 million users as of December 2012. On Twitter, Philippines is ranked 10th with the most new number of accounts with a 21.18 percent increase for first quarter of 2013.

The IT sector remains largely American-dominated. HP is the market leader for laptops and competes heavily with Taiwanese brand, Acer. Dell was a late market entrant, but still has a good following. Apple products are doing very well in the market. Avaya is known in the internet protocol (IP) market space, while Cisco is a leader in networking systems. IBM is known for servers and services, while Oracle dominates the database space. Symantec and McAfee continue to do well in the IT security market. Cloud computing continues to gain popularity with more SME's appreciating its advantages.

Piracy continues to be a major problem in the Philippines. Industry estimates that 65 percent of software sold in the Philippines is pirated. The Philippines remains on the Watch List of the U.S. Trade Representative's Special 301 Report.

The large export numbers of the Philippines are attributed to the local assembly of optical disk drives, laptops, inkjet printers, and printed circuit boards. These products are assembled in export processing zones for export and not for domestic consumption.

Sub-Sector Best Prospects Return to top

- IT Security/Cybersecurity
- Networking Systems/Solutions (servers, LAN, WAN)
- Enterprise Software (CRM, ERP)
- Broadband Solutions
- Wireless Applications
- Data Storage
- Database Management
- Software-as-a-Service (SAAS)

Opportunities Return to top

Apart from strong private sector spending in IT, the Philippine government is also undertaking several significant IT projects, such as:

1. Department of Justice: National Justice Information System – aims to promote public safety by having a database where information on criminals and threats are centrally stored.
2. Department of Agriculture: Precision Farming – an effort to identify which areas and soil types are best for specific crops.
3. Department of Budget and Management: Government Integrated Financial Management Information Systems (GIFMIS) – the automation of all government financial management systems to ensure transparency and an effective way of monitoring the disbursements and appropriation of public funds.
4. Department of Foreign Affairs: New Supplier for e-Passport – the Department will undertake procurement efforts for a new supplier of their e-Passport platform.

Web Resources Return to top

Information and Communications Technology Office - http://www.icto.dost.gov.ph/
Business Processing Association Philippines (BPAP) - http://www.bpap.org
Computer Manufacturers Distributors and Dealers Association of the Philippines (COMDDAP) - http://www.comddap.org

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Leading Commercial Sector #2 Electrical Power Systems

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	124,654	108,206	124,639	130,896
Total Local Production	-	-	-	-
Total Exports	161,590	169,670	186,637	195,943
Total Imports	286,244	277,876	311,276	326,839
Imports from the U.S.	222,727	234,976	246,724	259,060
Exchange Rate: 1 USD*	43.31	42.33	41.14	42.00

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: No statistics available
Total Exports: Unofficial estimates
Total Imports: National Statistics Office
Imports from U.S.: U.S. Census
* Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

With the overall objective of “energy access for more”, the Philippines has sought to mainstream access of the larger populace to reliable and affordable energy services to fuel, most importantly, high growth, local productivity and countryside development. The Aquino Government has outlined the following three major pillars of the program: (a) ensure energy security; (b) achieve optimal energy pricing; and, (c) develop a sustainable energy plan. The programs that will lead to the attainment of the pillars have been phased into medium-(2011-2013) and long-term (2013-2016) timelines. Nonetheless, the Philippines continues to have the second highest electricity rate in the region.

The realization of these policies in the energy sector will require action plans that will be set in motion within the 20-year planning period and they are summarized as follows:

(1) accelerate the exploration and development of oil, gas and coal resources;
(2) intensify development and utilization of renewable and environment-friendly alternative energy resources/technologies;
(3) enhance energy efficiency and conservation;
(4) attain nationwide electrification;
(5) put in place long-term reliable power supply;
(6) improve transmission and distribution systems;
(7) secure vital energy infrastructure and facilities; and
(8) maintain a competitive energy investment climate.

The Philippines is rich with renewable energy resources, including robust wind energy sites, ideal solar conditions, and an abundance of hydro and biomass resources. The passage of Republic Act (R.A.) 9513, otherwise known as “Renewable Energy Act of 2008,” establishes a supportive policy environment that offers fiscal and non-fiscal incentives to equipment manufacturers with the goal of achieving 60 percent renewable energy generation by 2017. Other policy and regulatory mechanisms are expected to be developed to further boost investors’ interest in RE development, such as the Renewable Portfolio Standard (RPS) and the Feed-in Tariff (FiT) system.

The country’s conventional energy fuels – oil, gas and coal - will remain indispensable in meeting the country’s energy demand in the short term even as the country pursues other alternative energy sources. The Philippine Government established the Philippine Energy Contracting Round (PECR) to bid out prospective areas for exploration and development. Currently, there are 34 service contracts which are expected to increase to 117 by 2030. In the case of natural gas, the continuing inventory of other potential sources will be pursued to explore and develop a natural gas supply base. The offshore Malampaya gas field is the largest producing gas field and the main source of gas, with an estimated daily production of 13 million cubic meters.

The implementation of the Electric Power Industry Reform Act (EPIRA- R.A. 9136) has gained momentum, as noted by the privatization of assets previously owned by the National Power Corporation (NPC). This restructuring scheme seeks to ensure quality, reliable, secure and affordable electric power supply, encourage the free and fair competition, enhance the inflow of private capital, and broaden the ownership base of power generation, transmission and distribution. The Government has reported that it sold 92 percent of the total generating assets up for bid (valued at US$10.6 billion).

The Wholesale Electricity Spot Market (WESM) has started commercial operation in Luzon and in the Visayas, signaling an important phase in promoting open access in accordance with the EPIRA, and seen as a long-term solution to ensure the supply security in these regions. Electricity pricing is regulated by the Energy Regulatory Commission.

One strategy to improve the energy sector is the implementation of the Biofuels Act of 2006 (R.A. 9367), which sets bioethanol and biofuel uptake targets for the transport sector. The Government has set goals to increase biodiesel blend from two percent to as high as 20 percent in five years. Currently, the country enjoys an accelerated use of E10 (10.0 percent bioethanol blend) as supplied by most gasoline retailers. This would result to significant fuel displacement of 92 million liters in 2010 to 1.885 million liters in 2030.

Meanwhile, demand for power continues to surge, requiring additional capacity in the main grid areas of Luzon, Visayas, and Mindanao. Older power plants are being retired or decommissioned. According to the Philippine Department of Energy’s (DOE) Philippine Energy Plan (2009 – 2030), demand for electricity will grow annually at an average of 4 percent to 7 percent. The expected increase in energy use is fueled by increased economic activity, notably in the, business process outsourcing, transportation, and building and construction industries (chiefly in the public infrastructure, commercial and residential segments). The grid runs on a very low reserve margin and is sensitive to the prospects of blackouts due to sudden line disruptions unplanned maintenance.

Other major U.S. players in the energy market include Chevron, which remains a leader in Philippine geothermal power production; AES Philippines operates the 6 00 MW Masinloc Coal Plant; and, Intergen-Quezon Power for the 460 MW coal-fired electric generating facility and a 31-kilometer transmission line.

Industry insiders note that the market has become more price-sensitive, as there is a growing preference among end-users for lower-priced yet technically-compliant options. Most of the imported electrical power systems are supplied by China, Japan, Taiwan and Singapore.

Sub-Sector Best Prospects Return to top

In view of the recent positive developments in the power sector, industry insiders note increasing demand for various electrical power systems and products and technology, including:

- Renewable energy equipment/ products such as turbines, solar systems, hybrid power systems
- Pole line, Transmission, and Distribution Hardware, including control and delivery network, SCADA, converters, substations, metering systems,
- Energy Efficiency Technologies (green building, energy management)
- Smart Grid Technologies
- Transformers
- Kilowatt hour (kWh) meters and related electronic metering equipment
- Circuit Breakers
- Protection Devices (e.g., lightning arresters, reclosers, switch gears, voltage regulators)
- Lighting systems/Equipment
- Connectors
- Stand-by Mobile Power Generating Systems, cogeneration systems, converter stations

Opportunities Return to top

- The power generating companies (GenCos) and new entrants are in different stages of rehabilitation, upgrading, and/or regular maintenance work. This presents a range of opportunities for supplying various types of equipment and services, such as infrastructures in power generation; Greenfield generation projects, possible joint ventures with proponents of indicative projects and NPC plants and NPC-IPP contracts for privatization.
- Expansion, upgrading, or rehabilitation of existing power plants to augment existing capacity and avert threats of a power shortage in the next few years, particularly in the Mindanao.
- The Transmission Development Plan (TDP) implemented by TransCo is still under way. Initiated in 2005, this US$850 million, 10-year project involves planned expenditures for additional transmission and substation capacity, inter-grid linkages, and the continuous repair and upgrade of existing transmission infrastructure. The National Grid Corporation of the Philippines, through a US$3.95 billion, 25-year

concession contract, has taken over from TransCo the operation and maintenance of the country's electricity transmission facilities.

- The private distribution utilities are targeting to implement Distribution Automation and Reliability, including smart grid applications and demand response technologies.
- Increase in demand from local electric power cooperatives requires an enhancement of their distribution capacities. The main concern remains the reduction in systems losses and diversions.
- The government's missionary electrification program is addressing the need for power in remote, off-grid areas. The Small Public Utilities Groups (SPUG) managed by the National Power Corporation will undertake this effort. Meanwhile, opportunities for the supply of stand-by power-generating facilities are seen as a stopgap measure to arrest recurring power outages in certain vulnerable islands.
- Since the signing of the Renewable Energy Act of 2008, a total of 236 service contracts have been awarded to RE developers, which have the potential to generate 2,822 MW of electricity. A total of 15,000 MW of additional mixed RE are targeted to be connected to the grid by 2030. The National Renewable Energy Board holds the various policy and regulatory mechanisms to speed up the implementation of the law.
- Indigenous coal production will increase to a high 250 percent with the entry of more investors through the energy contracting round mechanisms and the conversion of existing coal operating contracts from exploration to development stage. The country has total in-situ reserves of 436 million metric tons (MMMT). Coal mining is under a moratorium by the national government due to concerns by churches and NGO's that the land and communities would be exploited.
- Certain initiatives under the National Energy Efficiency and Conservation Program (NEECP) which include the Energy Labeling and Efficiency Standards, Government Energy Management Program, among others.

Trade Event Return to top

- ASEAN Energy and Environment Trade Mission to Malaysia, Thailand and the Philippines, September 16-20, 2013

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Arangkada Philippines: www.investphilippines.info
Department of Energy (DOE) - http://www.doe.gov.ph
Energy Regulatory Commission (ERC) - http://www.erc.gov.ph
National Electrification Administration (NEA) - http://www.nea.gov.ph
National Grid Corporation of the Philippines (NGCP) - http://www.ngcp.ph
National Power Corporation (NPC) - http://www.napocor.gov.ph
Power Sector Assets & Liabilities Management (PSALM) Corp. – http://www.psalm.gov.ph
Wholesale Electricity Spot Market (WESM) - http://www.wesm.ph

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Leading Commercial Sector #3: Telecommunications

Overview

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,049,651	1,872,515	1,966,141	2,064,448
Total Local Production	-	-	-	-
Total Exports	439,099	759,869	797,862	837,755
Total Imports	2,488,750	2,632,384	2,764,003	2,902,203
Imports from the U.S.	107,843	113,420	119,091	125,045
Exchange Rate: 1 USD*	43.31	42.23	N/A	N/A

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: No available information
Total Exports: Philippine National Statistics Office
Total Imports: Philippine National Statistics Office
Imports from U.S.: U.S. Census Bureau
* Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

The Philippine Long Distance Telephone Company (PLDT) and Globe Telecom are the leading telecommunication carriers in the county. PLDT has an existing digital fiber optic connecting the entire country. The company also has an existing digital microwave radio system and a data network. PLDT's mobile arm is SMART Communications which includes its own SMART brand plus Sun Cellular. Globe Telecom also has fiber optic cables and Worldwide Interoperability for Microwave Access (WiMax).

There are over 100 million mobile users in the Philippines as of 2012. Landline subscribers are expected to reach ten million due to the availability of wireless landline service. There are 33 million Internet users in the Philippines and Filipinos are among the world's top users of social media (Facebook, Twitter, etc). This contributed to over 100 percent growth in broadband subscriptions 2012.

As of June 2012, there are 373 TV stations with only four major networks operating nationwide – ABS-CBN, GMA, TV5, PTV 4. The broadcast sector is dominated by ABS-CBN Broadcasting, GMA Network and TV5. TV5 is owned by telecom giant, PLDT. ABS-CBN is owned by the Lopez Group. All these broadcast networks use U.S. equipment and are expected to invest heavily in digital television transmission equipment. There are 804 FM Radio Stations and 398 AM Stations. There are over 1000 Cable TV providers in the country.

Sub-Sector Best Prospects

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- TV White Space
- Next Generation Network

- Wireless Technology
- Broadband Technology
- Outside Plant Equipment
- Innovative Content
- Broadcast Transmitters
- Production Equipment
- Digital Terrestrial Transmission

Opportunities Return to top

The Information and Communications Technology Office (ICTO) of the Department of Science and Technology (DOST) is planning to deploy a new wireless data communications standard called TV White Space (TVWS). TVWS is a national resource that will be made available as the broadcast industry migrates to digital transmission. ICTO is planning to use TVWS technology in the country through various applications such as rural broadband, educational content delivery, sensor networks, tele-health or tele-medicine, and connectivity for remote government offices.

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National Telecommunications Commission (NTC) - http://www.ntc.gov.ph

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Leading Commercial Sector #4: Water Resources Equipment & Services

Overview

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Unit: USD thousands

	2011 (estimated)	2012 (estimated)	2013 (estimated)	2014 (estimated)
Total Market Size	377,227	394,495	414,220	434,931
Total Local Production	45,221	45,673	46,130	46,591
Total Exports	31,655	31,972	32,292	32,615
Total Imports	363,661	380,794	400,382	420,955
Imports from the U.S.	55,827	57,501	59,226	61,003
Exchange Rate: 1 USD*	43.31	42.23	N/A	N/A

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: Unofficial estimates
Total Exports: Unofficial estimates
Total Imports: Unofficial estimates
* Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

The Philippine market for water resource equipment and services is expected to grow by at least five percent yearly in view of the current and upcoming projects that address increasing water scarcity, and sanitation and wastewater-related problems.

The country's water supply requirement is escalating. The Philippines has a population of over 90 million, growing at an average annual rate of 2 percent, a significant percentage of which does not have adequate and sustained access to potable water supply. Only about a third of the country's river systems are suitable as water supply sources. Depletion of groundwater resources is an increasing problem in some areas of the country.

Wastewater management is also a major concern as indiscriminate discharging of untreated wastewater, particularly from domestic sources, has caused major pollution problems over the years, especially in urbanized areas.

Government entities fund their water-related projects through a mixture of national/local government budgets and foreign (governments, multilateral and bilateral agencies) loans/grants. Water districts use internally-generated funds, loans and grants. Private entities finance water and wastewater treatment projects through internal funds or loans. The Asian Development Bank and World Bank are among the financial agencies that support water and wastewater projects in the Philippines.

In 2012, the World Bank provided US$275 million financing to the Metro Manila Wastewater Management Project to help support the investments of two water concessionaires in the Philippines – Manila Water Company, Inc. and Maynilad Water

Services, Inc. – to increase collection and treatment of domestic wastewater. Manila Water is using the proceeds of the loan for the construction of two sewage systems while Maynilad, for the rehabilitation of one sewage treatment plant (STP) and construction of three STPs. Aside from the World Bank-funded projects, Manila Water has at least three major STP projects and Maynilad has seven that will be implemented within the next three to five years.

There are three water-related projects in the 2013-2015 lending pipeline of the Asian Development Bank. The Urban Water Supply and Sanitation (WSS) Project and the Water District (WD) Development Sector aim to increase access to water supply and sanitation services. The Angat Water Transmission Improvement Project will involve retrofitting, rehabilitation and/or re-construction of the aqueducts of the Angat Transmission Line that are currently leaking resulting to about 20 percent loss of the total potential capacity of raw water.

The Philippine Water Revolving Fund (PWRF), the only water revolving fund outside the United States and Europe, leverages overseas development assistance with local private funds using a cofinancing arrangement between the Philippine Government and private banks. Approximately $97 million (PhP4 billion) of loans for water supply and sanitation projects has been mobilized to provide two million people with new or improved access to piped water. PWRF water supply projects cover pipe replacements or rehabilitation. There are two new water source development and two septage projects in the PWRF pipeline. More WDs are expected to implement septage management programs as PWRF has helped more than 15 WDs prepare feasibility studies.

In May 2012, the National Economic and Development Authority (NEDA) Board approved the National Sewerage and Septage Management Program (NSSMP) for Public-Private Partnership. The NSSMP aims to increase the number of sewerage and septage management systems by 2020.

The Philippines is highly dependent on imported water and wastewater treatment products and services. Japan, U.S. and Singapore are the major sources of water and wastewater treatment products and equipment of the Philippines.

Sub-Sector Best Prospects Return to top

- Drinking/potable water treatment equipment/processes
- Products/equipment for the construction and development of additional water resources and water supply systems
- Water supply rehabilitation products/equipment
- Products/equipment/accessories for sewage/septage projects
- Packaged or modular wastewater treatment equipment
- Industrial wastewater treatment
- Water recycling products/equipment
- Wastewater treatment technologies that will result in smaller footprints (due to land constraints)

Opportunities Return to top

- **WDs Under the Local Water Utilities Administration** (LWUA) - There are over 800 WDs that had been formed all over the Philippines. The Local Water Utilities Administration (LWUA) is the government entity that provides financial, technical, institutional, developmental and regulatory services to WDs. LWUA's lending programs provide funds to develop water sources and new water supply systems; repair/rehabilitate/expand existing systems, and reduce non-revenue water. Water districts are just starting to embark on septage management programs.

- **Manila Water Company (MWCI) and Maynilad Water Services, Inc. (MWSI) Projects** - MWCI and MWSI are the concessionaires of the government-owned Metropolitan Waterworks and Sewerage System (MWSS). Both companies, which service approximately 14.2 million people, are continuously expanding, modernizing and improving water and sewerage services. MWCI provides water services to 99 percent of its target population while MWSI, 88 percent. Sewerage coverage is only at 12 percent for MWCI and 9 percent for MWSI.

  For 2013, MWCI earmarked $243-291 million (PhP10-12 billion) in capital expenditures to put up wastewater treatment facilities and for expanding the network to new areas for water supply. MWSI has allocated $418 million (PhP17.2 billion) for its capital expenditures for 2013, of which some $226 million (PhP9.3 billion) will go toward wastewater projects. Ninety-one million (U.S.) dollars (PhP3.76 billion) will go toward the laying of pipelines and the addition of new infrastructure such as pumping stations and reservoirs that will provide potable water to currently unserved areas, and some $52 million (PhP2.13 billion) will be used for MWSI's non-revenue water reduction program, which includes leakage control, and meter and pressure management. The rest of the capital expenditures will be used for such projects as upgrading existing pumping stations and reservoirs, and developing water sources.

- **Water and Wastewater Projects of Industrial Plants, Tourism Facilities, Residential/Commercial Buildings, Hospitals, Restaurants, Recreational Facilities and other Similar Establishments** - These establishments face fines or closures if they are not able to comply with the effluent concentration limits set by the law.

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U.S. Commercial Service Liaison to the Asian Development Bank - http://www.buyusa.gov/adb
Local Water Utilities Administration - http://www.lwua.gov.ph
Manila Water Company - http://www.manilawater.com
Maynilad Water Services, Inc. - http://www.maynilad.com.ph
Philippine Association of Water Districts - http://www.pawd.org.ph
Philippine Water Works Association – http://www.pwwa.com.ph
Water Environment Association of the Philippines (WEAP) – http://www.weaphil.com
World Bank - http://www.worldbank.org.ph

Trade Events:
Enviro-Tech Philippines 2013 (13th International Total Environment Management Technology, Water & Waste Water Control System, Equipment and Services Exhibition), August 15-17, 2013, SMX Convention Center, Pasay City, http://www.globallinkph.com/

WEAP Annual Convention, July 25-26, 2013, Naga City, Camarines Sur, http://www.weaphil.com

21st Philwater, October 23-25, 2013, Taal Vista Hotel, Tagaytay City, http://www.pwwa.com.ph

PAWD National Convention, February 2014, Cagayan De Oro, http://www.pawd.org.ph

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Leading Commercial Sector #5 Medical Equipment

Overview

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Unit: USD Thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Exports	178,073	330,737	347,274	364,638
Total Imports	260,991	234,534	246,261	258,574
Imports from the U.S.	70,184	44,390	61,565	64,644
Exchange Rate: 1 USD*	43.3131	42.2288	N/A	N/A

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources:

Total Local Production: No statistics available
Total Exports: National Statistics Office
Total Imports: National Statistics Office
Imports from U.S.: National Statistics Office
* Listed exchange rates are not used in the above calculations. Exchange rate shows average value of Philippine Peso to U.S. Dollar. (Source: Central Bank of the Philippines).

2010 was a banner year for the Philippine healthcare industry as most tertiary hospitals upgraded their facilities; including their medical equipment (U.S. market share during this period was a high 36 percent). A large investment company acquired several private hospitals, allowing these facilities to modernize and re-equip their treatment centers using newly-infused capital. The Government announced last year that a national orthopedic hospital will be built under its Public-Private Partnership (PPP) Program

Statistical information for medical equipment does not reveal the opportunities that continue to present for U.S. firms. Hospitals still prefer U.S. technology over other foreign brands, although U.S. manufacturers are facing growing competition from Germany, the Netherlands, and Japan.

The U.S. is strong in high-value, low-volume capital equipment although importation of diagnostic devices and supplies from the U.S. has shown progress. The market is price-sensitive, which explains the growing presence of inexpensive equipment from China and South Korea. Hospitals with limited budget source medical equipment from these countries, and distributors that supply equipment and replacement parts now also carry medical disposables and consumables.

Sub-Sector Best Prospects

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Electro-cardiographs, ultrasonic scanning machines (ultrasound), magnetic resonance imaging (MRI) equipment, x-ray and radiation equipment, breathing appliances, and computed tomography apparatus (CT scan) continue to be the most promising subsectors for U.S. manufacturers. There is also demand for clinical laboratory devices, supplies, and biological rapid test kits.

Opportunities Return to top

Constant requirements for healthcare services, new technology, and equipment replacement should drive market growth. Hospitals continue to upgrade their facilities to remain competitive.

Medical device distributors expect a modest 5 percent growth in imports and in exports of medical equipment in the next three years, with a steady 25 percent U.S. market share.

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Department of Health: http://www.doh.gov.ph
National Statistics Office: http://www.census.gov.ph

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Agricultural Sectors

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General Market Overview

For the first time since at least 1967 (the earliest U.S. Customs data available), the Philippines became a top ten market for U.S. agricultural exports in 2012. A thriving economy, a booming food processing sector, a strengthening Peso, and dominant market shares in milling wheat (at virtually 100 percent) and soybean meal (at 69 percent compared to 43 percent in 2011) made the Philippines the 9th largest U.S. market in 2012, with record sales of $2.3 billion, up 11 percent from the previous year. The top 10 products in 2012 were: wheat (US$ 606 million), soybeans and soybean meal (US$623 million*), dairy products (US$317 million*), red meats (US$137 million*), poultry meat (US$87 million*), animal feeds (US$84 million), snack foods (US$72 million*), processed fruits and vegetables (US$69 million*), fresh fruit (US$51 million*), and sugar, sweeteners & beverage bases ($30 million*). All indications are for continued strong growth in 2013, forecast to reach $2.5 billion.

U.S. food and beverage (F&B) exports (a key subsector of overall agricultural exports) to the Philippines reached record sales of $859 million in 2012 and have more than doubled since 2009. The Philippines continues to be the largest F&B market in SE Asia and one of the fastest growing markets in the world for this high value, job generating sector. More importantly, this healthy export growth is broad based, with 10 of the 16 products that comprise the F&B category achieving record sales. Due to the Philippine consumers' familiarity with American brands, the robust Philippine economy, and steady growth in the country's retail, foodservice and food processing sectors, the U.S. is expected to remain as the Philippines' top supplier of a wide variety of F&B products with export sales expected to reach $980 million in 2013.

* Denotes highest export levels since FY 1970

Market Characteristics

Rising remittances from Philippine overseas workers and the burgeoning business process outsourcing (BPO) sector contribute to the growing disposable income among the middle class. The Philippines has the largest service sector in Southeast Asia and is the world's third-largest recipient of money sent by overseas workers. The World Bank projects overseas remittances to the Philippines will increase by 20 percent and reach $24 billion in 2012. The country's BPO sector generated more than $13 billion in revenues in 2012, an increase of $2 billion from the previous year.

Philippine consumers have a strong affinity and distinct preference for American products. American culture and lifestyle is nowhere more evident and emulated in Asia than in the Philippines (due to the historical ties and long-standing relations between the two countries). In general, Philippine consumers have high regard for U.S. F&B products.

Market Sector Structure and Trends

Retail Sector

Philippine food retailing is rapidly modernizing and expanding. Up-scale supermarket chains are attracting customers by opening large, modern stores with a wide variety of products, and improved cold chain and distribution systems. Initially focused on urban markets in Metro Manila and Cebu, supermarket chains have expanded into smaller regional markets throughout the country. With 70 percent of the country's retail food sales still taking place in "mom-and-pop" stores, the room for continued growth remains strong and presents good opportunities for U.S. F&B products. The retail sector is dominated by companies such as Metro Gaisano, Robinson's Supermarket, Rustans/ Shopwise Supercenters, SM Supermarket and S&R.

The proliferation of modern convenience stores such as 7-Eleven and Mini-Stop are partly due to the bullish BPO sector that operates around the clock. Prospects are excellent for products that can be classified as "convenient", sweet and savory snack foods, meal-replacements and ready-to-drink beverages.

Food Service Sector

The Philippine foodservice sector continues to expand due to the proliferation of malls and shopping centers, the growing influx of tourists, and the increasing number of women joining the workforce. Dining-out expenditure doubled in the past 10 years and accounts for 15 percent of total family expenditure.

Restaurants in five-star hotels and upscale malls, fast-food chains, cafes and Western–style diners require high-quality f&b products such as meats, poultry, seafood, dairy products, processed fruits & vegetables, fruit juices, dried fruits, nuts, wine and craft beer. Restaurant operators are keen on introducing new and exciting menu offerings to attract customers.

Food Processing Sector

There are over 11,000 food and beverage processing companies in the Philippines producing a wide variety of products that rely heavily on imported ingredients such as: meat and poultry products, fish and marine products, dairy products, processed fruits and vegetables, seasonings, and fats and oils. The small to medium size industries are mostly family-owned. Unlike other countries in the region where multinationals dominate the food processing industry, local companies such as San Miguel, RFM Corporation and Universal Robina Corporation hold a large share of the Philippine food processing sector.

Good Product Prospects

Healthy, Natural & Organic Products	Instant or "Convenience" Foods
Gourmet Products	Breakfast Cereals

Beef	Coffee Flavoring & Syrups
Lamb	Preserved Fruits & Pie Fillings
Deli Meats and Cheeses	IQF Fruits & Vegetables
Snack Foods, Dips and Spreads	Fruit & Vegetable Juices
Dried Fruits & Vegetables	Dairy Products
Tree Nuts	Frozen Potatoes (new cuts)
Wine & Craft Beer	Dehydrated Potatoes

Key Contacts and Further Information

For further information or assistance in exporting U.S. agricultural products, please contact:

U.S. Department of Agriculture
Foreign Agricultural Service
Embassy of the United States of America
1201 Roxas Boulevard, Ermita
Manila, Philippines 1000
Tel: (632) 301-2000 local 4915
E-mail: AgManila@fas.usda.gov

Reports and other agricultural updates on the Philippine market can be accessed through the U.S. Department of Agriculture, Foreign Agricultural Service homepage at www.fas.usda.gov. Choose “Data” followed by “Global Agricultural Information Network (GAIN)” under “Current and Archived FAS Reports.”

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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The Philippines' simple average applied tariff was 6.7 percent in 2012, significantly below its WTO bound tariff rate of 25.7 percent. The Government of the Philippines (GPH) established a new five-year program schedule (2011-2015) in 2011. As a general rule, imported manufactured goods in competition with locally produced goods face higher tariffs than those without strong local competition. The GPH cites domestic and global economic developments to justify the modification of applied rates of duty for certain products, as a temporary protection for local producers in the agriculture and manufacturing sectors.

The Philippines eliminated tariffs on approximately 99 percent of all goods from ASEAN trading partners as a commitment under the ASEAN Free Trade Area. For more information about free trade agreements, see the section on "Trade Agreements."

For additional information on Philippine applied tariffs, visit:
http://www.tariffcommission.gov.ph/
http://www.tariffcommission.gov.ph/AHTN_(TARIFF)_BOOK.htm
http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm

Queries related to import tariffs:

Atty. Edgardo B. Abon
Chairman
Tariff Commission
5th Floor, Philippine Heart Center Building
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Tel: (632) 433-5899, 925-2401 ext. 3501
Fax: (632) 921-7960
E-mail: info@tariffcommission.gov.ph

Trade Barriers

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Agriculture Tariffs and Quotas

The average tariffs on agricultural products increased from 11.85 percent in 2006 to 11.98 percent in 2013 (http://www.tariffcommission.gov.ph/tariff2011.htm). The Philippines maintains a two-tiered tariff policy for sensitive agricultural products including rice, corn, pork, chicken meat, sugar and coffee. These products are subject to a tariff rate quota (TRQ) and all imports outside of the minimum access volume are taxed at a higher out-of-quota rate. In 2005, in-quota and out-of-quota tariff rates averaged 36.5 percent and 41.2 percent, respectively, and have not changed since.

At present, a few TRQ products have achieved unified in-quota and out-of-quota tariff rates including: chicken, duck and goose meat, frozen or chilled (40 percent); turkey livers, frozen or chilled (40 percent); potatoes, fresh and chilled (40 percent); and roasted coffee beans (40 percent). Currently, there is an additional special safeguard duty in place for chicken meat, which effectively doubles the rate of out-of-quota tariff protection. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses.

Safeguards, Antidumping, and Countervailing Duties

The Secretary of Trade and Industry and the Secretary of Agriculture have the legal authority to raise tariffs that protect a domestic industry from an import surge by virtue of the Safeguard Measures Act (Republic Act No. 8800). In the case of an agricultural good, they may impose a quantitative cap in the form of the minimum access volume restriction. The Government of the Philippines (GPH) continues to levy safeguard duties on glass products, steel-angle bars, and testliner boards. Detailed information regarding imposition of safeguard measures and process of safeguard investigation is available at: http://www.tariffcommission.gov.ph/safeguar.html.

As of April 2013, the GPH does not impose anti-dumping and countervailing duties on any product. Detailed information regarding imposition of anti-dumping measures and process of anti-dumping investigation is available at: http://www.tariffcommission.gov.ph/anti-dum1.html.

For a comprehensive list of anti-dumping and safeguard investigations initiated by the Philippines, kindly refer to the following links:
http://www.tariffcommission.gov.ph/anti-dum1.html
http://www.tariffcommission.gov.ph/anti-dumping_reports.htm
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/SAFEGUARD%20FINAL%20REPORTS.htm

For additional information on safeguard measures, anti-dumping, and countervailing duties, contact:

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Excise Taxes on Alcohol Products

The Philippines raised excise taxes on alcohol and tobacco products in 2005, extending preferential treatment for distilled spirits produced from indigenous raw materials and imposing significantly higher excise taxes on spirits made from non-indigenous raw materials. On December 19, 2012, President Benigno Aquino III signed into law Republic Act No. 10351 (An Act Restructuring the Excise Tax on Alcohol and Tobacco); also called the "Sin Tax Reform 2012"; which took effect on January 1, 2013. This significantly changed the rate of excise tax charged on distilled spirits, wines and fermented liquor (See below).

On Distilled Spirits

In general, analysts believe that the tax reform will level the playing field and improve the competitiveness of imported distilled spirits. The controversial, long-awaited measure comes in response to a 2011 World Trade Organization ruling, wherein the Philippine application of excise tax on distilled spirits was found to be discriminatory against imported products.

Under the new measure the excise tax on imported and domestically produced distilled spirits, regardless of the raw material used, will be based on a uniform *ad valorem* tax (depending on the net retail price) and a specific tax, according to the following schedule:

a. Effective on January 1, 2013
-An *ad valorem* (“according to value”) tax equivalent to 15 percent of the net retail price (excluding excise tax and value-added tax) per proof liter; and
-A specific tax of twenty pesos (P20.00) per proof liter.

b. Effective on January 1, 2015
- An *ad valorem* tax equivalent to 20 percent of the net retail price (excluding excise tax and value-added tax) per proof liter; and
- A specific tax of twenty pesos (P20.00) per proof liter.

c. In addition to the *ad valorem* tax, the specific tax rate of twenty pesos (P20.00) shall increase by four percent effective on January 1, 2016, and every year thereafter.

The excise tax decreased significantly for many higher-value, imported distilled spirits.

On Wines and Fermented Liquor

Under the reformed law, the tax on most sparkling wines (with a net retail price of over 500 pesos or $12 USD) dramatically increased from 413 pesos ($10 USD) to 700 pesos ($17 USD) per 750ml, while the tax on most still wines (containing 14 percent alcohol per volume or less) slightly increased from 22 pesos ($0.53 USD) to 30 pesos ($0.73 USD) per liter. The new excise tax levied on most premium beers (with a net retail price of 50 pesos or $1.23 USD per liter of volume capacity) increased by a mere two percent, and will likewise have a minimal effect on exports of U.S. craft beers.

Import Requirements for Food Products

The Philippines is a signatory to the World Trade Organization (WTO) and has lifted quantitative restrictions (QRs) on imports of food products except for rice. Tariff-Rate Quotas (TRQs) still remain on a number of sensitive products such as corn, poultry meat, pork, sugar and coffee. Minimum Access Volumes (MAV) have been established for these commodities.

The GPH opened its rice market in 2002 when it allowed the private sector, mainly traders, to import rice. Prior to this, the National Food Authority (NFA) was the sole importer of rice. Private sector rice imports are assessed a 40 percent in-quota tariff rate and a 50 percent tariff for volumes beyond the quota. Import licenses are regulated by the NFA.

In 2004, the GPH completed negotiations with other WTO members for the extension of its quantitative restrictions on rice, and in December 2006, their request for extension was approved by the WTO subject to certain concessions. In November 2011, the Philippine Government formally signified to the WTO its intention to start discussions on extending the rice import quota for another three years. Negotiations to extend the quota are ongoing.

On June 15, 2007, President Gloria Macapagal Arroyo signed Executive Order No. 627 (EO 627) which lowered the tariff rates of various agricultural products, in order to implement the Philippine commitment on rice under the World Trade Organization (WTO) Agreement on Agriculture. EO 627 was published on June 28, 2007, and took effect immediately after.

Quarantine clearances that serve as import licenses are required prior to the importation of fresh fruits and vegetables as well as meat and meat products. All other food product imports do not have licensing requirements except for commodities entering duty-free or subject to an in-quota tariff such as pork, poultry, corn, coffee and coffee extract. In all cases, imported meat, fish and produce require a registered importer to be the receiver of the shipment.

Import Regulations for Processed Food Products

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines for food additives, good manufacturing practices, and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labeling, will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with the Philippine Food and Drug Administration (FDA).

Registration of imported products may only be undertaken by a Philippine entity, although some documentation and, for certain types of products, samples need to be provided by the exporter. Products have been divided into two categories with distinct sets of registration requirements and procedures.

Category I includes: bakery and bakery related products; non-alcoholic beverages and beverage mixes; candies and confectionery products; cocoa and cocoa related products; coffee, tea and non-dairy creamer; condiments, sauces and seasonings; culinary products; gelatin, dessert preparation and mixes; dairy products; dressings and spreads; flour/flour mixes and starch; fish and other marine products; fruits, vegetable and edible fungi (prepared); meat and poultry products (prepared); noodles, pastas and pastry wrapper; nut and nut products; native delicacies; oils, fats and shortening; snack foods and breakfast cereals; and sugar and other related products.

Category II includes: alcoholic beverages; food supplements; tea (herbal); bottled drinking water; foods for infants and children; foods for special dietary use; transgenic food products (use of genetic engineering/biotechnology); and, ethnic food products with indigenous ingredient(s) not common in the Philippines.

Each class per brand of product must be registered with FDA by the importer before the product can be imported. Only products with a valid Certificate of Product Registration from FDA will be allowed for sale in the Philippines.

The following is the list of requirements for the registration of food products:

Category I

1. Letter of application for registration from importer/distributor
2. Accomplished Affidavit of Undertaking, typewritten and notarized
3. Accomplished product list by product classification, three (3) copies
4. Valid License to Operate (from FDA) with name of supplier/source(s) of imported food products
5. Copy of sales invoice
6. One sample of each product in commercial presentation and a copy of the label that is in conformance with Codex Labeling Regulations and FDA requirements. In lieu of product sample, a colored picture of each product may be submitted. A sticker indicating the name and address of the importer must be attached if such information is not printed on the label.
7. Registration fee of US$4 (PhP200) per product

Category II

1. Letter of application for registration from importer/distributor
2. Valid License to Operate (LTO) as an importer/distributor issued by FDA
3. Product Information
   a. List of ingredients in decreasing order of proportion. For additives with prescribed limit, the amount added must be indicated;
   b. Finished product specification (physic-chemical and microbiological)
4. Samples of the product in its commercial presentation for laboratory analysis
5. Loose label and labeling materials to be used for the products
6. Estimated shelf-life parameters used and methods for determining shelf-life

7. Brief description/flow diagram of the method of manufacture
8. Certificate of analysis. Include analytical methods used. Additional requirements for food supplements may apply as necessary;
9. Registration fee of US$5 (PhP250) to US$20 (PhP1, 000) per product plus cost of laboratory analysis.

Laboratory testing by FDA for products under Category II is mandatory to determine the safety of the product and to assure that there will be no misbranding or adulteration of products. Products under Category I may be subject to random examination at any time, with the cost of laboratory analysis charged to the importer.

A Certificate of Product Registration (CPR) shall be issued by FDA and shall be valid for one (1) year. Subsequent renewal of CPR shall be valid for a period of five (5) years.

Exporters must be aware that the Philippine importer needs to secure a license from FDA to bring in any of the products. This is a prerequisite for the registration of any food product. The license lists names of foreign suppliers or sources of the products being registered. Thus, the importer is required to obtain from the exporter and submit to FDA the following: a copy of the Foreign Agency Agreement duly authenticated by the Philippine Consulate in the country of origin; and a Certificate of Status of Manufacture by the exporter issued by the Government Health Agency from the country of origin, which should also be authenticated by the Philippine Consulate.

In March 2008, FDA issued Bureau Circular No. 6-A (2007) imposing additional requirements for imported products to be sold in the Philippines. FDA requires all importers to obtain a Certificate of Free Sale for the said product from the regulatory agency of the exporting country.

The cost of initial one-year licensing fee is US$80 (PhP4, 000). Renewal of License to Operate, valid for two (2) years, is US$160 (PhP 8,000).

Import Regulations for Plant Products

The Bureau of Plant Industry (BPI) regulates imports of all plant products, including live plants, fresh and processed fruits and vegetables. All imports plant products and planting materials, including highly processed plant products (i.e., frozen French fries and raisins) of fresh and frozen produce require phytosanitary quarantine clearances (PQC) from BPI, which also serve as import licenses. These permits are applied for by the accredited Philippine importer for each shipment and must be first secured for all imports before the shipment leaves the country of origin. BPI accepts the following certificates for highly processed plant products lieu of the USDA phytosanitary certificates:

1. A certified true copy of the Philippine Food and Drug Administration/Bureau of Food and Drug (FDA) Certificate of Product Registration (CPR); and a photocopy of the U.S. Federal or State Government Health Certificate/Certificate of Free Sale; OR
2. Original U.S. Federal or State Government Health Certificate/Certificate of Free Sale

Import Regulations for Meat and Poultry Products: In September 2005, the DA issued Administrative Order No. 26 (AO 26), which updated its Administrative Order No. 39 (2000) or the "Revised Rules, Regulations and Standards Governing the Importation of Meat and Meat Products into the Philippines." AO 26 reiterates the need for a DA-accredited importer to obtain a Veterinary Quarantine Clearance (VQC) certificate prior to the importation of meat and meat products. A VQC will now be valid for 60 days from the date of issuance, within which the meat or meat products are to be shipped from the country of origin. A VQC is non-transferable and can only be used by the consignee to whom it was issued. A one shipment/bill-of-lading per VQC issued policy will be strictly followed. The complete text of Administrative Order No. 26 may be obtained from: http://www.da.gov.ph/agrilaws/ao_2005/ao_26.pdf

At present, all U.S. meat establishments that are regulated and inspected by the USDA Food Safety and Inspection Service (FSIS) are eligible to export meat and poultry to the Philippines.

There is a great deal of sensitivity in the Philippines about U.S. food products that are packed in cartons with labels indicating shipment to another country. Such markings should be covered or removed since the Philippines does not require the cartons to be marked for export to the Philippines.

A summary of Philippine export requirements for meat and poultry products from the United States may be obtained from:
http://www.fsis.usda.gov/regulations_&_policies/Philippines_Requirements/index.asp

Sensitive Agricultural Products

Tariff rates for sensitive agricultural products were established in Executive Order 313 of March 1996, which set varying in-quota and out-quota rates for products considered important to domestic agriculture: pork, poultry, coffee, sugar, rice and corn. In-quota rates apply to products imported within established minimum access volumes (MAV). Any imports in excess of the MAV are assessed the out-of-quota rate. MAV products are those for which the GPH committed to providing minimum market access in exchange for the lifting of quantitative import restrictions in the WTO.

The MAV Administration including its allocation is handled by a special MAV Management Committee. Please contact the USDA Foreign Agricultural Service in Manila (AgManila@usda.gov) for further information on minimum access volumes and current MAV license holders.

Import Regulations for Biotechnology-Derived Products

In April 3, 2002, the DA issued Administrative Order No. 8 (AO 8) which regulates the importation and release into the environment of genetically modified plants and plant products. Under AO 8, no regulated article shall be imported or released into the environment without the conduct of a satisfactory risk assessment. The BPI issues permits for the importation of regulated articles for contained use or trials, as well as for direct use as food or feed or for direct processing of GM plants and plant.

All shipments of regulated articles must be accompanied by a letter declaring the shipment may or may not contain GMOs. This declaration is issued by the shipper, importer, certified laboratory or responsible office in the country of origin.

A detailed report that specifically addresses import regulations and standards is available, entitled: The Philippines: Food and Agricultural Import Regulations & Standards Country Report (FAIRS) and can be obtained from the FAS homepage www.fas.usda.gov choose Market and Trade Data, Attaché Report Search, then select FAIRS Country Reports and the Philippines. You can also access the report through the following URL:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Manila_Philippines_7-31-2012.pdf

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As a general rule, all types of merchandise are allowed for importation into the Philippines. However, for reasons of public health and safety, national security, international commitments, and development/rationalization of local industry; the importation of certain commodities is regulated or prohibited. Imports are classified as follows:

1. **Freely Importable Commodities** - The importation of these commodities is neither regulated nor prohibited as defined under (2) and (3). They may be imported without the prior approval of or clearance from any government agency.

2. **Regulated Commodities** - The importation of these commodities requires clearances/permits from appropriate government agencies, including the Philippine Central Bank or Bangko Sentral ng Pilipinas (BSP) (http://www.bsp.gov.ph).

3. **Prohibited or Banned Commodities** - The importation of these commodities is not allowed under existing laws. Please visit http://www.dti.gov.ph/dti/index.php?p=214 for the list of regulated and prohibited imports.

The importation status of any commodity (whether prohibited, regulated, or freely importable) may be checked/verified with the Bureau of Customs (BOC) (http://www.customs.gov.ph), Bureau of Import Services (BIS) of the Department of Trade and Industry (DTI) (http://www.dti.gov.ph), or BSP and any of its authorized agent banks. The Department of Agriculture (DA) (http://www.da.gov.ph) can verify the importation status of agricultural products, as well as, indicate whether a Minimum Access Volume Import Certificate is required, such as for the importation of swine, chicken, etc.

Import documents required for shipments to the Philippines include:

- Commercial invoice/Pro forma invoice;
- Bill of lading (for sea freight) or air waybill (for air freight);
- Certificate of origin (if requested);

- Packing list;
- Special certificates/import clearance/permit depending on the nature of goods being shipped and/or requested by the importer/bank/letter of credit clause (e.g., Bureau of Food and Drugs (BFAD) license); and
- Commercial Invoice of Returned Philippine Goods and/or Supplemental Declaration on Valuation.

For a Letter of Credit (L/C) transaction, a duly accomplished L/C, including a Pro-forma Invoice and Import Entry Declaration for Advance Customs Import Duty (ACID), is required. A Pro-forma Invoice is required for a non-L/C transactions (e.g., Draft Documents against Acceptance (D/A), Documents against Payment (D/P), Open Account (OA) or self-funded documentation).

U.S. Export Controls

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For information on the latest U.S. export and re-export control regulations, please go to the following website: http://www.bis.doc.gov

Temporary Entry

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The following sections of the Tariff and Customs Code of the Philippines (TCCP) contain regulations and requirements for products entering the Philippines temporarily:

(1) Section 105 -The articles listed in this section, such as equipment for use in the salvage of vessels or aircraft; articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of the repair, processing, or reconditioning; articles used exclusively for public entertainment, and for display in public expositions, or for exhibition or competition for prizes, and devices for projecting pictures and parts; and articles brought by foreign film producers directly and exclusively used for making or recording motion picture films on location in the Philippines, are exempted from the payment of import duties subject to conditions as defined in the TCCP.

(2) Section 106 - Upon exportation of articles manufactured or produced in the Philippines, either in whole or in part of imported materials for which duties have been paid, refund or tax credit shall be allowed for the duties paid on the imported materials, subject to certain conditions.

(3) Section 2002 - This section states that imported materials manufactured in any bonded manufacturing warehouse and intended for export are exempted for duty, subject to certain conditions.

(4) Section 2103 - This section covers certain cases wherein an intent to export is shown in the covering commercial documents of imported articles where the Collector of Customs may authorize the filing of an entry for immediate exportation, under bond.

Labeling and Marking Requirements

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The marking and labeling requirements are specified in the Consumer Act of the Philippines (Republic Act No. 7394) and in the specified Philippine National Standards (PNS).

To guide consumers in the purchase of critical products, including electrical, and electronics, consumer and chemical and construction and building materials, they are encouraged to look for the Philippine Standard (PS) and Import Commodity Clearance (ICC) marks on the products or product packages. The Department of Trade and Industry - Bureau of Product Standards (DTI-BPS) is the National Standards Body of the Philippines (Republic Act No. 4109) that processes the PS and ICC marks.

For additional information on labeling and marking requirements, visit: http://www.bps.dti.gov.ph/

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Philippine law restricts the importation of certain goods for reasons of national security, environmental and public health protection, order and morality; and to comply with international treaties and obligations.

Prohibited Goods include:

- Used Clothing and Rags (Republic Act No. 4653);
- Toy Guns (Letter of Instructions No.1264);
- Right-Hand Drive Vehicles (Republic Act No. 8506);
- Hazardous Wastes, even in transit into Philippine territorial limits (Republic Act No. 6969, Section 24 of IRR); and
- Laundry and Industrial Detergents containing hard surfactants (Republic Act No. 8970).

Section 101 of the Tariff and Customs Code of the Philippines also includes the following import restrictions:

- Dynamite, gunpowder, ammunitions and other explosives, firearms, weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles in any form containing any matter advocating or inciting treason, or rebellion, insurrection, sedition, or subversion against the Government of the Philippines (GPH), or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;
- Written or printed articles, negatives or cinematographic film, photographs, engravings, lithographs, objects, paintings, drawings, or other representation of an obscene or immoral character;
- Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter, which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;
- Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes, or other when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
- Lottery and sweepstakes tickets except those authorized by the Philippine government, advertisements thereof, and list of drawings therein;
- Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks or which do not indicate the actual fineness of quality of said metals or alloys;
- Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the Food and Drug Act;
- Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs, which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the GPH or any person duly authorized by the Dangerous Drugs Board, for medical purposes only;
- Opium pipes and parts thereof, or whatever material; and,
- All other articles and parts thereof, the importation of which is prohibited by law or rules and regulations issued by competent authority as amended by Presidential Decree No. 34.

Regulated/Restricted Commodities

A broad range of commodities require import clearance/licenses from appropriate government agencies prior to importation into the Philippines. Discretionary licensing arrangements are in place for rice imports. The National Food Authority (NFA) is the sole importer of rice and continues to be involved in imports of corn. Private grain dealers may be allowed to import rice only with an import clearance.

Imports of fish products may be allowed only when certified by the Secretary of Agriculture as necessary for food security. One explicit criterion is potential threat to domestic industry.

Furniture manufacturers, agents, log and lumber contractors and lumber dealers may import wood materials under several different licensing regimes. Importers must submit a Phytosanitary Certificate issued by the country of origin to the Department of Agriculture - Bureau of Plant Industry (DA-BPI).

Imports of biotech plants and plant products for direct use as seeds, feeds, food, and/or processing may be allowed only if these products are authorized for commercial distribution as food or feed in the country of origin, and upon presentation by the importer of documents showing that its use will not pose significant risks to human and animal health. The DA issues five-year permits either for contained use or for direct use as food, feed, and/or processing. Products approved for importation are added to the approval registry for direct use. These importers do not need to secure an import permit, but only provide notice to the DA-BPI of the arrival of their shipments within fifteen days of actual arrival.

In addition to the commodities described above, the table below lists commodities that may be imported into the Philippines with the required import clearances and permits issued by the following appropriate government agencies.

Commodity Description/Commodity Group/ Tariff Heading (TH)	**Government Agencies Issuing Permits/Clearance and its Legal Basis**
Essential Chemicals & Controlled Precursors; and Dangerous Drugs (Ketamine, Pseudoephedrine, Oripavine, and Amineptine)	Philippine Drug Enforcement Agency (PDEA) and Dangerous Drugs Board (DDB) *Republic Act No. 9165 (The Comprehensive Dangerous Drugs Act of 2002) dated 7 June 2002*
Chemicals under the Philippine Priority Chemical List (PCL)	Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB)
Cyanide, Mercury, Asbestos, Polychlorinated Biphenyl, Chlorofluorocarbon and other ozone depleting substances TH 2805.4, 2903, 2523,2503	Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) *Republic Act No. 6969 (The Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990) dated 26 October 1990*

Recyclable materials containing hazardous substances, i.e. scrap metals, solid plastic materials, electronic assemblies and scrap, used oil, fly ash and used lead acid batteries	*DENR Administrative Order No. 36, s. 2004, Revising DENR Administrative Order No. 92-29 to further strengthen the implementation of Republic Act No. 6969*
Wildlife	Department of Environment and Natural Resources – Protected Areas and Wildlife Bureau (DENR-PAWB) *Republic Act No. 9147 (Wildlife Resources Conservation and Protection Act dated 30 July 2001)*
Chainsaws	Department of Environment and Natural Resources (DENR) *Republic Act No. 9175 (Chainsaw Act dated 22 July 2002)*
Semi-synthetic antibiotics (all form and salts of ampicillin, amoxicillin, and cloxacillin) Wheat Flour TH 1101 Iodized Salt TH 2501	Department of Health - Bureau of Food and Drugs (DOH–BFAD) *Executive Order No. 776 dated 24 February 1992 and Bureau Circular No. 03-A s.2000* *Republic Act No. 8976 (Philippine Food Fortification Act of 2000) dated 7 November 2000* *Republic Act No. 8172 (An Act for Salt Iodization Nationwide - ASIN) dated 20 December 1995*
Coal and lignite (excluding jet), whether or not pulverized, but not agglomerated TH 2701, 2702	Department of Energy-Energy Resource Development Bureau (DOE-ERDB) *Section 104 of Presidential Decree No. 1464 (The Tariffs and Customs Code of 1978) dated 11 June 1978*

Color Reproduction Machines TH 9009	National Bureau of Investigation (NBI) and Cash Department of the Central Bank
Chlorates, nitrates and nitric acid TH 2829, 2834, 2808	Explosives Management Branch (EMB), Philippine National Police (PNP) *Executive Order No. 522 (Prescribing Rules and Regulations for the Control and Supervision of the Importation, Sale and Possession of Chemical Used as Ingredients in the Manufacture of Explosives and for Other Purposes) dated 26 June 1992*
All fertilizers, pesticides and other chemical products that are intended for agricultural use	Department of Agriculture-Fertilizer and Pesticide Authority (DA-FPA) *Presidential Decree No. 1144 (Creating the Fertilizer and Pesticide Authority and Abolishing the Fertilizer Industry Authority) dated 30 May 1997 and FPA Pesticide Regulatory Policies and Implementing Guidelines, 2nd Edition, 2001*
Used motor vehicles	Department of Trade and Industry-Bureau of Import Services (DTI-BIS) *Executive Order No. 877-A (Comprehensive Motor Vehicle Development Program), dated 3 June 2010*
Used vehicles for the use of an official of the Diplomatic Corps	Department of Foreign Affairs (DFA) *Executive Order No. 156 dated 12 December2002*
All commodities originating from the following socialist and centrally-planned economy	Philippine International Trading Corporation (PITC)

countries (Albania, Angola, Ethiopia, Laos, Libya, Mongolia, Mozambique, Myanmar, Nicaragua and North Korea)	*Letter of Instructions No. 444 (Promulgating Guidelines on Trade Socialist and Other Centrally-Planned Economy Countries) dated 9 August 1967, as amended by EO NO. 244 dated 12May 1995*
Ships TH 8901 High Speed Craft TH 8901.9 Ship's Equipment/Spare Parts Spare Parts of Foreign Flagships undergoing emergency repair	Maritime Industry Authority (MARINA) *Memorandum Circular No. 104 dated 6 April 1995* *Memorandum Circular No. 121 dated 29 July 1997* *Republic Act No. 9295 (Domestic Shipping Development Act of 2004) dated 3 May 2004* *Memorandum Circular No. 169 dated 13 December 2001*
Atomic energy materials TH 2844	Department of Science and Technology-Philippine Nuclear Research Institute (DOSTPNRI) *Republic Act No. 5207 (An Act Providing for the Licensing and Regulation of Atomic Energy Facilities and Materials, Establishing the Rules on Liability for Nuclear Damage, and for Other Purposes) dated 15 June 1968, as amended by Presidential Decree No. 1484 dated 11 June 1978*
Legal tender Philippine currency in excess of PHP10,000 TH 4907, 7118, 7108, 7326, 7419, 7508, 7907, 8007, 7616	Central Bank

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Importers must register with the Bureau of Customs (BOC). Exceptions include importers in special economic zones, the Government of the Philippines (GPH) and its agencies and instrumentalities, foreign embassies, consulates, and international organizations with diplomatic status and/or recognized by the GPH, such as the Asian Development Bank (ADB) and the World Health Organization (WHO). For a complete list of requirements on accreditation of importers, refer to the revised rules and regulations on accreditation of importers from the Department of Trade and Industry - Bureau of Import Services (DTI-BIS) website:
http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc

Importers (or customs brokers) are required to lodge an import entry electronically through the E2M system. The E2M system allows customs officers and traders to process electronically most customs transactions, though importers are still required to submit hard copies of import documents and attachments to the Entry Processing Unit for verification. Import documents required in all shipments are as follows:

- Commercial Invoice;
- Bill of Lading (for sea freight) or airway bill (for air freight);
- Certificate of Origin, if requested;
- Packing List;
- Applicable special certificates required due to the nature of goods being shipped/requested by importer/bank/letter of credit clause;
- Commercial Invoice of Returned Philippine Goods and Supplemental Declaration on Valuation;
- For Letter of Credit (L/C) Transaction, a duly accomplished L/C including Pro forma Invoice and Import Entry Declaration for Advance Customs Import Duty (ACID); and
- For non-L/C Transactions, either Draft Documents against Acceptance D/A), Documents Against Payment (D/P), Open Account (OA) or self-funded, and a pro forma Invoice.

The E2M system does not deal with permits and/or licenses issued by other government agencies and must be applied separately.

Shipments are classified according to risk. A low-risk shipment passes through the "green lane" without documentary review or physical inspection. A moderate-risk shipment passes through the "yellow lane", subject to documentary review. A high-risk shipment passes through the "red lane", subject to both documentary review and physical inspection.

BOC employs a "super green lane" for immediate clearance of goods (aside from basic import licenses) to qualified importers. Customs may conduct random post-entry inspections, but only at the importer's premises. To qualify for this lane, an importer needs to be accredited by BOC; be a registered user of remote lodgement facilities and holder of a certificate of registration; have actively imported for at least one year at the time of filing of application; be a regular importer of the same type of products; and be willing to undergo a voluntary audit. Shipments qualify for this lane only when they are in the list of possible imports (i.e. do not contain prohibited articles); are either freely importable commodities or, if regulated, covered by a continuing import authority issued by the concerned government agency; and are subject to taxes and duties.

BOC will implement a National Single Window (NSW) as part of the country's compliance to the ASEAN Single Window Initiative. For more information on Philippine NSW, visit https://www.nsw.gov.ph/.

In November 2011, the United States and Philippines signed a customs administration and trade facilitation protocol that aims to promote increased bilateral trade through simplified customs procedures and transparency of customs administration. The protocol includes commitments on publication of customs regulations; implementation of an advance rulings system; and a significant increase in the "de minimis" level for express shipments.

Valuation

The GPH employs a transaction value system of import valuation in compliance with the WTO Agreement on Customs Valuation. The transaction value is the price actually paid or payable for merchandise when sold for export to the country of importation, with additions and permissible deductions. In case the transaction value cannot be determined, substitute methods provided for in the WTO Agreement on Customs Valuation may be used, such as the transaction value of identical or similar goods, deductive value, or fallback value.

Reports of corruption and other irregularities persist regarding the implementation of rules and regulations on valuation methodology, clearance procedures, post-entry audit, and appeals procedures. Importers claim undue and costly processing delays, continued private sector involvement in the valuation process, the use of reference prices rather than declared transaction values, and of customs officials seeking payment of unrecorded facilitation fees. The United States Government continues to encourage the GPH to improve the administration of its customs regime and minimize import harassment.

Clearance Requirements

Below are the documentary requirements necessary to clear imports through BOC, except those made through the super green lane:

--Import Entry and Internal Revenue Declaration (IEIRD–BOC Form 236)
--Supplemental Declaration of Valuation (SDV) form.
--Bill of Lading or Air Way Bill;
--Commercial invoice;
--Packing list; and
--Other additional documents as may be required.

In general, all imported goods are subject to customs duty and internal revenue taxes and examination, tariff classification, and appraisal. Taxes and duties, and other charges due, shall be paid prior to the goods' release.

Queries related to valuation and classification:

Mr. Rozzanno Rufino B. Biazon
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Bureau of Customs (BOC)
Ground Floor, OCOM Building, Port Area, Manila
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Fax: (632) 537-4573
Email: boc.commissioner@customs.gov.ph

Queries related to tariff nomenclature and classification:

Mr. Artemio D. Bernardino
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Research, Investigation and International Trade Analysis Services (RIITAS)
Philippine Tariff Commission
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East Avenue, Diliman
Quezon City 1100 Philippines
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Fax: (632) 921-7960
E-mail: info@tariffcommission.gov.ph

Standards Return to top

Overview Return to top

The Bureau of Product Standards (BPS) is the Philippines' National Standards Body (NSB). A governmental agency under the Department Trade and Industry (DTI), the Bureau develops, promulgates, implements, and promotes standardization activities as mandated by Republic Act 4109 (Charter of BPS) and the Consumer Act of the Philippines (Republic Act 7394) and including Executive Order No. 133, Series of 1987 (Reorganizing the Department of Trade and Industry, Its Attached Agencies, and for Other Purposes) as amended by Executive Order No. 242, Series of 1987 (amending Executive Order No. 133, Series of 1987, Entitled "Reorganizing the Department of Trade and Industry, Its Attached Agencies and for Other Purposes"), and Executive Order No. 292, Series of 1987 (The Administrative Code of the Philippines).

The BPS is a participating member to the International Organization for Standardization (ISO).

To further provide only quality services to its clients, the BPS has obtained its ISO 9001 certification from the Certification International Philippines, Inc. (CIPI) for the scope of development and promulgation of standards and product certification.

Product Testing

Along with other BPS recognized and DTI-accredited testing laboratories, BPS likewise offers its clients a third-party testing of products through its BPS Testing Center to verify conformity to PNS requirements that supports the Philippine Standard (PS) and Import Commodity Clearance (ICC) product certification schemes.

The BPS Testing Center is accredited to ISO/IEC 17025 as attested by the Singapore Accreditation Council.

Standards Enforcement

To ensure that all stakeholders covered by BPS regulations conform to the standard requirements, the BPS, in collaboration with the DTI Regional Operations and Development Group (DTI-RODG), carries out activities to strengthen the DTI's monitoring and enforcement program. Through nationwide market monitoring activities performed by the DTI's regional and provincial offices, the BPS strictly manages the system and products of manufacturers, importers, distributors, dealers and retailers of mandatory products.

Standards Promotion

1. Publication of Technical Regulations

The approved PNS for mandatory implementation are published in the National Printing Office's Official Gazette and two newspapers of general circulation.

2. Standards Advocacy

To strengthen its information program on standards and standardization activities, the BPS utilizes different channels to reach out to its various stakeholders.

The BPS maintains its interactive website (www.bps.dti.gov.ph) for easy reference and feedback.

BPS has embarked on an aggressive consumer education program called Konsyumer Atbp (KATBP). This DTI "teleradyo" program simultaneously airs over ABS CBN's DZMM 630 AM Radio, Skycable Channel 26, and the The Filipino Channel (TFC) every Saturday from 10:30 am to 12:00 noon. The Bureau aims to increase consumer awareness and understanding, particularly among the youth, regarding standards, prices, monitoring and enforcement activities, product quality and safety characteristics, consumer tips, and trade and industry news.

To educate the Filipino youth on the significance of standards in their daily lives, the BPS, together with the Department of Education (DepEd) and the private sector, conducts the Standards Blitz for elementary (grades 5 and 6), high school and college students. In this program, standards are introduced through visits to the BPS Testing Center and DTI-accredited laboratories to witness how certain products are tested for safety and performance based on the Philippine National Standards (PNS).

Moreover, the BPS, DepEd and private sector have ready teacher-support materials (TSMs) on standards for formal and non-formal education students and learners. High school use these TSMs in their Chemistry, Araling Panlipunan, Science and Technology, and Technology and Livelihood Education (TLE) subjects. Also available are modules on product standards for out-of-school youth or mobile learners in the secondary level of the DepEd Alternative Learning System.

International and National Cooperation

To achieve its objectives in standardization and product certification, the BPS has established networks with local government agencies, international standardization bodies, and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electro technical Commission (IEC), among others. It also participates in the standardization and conformance activities of the Asia Pacific Economic Cooperation Sub-committee on Standards and Conformance (APEC-SCSC), and ASEAN Consultative Committee on Standards and Quality (ACCSQ).

The Bureau also supports the WTO Agreement on Technical Barriers to Trade (TBT). Under the TBT, BPS has been designated as the notification authority and focal enquiry point on standards, technical regulations and conformity assessment procedures. BPS' involvement with the said bodies/organizations aims to strengthen the country's technical infrastructure for its conformity assessment, testing and calibration, and standards information services.

Members of the World trade Organization (WTO) are required under the agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries. The BPS has its WTO/TBT Alert through the BPS URL address – www.bps.dti.gov.ph – where a manufacturer, importer, exporter or distributor can review and comment on proposed foreign technical regulations that can affect their access to international markets.

BPS as WTO/TBT Inquiry Point

Members of the World trade Organization (WTO) are required under the agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member

countries. The BPS has its WTO/TBT Alert through the BPS URL address – www.bps.dti.gov.ph – where a manufacturer, importer, exporter or distributor can review and comment on proposed foreign technical regulations that can affect their access to international markets.

Standards Organizations Return to top

Organizations that cooperate with BPS in the development of Philippine National Standards:

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Fax: (632) 983-9109; 445-4109
Email: chrischan@pacific.net.ph
Website: http://www.philippinerubber.com.ph/

Engr. Jules Alcantara
National President
Institute of Integrated Electrical Engineers of the Philippines, Inc.
41 Monte de Piedad St., Cubao
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Fax: (632) 410-1899

Engr. Danilo G. Duya
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Mr. Antonio C. Olizon
President
Philippine Wood Producers Association

Room 305, LTA Building
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Makati City, Philippines
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Fax: (632) 807-0751; 807-8511; 842-5606
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Dr. Carlos C. Tomoboc
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Department of Science and Technology
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Tel/Fax: (632) 837-1325
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NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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The BPS closely coordinates with the Philippine Accreditation Office (PAO), also a DTI office that supports the product certification schemes.

The PAO operates the following accreditation schemes:

a. Testing and Calibration Laboratories (ISO/IEC 17025)
b. Medical Testing Laboratories (ISO 15189)
c. Inspection Bodies (ISO/IEC 17020)
d. Quality Management Certification Bodies (ISO/IEC 17021)
e. Environmental Management Certification Bodies (ISO/IEC 17021)
f. Food Safety Management System Certification Bodies (ISO/IEC 17021 and ISO/TC22003)
g. Product Certification Bodies (ISO/IEC Guide 65)
h. Personnel Certification Bodies (ISO/IEC 17024)
i. Information Security Management System (ISO/IEC 27006)
j. Hazard Analysis Critical Control Point Certification Bodies – CODEX
k. Certification Authorities for Electronic Signatures

Product Certification Return to top

The BPS implements a mandatory product certification for various building and construction, electrical and electronics, chemical and consumer products under its Product Certification Scheme. Products under the BPS list of the Philippine National Standards for mandatory certification' cannot be sold or distributed in the Philippine market without the necessary Philippine Standard (PS) or Import Commodity Clearance (ICC) mark.

1. Under the PS Certification Scheme (Department Administrative Order No. 4:2008), a manufacturer obtains a license to use the Philippine Standard (PS) Quality and/or Safety Certification Mark for its capability to consistently manufacture products in accordance with specific PNS or an internationally accepted foreign standard. Conformity to standards is determined on the basis of satisfactory results of the assessment of manufacturer's production and quality assurance processes and its product.

2. Under the ICC certification Scheme (Department Administrative Order No. 5:2008), an importer can obtain an ICC certificate after an import shipment has been evaluated by BPS as meeting the requirements of the applicable PNS. The BPS through the DTI Regional and Provincial Offices, subjects import shipments to sampling, testing, and evaluation based on the requirements of specific PNS.

   DAO 05 specifies that importers are offered four options for their applications to be processed which include (1) an application without a Product Test Report but with a Quality Management System (QMS) based on the ISO 9001:2000 and its future amendments; (2) an application with a Product Test Report and with a QMS based on the ISO 9001:2000 and its future amendments; (3) an application without a Product Test Report and without a QMS; and (4) an application with the Philippine Standard (PS) license from a foreign supplier. There are 85 listed PNS measures that require mandatory certification.

Accreditation Return to top

<u>Introduction</u>

The Philippine Accreditation Office (PAO) is a spin-off from the Bureau of Product Standards (BPS) as a result of the joint resolution of the International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC). Based on ISO/IEC 17011:2004, the international standard for operation of accreditation bodies, accreditation bodies are no longer allowed to also do certification, testing and other services that it accredits, due to the conflict of interest.

Accreditation bodies not conforming to ISO/IEC 17011 will not be accepted into the mutual recognition arrangements (MRAs) of the Pacific Accreditation Cooperation (PAC), International Accreditation Forum (IAF), Asia Pacific Laboratory Accreditation Cooperation (APLAC), and the International Laboratory Accreditation Cooperation (ILAC).

By virtue of Executive Order 124 (Ensuring Effective Operational Structural Arrangements in the Department of Trade and Industry), the then DTI Secretary issued Department Administrative Order No. 4:2006 which transferred the accreditation function of the BPS to the PAO. The PAO was established on April 11, 2006 to carry out independent accreditation of conformity assessment bodies in the Philippines. The PAO operates in accordance with relevant international standards and requirements.

E.O. 802 2009 was also signed by was also signed by President Gloria Macapagal Arroyo to strengthen and recognize the PAO as the national accreditation body for Conformity Assessment Bodies (testing, inspection and certification).

World-wide Recognition and International Acceptance

The PAO is a signatory/member to the Mutual/Multilateral Recognition Arrangements (MRAs/MLAs) of: Pacific Accreditation Cooperation (PAC) for Quality Management System (QMS) and Environment Management System (EMS); International Accreditation Forum (IAF); Asia Pacific Laboratory Accreditation Cooperation (APLAC) for testing and calibration (ISO 17025); and International Laboratory Accreditation Cooperation (ILAC).

Contact

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Fax: (632) 751-3262
Email: pao@dti.gov.ph

Management System Accreditation (MSA)

The MSA handles the accreditation of certification bodies offering certification of quality management system, environment management system, food safety management system, and product, among others.

Contact:

Ms. Nanita F. Fidelino
Head, Management System Accreditation
Tel.: (632) 751-3128
Fax: (632) 751-3262
Email: pao@dti.gov.ph

Laboratory Accreditation

The Laboratory Accreditation (LA) is in charge of accreditation of testing and calibration laboratories (ISO/IEC 17025), medical laboratories (ISO 15189), and inspection bodies (ISO/IEC 17020).

Contact:

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Fax: (632) 751-3262
Email: pao@dti.gov.ph

Publication of Technical Regulations Return to top

The approved PNS for mandatory certification are published in the National Printing Office's Official Gazette and two newspapers of general circulation. Draft standards are circulated for comments while still in its draft stage.

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E-mail: bps@dti.gov.ph

Labeling and Marking Return to top

The marking and labeling requirements are specified in the Consumer Act of the Philippines and in the specified PNS.

Consumers are encouraged to look for the PS and ICC marks on the products or product packages to guide them in the purchase of critical products, including electrical, and electronics, consumer and chemical and construction and building materials.

Consumers are educated on these quality and safety marks through the BPS Standards Blitz Program.

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Fax: (632) 751. 4706
E-mail: bps@dti.gov.ph
Website: http://www.bps.dti.gov.ph; http://www.business.gov.ph

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ASEAN Trade in Goods Agreement (ATIGA)

The ASEAN Trade in Goods Agreement (ATIGA) officially took effect on May 17, 2010, after Thailand, the last ASEAN member state, submitted its ratification of ATIGA to the ASEAN Secretariat. The ATIGA is considered to be among the most important economic agreements in the region.

The ATIGA, which is comprehensive in its scope and brings transparency to regional trade liberalization, consolidates all Common Effective Preferential Tariff/ASEAN Free Trade Area (CEPT/AFTA) commitments related to Trade in Goods. It focuses not only on tariff liberalization and non-tariff measures, but it also includes trade facilitation initiatives, simplification of rules of origin, and establishment of an ASEAN Trade Repository. ATIGA is more comprehensive in scope compared to CEPT that became effective in 1992.

The agreement is a major achievement towards the establishment of a single market and production base under the ASEAN Economic Community 2015. The entry into force of the ATIGA will help facilitate trade by simplifying processes and procedures thereby reducing transaction time and cost of doing business, benefitting the business community and the public. This agreement provides businesses with transparency and certainty in making business and investment decisions.

For updates on ATIGA, visit www.asean.org.

Philippines – Japan Economic Partnership Agreement (PJEPA)

The Philippines - Japan Economic Partnership Agreement (PJEPA) was signed in Helsinki, Finland by former President Gloria Macapagal-Arroyo and former Prime Minister Junichiro Koizumi on September 9, 2006. The Philippine Senate concurred to the ratification on October 8, 2008, and officially entered into force on December 11, 2008. PJEPA is the first bilateral free trade agreement of the Philippines, covering, among others, Trade in Goods, Trade in Services, Investments, Movement of Natural Persons, Intellectual Property, Customs Procedures, Improvement of the Business Environment, and Government Procurement.

For further inquiries and concerns regarding the implementation of PJEPA, contact the PJEPA Secretariat at the Bureau of International Trade Relations, Department of Trade and Industry at pjepa.secretariat@gmail.com or at telephone numbers (632) 465-3300 local 402.

Other Trade Agreements

Under the ambit of ASEAN, the Philippines has concluded free trade agreements (FTAs) with China, India, Japan, Republic of Korea, and Australia and New Zealand.

For more information on the Philippines' trade agreements, contact:

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http://www.tariffcommission.gov.ph/
http://www.tariffcommission.gov.ph/AHTN_(TARIFF)_BOOK.htm
http://www.wto.org/english/tratop_e/tariffs_e/tariff_data_e.htm
http://www.tariffcommission.gov.ph/tariff2011.htm
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/anti-dum1.html
http://www.tariffcommission.gov.ph/anti-dumping_reports.htm
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/SAFEGUARD%20FINAL%20REPORTS.htm
http://www.da.gov.ph/agrilaws/ao_2005/ao_26.pdf
http://www.fsis.usda.gov/regulations_&_policies/Philippines_Requirements/index.asp
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Manila_Philippines_7-31-2012.pdf
http://www.bsp.gov.ph
http://www.dti.gov.ph/dti/index.php?p=214

http://www.customs.gov.ph
http://www.dti.gov.ph
http://www.da.gov.ph
http://www.bis.doc.gov
http://www.bps.dti.gov.ph/
http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc
https://www.nsw.gov.ph/
http://www.philippinerubber.com.ph/
www.philippineweldingsociety.org
http://www.nist.gov/notifyus/
http://www.business.gov.ph
www.asean.org

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Chapter 6: Investment Climate

Openness to Foreign Investment

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The Government of the Philippines (GPH) actively seeks foreign investment to promote economic development. The Philippine investment landscape has some noteworthy advantages, such as its free trade zones, including the Philippine Economic Zone Authority (PEZA) (http://www.peza.gov.ph/). Certain industries have experienced impressive growth in recent years, especially those that leverage educated, English-speaking Philippine labor.

Despite these strengths, legal restrictions, regulatory inconsistency, inadequate public investment in social and physical infrastructure, and a lack of transparency hinder foreign investment. In many sectors of the economy, GPH regulatory authority remains ambiguous, and corruption is a significant factor. In addition, a complex and slow judicial system inhibits the timely and fair resolution of commercial disputes.

Measure	Year	Index/Ranking
TI Corruption Index	2012	105 of 176 (34)
Heritage Economic Freedom	2013	97 of 177 (58.2)
World Bank Doing	2013	138 of 185

Business		
MCC Gov't Effectiveness	2013	91%
MCC Rule of Law	2013	41%
MCC Control of Corruption	2013	19%
MCC Fiscal Policy	2013	73%
MCC Trade Policy	2013	52%
MCC Regulatory Quality	2013	63%
MCC Business Start Up	2013	50%
MCC Land Rights Access	2013	61%
MCC Natural Resource Protection	2013	66%

Philippine law generally treats foreign investors the same as their domestic counterparts, with important exceptions outlined in the Foreign Investment Act (detailed below). Corporations or partnerships must register with the Securities and Exchange Commission (SEC) () and sole proprietorships must be registered with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the Department of Trade and Industry (DTI) (http://www.dti.gov.ph/).

Investors generally report that the Philippine bureaucracy is nondiscriminatory but slow to process these requirements. To streamline business registration process, the GPH is implementing the Philippine Business Registry (PBR), a single, web-based business registration system that integrates business registration processes now handled by five government agencies.

The 1991 Foreign Investment Act (FIA) requires the GPH to publish the Foreign Investment Negative List (FINL), which outlines sectors in which foreign investment is restricted or limited. The GPH is required by the FIA to update the FINL every two years. The ninth FINL was published in October 2012.is comprised of two parts. Part A details sectors in which foreign equity participation is restricted by the Constitution or laws. Part B lists areas in which foreign ownership is limited (generally to 40 percent) for reasons of national security, defense, public health, morals, and the protection of small and medium enterprises (SMEs). There is no procedural mechanism to request a waiver from the negative lists.

The 1987 Constitution prohibits foreign nationals from owning land in the Philippines. The Investors' Lease Act of 1994 (ILA) allows foreign investors to lease a contiguous parcel up to 1000 hectares for 50 years, renewable once for 25 additional years. The 2003 Dual Citizenship Act, which allows natural-born Filipinos who became naturalized citizens of a foreign country to re-acquire Philippine citizenship, gave Philippine dual citizens full rights to possess land. Ownership deeds continue to be difficult to establish

and are poorly reported and regulated. The court system is slow to resolve land disputes.
Other investment areas reserved for Filipinos include mass media (except recording); small-scale mining; private security; utilization of marine resources (including small-scale utilization of natural resources in rivers, lakes, and lagoons) and the manufacture of firecrackers and pyrotechnic devices.

Foreign investment is highly restricted in the retail trade industry. Retail trade enterprises with paid-up capital of less than US$2.5 million, or less than US$250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign investors are prohibited from owning stock in lending, financing or investment companies unless the investor’s home country affords the same reciprocal rights to Filipino investors. Foreign ownership in enterprises engaged in financing and securities underwriting that are regulated by the SEC is limited to 60 percent. Changes in the ninth FINL cap foreign ownership at 49 percent for lending companies.

Other specific limits on foreign investment include: private radio communications networks (20 percent); employee recruitment and locally-funded public works construction and repair (25 percent); advertising agencies (30 percent); natural resource exploration, development, and utilization (40 percent, with exceptions); educational institutions (40 percent); operation and management of public utilities (40 percent); operation of commercial deep sea fishing vessels (40 percent); Philippine government procurement contracts (40 percent for supply of goods and commodities; 25 percent for construction of locally-funded public works, with some exceptions); adjustment companies (40 percent); operations of Build-Operate-Transfer (BOT) projects in public utilities (40 percent); ownership of private lands (40 percent); rice and corn processing (40 percent, with some exceptions); financing companies and investment houses (60 percent).

The Philippines limits foreign ownership for reasons of national security, defense, and public health. Industries such as the manufacturing of explosives, firearms, and military hardware, as well as the operation of massage clinics, are generally limited to 40 percent foreign equity. Foreign ownership in SMEs is also limited to 40 percent in non-export firms. The SEC expects to release implementing rules and regulations in 2013 that will enable it to monitor, investigate, and impose penalties on corporations that do not comply with foreign ownership equity requirements of sectors covered by the FINL.

The insurance industry is open to 100 percent foreign ownership, subject to a sliding scale of minimum capital requirements depending on the level of foreign equity. As a general rule, government agencies, including government-owned and controlled corporations, must secure insurance protection from the state-owned Government Service Insurance System (GSIS) (http://www.gsis.gov.ph/). This policy extends to the government’s interests in projects implemented under the BOT law, but BOT regulations also allow proponents/operators to secure bid security and performance bonds from surety or insurance companies accredited by the Philippine Insurance Commission.

Offshore companies not incorporated in the Philippines may underwrite Philippine issues for foreign markets, but not the domestic market. Current law also restricts membership on boards of directors for mutual fund companies to Philippine citizens.

In July 2012, President Benigno Aquino III issued an executive order closing 78 areas to new mining. The order imposes a moratorium on the new mining agreements until the Philippine Congress defines a revenue-sharing scheme. It additionally confines small-scale mining to designated areas, requires the government to review and renegotiate existing contracts, requires reserves to be rewarded through a public bidding process, provides state ownership of mine wastes upon the expiration of a contract, creates the Mining Industry Coordinating Council to implement reforms, and bans the use of mercury in small-scale mining.

The BOT Law provides the legal framework for private sector participation in large infrastructure projects. Franchises in public utilities – railways, urban rail mass transit systems, electricity and water distribution, and telephone systems – may only be awarded to enterprises with at least 60 percent Philippine ownership. While U.S. firms have won contracts under the law, mostly in the power generation sector, more active foreign participation under BOT is often frustrated by legal and administrative problems, including weaknesses in planning, tendering, and executing private sector infrastructure projects; regulatory and legal challenges to collecting and/or increasing tolls and fees; and lingering ambiguities about guarantees and other support provided by the government.

The Aquino administration has established the "Public Private Partnership (PPP) Center" (http://ppp.gov.ph/) to promote transparency and oversee project development and approval. Resources for right-of-way and land acquisition have been allocated and single borrower (SB) limits for Philippine banks that finance PPP arrangements have been relaxed. PPP infrastructure projects costing more than PhP1 billion (about US$25 million) undertaken through contractual arrangements authorized under the BOT Law may register with BOI to be entitled to incentives under the Omnibus Investment Code.

Conversion and Transfer Policies

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The Central Bank has worked since 2007 to relax and streamline the Philippine foreign exchange (forex) regulatory framework. There are no restrictions on the full and immediate transfer of funds associated with foreign investments, foreign debt servicing, or payment of royalties, lease payments, and similar fees.

Central Bank regulations provide specific requirements for foreign exchange purchases from banks and their subsidiary foreign exchange corporations and from non-bank foreign exchange dealers, money changers, and remittance agents. There is no mandatory foreign exchange surrender requirement imposed on export earners or other foreign currency earners such as overseas workers.

The Central Bank follows a market-determined exchange rate policy, with scope for intervention targeted mainly at smoothing excessive foreign exchange volatility. To curb foreign exchange speculation and temper the Peso's rapid appreciation from surges in foreign portfolio capital, the monetary authority announced in late 2012 that it would impose ceilings on non-deliverable forward transactions relative to bank's capital.

In July 2012, President Aquino signed an executive order requiring all government contracts involving PPP, BOT, and joint ventures with the private sector, to include provisions for alternative dispute resolution. According to the order, the goal is to make resolving disputes less expensive, tedious, and time-consuming, particularly for large-scale capital-intensive infrastructure and development contracts. (See also "Dispute Settlement" section in this chapter.)

The Philippines is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has adopted the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). However, Philippine courts have shown a reluctance to abide by the arbitral process or its resulting decisions. Enforcing an arbitral award in the Philippines can take years.

In July 2010, the Philippine Congress passed a new bankruptcy and insolvency law that provides a more predictable framework for the rehabilitation and liquidation of distressed companies. Rehabilitation may be initiated by debtors or creditors under court-supervised, pre-negotiated, or out-of-court proceedings. The law also sets the conditions for voluntary (debtor-initiated) and involuntary (creditor-initiated) liquidation. The law recognizes cross-border insolvency proceedings in accordance with the United Nations Center for International Trade and Development's Model Law on Cross-Border Insolvency, allowing the courts to recognize proceedings in a foreign jurisdiction involving a foreign entity with assets in the Philippines.

Regional trial courts designated by the Supreme Court have jurisdiction over insolvency and bankruptcy cases. According to the International Finance Corporation's 2013 Ease of Doing Business report, the Philippines ranks 65th of the 85 economies studied in resolving insolvency and bankruptcy cases.

Expropriation and Compensation

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Philippine law allows for expropriation of private property for public use or in the interest of national welfare or defense. In such cases, the Philippine government offers compensation for the affected property. In the event of expropriation, foreign investors have the right under Philippine law to remit sums received as compensation in the currency in which the investment was originally made and at the exchange rate at the time of remittance. However, agreeing on a mutually-acceptable price can be a protracted process.

There are no recent cases of actual expropriation involving U.S. companies in the Philippines. Since the implementation of the BOT law in 1990, some BOT contractors in the energy sector, including U.S. firms, have reported disputes with local government units (LGUs) on real property tax assessments. Some LGUs initiated auction and/or confiscation proceedings on the contractors' assets, which the companies have challenged in the courts.

Dispute Settlement

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Many foreign investors describe the inefficiency and uncertainty of the judicial system as a significant disincentive for investment. Investment disputes can take years to resolve. While the judiciary is constitutionally independent of the executive and legislative branches, it faces many problems including understaffing and corruption. In addition, a number of Philippine government actions in recent years have raised questions over the sanctity of contracts in the Philippines. High-profile cases include the government-initiated review and renegotiation of contracts with independent power producers, court decisions voiding disadvantageous and allegedly tainted BOT agreements, and challenges to foreign participation in large-scale natural resource exploration activities. The GPH has received foreign donor support for judicial reform projects through the Asian Development Bank, the World Bank, and USAID.

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Performance Requirements and Incentives

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Performance Requirements

Performance requirements are established by the BOI for investors who are granted incentives and are usually based on the approved project proposal. BOI-registered companies provide a projected yearly production schedule and export performance targets. Registered projects must maintain at least 25 percent of total project cost in the form of equity and comply with the 25 percent local value-added sourcing requirement. As of March 2010, foreign retailers are no longer subject to local sourcing requirements.

The Government Procurement Reform Act does not cover projects under the BOT Law, which allows investors in qualifying projects to engage the services of Philippine and/or foreign firms for the construction of infrastructure projects. Procurement by government agencies and government-owned or controlled corporations is subject to a countertrade requirement entailing the payment of at least US$1 million in foreign currency. Implementing regulations set the level of countertrade obligations at a minimum of 50 percent of the import price and set penalties for nonperformance of countertrade obligations.

Incentives

According to the Senate Tax Study and Research Office, there are about 180 fiscal incentives laws and issuances in the Philippines as of December 2012. President Aquino has stated his support for fiscal incentives rationalization publicly and listed fiscal incentives reform as a priority legislative measure. A number of bills have been filed in the Philippine Congress but the scope and detail of reform remain contentious.
Every year, the Investment Priorities Plan (IPP) outlines the list of investment areas entitled to incentives. The 2012 IPP retains priority investment areas such as agriculture/agribusiness and fisheries; infrastructure (includes PPP projects); motor vehicles; green projects; research and development; disaster prevention, mitigation and recovery; creative industries (includes business process outsourcing and IT and IT-enabled services); shipbuilding; mass housing; energy; and strategic projects. Iron and steel and hospital/medical services were newly added to the 2012 plan.

To encourage wider distribution of industry across the Philippines, BOI-registered enterprises that locate in less-developed areas are entitled to "pioneer" incentives. Such enterprises can deduct from taxable income 100 percent of the cost of the necessary and major infrastructure works. BOI-registered enterprises may also deduct from its taxable income 100 percent of its incremental labor expenses for five years, which is double the rate that is allowed for BOI-registered projects not located in less developed areas. Incentives also apply specifically to export-oriented firms. An enterprise with more than 40 percent foreign equity that exports at least 70 percent of its production may be entitled to incentives even if the activity is not listed in the IPP.

Aside from ITH and duty-free importation of capital equipment, registered enterprises may also be entitled to tax credit for taxes and duties paid on imported raw materials used in the processing of export products for ten years and may have exemption from taxes and duties on imported spare parts, and access to customs bonded manufacturing warehouses.

Generally, the export commitment for export-oriented BOI-registered enterprises is 50 percent of total production if Filipino-owned (i.e. with 60 percent or more Filipino equity) and 70 percent if foreign-owned (i.e. less than 60 percent Filipino equity). BOI-registered, foreign-owned firms must divest to the 40 percent level within 30 years from registration date or within a longer period determined by BOI. BOI-registered, foreign-owned firms that export 100 percent of production are exempt from this requirement.

Export-oriented firms with at least 50 percent of their revenues derived from exports may register for additional incentives under the Export Development Act of 1994. Registered exporters may be eligible for both these and BOI incentives, provided the exporters are registered according to BOI rules and regulations and the exporter does not take advantage of the same or similar incentives twice. Specific export incentives include a tax credit ranging from 2.5 percent to 10 percent of annual incremental export revenue.

Philippine law also provides incentives for multinational enterprises to establish regional or area headquarters and regional operating headquarters in the Philippines. Regional headquarters are defined as branches of multinational companies that do not earn or derive income from the country, and which act as centers for supervision, communications, or coordination. Incentives include exemption from income tax; exemption from branch profits remittance tax; exemption from value-added tax; sale or lease of goods and property and rendition of services to the regional headquarters subject to zero percent value-added tax; exemption from all taxes, fees, or charges imposed by a local government unit (except real property taxes); and value-added tax and duty-free importation of training and conference materials and equipment solely used for the headquarters functions.

Regional operating headquarters enjoy many of the same incentives as regional headquarters but are subject to the standard 12 percent value-added tax, applicable branch profits remittance tax, and 10 percent corporate income tax. Foreign executives working at regional operating headquarters may import personal and household effects duty-free and may obtain immigration benefits. Eligible multinationals establishing regional operating headquarters must spend at least US$200,000 yearly to cover operations.

Multinationals entities that establish regional warehouses for the supply of spare parts, manufactured components, or raw materials for foreign markets also enjoy incentives on imports that are re-exported, including exemption from customs duties, internal revenue taxes, and local taxes. Imported merchandise intended for the Philippine market is subject to applicable duties and taxes.

Right to Private Ownership and Establishment

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Philippine law recognizes the private right to acquire and dispose of property or business interests, subject to foreign nationality caps specified in the Philippine Constitution and other laws. The 1987 Constitution grants the government authority to regulate competition and prohibit monopoly, but there is no implementing law.

The Aquino administration has prioritized the enactment of an anti-trust law. Congress is considering several anti-trust bills. In June 2011, President Aquino issued an executive order designating the Department of Justice (DOJ) as the government's competition authority until anti-trust legislation is passed.

A few sectors are closed to private enterprise, generally on grounds of security, health, or public morals. For example, the Philippine government operates or licenses all casinos through the Philippine Amusement and Gaming Corporation (PAGCOR) (http://www.pagcor.ph/) and runs lottery operations through the Philippine Charity Sweepstakes Office (PCSO) (http://www.pcso.gov.ph/).

Generally, only the state-owned GSIS may insure government-funded projects. BOT projects and partially privatized government corporations must meet GSIS insurance and bonding requirements in proportion to Philippine government interests. In addition, government funds are usually deposited in the Central Bank or in government-owned banks.

Protection of Property Rights

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The Philippines has established procedures for registering claims on property, but delays and uncertainty caused by the judicial system remain a problem. Questions regarding the general sanctity of contracts, and the property rights they support, have also clouded the investment climate.

Of particular concern in the Philippines is the challenge of intellectual property rights protection, for which the Philippines is listed on United States Trade Representative (USTR) Special 301 Watch List. U.S. distributors continue to report pirated optical discs of cinematographic, musical works, computer games, and business software, as well as widespread unauthorized transmissions of motion pictures and other programming on cable television systems. Furthermore, trademark infringement of a variety of product lines remains prevalent.

The Intellectual Property (IP) Code provides the legal framework for intellectual property rights protection in the Philippines, especially in the key areas of patents, trademarks, and copyright. The Electronic Commerce Act extends the legal framework established by the IP Code to the Internet. Investor concerns include deficiencies in the IP Code and other IP laws that have unclear provisions relating to the rights of copyright owners over broadcast, rebroadcast, cable retransmission, or satellite retransmission of their works, and burdensome restrictions affecting contracts to license software and other technology.

The Philippines has generally strong patent and trademark laws. Its first-to-file patent system grants patents valid for 20 years from the date of filing. The holder of a patent is guaranteed an additional right of exclusive importation of his invention.

The United States announced its Patent Prosecution Highway (PPH) partnership with the Philippines starting in January 2013. The PPH is a global program that streamlines the examination process for patent applications filed in participating countries. However, the Cheaper Medicines Act limits patent protection for pharmaceuticals and significantly liberalizes the grounds for the compulsory licensing of pharmaceuticals. The Philippine Intellectual Property Office (IPOPHL) (http://www.ipophil.gov.ph/) reported it has not received any application for licensing since the law passed in 2008.

Trademark law protects well-known marks, which do not need to be in actual use or registered to be protected under the law, and prior use of a trademark in the Philippines is not required to file a trademark application. In July 2012, the Philippines acceded to the Madrid Protocol, an agreement that facilitates the protection of trademarks in a large number of countries by obtaining an international registration.

In the area of copyright law, legislation that would fully implement the World Intellectual Property Organization (WIPO) Copyright and Performances and Phonograms treaties has been ratified by the Philippine Congress after being pending for more than a decade. Once enacted, a copyright bureau will be created under the IPOPHL to handle copyright matters. Philippine law also protects computer software as literary work, and exclusive rental rights may be offered in several categories of works and sound recordings.

Terms of protection for sound recordings, audiovisual works, newspapers, and periodicals are compatible with the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS). Further, the enactment of the Anti-Camcording Act in 2010 provided stringent penalties for illegal camcording of motion pictures in theaters. The Act has reportedly helped to significantly reduce unlawful camcording incidents in the Philippines.

The IP Code recognizes industrial designs, performers' rights, and trade secrets. The registration of a qualifying industrial design is for a period of five years and may be renewed for two consecutive five-year periods. While Philippine law recognizes performers' rights for 50 years after death, the exercise of exclusive rights for copyright owners over broadcast and retransmission is ambiguous.

While there are no codified rules on the protection of trade secrets, Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information. Other important laws defining intellectual property rights are the Plant Variety Protection Act, which provides plant breeders intellectual property rights consistent with the 1991 Union for the Protection of New Varieties of Plants Convention, and the Integrated Circuit Act, providing WTO-consistent protection for the layout designs of integrated circuits.

Generally, the Philippine government enforcement agencies are most responsive to those copyright owners who actively work with them to target infringement. Agencies will not proactively target infringement unless the copyright owner brings it to their attention and works with them on surveillance and enforcement actions. The IPOPHL has jurisdiction to resolve certain disputes concerning alleged infringement and licensing.

In June 2011, IPOPHL launched its IPR Arbitration and Mediation Center to receive and facilitate IP disputes presented to the center for review, resolution, and settlement through mediation and arbitral proceedings. Although intellectual property owners have sometimes used the IPOPHL's administrative complaint system as an alternative to the judicial system, the process can be slow-moving due to limited resources. Joint efforts between the private sector and the National Bureau of Investigation (NBI), Philippine National Police (PNP), Bureau of Customs (BOC), Optical Media Board (OMB) (http://www.omb.gov.ph/), and several LGUs have resulted in successful enforcement actions.

Enforcement actions are not often followed by successful prosecutions. Intellectual property infringement is not considered a major crime within the Philippine judicial system and takes a lower precedence in court proceedings. In October 2011, the Philippine Supreme Court approved Rules of Procedure for Intellectual Property Rights Cases, a key judicial reform identified in several recent Special 301 reports. The special rules include: streamlined procedures to expedite cases and rules of evidence for IPR cases; provisions for the speedy, summary destruction of seized goods; designation of four courts with national jurisdiction to issue search warrants; and regional IP commercial courts. The special rules have the potential to improve IPR-related convictions as it shortens lengthy court action that led many cases to be settled out of court.

Convicted intellectual property violators rarely spend time in jail, since the six-year penalty enables them to apply for probation immediately under Philippine law. As of November 2012, IPOPHL reported that 161 out of 231 IP violations cases filed in their office since 2001 have been dismissed, while the latest statistics on court convictions on IP violations are not yet available as of the reporting period.

Transparency of Regulatory System

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Philippine national agencies are required by law to develop regulations via a public consultation process, often involving public hearings. In most cases, this ensures some transparency in the rulemaking process. New regulations must be published in national newspapers of general circulation or in the GPH's official gazette before taking effect.

On the enforcement side, however, regulatory action is often weak, inconsistent, and unpredictable. Regulatory agencies in the Philippines are generally not statutorily independent, but are attached to cabinet departments or the Office of the President and, therefore, subject to political pressure.

Many U.S. investors describe business registration, customs, immigration, and visa procedures as burdensome and a source of frustration. To counter this, some agencies, such as the SEC, BOI, and the Department of Foreign Affairs (DFA) (http://www.dfa.gov.ph/), have established express lanes or "one-stop shops" to reduce bureaucratic delays, with varying degrees of success.

Efficient Capital Markets and Portfolio Investment

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The Philippines is generally open to foreign portfolio capital investment. Non-residents may purchase peso-denominated securities and debt instruments issued onshore by public sector entities and private resident firms and invest in the equities market. They may also invest in bank deposits, although foreign exchange purchases from banks to remit profits and repatriate capital for peso time deposits with maturities of under 90 days face some restrictions.

The securities market is growing but remains dominated by government bills/bonds. Nevertheless, private sector issuances have been steadily increasing and now constitute an important source of financing for major Philippine enterprises. The Philippines received its first investment-grade sovereign credit rating from Fitch in March 2013 with Moody’s and Standard & Poor’s (which currently rate the Philippines one notch below investment grade) expected to follow, contributing to the robust expansion of the Philippine capital market in recent years.

Philippine Stock Exchange

Membership in the Philippine Stock Exchange (PSE) is open to foreign-controlled stock brokerages incorporated under Philippine law. Although growing, the Philippine stock market lags many of its neighbors in size, product offerings, and trading activity. Investments in any publicly-listed firm on the PSE are governed by foreign ownership ceilings stipulated in the Constitution and other laws. There are less than 260 listed firms and the ten most actively-traded companies account for nearly 40 percent of trading value and about 35 percent of domestic market capitalization.

To encourage publicly-listed companies to widen their investor base, the PSE introduced reforms in 2006 to include trading activity and free float criteria in the selection of companies comprising the stock exchange index. The thirty companies included in the benchmark index are subject to review every six months.

In November 2010, the PSE reinstated a policy for listed companies to maintain at least 10 percent public ownership of their issued and outstanding shares to promote greater market liquidity and fairer and more transparent stock pricing. Listed firms were given up to the end of 2012 to comply with the minimum public float rule or face delisting/suspension and higher taxes.

Hostile takeovers are not common because most companies' shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

The Securities Regulation Code of 2000 strengthened investor protection by requiring full disclosure in the regulation of public offerings, and implementing stricter rules on insider trading, mandatory tender offer requirements, and the segregation of broker-dealer functions. The Code also significantly increased sanctions for securities violations, and mandated steps to improve the internal management of the stock exchange and future securities exchanges. Moreover, the Code expressly prohibits any one industry group (including brokers) from controlling more than 20 percent of the stock exchange's voting rights, though the PSE has yet to fully comply.

The enforcement of these strengthened laws is mixed. While there has been some progress from the creation of special commercial courts, the prosecution of stock market irregularities can be subject to delays and uncertainties of the Philippine legal system.

Banking

As of September 2012, the five largest commercial banks in the Philippines represented 47 percent of total commercial banking system resources, with estimated total assets the equivalent of about US$162 billion. The Central Bank has worked to strengthen banks' capital bases, reporting requirements, corporate governance, and risk management systems.

Commercial banks' published average capital adequacy ratio was 18.4 percent on a consolidated basis as of March 2012, well above the 10 percent statutory limit and the 8 percent internationally-accepted benchmark. Time-bound fiscal and regulatory incentives to encourage the sale of non-performing assets to private special purpose vehicles and asset management companies promoted a resilient post-Asian crisis banking sector in the Philippines. Philippine banks also had limited direct exposure during the global financial crisis to investment products issued by troubled financial institutions overseas. As of September 2012, non-performing loans and non-performing asset ratios of commercial banks were estimated at 2.1 percent and 2.6 percent, respectively.

The General Banking Law of 2000 paved the way for the Philippine banking system to phase in internationally accepted, risk-based capital adequacy standards. Since 2011, the Central Bank has broadly revised its risk-based capital framework in step with adjustments in the Basel capital adequacy rules.

In July 2007, the Philippines adopted the Basel 2 capital adequacy framework for commercial banks and their bank/quasi-bank subsidiaries, expanding coverage from credit and market risks to include operational risks and enhancing the risk-weighting framework and disclosure of capital adequacy and risk management systems. The Central Bank began the staggered adoption of Basel 3 capital adequacy rules for commercial banks in January 2011. Full implementation is scheduled for January 2014 – four years ahead of the timeline provided by the Basel Committee on Banking Supervision.

Thrift, rural, and cooperative banks that are not subsidiaries of commercial banks are covered by a modified, risk-based capital framework consisting of Basel 1 with some elements of Basel 2, such as new capital adequacy requirements for operational risks and enhanced disclosure.

Other important provisions of the General Banking Law strengthened transparency, bank supervision, and bank management. However, some impediments remain to more effective bank supervision and prompt corrective action, including stringent bank deposit secrecy laws and inadequate liability protection for Central Bank officials and bank examiners.

Credit is generally granted on market terms and foreign firms are able to obtain credit from the domestic market. However, some laws require financial institutions to set aside loans for certain preferred sectors, which may translate into increased costs and/or credit risks. Banks must set aside 25 percent of loanable funds for agricultural credit, with at least 10 percent earmarked for agrarian reform programs and beneficiaries.

In early 2010, a new law tightened alternative modes of compliance – which used to include low-cost housing, educational, and medical developmental loans – to those directly targeting the agricultural sectors. Recent investor experience with “agri-agra” eligible bonds raise questions about implied guarantees by the Philippine government and investors are cautioned to exercise due diligence.

Banks are also required to set aside 10 percent of their loans for micro-, small- and medium-sized (MSME) borrowers, 80 percent of which should be earmarked for micro and small enterprises. While most domestic banks are able to comply with these mandatory lending requirements, operating and branching restrictions make it more difficult for foreign bank branches to comply.

To help incentivize lending to MSMEs with limited or non-existing collateral to guarantee their lending, the Philippine government seeks to enhance MSME access to finance through the Central Credit Information Corporation (CCIC). It would operationalize a system that collects and disseminates fair and accurate information about the track record of borrowers, as well as the credit activities of all entities participating in the financial system.

The legal and regulatory framework for a centralized credit information system is in place but not yet operational. The Credit Information System Act was adopted in October 2008 (Republic Act No. 9510). The implementing rules and regulations were adopted in May 2009.

Direct lending by non-financial government agencies is limited to the Department of Social Welfare and Development (DSWD), focusing on the poorest areas not being served by micro-finance institutions.

Anti-Money Laundering and Information Exchange

The Paris-based Financial Action Task Force (FATF) continues to monitor implementation of the Philippine Anti-Money Laundering Act through the Anti-Money Laundering Council. Covered institutions include foreign exchange dealers and remittance agents, which are required to register with the Central Bank and must comply with various Central Bank regulations and requirements related to the implementation of the Philippines' anti-money laundering law. The Philippines is a member of the Egmont Group, the international network of financial intelligence units and the Asia Pacific Group on Money Laundering.

The Philippine government has been working to address “strategic deficiencies” that pose potential risks to the international financial system, as identified by the Asia Pacific Group on Money Laundering. In June 2012, the FATF moved the Philippines from its “dark gray” to “gray” list following the enactment of key laws allowing ex parte inquiry into bank deposits/investments and making terrorist financing a stand-alone crime. Legislation to address remaining major deficiencies is pending before the Philippine Congress. Bills include broadening the definition of the crime of money laundering and expanding predicate crimes and covered institutions. President Aquino has certified the matter as urgent.

Following the signing into law of the Exchange of Information on Tax Matters Act in March 2010, and the issuance of implementing rules and regulations in September 2010, the Organization for Economic Cooperation and Development (OECD) upgraded the Philippines from its tax standards “blacklist” to the list of jurisdictions that “have substantially implemented the internationally agreed tax standard” for the exchange of information.

Accounting Standards

In 2005, the Philippines started to fully adopt the Philippine Financial Reporting Standards patterned after the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Effective January 1, 2010, the Philippines also adopted IASB-based financial reporting standards for Small- and Medium-sized Entities which, except for limited circumstances, apply to enterprises which do not have public accountability and with total assets from PhP3 million to PhP350 million (about US$75,000 to US$8.75 million) or liabilities from PhP3 million to PhP250 million (about US$75,000 to US$6.25 million).

The Philippine SEC requires an entity's Chairman of the Board, Chief Executive Officer, and Chief Financial Officer to assume management responsibility and accountability for financial statements. Financial statements are examined by independent auditors in accordance with the Philippine Standards on Auditing, which are based on international auditing standards.

The SEC reviews and revises guidelines, as necessary, on the accreditation of auditing firms and external auditors to promote quality control and discipline in the financial reporting environment. Certain regulatory agencies, such as the Central Bank, Insurance Commission, and Bureau of Internal Revenue, enforce separate accreditation rules. The SEC requires listed companies to disclose to the SEC its actions on any material external audit findings within five days of receipt. Material findings include fraud or error, losses or potential losses aggregating 10 percent or more of a company's consolidated assets, indications of company insolvency, and internal control weaknesses that could result in financial reporting problems.

A number of local accountancy firms are affiliated with the "Big Four" international accounting firms, namely KPMG, PricewaterhouseCoopers, Ernst & Young, and Deloitte.

Outward Investments

There are generally no restrictions on outward investments by Philippine residents, although foreign exchange purchases from banks and their foreign exchange subsidiaries/affiliates above US$60 million per investor or per fund per year require prior approval from the Central Bank. As part of the US$60 million ceiling, residents may also purchase foreign exchange from banks and their foreign exchange subsidiaries/affiliates to invest in foreign currency bonds/notes, as well as Peso-denominated securities for settlement in foreign currency, issued offshore by the Philippine government or resident entities.

Qualified investors, such as mutual funds, pension or retirement funds, investment trust funds, and insurance companies may apply with the Central Bank for higher annual outward investment limits. All outward investments of banks in subsidiaries and affiliates abroad require prior Central Bank approval.

Foreign exchange earnings and divestment proceeds from outward investments that were funded with foreign exchange purchased from banks or their subsidiary/affiliate foreign exchange corporations are not required to be inwardly remitted and sold for Pesos.

Competition from State Owned Enterprises

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Private and state-owned enterprises generally compete equally, with some clear exceptions. In 2002, the governmental National Food Authority (NFA) (http://www.nfa.gov.ph/) allowed the private sector to import rice. Although, in 2012, the GPH ceded about 83 percent of all rice importation to the private sector, including minimum access volume (MAV) and country specific quota (CSQ) imports. With limited exceptions, only the state-owned GSIS may provide coverage for the government's insurance risks and interests, including those in BOT projects and privatized government corporations, at least in proportion to the Philippine government's interest.

The government has also intervened to directly cap or control pricing in some additional private markets. During heavy typhoons and flooding, the Philippine government may impose temporary price controls on gasoline and a basket of basic goods and services. Under Philippine law, the President may freeze prices on basic goods and services for a period of 90 days under a state of emergency.

The Philippine government's privatization program is managed by the Privatization Management Office under the DOF. Apart from restrictions under the FINL, there are no regulations that discriminate against foreign buyers. The bidding process appears to be transparent, though the Supreme Court has twice overturned high-profile privatization transactions to foreign buyers. The Power Sector Assets and Liabilities Management Corporation is required to sell 70 percent of the government-owned National Power Corporation's (NPC) generating assets and to transfer 70 percent of NPC-Independent Power Producer contracts to private companies.

The Philippine government has opened access and retail competition through several measures, including unbundling rates, removing cross-subsidies, establishing the Wholesale Electricity Spot Market, and privatizing 92 percent of the NPC's generation assets as of 2012.

Corporate Social Responsibility

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Corporate social responsibility (CSR) constitutes a basic aspect of most significant business operations in the Philippines. U.S. companies report strong and favorable responses to CSR programs among employees and within local communities. Many CSR programs focus on poverty alleviation efforts, promotion of the environment, health initiatives, and education. Under the 2012 IPP, registered enterprises are encouraged to undertake sustainable CSR projects in the locality where the projects are implemented. In some cases, the Philippine government has compelled its own entities to engage in CSR. For example, the Philippine Bases Conversion and Development Authority is mandated to declare portions of its property in Fort Bonifacio and surrounding areas as low-cost housing sites.

Political Violence

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Terrorist groups and criminal gangs operate in some regions of the country. The Department of State publishes a consular information sheet at http://travel.state.gov and advises all Americans living in or visiting the Philippines to review this information periodically. It has issued a travel warning at http://travel.state.gov/travel/cis_pa_tw/tw/tw_2190.html to U.S. citizens contemplating travel to the Philippines. The Department strongly encourages visiting and resident Americans in the Philippines to register with the Consular Section of the U.S. Embassy in Manila through the State Department's travel registration website found at http://travelregistration.state.gov/.

Arbitrary, unlawful, and extrajudicial killings by national, provincial, and local government actors continue to be a serious problem. The justice system is constrained by limited resources that results in limited investigations, few prosecutions, and lengthy trials. Corruption, impunity, and abuse of power remain endemic.

On May 10, 2010, approximately 75 percent of registered citizens voted in elections for president, both houses of congress, and provincial and local governments. The election was generally free and fair, but was marked by some violence and allegations of vote buying and electoral fraud. The May 2013 mid-term elections were also considered to be fairly and openly run.

Peace talks between the government and the Mindanao-based insurgent group Moro Islamic Liberation Front (MILF) are ongoing. After years of negotiations, during which both sides generally adhered to a cease-fire, the government and the MILF signed a Framework Agreement in October 2012 that appears to outline the basis for a durable solution to the longstanding conflict between the parties, though much work remains to be done. As of January 2013, the parties continued to negotiate the modalities for implementing a final peace accord.

The New People's Army (NPA), the military arm of the Communist Party of the Philippines, is responsible for general civil disturbance through assassinations of public officials, bombings, and other tactics. It frequently demands "revolutionary taxes" from local and, at times, foreign businesses, and business people. To enforce its demands, the NPA sometimes attacks infrastructure such as power facilities, telecommunications towers, and bridges, mostly in Mindanao. The National Democratic Front (NDF), an umbrella organization that includes the Communist Party and its allies, has engaged in intermittent peace talks with the Philippine government. The NDF has not targeted foreigners in recent years but could threaten U.S. citizens engaged in business or property management activities.

Terrorist groups, including the Abu Sayaaf Group and Jema'ah Islamiyah, periodically attack civilian targets in Mindanao, kidnap civilians for ransom, and engage in armed skirmishes with the security forces.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. The Philippines is a party to the UN Convention

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. The Philippines is not a party to the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery

Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The Philippines ratified the Convention in 2003.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws.   Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption is a pervasive and long-standing problem in the Philippines. Recent government efforts have improved the country's ranking in Transparency International's Corruption Perceptions Index from 129 in 2011 to 105 (out of 176 economies) in 2012. Nevertheless, corruption was still ranked as the most problematic factor for doing business in the 2012-2013 Global Competitiveness Report.

The current administration continues to implement the anti-corruption reforms outlined in the Philippine Development Plan 2011-2016. Its 2012-2016 Good Governance and Anti-Corruption Cluster Plan further identifies specific measures to curb corruption through greater transparency and accountability in government transactions.

Since President Aquino took office in 2010, corruption charges have been filed against several high-profile public officials. In May 2012, the Philippine Senate removed the Chief Justice of the Supreme Court after he was impeached on charges of failing to fulfill wealth disclosure obligations. Efforts to reign in corruption in general, have improved public perception, though achieving tangible change remains a serious challenge to the Aquino administration.

The Philippines is not a signatory to the OECD Anti-Bribery Convention, but it did ratify the UN Convention against Corruption in 2003. The Philippine Revised Penal Code, the Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials aim to combat corruption and related anti-competitive business practices. The Office of the Ombudsman (http://www.ombudsman.gov.ph/) investigates and prosecutes cases of alleged graft and corruption involving public officials. Cases against high-ranking officials are brought before the special anti-corruption court, the "Sandiganbayan". Cases against low-ranking officials are filed before regional trial courts. Several bills supporting anti-corruption efforts are currently filed in Congress, including freedom of information rights, whistle-blower protection, and strengthening the country's witness protection program.

President Aquino abolished the Presidential Anti-Graft Commission in November 2010 and transferred its investigative, adjudicatory, and recommendatory functions to his office. This enabled the Office of the President to directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting/accepting and offering/giving a bribe are criminal offenses, punishable by imprisonment (6-15 years), a fine, and/or disqualification from public office or business dealings with the government.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at:

http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. The Philippines has improved in the TI Index but still ranks in the bottom two-thirds of countries surveyed. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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As of 2012, the Philippines had signed bilateral investment agreements with 40 partner countries (Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium and Luxembourg, Burma, Cambodia, Canada, Chile, China, the Czech Republic, Denmark, Equatorial Guinea, Finland, France, Germany, India, Indonesia, Iran, Italy, Japan, Republic of Korea, Kuwait, Laos, Mongolia, Netherlands, Pakistan, Portugal, Romania, Russian Federation, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam).

The Philippines has four regional free trade agreements that include an investment chapter (ASEAN Comprehensive Investment Agreement; ASEAN-Australia-New Zealand Free Trade Agreement; Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and Republic of Korea; and Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and China).

The Philippines does not have a bilateral investment agreement with the United States.

Taxes/Bilateral Tax Treaty

The Philippines has a tax treaty with the United States for the purposes of avoiding double taxation, providing procedures for resolving interpretative disputes, and enforcing taxes of both countries. The treaty also encourages bilateral trade and investments by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates or tax exemptions.

Under the most favored nation clause of the Philippine-United States tax treaty, U.S. recipients of royalty income qualify for the preferential rate provided in the Philippine-United Arab Emirates tax treaty. Accordingly, a 10 percent tax rate applies with respect to most royalties. A 15 percent tax applies on the remittance of profits by Philippine branches of U.S. companies to their head offices and dividends remitted by Philippine subsidiaries of U.S. companies to their parent companies.

Philippine courts reportedly have denied the application of the preferential tax treaty rates on dividends, interests, and royalties paid or payable to U.S. residents. An entity must obtain a tax treaty relief ruling from the BIR to qualify for preferential tax treaty rates and treatment. However, according to several tax lawyers, the requirements for tax treaty relief applications are burdensome. Even stricter regulations issued in 2010 disqualify late filings from availing of the preferential tax rates. The volume of tax treaty relief applications also has resulted in processing delays, with most applications reportedly pending for over a year. Some publicly-listed companies reportedly have opted to withhold a final 30 percent withholding tax on dividend payments to foreign investors rather than go through the tedious process of securing tax treaty relief rulings for preferential tax rates.

The BIR appears to be altering its position on tax gains through liquidation. Previously, it had consistently applied Philippine-United States Tax Treaty provisions exempting foreign companies from capital gains and corporate income tax on profit from the redemption and sale of shares by Philippine affiliates/subsidiaries being liquidated. However, a 2009 ruling involving a foreign company held that such gains were subject to corporate income tax but not to capital gains tax. In another case, the BIR ruled that the gains were subject to tax on dividends. A number of transactions involving partial liquidations through shares redemption reportedly are on hold because of this unresolved issue. Tax lawyers maintain that any gains from partial or full liquidation should be exempt under the Philippines-Unites States Tax Treaty.

A recent BIR ruling also states that a liquidating company and its shareholders are taxable upon distribution of residual assets, but the ruling does not clarify which taxes apply to the liquidation company.

The BIR has issued rulings involving non-U.S. investors asserting that the stock transfer tax is an ad valorem transactional tax – different from the capital gains tax – and therefore applies on the sale of publicly-listed shares in the stock exchange. These rulings contradicted previous exemptions from the stock transfer tax by virtue of bilateral tax treaty provisions exempting foreign nationals from tax on capital gains. This interpretation could complicate the processing and resolution of similar tax treaty relief applications by U.S. and other foreign investors.

A foreign company without a branch office that renders services to Philippine clients is considered a permanent establishment and is liable to pay Philippine taxes if its personnel stay in the country for more than 183 days for the same or a connected project in a twelve-month period. However, BIR rulings on the taxation of permanent establishments have been inconsistent on whether to treat them as resident or non-resident foreign corporations.

The BIR finally issued long-pending Transfer Pricing Regulations on January 25, 2013, based largely on internationally-accepted OECD guidelines and methodologies for applying the arm's length principle to cross border or domestic transactions between related parties. The regulations do not specify a preferred transfer pricing method but taxpayers should be able to justify that the method chosen provides the most reliable measure of an arm's length price for their particular case. To reduce the risk of potential transfer pricing disputes with the revenue authority, the regulations offer taxpayers engaged in cross-border transactions the option of entering into Advance Pricing Arrangements, i.e., an agreement with the BIR to determine in advance an appropriate set of criteria to ascertain transfer prices over a fixed period of time.

Domestic and foreign resident companies subject to regular income tax may claim an optional standard deduction of up to 40 percent of gross income, in lieu of itemized deductions. Companies may opt for either the optional standard deduction or itemized deductions in filing their quarterly income tax returns. However, in the final consolidated return for the taxable year, companies must make a final choice between standard or itemized deductions for the purpose of determining final taxable income for the year.

BIR rules and regulations for tax accounting have not been fully harmonized with the Philippine Financial Reporting Standards, which are patterned after standards issued by the International Accounting Standards Board. The disparities between reports for financial accounting and tax accounting purposes are common issues in tax assessments and are an irritant between taxpayers and tax collectors. The BIR requires taxpayers to maintain records reconciling figures presented in financial statements and income tax returns.

OPIC and Other Investment Insurance Programs

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The Philippine government currently does not provide guarantees against losses due to inconvertibility of currency or damage caused by war. The Overseas Private Investment Corporation (OPIC) can provide U.S. investors with political risk insurance against risks of expropriation, inconvertibility and transfer, and political violence, pursuant to the U.S.-Philippines Investment Incentive Agreement that enables OPIC to support investment in the country. The Philippines is a member of the Multilateral Investment Guaranty Agency.

Labor

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Managers of U.S.-based companies widely report that Philippine labor is relatively low cost and motivated. In addition, the Philippine labor force possesses strong English language skills. As of October 2012, the Philippine labor force was estimated at 40.4 million, with an unemployment rate at seven percent. This figure includes employment in the informal sector and does not capture the substantial underemployment in the country.

Multinational managers' report that total compensation packages tend to be comparable with those in neighboring countries. In the call center industry, the average labor cost is between US$2.22 and US$3.74 per hour (Source: Business Process Association of the Philippines). Regional Wage and Productivity Boards meet periodically in each of the country's 16 administrative regions to determine minimum wages, with the National Capital Board setting the national trend.

During the reporting period, the non-agricultural daily minimum wage in the National Capital Region is PhP446 (approximately US$10.37), although some private sector workers receive less. Cost of living allowances are given across the board. Most other regions set their minimum wage significantly lower than Manila. The lowest minimum wage rates were in the Southern Tagalog Region, where daily agricultural wages were PhP199 (US$4.59). Regional Boards may grant various exceptions to the minimum wage, depending on the type of industry and number of employees at a given firm.

Literacy in both English and Filipino is relatively high, although there have been concerns in the business and education communities that English proficiency was on the decline. The Department of Education, under its National English Proficiency Program, continues its efforts to strengthen English language training, including school-based mentoring programs for public elementary and secondary school teachers aimed at improving their English language skills.

Violation of minimum wage standards is common, especially non-payment of social security contributions, bonuses, and overtime. Philippine law provides for a comprehensive set of occupational safety and health standards, although workers do not have a legally-protected right to remove themselves from dangerous work situations without risking loss of employment. The Department of Labor and Employment (DOLE) (http://www.dole.gov.ph/) has responsibility for safety inspection, but a severe shortage of inspectors makes enforcement extremely difficult.

The Philippine Constitution enshrines the right of workers to form and join trade unions. The mainstream trade union movement recognizes that its members' welfare is tied to the productivity of the economy and competitiveness of firms; frequent plant closures have made many unions even more willing to accept productivity-based employment packages. The trend among firms of using temporary contract labor continues to grow. During the reporting period, DOLE reported one strike involving 20 workers.

The DOLE Secretary has the authority to end strikes and mandate a settlement between the parties in cases involving the national interest, which can include cases where companies face strong economic or competitive pressures in their industries. In 2012, there were 135 registered labor federations and 16,647 private sector unions. The 1.38 million union members represented approximately 3.4 percent of the total workforce of 40.4 million. Mainstream union federations typically enjoy good working relationships with employers.

Special economic zones or ecozones often offer on-site labor centers to assist investors with recruitment. These centers coordinate with DOLE and Social Security Agency, and can offer services such as mediating labor disputes. Although labor laws apply equally to ecozones, unions have noted some difficulty organizing inside them.

There have been some reports of forced labor in connection with human trafficking in the commercial sex, domestic service, agriculture, and fishing industries.

The Philippines is a signatory to all International Labor Organization (ILO) conventions on worker rights, but has faced challenges enforcing them. Unions allege that companies or local officials use illegal tactics to prevent them from organizing workers. The quasi-judicial National Labor Relations Commission reviews allegations of intimidation and discrimination in connection with union activities. In September 2009, the government cooperated with a high-level ILO mission to investigate labor rights violations in the country. The ILO mission noted issues relating to violence, intimidation, threat, and harassment of trade unionists and the absence of convictions in relation to those crimes. It also observed obstacles to the effective exercise in practice of trade union rights. In response to ILO mission recommendations, the government constituted the Tripartite Industrial Peace Council (TIPC) to monitor the application of international labor standards and has proposed several legislative measures to address weaknesses in the Labor Code.

As of December 2012, the Philippine House had passed legislation further strengthening workers' right to self-organization, and a counterpart measure is pending in the Senate. Two other DOLE priority measures, the Mediation Conciliation Bill and the Tripartism Bill, are expected to obtain bicameral conference approval in January 2013. In January 2012, the DOLE issued the implementing rules and regulations for legislation which allows the employment of and gives protection to night workers, especially female night workers.

Congress passed the Kasambahay Bill in September 2012, which provides more benefits and protection to domestic workers. The bill is awaiting the President's signature. This legislation came on the heels of the Senate ratification of the ILO Convention on Decent Work for Domestic Workers and the Maritime Labor Convention, the "bill of rights" for almost 2.5 million household workers and 400,000 seafarers worldwide.

Foreign-Trade Zones/Free Ports

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Enterprises enjoy preferential tax treatment when located in export processing zones, free trade zones, and certain industrial estates, collectively known as economic zones, or "ecozones." Enterprises located in ecozones are considered to be outside the customs territory and are allowed to import capital equipment and raw material free from customs duties, taxes, and other import restrictions. Goods imported into free trade zones may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties and are exempt from the GPH's Selective Pre-shipment Advance Classification Scheme. While some ecozones have been designated as both export processing zones and free trade zones, individual businesses within them are only permitted to receive incentives under a single category.

Among the most compelling incentives for firms in export processing and free trade zones are an income tax holiday for a maximum of eight years; a 5 percent flat tax rate on gross income in lieu of all national and local taxes, after expiration of the income tax holiday; tax- and duty-free importation of capital equipment, raw materials, spare parts, and supplies; domestic sales allowance equivalent to 30 percent of total export sales; no value added tax (VAT) rate on local purchases, including telecommunication, power, and water bills; employment of foreign nationals; special visas for foreign investors and immediate family members; exemption from local business taxes and fees; and simplified import and export procedures.

Philippine Economic Zone Authority (PEZA)

There are 273 operating ecozones in PEZA, composed primarily of manufacturing, IT parks and centers, tourism, medical tourism parks, and agro-industrial ecozones. Of the 273 operating ecozones, PEZA manages three government-owned export-processing zones (Mactan, Baguio, and Cavite) and administers incentives to enterprises located in the other 270 privately-owned and operated ecozones.

Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export, IT, tourism, medical tourism, or agro-industrial enterprise with PEZA, provided that the enterprise physically locates its activity inside any of the proclaimed ecozones.

As of October 2012, PEZA reported investments amounting to about US$3.39 billion (PhP137.9 billion), 10.30 percent higher than the about US$3.07 billion (PhP125.104 billion) for the same period in 2011. PEZA administrators have earned a reputation for maintaining a clear and predictable investment environment within the zones of their authority.

Information technology parks or centers house PEZA-registered enterprises that export IT-enabled activities such as software development, multimedia graphics, animation, engineering and architectural designs, IT research and development, data encoding, transcribing, call centers, and other business process outsourcing (BPO) and knowledge process outsourcing (KPO) activities. Information technology parks or centers are not allowed to host manufacturing activities.

Bases Conversion Development Authority

The ecozones located inside former U.S. military bases are independent of PEZA and subject to the Bases Conversion and Development Authority (BCDA) (http://www.bcda.gov.ph/). BCDA-administered zones include the Clark Freeport Zone (Angeles City, Pampanga), the John Hay Special Economic Zone (Baguio), the Poro Point Freeport Zone (La Union), and, the Bataan Technology Park (Morong, Bataan). The BCDA also oversees the Subic Bay Freeport Zone (Subic Bay, Zambales).

These ecozones offer incentives comparable to those offered by PEZA. Additionally, both Clark and Subic have their own international airports, power plants, telecommunications networks, housing complexes, and tourist facilities.

Other Zones

The Phividec Industrial Estate (Misamis Oriental, Mindanao) is governed by the Phividec Industrial Authority, a government-owned and controlled corporation. Incentives available to investors are comparable to those offered by PEZA and also include special low rates for land lease.

Two lesser-known ecozones are the Zamboanga City Economic Zone and Freeport (Zamboanga City, Mindanao) and the Cagayan Special Economic Zone and Freeport (Santa Ana, Cagayan Province).

The incentives available to investors in these zones are very similar to PEZA incentives but are administered independently. In addition to offering export incentives, the Cagayan Economic Zone Authority is authorized by law to grant gaming licenses.

Foreign Direct Investment Statistics

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The Philippine SEC, BOI, National Economic and Development Authority (NEDA) (http://www.neda.gov.ph/), and the Central Bank each generate direct investment statistics. SEC, BOI and NEDA record investment approvals. The Central Bank records actual investments based on the balance of payments methodology, readily available in U.S. dollar terms. Central Bank data are widely used as a reasonably reliable indicator of foreign investment stock and foreign investment flows.

The figures in Table 1 below refer to foreign direct investment (FDI) stock reported by the Central Bank. Disaggregation of net FDI flows by country and by industry is presented in Tables 2 and 3, respectively. Table 4 provides a list of top foreign investors in the Philippines, using the latest available published information from the SEC. Some figures indicated in earlier Investment Climate Statement were revised to reflect updated Central Bank data.

Table 1: Foreign Direct Investment Stock (US Millions)

	2008	**2009**	**2010**	**2011**p
FDI Stock	21,746	22,931	25,896	28,230
FDI Stock as % of GDP	12.5	13.6	12.9	12.5

p – Preliminary
Source: Bangko Sentral ng Pilipinas (Central Bank)

Table 2: Net Foreign Direct Investment Flows By Investor Country (US Millions)*				
	2008	**2009**	**2010**	**2011**p
Japan	59.39	626.09	246.53	355.18
United States	220.07	714.90	233.51	230.74
Hong Kong	144.72	408.2	215.55	98.56
Malaysia	0.99	2.22	0.28	32.44
Republic of Korea	31.20	14.48	7.24	20.58
Singapore	130.57	16.42	41.74	15.63
Taiwan/ROC	6.51	1.34	17.40	11.20
Germany	18.30	2.87	17.95	6.57
Switzerland	1.17	2.00	16.04	3.16
Australia and New Zealand	1.20	0.11	1.21	1.55
China	-0.16	-3.30	-0.05	0.79
Denmark	0.36	0.17	0.12	0.01
United Kingdom	298.17	0.45	-20.98	-22.22
Netherlands	170.74	-21.75	-1,434.99	-294.36
*Ranked by 2011 flows				

p – Preliminary
Source: Bangko Sentral ng Pilipinas (Central Bank)

Table 3: Net Foreign Direct Investment Flows by Industry/Sector (US Millions)		
	2010	**2011**p
Manufacturing	-1275.19	102.33
Electricity, Gas, Steam and Air Conditioning Supply	-14.82	-22.55
Financial and Insurance Activities	59.62	211.61
Real Estate	181.53	111.64
Construction	-1.57	28.07
Wholesale and Retail Trade: Repair of Motor Vehicles and Motorcycles	32.39	30.64
Accommodation and Food Service Activities	105.67	2.88
Transportation and Storage	103.90	0.84
Mining and Quarrying	282.08	-240.43

Information and Communication	2.41	261.85
Agriculture, Forestry and Fishing	2.37	3.97
Water Supply: Sewerage, Waste Management and Remediation Activities	0.00	0.00
Professional, Scientific and Technical Activities	-0.10	20.91
Administrative and Support Service Activities	2.05	8.91
Public Administration and Defense: Compulsory Social Security	0.00	0.00
Education	0.68	1.07
Human Health and Social Work Activities	0.00	-14.85
Arts, Entertainment and Recreation	104.14	3.60
Other Service Activities	5.57	0.91
Activities of Households as Employers; Undifferentiated Goods and Services	0.00	0.00
Activities of Extraterritorial Organizations and Bodies	0.00	0.00
Others	13.27	1.59

p – Preliminary
Source: Bangko Sentral ng Pilipinas (Central Bank)
Source of Data: Philippine Securities and Exchange Commission; Business World's Top 1,000 Corporations in the Philippines, Volume 26 (BusinessWorld Publishing Corporation, 2012); Company reports

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http://www.oecd.org/dataoecd/59/13/40272933.pdf
http://www.unodc.org/unodc/en/treaties/CAC/signatories.html
http://www.oas.org/juridico/english/Sigs/b-58.html
www.coe.int/greco
http://www.ustr.gov/trade-agreements/free-trade-agreements
www.trade.gov/cs

tcc.export.gov/Report_a_Barrier/index.asp
www.justice.gov/criminal/fraud/fcpa
http://www.ogc.doc.gov/trans_anti_bribery.html
http://www.ombudsman.gov.ph/
http://www.justice.gov/criminal/fraud/fcpa
http://www.oecd.org/dataoecd/11/40/44176910.pdf
http://www.ogc.doc.gov/trans_anti_bribery.htm
http://www.transparency.org/publications/gcr
http://data.worldbank.org/data-catalog/BEEPS
http://www.weforum.org/s?s=global+enabling+trade+report
http://www.state.gov/g/drl/rls/hrrpt/
http://report.globalintegrity.org/
http://www.dole.gov.ph
http://www.neda.gov.ph/

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

For export transactions, the choice of method of payment depends on two factors: the existing relationship between the exporter (seller) and the importer (buyer) and the mutual agreement on the terms and conditions of the sale.

Cash In Advance (C.I.A.) is practiced only to a limited extent due to existing Philippine BSP (central bank) regulations on acquiring foreign currency. Typically, buyers with existing foreign currency accounts with banks operating in the Philippines may consider doing a C.I.A. wherein cash payment is remitted even before the goods are shipped. On the part of the seller, C.I.A. is ideal for goods that are custom-made, such as specialized equipment.

For first-time transactions between the exporter and the importer, or in situations in which the two have not fully established their business relationship, a Letter of Credit (L/C) is a common and secure method of payment. Under this mechanism, the buyer establishes a credit with his/her local bank of choice and describes in full detail the terms of the sale (i.e., description of items, price, documentary requirements, etc.). The L/C is opened on account of the buyer in favor of the seller. Essentially, the L/C serves as a demand draft, a promise to pay on the part of the importer with the support of the bank responsible for issuing the payment to the exporter. Once the exporter is in full compliance with all the requirements, payment is effected within a specified time frame, typically 30 or 60 days or whatever has been agreed upon. Any discrepancies regarding the L/C may result in delays or even non-payment. Bank charges apply when securing the L/C. A confirmed irrevocable, documentary L/C "confirmed by a U.S. bank" is recommended.

In cases where the buyer and seller have already established a relatively favorable business relationship, or where mutual trust already exists, other modes of payment may be considered including:

-- **Documents Against Acceptance (D/A)**: The exporter extends credit to the importer for a certain period of time. Terms vary, usually 30 to 60 days after the bill of lading date or the invoice date, depending on what was agreed upon. The seller retains the title documents and forwards them to a collecting bank with instructions to release said documents to the buyer only if the buyer issues a time draft or presents an acceptable bill of exchange.

-- **Documents Against Payment (D/P):** The documents transferring the title to the goods are not released to the buyer by the collecting bank unless the bank receives payment from the buyer.

-- **Open account (O/A):** When there is a high level of trust and the buyer is of reputable standing with the seller, documents transferring title to the goods are sent directly to the buyer (instead of the collecting bank, as in the case of D/A) without guarantee of payment. The buyer remits payment upon maturity; terms vary from 30 days to 180 days, depending on the agreement. Subsidiaries of multinational companies operating in the Philippines (especially those in the oil and pharmaceutical sectors) are prime users of O/A.

-- **Direct Remittance:** As with O/A significant mutual trust is required. Instead of a term transaction, the seller requires the buyer to pay immediately upon receipt of the document transferring the title to the goods.

Credit Rating Agency

Philippine Rating Services Corporation or PhilRatings, the pioneer credit rating agency in the Philippines (since 1985) provide credit ratings on Philippine corporate and debt issues (i.e., commercial papers, bonds, or asset-backed securities). The company is accredited as a domestic credit rating agency (CRA) by the BSP and the Philippine Securities and Exchange Commission (SEC). Press releases on new and monitoring ratings are regularly posted on the PhilRatings website (http://www.philratings.com). Annual subscriptions to PhilRatings' regular publications are also available.

Collection Agencies

In cases of non-payment or delinquent accounts, the use of collection agencies may be considered. There are several collection agencies operating in the Philippines, typically on a "no collect, no pay" arrangement for collection cases that have not yet been elevated to the courts. A typical collection time frame ranges from 30 to 90 days (longer if it is outside the Metropolitan Manila area), wherein the collection agent issues a demand letter signed by a lawyer. Some agents offer collection services only, while others can help facilitate filing a case in court in instances where the respondent cannot comply with the demand letter. Service fees vary depending on the nature and value of the transaction, but agents typically charge a percentage of the amount collected (current rates vary from 20 percent to 40 percent). If the case is filed in court, legal and other fees will apply. It is best to seek local legal representation on non-payment cases, especially those involving significant amounts.

How Does the Banking System Operate Return to top

As of December 2012, the banking sector was comprised of 37 commercial banks, 70 thrift banks, and 589 rural and cooperative banks, with combined assets of approximately US$ 196 billion (PhP8,050 billion). Although fewer in number, commercial banks dominate the banking sector as they account for 90 percent of total resources of the banking system.

Twenty-one (21) commercial banks (referred to as “universal banks”) have an “expanded” commercial banking license, which allows them to perform the functions of an investment house (such as securities underwriting) and investing in non-allied undertakings, in addition to regular commercial banking activities. Twenty-two (22) banks (18 commercial banks and four thrift banks) are licensed to engage in derivatives activities. Nineteen (19) banks are foreign-controlled (14 foreign branch banks and five majority foreign-owned, domestically-incorporated subsidiaries). Additionally, there are four offshore banking units (OBUs) in the country (one of which is U.S.-owned), as well as 15 foreign bank representative offices (two of which are U.S. banks). Recently, the Congress passed a bill allowing majority ownership of rural banks.

More detailed regulations governing the operations of the banking system are available in various circulars and the “Manual of Regulations for Banks” compiled by the Bangko Sentral ng Pilipinas (Central Bank). (See: http://www.bsp.gov.ph/regulations/reg_MORB.asp)

Most corporate clients raise capital by borrowing directly from banks or through capital markets. Most commercial bank loans are short- to medium-term and subject to renewal. Long-term loans with relatively attractive rates are readily accessible for more established borrowers with proven track records. Nearly 200 thrift, rural, and cooperative banks are involved in micro-lending, with an outstanding loan estimate of more than US$190 million (about PhP8 billion pesos) as of September 2012.

The Credit Information System Act, signed into law in October 2008, provides for the establishment of the first Philippine centralized credit information system. The Act is intended to narrow the risk premiums in loan pricing and to provide more borrowers improved access to affordable, longer-term credit by providing lending institutions access to pooled credit information and histories on which to base their lending decisions. The Securities and Exchange Commission, the lead agency, issued implementing rules and regulations in January 2010. The Central Credit Information Corporation has been created and is targeted to be operational before the end of 2014.

Since 1997, the Philippine Central Bank (Bangko Sentral ng Pilipinas, BSP) has implemented policies to beef up loan loss provisions, tighten disclosure and reporting requirements, increase minimum capitalization levels, enhance governance and compliance frameworks, and improve systemic oversight. The BSP continues to promote mergers/consolidation through regulatory incentives, mechanisms for consolidation, and a moratorium on the issuance of new bank licenses. The Bank has also demonstrated greater resolve in weeding out weak financial institutions, especially in the less-capitalized thrift and rural banking sectors.

The largest sectors comprising outstanding loans of the banking system as of December 2012 were real estate and business services (17.6 percent), financial intermediaries (14.3 percent, net of interbank credits and reverse repurchase transaction with the central bank and other banks), and manufacturing (13.7 percent). Outstanding loans to residents from banks' foreign currency deposit units (excluding interbank credits) stood at US$8.6 billion, mainly in the manufacturing sector (29.2 percent) and the electricity, gas, and water supply sector (18.1 percent).

Regular inspections by the Central Bank are limited by law to once every 12 months. Special inspections require the affirmative vote of at least five of the seven members of the Philippine Monetary Board, the Central Bank's highest policymaking body. In addition to its own inspections, the Central Bank requires that bank financial statements be audited by Central Bank-accredited local external auditors, a number of which are affiliated with international auditors. External auditors are required to bring to the authorities' attention any adverse audit findings and any material developments affecting the condition of its audited financial institutions. To promote independent and transparent auditing, the external auditor should be changed, or the lead or concurring partner rotated, at least once every five years.

To strengthen its ability to check bank fraud and other serious irregularities, the Central Bank has been pushing for amendments to its charter that would strengthen its supervisory and corrective action powers, provide legal protection for Central Bank officials and bank examiners in the performance of their official duties, and allow the orderly resolution of troubled banks.

The deposit insurance scheme -- administered by the Philippine Deposit Insurance Corporation (PDIC) -- is patterned after the U.S. Federal Deposit Insurance Corporation (FDIC). The PDIC has a permanent insurance fund (PIF) of about US$69 million (PhP$3 billion), augmented by premiums paid by member banks (currently one-fifth of one percent per annum of the deposit base). A July 2004 law amending the PDIC's charter enhanced the PDIC's receivership and liquidation powers. The amended charter also allows the PDIC to conduct periodic assessments on the adequacy of the PIF, deposit insurance coverage, and premium payments; and to recommend adjustments to the Philippine Congress. Between 2004 and 2009, the PDIC's insurance coverage per depositor quadrupled to approximately US$12,000 (PhP500,000).

Foreign-Exchange Controls

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Philippine residents and non-residents may purchase foreign exchange from authorized agent banks (AABs), banks' subsidiary/affiliate foreign exchange corporations, and non-bank entities operating as foreign exchange dealers and/or money changers to fund legitimate foreign exchange obligations, subject to Central Bank-required information and/or additional documentary requirements on the underlying obligations. There is no mandatory foreign exchange surrender requirement for foreign exchange earners. Foreign currency may be deposited in foreign exchange accounts in the Philippines or abroad, or sold for pesos onshore.

Since 2007, the Central Bank has moved to simplify and liberalize the Philippine foreign exchange regulatory regime. Requirements governing foreign exchange sales by banks and their subsidiary/affiliate foreign exchange corporations are covered by the Central Bank's Manual of Regulations on Foreign Exchange Transactions (issued under Circular 645 in February 2009, as amended, most recently in April 2013). Foreign exchange sales by foreign exchange dealers/money changers are governed by Circular 471 (January 2005), as amended by BSP Circular 652 (May 2009).

Foreign exchange regulations require the registration of foreign investments with the Central Bank or with custodian banks to allow purchase of foreign exchange from banks and bank-affiliated foreign exchange corporations for repatriating capital and remitting profits, dividends, and earnings. The registration requirement also applies to foreign exchange purchases from banks and bank-affiliated foreign exchange corporations for servicing foreign loan obligations. Foreign borrowings of the public sector require the prior approval of the Central Bank, irrespective of maturity, creditor, or source of foreign exchange.

Foreign borrowings of the private sector generally do not require prior Central Bank approval unless the loans are guaranteed by government corporations and/or government financial institutions, are covered by bank-issued foreign exchange guarantees, and are granted by foreign currency deposit units and funded from or collateralized by offshore loans or deposits.

Foreign exchange purchases for non-trade transactions within specified thresholds require only the completion of a Central Bank-prescribed application form. The threshold for purchases from AABs and bank-affiliated foreign exchange corporations for non-trade current account purposes (such as travel, medical, and educational expenses, and royalties, copyright, patent and licensing fees) is US$120,000, above which the Central Bank requires additional documentation to ascertain the legitimacy of the underlying obligations. Purchases from foreign exchange dealers/money changers for non-trade current account purposes are subject to a US$10,000 ceiling, above which supporting documents are also required.

Payments for trade-related transactions are subject to documentary requirements (i.e., shipping documents). The Central Bank does not require registration of imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements but requires banks and their foreign exchange subsidiaries/affiliates to report such transactions to the Central Bank prior to payment.

For further information and details, below are pertinent links to the Central Bank website:

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2010/c698.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2011/c742.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2012/c751,pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2013/c794_1.pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2013/c794_2.pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/primers/faqfxreg.pdf

Further inquiries may also be directed to:

Ms. Patria B. Angeles
Director – International Operations Department
Rm. 301, 5-Storey Building
Bangko Sentral ng Pilipinas
A. Mabini St., Malate, Manila
E-mail: pbangeles@bsp.gov.ph

U.S. Banks and Local Correspondent Banks

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The commercial banking system includes three U.S. foreign-branch banks: Citibank; Bank of America; and JP Morgan Chase. One locally-incorporated thrift bank subsidiary (Citibank Savings Inc.) is owned and operated by a U.S. bank. JP Morgan International Finance Limited operates an offshore banking unit (OBU) in the Philippines. Furthermore, two U.S. banks have representative offices in the country: Wells Fargo Bank and Bank of New York Mellon.

Reflecting a long history of economic and political ties, all commercial banks in the Philippines have correspondent U.S. banking relationships too numerous to list. The best way for a firm to determine whether its U.S. bank has a correspondent bank in the Philippines is to check with the U.S. bank.

Commercial and Thrift Banks	**Address and Contact #**	**Contact Person**
1. Bank of America, N.A.	27/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 815-5600; 815-5000; 815-5800 Fax: (632) 815-5582; 815-5895 E-mail: henry.pelaez@baml.com	Henry T. Pelaez Senior Vice President & Country Manager
2. Citibank, N.A. (Phils.)	9/F Citibank Tower, 8741 Paseo de Roxas St., Makati City 1226 Tel: (632) 894-7700 Fax: (632) 894-7703 E-mail: sanjiv.vohra@citi.com	Sanjiv Vohra Country Officer
3. JP Morgan Chase Bank, N.A.-Manila Branch	31/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 878-1101 / 885-7700 Fax: (632) 885-7924 E-mail: roberto.l.panlilio@jpmorgan.com	Roberto L. Panlilio Managing Director, Senior Country Officer
4. Citibank Savings, Inc.	19/F Citibank Square, 1 Eastwood Ave., Eastwood City, Brgy. Bagumbayan, Quezon City 1110 Tel: (632) 423-6762 Fax: (632) 423-6732 E-mail: tonet.itchon@citigroup.com	Antonio S, Itchon President
OBUs	**Address and Contact #**	**Contact Person**
1. JP Morgan International Finance, Limited	31/F, Philam Life Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 575-1199 / 729-8000 Fax: (632) 885-7924 E-mail: roberto.l.panlilio@jpmorgan.com	Roberto L. Panlilio Manager
Representative Offices	**Address and Contact Details**	**Contact Person**
1. Wells Fargo Bank, N.A.	15/F, Tower I Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City 1200 Tel: (632) 884-8633; 884-8426 ext. 220 Fax: (632) 884-8633; 884-8644	Imelda B. Capistrano Senior Vice President & Country Manager

	E-mail: imelda.capistrano@wellsfargo.com	
2. The Bank of New York Mellon	10/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 885-0383 to 87 Fax: (632) 885-0382 E-mail: TAFloro@BankofNY.com	Therese A. Floro Vice President & Chief Rep.

Project Financing Return to top

Official Development Assistance (ODA) from foreign funding agencies has been a key source of financing for major projects in the Philippines. Multilateral organizations such as the World Bank (WB) including the International Finance Corporation (IFC)] and the Asian Development Bank (ADB); and bilateral institutions (the Japan International Cooperation Agency (JICA), the Government of Japan - Japan Bank for International Cooperation (GOJ - JBIC), China, the U.S. government's Millennium Challenge Corporation (MCC), and the U.S. Agency for International Development (USAID) are among the leading sources of ODA.

According to the National Economic and Development Authority (NEDA), the total ODA commitment less of cumulative cancellations for CY 2011 reached US$8.60 billion for 80 loans supporting 71 programs and projects. The loans consist of 71 project loans of US$6.86 billion (79.8 percent) and nine program loans of US$1.74 billion (20.2 percent). Of the total loans portfolio, 59 are ongoing (US$5.862 billion); thirteen (13) were closed (US$0.740 billion); six new loans became part of the portfolio (US$1.50 billion); and two loans are yet to be made effective (US$0.50 billion).

The GOJ-JICA is still the biggest source of ODA loans with 32 percent (US$2.738 billion), followed by WB at 29 percent (US$2.479 billion) and China with 13 percent (US$1.14 billion). France contributed 8.4 percent (US$0.721 billion), and other sources, 7.0 percent (US$0.598 billion).

New commitments from WB in CY 2011 include two single tranche program loans - *First Development Policy Loan to Foster More Inclusive Growth* and the *Disaster Risk Management Development Policy Loan with Catastrophe Deferred Drawdown Option,* and an additional financing for the *Laguna De Bay Institutional Strengthening and Community Participation Project*.

Meanwhile, ADB also provided one program loan in CY 2011 amounting to US$200 million *(Financial Market Regulation and Intermediation Program),* which is 50 percent lower than the total amount of new loans provided in CY 2010. Nonetheless, ADB's share to the total portfolio, as well as China, remains virtually the same. New commitments from JICA reached US$524 million, which is 35 percent of the total new loans extended to the Philippines. For the other funding sources, only Korea provided a new loan worth US$13 million.

ODA Loans Commitment and By Development Partners, (CY 2010 vs. CY 2011)

Development Partner	Commitment Level	New Loans (US$B)	
	CY 2011	CY 2010	CY 2011

	US$B	Share (%)	US$B	Share (%)	US$B	Share (%)
GOJ-JICA	2.738	31.8	0.376	16.8	0.524	35
WB	2.479	28.8	0.744	33.3	0.76	50.8
China	1.141	13.3	0.117	5.2		
ADB	0.922	10.7	0.4	17.9	0.2	13.3
France	0.721	8.4	0.194	8.7		
Other Sources*	0.598	7	0.406	18.1	0.013	0.9
Total	8.599	100	2.237	100	1.497	100

- Other funding sources include: Austria, Belgium, Germany, IFAD, Korea, Netherlands, OFID, Saudi Arabia, Sweden, Spain and UK.

The infrastructure sector is still the largest recipient of ODA loans in CY 2011 with 58 percent (US$4.950 billion), due to the increase in new commitments to the sector during the year. There were also significant increases in the ODA for the SRCD and IT&T sectors in CY 2011 which were results of additional program loans for the said sectors. Meanwhile, the decline in the shares of GID and AARNR sectors was due to the absence of/or decrease in the new commitments in CY 2011, respectively.

Other bilateral donor organizations include the Australian Agency for International Development (AusAID); Canada, European Union; Korea International Cooperation Agency (KOICA); New Zealand; Spain/AECID, United States Agency for International Development (USAID), and World Bank.

Key sectors and priority projects include infrastructure, power and electrification, increased electrification, increased energy efficiency, agriculture/Irrigation systems, environmental technologies, solid waste management, health and education, governance, and microfinance and microenterprise development.

The U.S. allocated US$101.992 million in development assistance to the Philippines in FY 2011. Within this assistance, all USAID projects were awarded as grants, not loans, as they take the form of contracts or cooperative agreements with American, Philippine, or other entities.

In September 2010, the U.S. government's Millennium Challenge Corporation (MCC) signed a five-year US$434 million Compact with the Philippines. The MCC grant is focused on reducing poverty and promoting sustainable economic growth. Specifically, the Compact will reduce transportation costs and improve access to markets and social services by rehabilitating a 220 kilometer road segment on Samar Island; will improve community-level infrastructure and social services for millions of poor Filipinos through locally driven development projects; and will raise tax revenues and reduce tax evasion and corruption by reforming and modernizing the revenue collection system at the Bureau of Internal Revenue (BIR) of the government of the Philippines. MCC projects follow strict international competitive bidding practices.

The Compact has completed its second year and will conclude in May 2016. Construction on the Samar road project has commenced and is progressing on schedule. Over 1,600 community-driven infrastructure and social service projects have been initiated, with more than 800 of these completed. The first phase of the development of an electronic tax information system has begun and the BIR has experienced increased revenue collection, in part due to the Compact's assistance to re-design business processes and through enhanced automated audit and tax administration functions.

The Compact is committed to protecting the environment and promoting responsible social practices. Implementers have entered into strategic partnerships to advance anti-Trafficking in Persons initiatives, to promote gender integration in projects, and to include protection measures to mitigate environmental impact.

U.S. bidders are welcome to join foreign-funded projects where International Competitive Bidding (ICBs) procedures are observed. Multilateral Development Banks (MDBs), such as the World Bank and the Asian Development Bank (ADB), observe this practice, as does USAID, and, to some extent, other bilateral institutions such as JBIC. The websites of these organizations are good sources of project and business opportunities, and are updated regularly.

U.S. financing institutions such as the Export-Import (Ex-Im) Bank and the Overseas Private Investment Corporation (OPIC) continue to explore opportunities in the Philippines. The Ex-Im Bank, the official export credit agency of the United States, provides export credit insurance, loan guarantees, and project and structured finance for U.S. exporters and foreign buyers of U.S. goods and services.

OPIC can provide U.S. investors with political risk insurance against risk of expropriation, inconvertibility and transfer, and political violence, based on its agreement with the Philippines. The Philippines is a member of the Multilateral Investment Guaranty Agency. OPIC financing comes in the form of direct loans and loan guarantees for medium and long-term private investment.

Asian Development Bank

Asia's premier development finance institution, the Asian Development Bank, is headquartered in Manila, Philippines. The Philippines is a founding member of the regional multilateral bank, and one the largest borrowers - seventh in 2012 -- receiving $750 million in loans and an additional $23 million in technical assistance. The bank's lending went to programs to improve inclusive growth and environmental management; and a project introducing energy efficient electric vehicles.

ADB's current partnership strategy targets $3.8 billion for the Philippines over the six-year period covering 2011-2016, and aims to help the country achieve high, inclusive, and sustainable growth focusing on infrastructure, public sector management, environment and education. The bank will continue to support governance reforms and provide direct assistance to national programs.

Aside from its traditional public sector lending, ADB also lends directly to private sector enterprises where ADB plays a catalyst's role for additional investment and financing. Non-sovereign operations reached $7.9 billion in 2012. ADB invested up to $25 million in the Philippine Alliance for Infrastructure Fund which is oriented toward government priorities in infrastructure finance, renewable energy, and energy efficiency. This investment is expected to result in the establishment of the Philippine Investment

Alliance for Infrastructure (PINAI) fund where ADB, together with other funding groups, will contribute another $525 million.

The bank's overall lending reached over $21 billion in 2012. ADB's lending and technical assistance programs result in significant business opportunities open to U.S. consultants, goods and equipment suppliers, banks and project developers. About eighty per cent (80 percent) of ADB loans are used for the procurement of goods, equipment and services. U.S. firms are competitive and enjoy a good reputation at the bank.

Only bank member countries can participate in ADB procurement activities. Some 42 of ADB's 67 member countries are developing member countries (DMCs) which borrow actively from the bank. The DMCs cover the entire breadth of the Asia-Pacific region, extending from the Pacific Island countries, through the South, East and Southeast Asia regions, and six countries in Central Asia. The largest borrowers in 2012 were Uzbekistan, Vietnam, India, China and Bangladesh. Non-borrowing members include donor countries such as the United States and Japan, the largest co-equal shareholders, with roughly 15 percent shareholdings each, and others from outside the region.

ADB also maintains 29 resident missions and representative offices in its member countries including a dedicated unit within the ADB headquarters which serves as the Philippine Country Office. The representative offices are in Washington, D.C., Tokyo, and Frankfurt.

The U.S. Commercial Liaison Office to the ADB (CS ADB)

Under U.S. Congressional mandate, the Department of Commerce maintains a Liaison Office to the ADB, located in Manila, Philippines, to help U.S. companies access, enter and expand in the Asian markets that benefit from ADB's lending and grant activities. The Liaison office for ADB is integrated into the U.S. Commercial Service – a network of over two hundred offices worldwide - whose mission is to promote and facilitate U.S. exports. The Liaison Office, headed by an American Senior Foreign Service Officer, began operations in 1992 and cooperates with the U.S. Executive Director's Office at ADB to assist U.S. companies. As part of the U.S. Commercial Service network, the Liaison Office also works closely with the U.S. Commercial Service in the Philippines, Commercial Service counterparts, and Department of State offices in the Asia region.

The U.S. Commercial Service Liaison Office to the ADB invites American firms to partner with it to explore ADB commercial opportunities in the bank's borrowing member countries. The office offers a range of business services including an e-mail project alert service, business counseling and facilitation, advocacy and outreach.

The Office contact information is:

Contacts: Ms. Peggy Keshishian, Senior Commercial Officer
Ms. Cecile Santos, Commercial Specialist

Address: The U.S. Commercial Liaison Office to the ADB (CS ADB)
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1201 Roxas Boulevard
Manila, Philippines

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DPO AP 96515-1570

E-mail: Office.ManilaADB@trade.gov; Cecile.Santos@trade.gov

Telephones: (632) 516 5093; 301-6169/2181

Fax: (632) 516 6958

Web: http://export.gov/adb

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http://www.philratings.com
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http://www.bsp.gov.ph/downloads/regulations/attachments/2012/c751,pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2013/c794_1.pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2013/c794_2.pdf
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/primers/faqfxreg.pdf
Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov
Asian Development Bank http://www.adb.org/
U.S. Commercial Liaison Office to the ADB http://export.gov/adb

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Chapter 8: Business Travel

Business Customs

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The Philippine business environment is highly personalized. Business matters are always best dealt with on a face-to-face basis in a warm, polite, and pleasant atmosphere. Filipinos often prefer an atmosphere of calm and restraint, avoid direct confrontation, and typically offer a polite reply coupled with a smile rather than outright negative feedback to the other party's ideas. A "yes" may mean several things, not always affirmative.

As a show of respect and acknowledgement of certain social hierarchies, Filipinos usually address people by their titles (for example, Architect Cruz, Attorney Jose, Dr. Romero), although most contacts will quickly insist on using a more informal approach (for example, addressing them by their nicknames) after the initial introductions. When dealing with high-ranking government and military officials, it is best to address them by their formal titles (for example, Secretary Flores, General Alfonso, Director Santos, Admiral Lopez, etc.)

Meetings do not necessarily start promptly, so allow for delays due to traffic, inclement weather, prior engagements or last minute changes in the schedule or itinerary, especially when meeting with VIPs or high-ranking officials. If a Filipino client is running late for an appointment, their assistant or the individual would typically personally call or advise if he or she is on their way.

Handing out business cards (preferably bearing your position or title) is standard practice, although the manner in which the cards are exchanged tends to be rather informal as compared with other Asian cultures. If a Filipino contact gives you a personal number (for example, home or mobile phone) aside from what is indicated on the business card, it is usually an invitation to call, and is a good sign for establishing cordial relations.

It is not uncommon for business associates to make personal inquiries about family, marital status, ethnicity, hobbies and after-hours activities or other similar questions typically considered by Americans as rather personal. Be prepared to discuss

generalities of family hobbies, sports and American customs, as Filipinos see this as a way to become better acquainted.
The U.S. businessperson should avoid, as much as possible, personally grappling with Philippine bureaucracy. The Bureau of Customs, for instance, requires dozens of signatures in order to clear air cargo, which can be expedited with the use of local customs brokers. The Filipino approach is to delegate to a staff or business associate capable of navigating the bureaucracy.

Observing office etiquette is also important. When reprimanding local employees, take them aside and do it privately. Be as gentle as possible and always make it a point to end the meeting with some show of personal concern for the family to make the employee feel still part of the team.

English is the official business language, including for most correspondence, contracts, and other documents. Among Filipinos, however, it is common to hear “Taglish” (a combination of Tagalog, a regional dialect from which the Filipino language is largely based, and English, or shifting back and forth between the two languages) during informal conversations.

Body language and hand gestures (for example, a raised eyebrow, a faint smile, a scratch in the head) are integral to how Filipinos express themselves. Texting, or sending short, oftentimes abbreviated messages through mobile phones, has now become a preferred method for business communication. Do not be surprised if, in the middle of a meeting, people suddenly take out their mobile phones to read or send messages or to answer a call.

Business lunches and dinners are usually arranged personally over the phone and thereafter confirmed by a secretary or assistant. The person extending the invitation customarily pays. A guest does not order the most expensive items on the menu, unless the host insists otherwise. Lunch or dinner buffets have also become commonplace, thereby allowing guests more choices. It is also customary to have a drink or a cocktail before a formal sit-down dinner. A relatively informal tone is the norm. Business is not usually discussed until after establishing a convivial ambience, usually after soup or appetizer. Attire is according to the location of the meeting.

Filipinos tend to be lax in replying to RSVPs. Telephone follow-ups are best, at least one or two days before the event (any prior confirmation may still need following up later on). In hosting events, private or professional, the staff is usually asked to track down guests for a confirmation reply. In a formal occasion, seating is arranged, where the head table is usually reserved for VIPs. A guest speaker is often the highlight of a dinner or formal gathering. Light entertainment is not unusual. In most instances, important guests accept requests to sing. Americans with vocal talents can score business points in the Philippines.

The holiday season (the Philippines celebrates one of, if not the longest, Christmas season in the world) is also a time to show appreciation to people with whom you have regular dealings, for example, the security guard, doorman, messenger, the secretary or assistant, as well as regular and valued clients, through small tokens. Gifts could range from baskets of goodies to company giveaways to plain calendars or office items with your company logo.

It is best to attempt to accomplish business objectives in mid-morning or early afternoon. Many business deals are completed informally during a lunch or dinner appointment, an intimate social gathering, or over a round of golf. Never attempt to do business on a weekend or a holiday, unless the Filipino contact has specifically indicated his or her availability on such days. As a predominantly Catholic country, the Philippines observes the Lenten season and all commercial and business establishments are closed on Holy Thursday and Good Friday. Likewise, beginning on or around the week of December 15 through the end of the year, office-related activities tend to wind down to give way to holiday parties. Important meetings should be scheduled prior to those dates.

Summer-weight clothing normally worn in temperate zones is suitable for the Philippines, where the weather tends to be very humid. It is acceptable for businessmen to conduct calls in short or long-sleeved shirt and ties with or without a coat. Either a two-piece suit or the native "barong Tagalog" (a lightweight, short- or long-sleeved shirt, usually linen, worn without a tie) are acceptable, ordinary business attire. Light pantsuits or dresses are appropriate for women. Dinner invitations can either be casual or formal, so it is best to check with the host regarding the proper attire. An umbrella may come in handy, especially during the wet season (between June and September).

Travel Advisory

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Travel Advisory can be found through:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_999.html

Visa Requirements

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General Provisions

1. Americans who are travelling to the Philippines for business and tourism purposes are allowed to enter the Philippines without visas for a stay not exceeding twenty-one (21) days, provided they hold valid tickets for their return journey to port of origin or next port of destination and their passports valid for a period of at least six (6) months beyond the contemplated period of stay. However, Immigration Officers at ports of entry may exercise their discretion to admit holders of passports valid for at least sixty (60) days beyond the intended period of stay.

2. *In case of a temporary visitor's visa holder whose stay in the Philippines will exceed the authorized period of stay, he/she will have to report to the Bureau of Immigration, secure an extension of stay and pay the corresponding immigration fees. Information on fees for extension of stay and other Immigration fees are available at the Bureau of Immigration website (*www.immigration.gov.ph*).*

Special Provisions

3. Special Investor's Resident Visa (SIRV) may be issued to a foreign national (not listed as restricted national), his spouse and unmarried children under 21 years of age, if any, who shall invest at least $75,000.00 in an existing or new corporation provided this corporation is publicly-listed corporation, is engaged in

an Investments Priority Plan (IPP) project as determined by the Board of Investments (BOI), or is involved in the manufacturing and service sectors. Said persons may reside in the Philippines as long as their investment subsists.

4. The BOI shall issue SIRV identification cards only to applicants with actual investments, valid for a period of one year, renewable yearly. Such ID shall exempt the SIRV holder from securing the Special Return Certificate (SRC), Alien Certificate of Registration (ACR) and Emigration Clearance Certificate (ECC) from the Bureau of Immigration for purposes of travel abroad.

5. Citizens of the United States, Japan and Germany (which have treaties of commence, trade, amity and navigation with the Philippines) may apply for a Treaty Trader or 9(d) visa provided they have substantial trade and investments in the Philippines.

6. Foreign business people have the option to apply for a Pre-Arranged Employment Visa under 9(g) with positions of elective (managerial) or non-elective (technical) for as long as they qualify under the Immigration rules. Non-elective positions may be employed under the said visa with the required Filipino understudies of at least two (2). The pre-arranged employment visa is co-terminus with the Alien Employment Permit (AEP) issued by the Department of Labor and Employment (DOLE).

7. A foreign national who is admitted as non-immigrant may apply for permanent resident status without departing the Philippines as long as he is not in the list of restricted nationals.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/

United States Embassy Manila: http://manila.usembassy.gov/wwwh3024.html

Telecommunications Return to top

The telecommunications infrastructure includes multiple platforms: fixed line, mobile cellular, cable television, over the air television, radio, Very Small Aperture Terminal (VSAT), fiber optic cable and satellite for redundant international connectivity. There are 11 international gateways, and various submarine cables to countries like Hong Kong, Guam, Singapore, Taiwan, Japan, Brunei, and Malaysia, among others.

The Philippine Long Distance Telephone Company (PLDT) and Globe Telecom are the leading telecommunication carriers in the county. PLDT has an existing digital fiber optic connecting the entire country. They also have an existing digital microwave radio system and a data network. PLDT's mobile arm is SMART Communications. Their mobile brands are SMART and Sun Cellular. Globe Telecom also has fiber optic cables and Worldwide Interoperability for Microwave Access (WiMax).

The current Philippine cellular infrastructure is Global System for Mobile Communications (GSM). 3G service was launched in 2006. 4G was made available in 2010. More recently, SMART and Globe launched long-term evolution (LTE) networks in 2012. With LTE, it is now possible to download large files, streaming of high-definition video, and playing of online games in speeds up to 100 megabytes per second (MBPS).

There are over 100 million mobile users in the Philippines as of 2012. Landline subscribers are expected to reach ten million due to the availability of wireless landline service. There are 33 million Internet users in the Philippines, and Filipinos are among the world's top users of social media (Facebook, Twitter, etc.). This contributed to over 100 percent growth in broadband subscriptions.

Broadband services are available for home and office use. Users should expect to pay prices similar to those in the U.S. U.S. travelers will find mobile phone service affordable in the Philippines. Average cost per minute of call is USD 0.15, while one SMS or text message costs USD 0.02. As a result, most Filipinos prefer to text rather than talk on their mobile phones.

The Philippine's television broadcast industry is composed of five national TV networks, three government-owned networks, 306 analog TV stations, and five major cable TV networks. In early 2006, the National Telecommunications Commission (NTC) spearheaded the formation of a Technical Working Group (TWG) to study the migration from analog to digital terrestrial television (DTT) in the market. The process was completed in June 2010 when the NTC announced that the Philippines would adopt Japan's Integrated Services Digital Broadcast (ISDB) technology as the standard for DTT broadcast. The TWG task to drafting of the Implementing Rules and Regulation (IRR) for DTT implementation was formed in 2011. The TWG is composed of broadcast industry representatives, and other stakeholders, such as the government, suppliers and consumer groups. The NTC expects the Philippines full migration to digital television will be completed within ten years.

Transportation

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Many major international airlines fly between Manila and the United States on a regular basis. Typically, these flights are indirect with layovers or stopovers before they reach their final destination (e.g., U.S. airlines such as Delta Airlines flies from Manila to the U.S. via Narita, Nagoya, or Osaka; United flies from Manila to Mainland U.S. via Guam and Hawaii, and Hawaiian Airlines offers flights via Taiwan to Honolulu.

Within the Philippines, one can travel to most parts of the country by land, air, or sea with relative ease. For land travel, the quality of the road network is quite varied. Distances that may be covered quickly in the United States typically take longer in the Philippines, due to insufficient road quality and congestion. An extensive road network links most of the archipelago.

For first-time visitors to major urban cities such as Metro Manila, the use of accredited hotel taxis with the assistance of the hotel staff is more dependable than metered taxis hailed on the street. When using a metered cab, ask the driver to turn on the meter as you enter to avoid being overcharged. Hotel taxis charge a flat rate for travel to specified locations. It is best to ask the hotel staff or a local business contact how long it would take to reach one's destination, taking into account such factors as traffic conditions during peak driving hours and alternate routes. When taking a regular cab, it would help to know the typical cab fare to avoid being overcharged. Many taxi fleets now offer services.

Car rentals are also available with or without a driver/chauffeur, and costs will vary depending on the length of use, the type of car, and the itinerary. U.S. franchises such as Avis, Hertz and Budget operate in the Philippines and accept an international driver's license for up to 60-90 days.

Buses, elevated rail transport such as the Light Railway Transit (LRT) and the Metro Rail Transit (MRT), and “jeepneys” transit major and minor routes within Metro Manila and serve the general commuting public. Rail systems are not recommended for business travelers in Manila. Shuttle services (locally known as FX taxis), which bring passengers to and from work are also available. In most provinces and major cities outside Manila, buses, jeepneys, and tricycles are the more typical modes of land transport. Overcrowding is not uncommon.

The country has over 80 airports, but only a few meet international aviation standards. There are five major international airports, two of which are located in former U.S. military installations (i.e., Subic and Clark). The country’s major airport, the Ninoy Aquino International Airport (NAIA), currently operates four terminals in Manila, one of which is being used exclusively by flag carrier Philippine Airlines for its domestic and international routes. NAIA’s Terminal III was recently opened for domestic and international flights (inclusive of ANA). The remaining 80 airports are mostly regional terminals serving domestic routes with the exception of Cebu.

In 2007, the U.S. Federal Aviation Administration (FAA) downgraded the Philippines’ aviation safety oversight category from Category 1 to Category 2. According to the FAA, “Category 2 indicates that the FAA has assessed the Government of the Philippines’ Civil Aviation Authority as not being in compliance with International Civil Aviation Organization (ICAO) safety standards for the oversight of Philippine air carrier operations. While in Category 2, Philippine air carriers will be permitted to continue current operations to the United States, but will be under heightened FAA surveillance. For more information, travelers may visit the FAA’s website at: http://www.faa.gov/. The Philippines recently received ICAO approval but has yet to gain certification from FAA and its other foreign counterparts.

Passengers are required to be at the airport at least one hour before departure for domestic flights and two to three hours for international flights (particularly on U.S. bound flights). Terminal fees are charged for departing passengers on both domestic and international flights (approximately US$20 per passenger). Flight delays are not unusual in the Philippines.

Maritime transport is a major conduit for moving goods and people. Inter-island vessels or ferries service major island routes. Being an archipelago of more than 7,100 islands, the Philippines has more than 1,000 ports, about a dozen of which are major international ports that serve as cargo and/or passenger terminals. Travel by boat or ferry tends to take longer and is less convenient than air travel, but there are areas in the Philippines that can only be reached through this mode of transport. Roll-on, roll-off vessels (RO-RO) carrying passengers and cargo are also available to service inter-island travel and commerce. Ferry transport in recent years has experienced serious accidents with significant fatalities.

Language

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Filipino/Tagalog is the official national language, although over 80 dialects are spoken throughout the Philippines. English is widely spoken and is the primary language in business communication.

It is common to hear Filipinos use a mixture of English and Filipino/Tagalog words or phrases, known as "Taglish" (a mixture of English and Tagalog), in their everyday conversations. A steadily dwindling minority still speak Spanish, which had at one time been an official language. In provinces where Filipino is not the lingua franca, primary educational instruction is conducted in vernacular languages.

Health

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Major cities in the Philippines have modern and well-equipped hospitals and medical facilities that meet the general healthcare needs of business travelers. These hospitals are usually staffed by excellent medical personnel, some of them U.S. Board Certified; although nursing and other support services are sometimes inadequate.

Although brand names may be different and unfamiliar, larger pharmacies in the Philippines stock most standard medicines at prices equivalent to those in the U.S. Vitamins, over-the-counter medicines, and first aid supplies are available locally. Medical fees are reasonable and pharmaceuticals are widely accessible, albeit at higher prices.

The general level of sanitation in the Philippines is lower than in the United States. Overpopulation has greatly strained water supply, sewage, garbage disposal, street cleaning, and utilities.

Americans are advised not to drink untreated water. Bottled beverages are inexpensive, plentiful and safe. Ice is always suspect. It is not advisable to buy food from street peddlers.

Occasional gastrointestinal upsets caused by poor sanitary conditions, colds, and other respiratory ailments are unavoidable due to the high level of air pollution, if staying in Manila for an extended period of time.

Overexertion and excessive fatigue should be avoided, as the tropical environment makes for rapid dehydration.

Among the diseases in the Philippines' Department of Health (DOH)'s Health Advisories are Chicken Pox; Cholera; Dengue; Diarrhea; Hepatitis; Malaria; etc. Updates on diseases and health alerts are available from the Philippine Department of Health website: http://www.doh.gov.ph.

Local Time, Business Hours, and Holidays

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Philippine Standard Time is 8 hours ahead of Coordinated Universal Time/Greenwich Mean Time (UTC/GMT), and 12 hours ahead of U.S. Eastern Standard Time (EST). The Philippines does not observe daylight savings time.

U.S. Government offices are open from 7:30 a.m. to 4:30 p.m. Most private and GPH offices are open from 8:00 a.m. to 5:00 p.m. or from 9:00 a.m. to 6:00 p.m., Monday - Friday. Some private companies hold office on Saturday from 9:00 a.m. to 12:00 noon. Eight hours per day or 48 hours per week is the maximum period an employee may be required to work at a regular pay rate.

Most shopping centers are open seven days a week with variable opening hours, which may be extended during major holidays.

All offices close during the following public holidays: January 1, New Year's Day; April 9, Bataan & Corregidor Day and Heroism Day; Easter Holidays, which include Maundy Thursday and Good Friday; May 1, Labor Day; June 12, Philippine Independence Day; August 21, Ninoy Aquino Day; November 1, All Saints' Day; November 30, Bonifacio Day; December 25, Christmas Day; and December 30, Rizal Day.

June 24, Manila Day, is observed only in the City of Manila, while August 19, Quezon Day, is observed only in Quezon City. Eid-ul-Fitr and Chinese New Year are now also being observed. In addition, special public holidays such as Election Day and EDSA Revolution Day may be declared by the President and are observed nationwide.

The U.S. Embassy in the Philippines observes the following U.S. public holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day.

Temporary Entry of Materials and Personal Belongings

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A businessperson hand-carrying a personal laptop computer does not have to post a cash bond after demonstrating that the item is a personal effect and is not new. Laptops, considered tools of the trade, may be cleared without the necessary documentations such as a Certificate of Identification upon the businessperson’s arrival. Only one laptop per businessman is allowed under existing regulations.

Web Resources

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http://travel.state.gov/travel/cis_pa_tw/cis/cis_999.html
www.immigration.gov.ph
http://travel.state.gov/visa/
http://manila.usembassy.gov/wwwh3024.html
http://www.faa.gov/
http://www.doh.gov.ph

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

U.S. Embassy Contacts:

U.S. Embassy Manila
http://manila.usembassy.gov/

U.S. Commercial Service
http://buyusa.gov/philippines
http://export.gov/philippines/contactus/index.asp

Foreign Agricultural Service (FAS)
http://www.fas.usda.gov

Animal Plant Health Inspection Service (APHIS)
http://www.aphis.usda.gov

Joint U.S. Military Assistance Group to the Republic of the Philippines (JUSMAG)
http://manila.usembassy.gov/us-agencies2/joint-u.s.-military-assistance-group

U.S. Agency for International Development (USAID)
http://philippines.usaid.gov

U.S. Liaison to the Asian Development Bank (CS-ADB)
http://www.buyusa.gov/adb

U.S. Defense Attaché Office (DAO)
http://manila.usembassy.gov

U.S. Embassy Economic Section
http://manila.usembassy.gov/wwwh3009.html

Trade and Industry Associations:

American Chamber of Commerce Philippines (AMCHAM)
http://www.amchamphilippines.com

Chamber of Furniture Industries of the Philippines (CFIP)
http://www.cfip.ph

Chamber of Mines of the Philippines
http://www.chamberofmines.com.ph

Chamber of Real Estate & Builders Associations, Inc. (CREBA)
http://www.creba.ph

Chemical Industries Association of the Philippines
http://www.spik-ph.org

Computer Manufacturers, Distributors and Dealers Association of the Philippines (COMDDAP)
http://www.comddap.org

Federation of Indian Chambers of Commerce (Philippines), Inc.
http://www.ficci.com.ph

Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIEE)
http://www.iiee.org.ph

Philippine Association of Medical Technologists (PAMET)
http://www.pametinc.org

Philippine Association of Water Districts (PAWD)
http://www.pawd.org.ph

Philippine Constructors Association (PCA)
http://www.philconstruct.com

Philippine Exporters Confederation Inc. (PHILEXPORT)
http://www.philexport.ph

Philippine Retailers Association (PRA)
http://www.philretailers.com

Society of Philippine Electrotechnical Constructors and Suppliers Inc. (SPECS)
http://www.specs.org.ph

Government Agencies:

Bangko Sentral ng Pilipinas (BSP)
http://www.bsp.gov.ph

Bureau of Export Trade Promotion (BETP)
http://www.dti.gov.ph/dti/index.php?p=188

Bureau of Immigration
http://www.immigration.gov.ph

Bureau of Internal Revenue (BIR)
http://www.bir.gov.ph/

Bureau of Product Standards (BPS)
http://www.bps.dti.gov.ph

Civil Aviation Authority of the Philippines (CAAP)
http://www.caap.gov.ph

Clark Development Corporation (CDC)
http://www.clark.com.ph

Department of Agriculture (DA)
http://www.da.gov.ph

Department of Energy (DOE)
http://www.doe.gov.ph

Department of Environment and Natural Resources (DENR)
http://www.denr.gov.ph

Department of Finance (DOF)
http://www.dof.gov.ph

Department of Health (DOH)
http://www.doh.gov.ph

Department of the Interior and Local Government (DILG)
http://www.dilg.gov.ph

Department of Public Works and Highways (DPWH)
http://www.dpwh.gov.ph

Department of Science & Technology (DOST)
http://www.dost.gov.ph

Department of Trade and Industry (DTI)
http://www.dti.gov.ph

Energy Regulatory Commission (ERC)
http://www.erc.gov.ph

Housing and Urban Development Coordinating Council (HUDCC)
http://www.hudcc.gov.ph

Insurance Commission
http://www.insurance.gov.ph

Intellectual Property Office (IPO)
http://www.ipophil.gov.ph

Mines and Geosciences Bureau (DENR-MGB)
http://www.mgb.gov.ph

National Computer Center (NCC)
http://www.ncc.gov.ph

National Economic and Development Authority (NEDA)
http://www.neda.gov.ph/

National Grid Corporation of the Philippines (NGCP)
https://www.ngcp.ph

National Power Corporation (NPC)
http://www.napocor.gov.ph

National Telecommunications Commission (NTC)
http://www.ntc.gov.ph/

National Transmission Corporation (TransCo)
http://www.transco.ph

Philippine Coast Guard (PCG)
http://www.coastguard.gov.ph

Philippine Economic Zone Authority (PEZA)
http://www.peza.gov.ph

Philippine National Government Website
http://www.gov.ph

Philippine National Police (PNP)
http://www.pnp.gov.ph

Philippine National Railways (PNR)
http://www.pnr.gov.ph

Philippine Ports Authority (PPA)
http://www.ppa.com.ph

Power Sector Assets Liabilities and Management Corporation (PSALM)
http://www.psalm.gov.ph

Securities and Exchange Commission (SEC)
http://www.sec.gov.ph

Subic Bay Metropolitan Authority (SBMA)
http://www.sbma.com

Tariff Commission
http://www.tariffcommission.gov.ph

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

http://www.buyusa.gov/philippines/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov.

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: http://www.buyusa.gov/.

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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