Doing Business in the Philippines:

2014 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 has the twelfth largest population in the world (about 100 million) and is the fourth-largest English-speaking country. It also has one of the youngest populations in the world, with more than one-third under the age of 35. The country's population growth is likely to drive economic growth for the next several years, while also increasing the strain on the country's infrastructure.
- In 2013, the economy showed resilience despite a number of natural disasters, most notably Typhoon Haiyan and a major earthquake in Bohol, as well as volatile financial markets following U.S. signals and subsequent announcements to reduce Quantitative Easing (QE). The Philippine GDP rose by 7.2 percent in last year, second only to China in the Asia region. Most economists project the economy will grow approximately five to six percent in 2014.
- Consumer spending and capital formation, led by construction and robust investments in durable equipment and infrastructure, fueled growth on the expenditure side. Remittances by Philippine overseas foreign workers (OFW's) continue to play a major role in the economy.
- On the production side, the services sector continued to drive the economy's growth, although the industrial sector, spurred in part by a more robust expansion in manufacturing output, recently contributed more to GDP growth.
- Average year-on-year consumer price inflation slowed from 3.2 percent in 2012 to three percent in 2013, which was at the low end of the 3-5 percent range targeted by the Philippine Central Bank.
- However, inflation accelerated towards the latter part of 2013 due to Typhoon Haiyan-related supply shocks to the heavily-weighted food index. The Monetary Board announced that the future inflation path is likely to stay within the target ranges of 4-5 percent in 2014 and 3-4 percent in 2015.
- The Philippines posted a US$5.1 billion balance of payments (BOP) surplus in 2013 despite sluggish merchandise exports from weak electronics shipments, a slump in foreign portfolio capital flows as investors repositioned funds following QE-tapering news, and larger net repayments of foreign loans by the national government.
- Overseas workers' remittances rose 7.5 percent year-on-year to US$23 billion, while robust business process outsourcing (BPO) revenues were up 15.7 percent to US$15.5 billion. Growing foreign direct investment (FDI), which increased 20.1 percent year-on-year to US$3.9 billion, also contributed to the surplus, although the Philippines has only three percent of the total FDI in the region.

- The Philippine Central Bank's gross international reserves (GIR) ended 2013 at US$83.2 billion, or about 0.8 percent (US$600 million) lower versus 2012. This was due mainly to government foreign debt servicing, foreign exchange operations to temper excessive volatility in the foreign exchange market, and the revaluation of gold and foreign exchange holdings. The GIR cushion equaled more than eleven months' worth of goods and services imports and more than five times the Philippines's short-term foreign debt, still well above international benchmarks (i.e., three months' worth of imports and 100 of short-term foreign liabilities).
- The national government's fiscal deficit ended 2013 at 1.4 percent of GDP, below the government's two percent-of-GDP program for that year. The ratio of taxes to GDP, which remains among the lowest regionally, improved from 12.9 percent to 13.3 percent, due largely to reforms in excise taxes on tobacco and liquor products that went into effect in 2013. Tax collections nevertheless fell short of the government's goal; however, larger shortfalls in targeted expenditures, including infrastructure spending, were more than offsetting.
- The overall improvement in macroeconomic stability and the economy's resilience to domestic and external shocks has been recognized by the "big three" credit rating agencies—Fitch, S&P, and Moody's—with "investment grade" ratings. The Philippines has also made progress in terms of improving competitiveness rankings.
- The country's progress has been reflected in its rise in various international surveys, including the World Economic Forum's Enabling Trade Index (April 2014), which showed that the country has risen 28 spaces since 2010. Still, these and other studies show that the Philippines ranks below its ASEAN partners and is generally rated low in infrastructure and Government red tape (specifically business permits).
- The generally good economic news has been diminished by persistently high unemployment, hovering at seven percent of the labor force, while about 20 percent of the workforce is considered to be underemployed. Poverty engulfs about a quarter of the population.
- Total U.S. exports have grown by 46 percent since 2009, amounting to just over US$8.4 billion in 2013. The Philippines ranks as the 34th largest export destination for U.S. products. In 2013, the U.S. posted annual trade deficits with the Philippines, estimated at US$862 million.
- For 2013, China, the United States, and Japan were the top exporters to the Philippines, accounting for 13, 10.8 and 8.5 percent of total Philippine merchandise imports, respectively. Other major import sources include Taiwan, the Republic of Korea, and Singapore.
- The foreign exchange rate broke from a three-year appreciating trend following foreign portfolio capital withdrawals to average 42.45 Philippine pesos (PhP) to the U.S. dollar during 2013, down 0.5 percent from the 2012 average rate. The peso closed 2013 at 44.39 to the U.S. dollar, more than eight percent weaker from the end of 2012 (PhP41.05 per U.S. dollar). The peso averaged 44.81 to the U.S. dollar during the first four months of 2014.
- Helped by low domestic interest rates and optimism over Philippine economic prospects, the Philippine Stock Exchange index (PSEi) rose to historic highs through mid-May 2013. The PSEi then lost most of its year-to-date gains, closing 2013 only 1.3 percent higher than 2012, 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. There has since been some recovery with foreign investors re-entering the market in February 2014, buoyed in part by positive corporate earnings reports and the economy's better-than-expected expansion following Typhoon Haiyan. As of April 2014, the PSEi was up nearly 14 percent from the beginning of the year and ranked among the better performers among Asian indices.

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 in 2013 under generally peaceful conditions, with Aquino's slate of candidates winning nine of the twelve available seats in the Senate. President Aquino is limited to one term, which is due to expire in 2016.
- On March 27, 2014, the Philippine Government and the Moro Islamic Liberation Front signed a comprehensive peace agreement that paves the way for the creation by 2016 of a new, autonomous political entity called "Bangsamoro" for the predominately Muslim areas in the conflict-prone southern Philippines.
- The Philippines is considering but has not yet signed on for the negotiations of the Trans-Pacific Partnership (TPP) agreement.
- The U.S. and Philippines signed a five-year Millennium Challenge Corporation (MCC) Compact, effective 2011, to reduce poverty through economic growth. The grant funds three categories of projects focused on road infrastructure, community-level infrastructure and social services, and tax administration reform. The Compact is due to expire in 2016.

Market Challenges Return to top

- **Graft and Corruption:** The Aquino Government has made major strides in fighting graft and corruption. Over the last year, however, a major corruption scandal involving the diversion of billions of pesos in development aid from government coffers has resulted in the arrest of three senators and allegedly several other high-profile legislators and their staff. Corruption remains a major constraint to business and outside investment. Despite the country's recent progress, 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 take many years to reach a final verdict.
- **Limited Ownership:** The Philippines has restricted foreign ownership in selected industries. See Chapters 5 and 6 for more information on these restrictions.
- **Regulatory System:** Product registration, product standards, and environmental and labeling requirements place restrictions on certain products. See Chapter 5 for additional information.
- **Value-Added Tax (VAT):** The VAT is a 12 percent tax levied on the sale of all goods and services, including the imports of goods into the Philippines. The VAT is an indirect tax which is generally passed on to the buyer/consumer.

- **Infrastructure:** The Philippines lags behind many of its neighbors in infrastructure development. An energy shortfall for the entire country has been projected for mid-2015, with brownouts already taking place on the island of Mindanao. Major improvements are needed in transport infrastructure. While renovation is underway, overcapacity at the Ninoy Aquino International Airport (NAIA), the primary international gateway, presents a significant impediment to development and tourism. Port congestion, especially at the Port of Manila, and Customs processing have delayed the entry of goods into the country. 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, especially in Metro Manila. The Aquino administration's Public-Private Partnership (PPP) program to address the country's pressing infrastructure needs. For more information on the PPP program, please visit http://ppp.gov.ph
- **Tariff/Non-Tariff Barriers and Other Trade Regulations:** See Chapter 5.

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 providing equipment and services to 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 in the Philippines. Energy production, conversation and efficiency are top priorities as the country is presently operating on 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.
- 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. Eight projects have been rolled out so far, covering roads, airports, schools, and an orthopedic hospital.
- Other promising sectors include franchising, defense and aviation, and security.
- 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

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- 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 US$22 billion that the ADB awards it 45 developing member countries annually. The ADB has a goal of 50 percent 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 US$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). Government procurement requires a local partner, with certain exceptions.
- U.S. companies should be patient yet diligent in pursuing contracts, particularly 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), or by email at businessphilippines@trade.gov.
- 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 ten 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; (b) whether the representative's geographic sales area covers strategic markets in the Luzon, Visayas, and Mindanao regions, and (c) their experience in the sector or with similar products or services.

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. More information is available at: http://www.export.gov/philippines/servicesforu.s.companies/index.asp

Establishing an Office Return to top

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, or a retail trade business. Table 1 provides a description, the registration requirements, and incentives for each mode of entry.

Table 1: Modes of Entry for Foreign Firms

MODE	DESCRIPTION	REGISTRATION REQUIREMENTS	INCENTIVES
1. Subsidiary	Subsidiary is owned by a domestic corporation or a subsidiary of a foreign corporation. Domestic Subsidiary: Consists of five or more incorporators with more than 40% foreign-equity. Organized under Philippine Laws. Most of the company shares/stocks are held by the mother company abroad. US$200,000.00 paid-up capital (if not for export). PHP5, 000 minimum paid up capital if for export. Register with Securities and Exchange Commission (SEC). Registration with Incentives: The Philippine Economic Zone Authority (PEZA) or Board of Investments (BOI).	For foreign entities (more than 40% foreign-owned) at least 70% of total services/goods rendered must be exported if it will avail incentives with the PEZA/BOI. May qualify to register with the BOI if the project/business activity is listed under the Investments Priorities Plan (IPP) and may be allowed domestic sale if project is pioneering. 100% of products and services may be rendered or sold to the domestic market, provided that the firm's paid-up capital is at least US$200,000.00, which may be lowered to US$100,000.00 if the project involves advanced technology as determined by the Department of Science and Technology or employs 50 direct hires.	Fiscal Incentives: Income Tax Holiday (ITH) for four to eight years of operation. Special 5% tax rate after lapse of ITH (companies located in an Economic Zone). Tax and duty-free importation of machinery, equipment, spare parts, raw materials and supplies (for Economic Zone locators). Unrestricted use of consigned equipment. Tax credit on domestic capital equipment. Additional deduction for training expense (for Economic Zone locators). Tax credit on imported raw materials. Additional deduction for labor expense (not simultaneously availed with ITH). Exemption from wharfage dues, export tax, duties, import and fees. Non-fiscal Incentives: Employment of foreign national. Permanent resident status for foreign investors and their immediate family (for Economic Zone locators). Simplified customs procedures. Privilege to operate bonded manufacturing warehouse

2. Regional Headquarters (RHQ) or Regional Operating Headquarters (ROHQ)	Operates as a RHQ or ROHQ of a multinational company. RHQ is engaged in international trade with affiliates, subsidiaries, branches in the Asia Pacific Region and other foreign markets. RHQ Functions: - Acts as administrative branch of a multinational company engaged in international trade. - Serves in the supervision, communications and coordination of its subsidiaries, affiliates and branches in Asia. - Does not earn income in the Philippines. ROHQ is engaged in international trade with affiliates, subsidiaries, branches in the Asia Pacific Region and other foreign markets. Performs qualifying services exclusively to its affiliates, subsidiaries and branches in the Asia Pacific region and other foreign markets.	RHQ is required to remit annually to the Philippines an amount necessary to cover its operations; said amount should not be less than US$50,000.00. ROHQ requires a minimum inward remittance of US$200,000.00 (one time only) or its equivalent in acceptable foreign currencies. File/submit application with the BOI. Approval letter will be issued to the applicant/company and to the SEC for the issuance of the Certificate of Registration. SEC Filing fee: RHQ Filing fee – PHP5,000. ROHQ – 1% of the actual remittance but not less than 1% of peso equivalent of US$200,000.00 at the time of remittance to the BOI. Filing Fee with BOI: PHP4,500.00 (RHQ/ROHQ).	RHQ Incentives: - Exemption from corporate income tax, but shall file Annual Income Tax Return with the BIR. - Exemption from Value Added Tax (VAT) on sale/lease of goods and property, and rendition of services. ROHQ Incentives: - Subject to preferential; income tax rate of 10% on taxable income. Subject to 12% VAT. RHQ and ROHQ Incentives: - Exemption from all kinds of local taxes, fees or charges, except real property tax on land improvements and equipment. - Tax- and duty-free importation of training materials and equipment. - Privilege to import new motor vehicles (subject to payment of taxes and duties).

3. Branch Office	Branch Office is a corporation organized under foreign laws. Register with the SEC under the Foreign Investments Act. Register with the PEZA to avail incentives if it is an export oriented company. Functions: -Carries out business activities of the head office and derives income from the host country. -It may operate any business activity in industries not listed in the Negative List of Foreign Investments Act or Republic Act (RA) 7042	Required to remit from its head office at least US$200,000.00 (one time remittance). This may be reduced to US$100,000.00 if: - Activity involves advanced technology and employs at least 50 direct employees - Required to post a bond of PHP100,000.00 to pay for its resident creditors (requirement by SEC) Minimum paid up capital of PHP5,000.00 if for export. SEC Filing Fee – 1% of the actual inward remittance, but not less than PHP2,000.00.	May enjoy the following benefits and incentives if registered exporter with PEZA: - Income tax holiday for the first four to eight years of operation - Special 5% tax rate after lapse of ITH - Tax and duty-free importation of machinery, equipment, spare parts, raw materials and supplies - Unrestricted use of consigned equipment - Tax credit on domestic capital equipment - Additional deduction from training expense - Exemption from wharfage dues, and any export tax, duty, import and fees
4.Representative Office	It is a corporation organized under foreign laws. File application with: SEC under the Foreign Investments Act Deals directly with the clients of the parent company but does not derive income from the host country. Fully subsidized by its head office.	Requires an inward remittance of US$30,000.00 (one time remittance) for its operating expenses. Filing Fee – 1/10 of 1% of the actual inward remittance of the corporation converted into Philippine currency, but not less than PHP2,000.00.	Tax and duty-free importation of household goods and personal effects of expatriates as long as visa is converted into a non-immigrant visa or immigrant visa. Exempted from Corporate Income Tax

	Undertakes activities such as but not limited to information dissemination and promotion of the company's products as well as quality control of products.		
5. Retail Trade Business	Registration under the Retail Trade Nationalization Act or RA 8762	100% Foreign-owned is allowed as long as it complies with the following qualification requirements: -Minimum paid up capital of US$2.5M (if less than the amount, then it has to be Filipino-owned) -Five (5) retailing branches or franchises around the world -Five-year track record in retailing -Application is filed with the BOI-Legal Department for pre-qualification while registration is the SEC	None under the law

Source: Securities and Exchange (SEC), Philippine Board of Investments (BOI), Philippine Economic Zone Authority (PEZA www.peza.gov.ph).

In general, a business enterprise must comply with the "Business Registration Procedures" indicated in Table 2 before it can begin operations in the Philippines.

Table 2: 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% 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	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 Metropolitan Authority (SBMA) www.sbma.com	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
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	Telecom Services (landline, internet, mobile) a. PLDT (171 Customer www.pldt.com.ph b. SMART 888-1111 (Customer hotline) www.smart.com.ph c. GLOBE 730-1000 (customer hotline www.globe.com.ph Water and Electricity a. Water Maynilad Water Services (1626) Manila Water Co., Inc. (1627) www.maynilad.com.ph	Telecom services - depends on the categories, type of model unit Water and electricity – depends on the capacity requirement per cubic meter (for water) and kilowatt hour (for electricity)	Within 24-hours Within two weeks

	b. MERALCO (Manila Electric Company) (16-211; 631-111) www.meralco.com.ph		Within two (2) to four (4) weeks

Source: Philippine Board of Investments, Business One Stop Shop (BOSS) Action Center

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

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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 contribute to the growth of franchises in the Philippines.

Foreign franchisors offer financing schemes and marketing support to local franchisees in order to sustain overseas franchises. 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%) foreign ownership is allowed for Philippine retail trade enterprises (which most franchise outlets are). They are: (a) upfront paid-up capital of US$ 2,500,000.00 or more, provided that investments for establishing a store is not less than US$ 830,000.00 or (b) specializing in high-end or luxury products, provided that the paid-up capital per store is not less than US$ 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:

- Impose 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;
- Contain restrictions regarding the volume and structure of production;
- Prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;
- Establish a full or partial purchase option in favor of the licensor;
- Obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- Require payment of royalties to the owners of patents for patents that are not used;
- Prohibit 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;
- Restrict 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;
- Require 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;
- Limit 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;
- Prevent 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;
- Exempt 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,
- Other 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

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In the Philippines, a distinction is made between direct marketing and direct selling. 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, Tupperware, Nu Skin, Mary Kay, Reliv, For Life Research, Forever Living, GNLD International, Max International, New Image, Stemtech, Symmetry, Uni City 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).

Atty. Victorio Mario A. Dimagiba
Undersecretary, Consumer Welfare and Trade Regulation Group (GWTRG)
Department of Trade and Industry
2F Trade and Industry Building
361 Sen. Gil J. Puyat Avenue, Makati City
Tel: (632) 751-3288
Fax:(632) 890-4949

Ms. Nora K. Terrado
Undersecretary, Management Services Group
Department of Trade and Industry
5F Trade and Industry Building
361 Sen. Gil J. Puyat Avenue, Makati City
Tel: (632) 751-0384 loc. 4619
Fax:(632) 890-4870
Website: http://www.dti.gov.ph

Joint Ventures/Licensing

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Businessmen are allowed begin operations in the Philippines through joint ventures with local enterprises.

The Philippine Government (GPH) does not require the 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

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The Philippines has not acceded to the WTO Government Procurement Agreement. Instead, 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). Under RA 9184, all procurement activity should be published in the Philippine Electronic Government Electronic Procurement System (PHILGEPS): http://philgeps.gov.ph/.

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.

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 can 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 the government. It is composed of the department heads of twelve national government agencies and one representative from the private sector. It is chaired by the Secretary of the Department of Budget and Management and the Secretary for Socio-Economic Planning (Director General) of the National Economic and Development Authority acts as the alternate chair.

Its 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. 60% Filipino ownership is required for goods and consulting services. In the case of procurement of infrastructure projects, the requirement is for at least 75% 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.

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.

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.
- 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 (ABC) 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 its 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 factor to consider 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. The PITC has become more active in introducing the Countertrade Program to different procurement entities in the Philippine Government. However, the program is not fully enforced and is not included in majority of the Philippine Government's procurement projects.

Distribution and Sales Channels Return to top

Local agents are effective marketing tools. The use of local agents or distributors greatly improves the opportunity for market success of an exporter. Local agents regularly monitor procurement opportunities and the development of bidding processes. 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 a 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. Indenters also handle after-sales service support.

In selecting local firms as agents, U.S firms should consider whether the local firm is an accredited vendor of their target customer(s). Several large Philippine corporations have a “vendor accreditation process” in place. Only those listed are informed of upcoming procurement projects.

For Government projects, potential local distributors should be knowledgeable on relevant Philippine and U.S. laws, specifically, Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA), and the U.S. Foreign Corrupt Practices Act (FCPA). U.S. companies should work with a local firm that has experience participating in Philippine Government bids. 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.

Even if a foreign company has a local distribution/ sales agent, it visit the country and familiarize themselves with the market. Foreign suppliers must also establish a strong personal relationship with the end user.

Manila, the country’s capital, is a hub for commercial and financial activity. 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 (also known as Bonifacio Global 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 Return to top

Understanding the local business culture will help U.S. suppliers gain and maintain market leadership. First, 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 the Philippines (CS Philippines) assists U.S. exporters in finding representatives overseas through its various services which include: International Partner Search (IPS), Gold Key Service (GKS), and

International Company Profile (ICP) reports, among others. After careful selection of partners, U.S. suppliers should be prepared to work closely with their local representatives.

U.S. suppliers are encouraged to visit the Philippines on a regular basis in order to become familiarized with and understand the latest market trends and developments 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.

Other important tools for initiating market entry, increasing product awareness and maintaining industry prominence include the development of training programs for customers and distributors; advertising and product promotional support; and participation in trade fairs, exhibitions, and product seminars. In this regard, CS Philippines offers low-cost, customized business facilitation services to assist U.S. companies, particularly those that are new to market. More information is available at: http://www.export.gov/philippines/servicesforu.s.companies/servicesforu.s.companies/index.asp

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 or payment 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 (http://www.amchamphilippines.com/). 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 of 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 five 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.
- Low Credit Card Penetration: Credit card usage is still limited as most Filipinos prefer cash transactions.

Below are some examples of Philippine Business-to-Business (B2B) websites:

- www.b2bpricenow.com – A trading portal with close to 11,000 members, most of which are cooperatives. Provides 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

Other Business-to-Consumers (B2C) portals include:

- http://www.myregalo.com/ and http://divisoria.com/; email ceo@divisoria.com – General merchandise
- http://www.sme.com.ph/ - Consumer, agricultural, and industrial merchandise
- http://www.regaloservice.com/ – Gift delivery service
- http://bidshot.buyandsellplus.com/ and http://ibid.pinoytiangge.com/ – Auction items
- http://www.olx.ph/ - A buy and sell website

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.ph - Philippine search engine
- http://www.yellow-pages.ph/ - The largest online yellow pages in the Philippines

B2C websites are experiencing rapid growth. Primary opportunities are 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.

The Philippine banking sector has strengthened significantly in recent years, tracking general economic trends and benefiting from prudent measures to boost capital and improve supervision and transparency. As of December 2013, the Philippines had 36 commercial banks, 71 thrift banks, and 566 rural and cooperative banks.

Online banking is gaining in 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 112 banks offered electronic banking services as of June 2013. This number includes 34 universal and commercial banks, 23 thrift banks, and 55 rural banks.

The following are links to several major universal banks:

Bank of the Philippine Islands	www.bpi.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
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 Air Asia Zest) have introduced online booking and electronic ticketing or “e-ticket” services for domestic and international flights. More and more Filipinos are now booking online. Still, 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.

The following are websites of Philippine airlines with online transaction capability:

Philippine Airlines	www.philippineairlines.com
Cebu Pacific	www.cebupacificair.com
Air Asia Zest	http://www.airasia.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 (that is, a combination of 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; various 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. The Philippine Congress approved House Bill 4883 known as the "Open Learning and Distance Education Act of 2011," which seeks to make distance learning more accessible to Filipinos and institutes policies that ensure the quality of these distance-education programs.

The University of the Philippines Open University has been designated as the national open university, offering the greatest number of e-learning courses and leading the way in the development of open-learning and distance-education expertise as well as in the appropriate usage of information and communications technologies in support of quality higher education. Major 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 University of the City of Manila. Other universities such as Ateneo de Manila 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 (TESDA) 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 (that is, 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 December 2008, the National Telecommunications Commission (NTC) reported that broadcast media in the Philippines is comprised of 385 AM radio stations, 662 FM radio stations and 300 TV stations (VHF and UHF).

Print media includes more than nine daily newspapers, 19 national tabloids, over 100 regional 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 publications are distributed in weekly, fortnightly, monthly, bi-monthly, or annual issues. Provincial newspapers and regional publications are also available. Information on the Philippines' Internet penetration is available on Chapter 8, under "Telecommunications".

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 70 million mobile subscribers with the ability to receive text messages. Large companies can send instant promotional messages via text message, which serves 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. 2014 estimates state 30 million Facebook users; 10 million Twitter users, and 2 million LinkedIn users.

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 trade fairs and similar include shopping malls (for example, SMX Convention Center attached to the SM Mall of Asia complex), trade halls (, World Trade Center and the Philippine Trade Training Center, among others), and convention centers. The Commercial Service Philippines also 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 at: 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 at: 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
  - Solar News Channel (TV) http://www.solarnews.ph/
  - ABC- TV5 (TV5)/ DWFM (Radio) http://www.tv5.com.ph/
  - People's Television - PTV4 (Government channel) http://www.ptv.ph/

Pricing Return to top

Typical retail markups average 30 percent of invoice value, but markup percentages can 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 VAT. VAT is imposed on the gross selling price (for sale of goods) and gross receipts (for the rendering of services). Since 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

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After-sales service and support is extremely important to the Philippine market. It is imperative for U.S. vendors to provide adequate support during and after the warranty period in order to provide utmost customer satisfaction and strengthen the brand name.

For Philippine Government projects, Republic Act (RA) 9184 or the Government Procurement Reform Act (GPRA) prescribes that the procuring entity retains 10 percent of total project cost for the duration of the warranty period. This means that the vendor will not receive full payment until it has completed its warranty commitment.

U.S. firms typically provide after-sales service through their local representatives. Those with substantial sales in the Philippines establish a branch office, which further strengthens the support given to their local distributors or resellers. The strategy of having local presence provides a competitive advantage. Another alternative is supporting the Philippine market from an Asian regional office.

Protecting Your Intellectual Property

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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 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 as protection against unauthorized use depends on the national laws of that country. As signatories to certain international copyright treaties and conventions, the Philippines offer copyright protection for foreign works under certain conditions.

In the Philippines, registration of patents and trademarks is on a first-in-time, first-in-right basis. Trademark and patent protection must be applied for before selling products or services in the Philippine market. Intellectual property is a private right and the U.S. government is not able to enforce rights for individuals in the Philippines. Rights' holders must register, protect, and enforce rights. 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.

U.S. businesses interested in access to the Philippine market should conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights, but consider carefully whether to permit a partner to register IP rights. Partners may list themselves as the IP owner and fail to transfer the rights should the partnership end. It is best to work with legal counsel familiar with Philippine laws to create a solid contract that includes non-complete clauses and confidentiality/non-disclosure provisions.

In 2014, the Philippines was taken off the United States Trade Representative's (USTR) Special 301 Watch List, which identifies countries not offering adequate protection for intellectual property rights (IPR). While there have been significant improvements in the Philippine IPR environment in the recent years, U.S. rights holders report concerns about increasing internet-based piracy, cable signal piracy, and provisions in the patent law that may preclude the issuance of patents on certain chemical forms unless the applicant demonstrates increased efficacy. The availability of pirated and counterfeit goods and a judiciary lacking adequate experience in enforcing IPR are additional concerns.

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. Philippine and U.S. organizations that support IP 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)

For more information about intellectual property protection in the Philippines, visit Chapter 6 of the Investment Climate Statement.

IP Resources

Below is an excellent list of resources on IP protection:

- 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: http://www.uspto.gov/ip/global/stopfakes.jsp

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. 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: 1-877-476-0778.

- 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: http://www.stopfakes.gov/

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits, visit:. http://www.uspto.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/.

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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

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Security and Exchange Commission	www.sec.gov.ph/
Department of Trade and Industry	http://www.dti.gov.ph
Bureau of Industry	http://www.boi.gov.ph/
Philippine Export Zone Authority	http://www.peza.gov.ph/
Clark Freeport Philippines	http://www.clark.com.ph/
Subic Bay Metropolitan Authority	http://www.mysubicbay.com.ph/
Bureau of Internal Revenue	http://www.bir.gov.ph/
Social Security System https://www.sss.gov.ph/sss/Section_View	
Energy Management Board	http://www.emb.gov.ph/Portal/
Philippine Long Distance Telephone Company	http://www.pldt.com
Smart Communications, Inc.	http://www1.smart.com.ph/corporate
Globe Telecom	http://www.globe.com.ph/
Maynilad Water Services, Inc.	www.mayniladwater.com.ph/
MERALCO	http://www.meralco.com.ph/
Department of Budget Management	http://www.dbm.gov.ph/
Government Procurement Policy Board	http://www.gppb.gov.ph/

Philippine International Trading Corporation	http://www.pitc.gov.ph/
AsiaRx	https://www.asiarx.com/
TradeKey	http://philippines.tradekey.com/
Alleba	http://www.alleba.com/
PinoySites.org (Philippine Web Directory)	http://www.pinoysites.org/
Tanikalang Ginto	http://www.filipinolinks.com/
Metro Manila Yellow Pages	http://www.yellow-pages.ph/
Bank of Philippine Islands	http://www.bpi.com.ph/
Union Bank	http://www.unionbankph.com/
Metrobank	https://www.metrobank.com.ph/
Hong Kong & Shanghai Banking Corp.	http://www.hsbc.com.ph/1/2/home
Philippine National Bank	http://www.pnb.com.ph/
Banco de Oro	https://www.bdo.com.ph/personal
Allied Banking Corporation	http://www.alliedbank.com.ph/
United Coconut Planters Bank	https://www.ucpb.com/
Philippine Banking Company	http://www.pbcom.com.ph/
Philippine Savings Bank	http://www.psbank.com.ph/
Philippine Airlines	http://www1.philippineairlines.com/
Cebu Pacific Air	https://www.cebupacificair.com/
Air Asia	http://www.airasia.com/ph/en/home.page
Global Link	http://www.globallinkph.com
Leverage International	http://www.leverageinternational.com/
Prime Trade Asia	http://www.primetradeasia.com/
Wordlbex	http://www.worldbex.com/
Fiera de Manila, Inc.	http://www.fmi.com.ph/
Business World	http://www.bworldonline.com/
Manila Bulletin	http://www.mb.com.ph/
Manila Standard	http://manilastandardtoday.com/
Manila Times	http://www.manilatimes.net/
Philippine Daily Inquirer	http://www.inquirer.net/
Philippine Star	http://www.philstar.com/
ABS-CBN Corporation	http://www.abs-cbn.com/
GMA Network	http://www.gmanetwork.com/entertainment/
STOPfakes.gov	http://www.stopfakes.gov/
Bases Conversion Development Authority	http://www.bcda.gov.ph/
American Bar Association	http://www.americanbar.org/404.html
United States Patent and Trademark Office	http://www.uspto.gov/ip/global/attache/
Business Mirror	http://www.businessmirror.com.ph/index.php/en/
Citibank	https://www.citibank.com.ph/portal/citiph_home.htm
Embassy of the United States	http://manila.usembassy.gov/
BSP - Business Service Providers Directory	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: Aerospace
- Leading Sector #2: Electrical Power Systems
- Leading Sector #3: Information Technology
- Leading Sector #4: Telecommunications
- Leading Sector #5: Medical Equipment
- Leading Sector #6: Water Resources Equipment and Services
- Leading Sector #7: Defense
- Leading Sector #8: Infrastructure

- Agricultural Sectors

Leading Commercial Sector #1: Aerospace

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Unit: US$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,384,253	2,455,833	2,578,626	2,707,556
Total Local Production	36,788	445,489	467,764	491,152
Total Exports	35,037	424,276	445,489	467,764
Total Imports	1,382,502	2,434,620	2,556,351	2,684,168
Imports from the U.S.	444,894	605,204	635,464	667,237
Exchange Rate: 1 US$	42.23	42.45	44.18	-

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

Total Local Production: Estimated (Total Exports + 5 percent)
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 aerospace industry presents significant opportunities for airport design companies, aviation consultants, airport ground support equipment, security equipment, wide body aircraft, jet engines, and helicopters.

The Department of Transportation and Communications (DOTC) is prioritizing the development of the country's civil aviation infrastructure. The DOTC has signed the contract with a Filipino-Indian consortium, GMR Infrastructure of India and Megawide Construction Corporation, for the Mactan-Cebu International Airport (MCIA) expansion, and operations and maintenance. This public private partnership (PPP) deal was finalized on April 22, 2014. The contract includes the operations of MCIA for 25 years beginning on October 2014 and the construction of a brand new terminal by 2018. The GMR-Megawide Consortium submitted the winning bid of US$327 million for this project. This is in addition to the US$397 million that will be spent on the construction of a new passenger terminal building. Several other upcoming airport projects are listed below under 'Opportunities'.

On April 9, 2014, the Federal Aviation Administration (FAA) announced that the "Philippines complies with international safety standards set by the International Civil Aviation Organization (ICAO) and has been granted a Category 1 rating." This is a significant development in the Philippine civil aviation industry. The return to Category 1 will pave the way for aggressive expansion in the Philippines' civil aviation industry. To date, Philippine Airlines (PAL) only flies to the U.S. West Coast. PAL announced its intention of adding more U.S. routes after the country regained its Category 1 rating. PAL bought 64 new aircraft in 2013; however, it is expected that they will still need additional wide bodies to service its planned new U.S. routes. There were indications that Cebu Pacific was pursuing the possibility of flying to Guam before the category downgrade. It is likely that the company will re-visit its plans to fly to the U.S. now that the Philippines has regained its Category 1 status.

The Civil Aviation Authority of the Philippines (CAAP), an attached agency of the DOTC, awarded an aircraft rescue and firefighting (ARFF) vehicle contract worth over US$30 million in February 2014. The CAAP and DOTC are undertaking the modernization of navigational aids in the Clark International Airport and several other regional airports. More projects related to upgrading airport security equipment are expected later in the year and through 2016.

The U.S., while having an excellent reputation for quality and reliability, is facing very stiff competition from European and Asian companies. Airbus dominates the large commercial jet market.

Sub-Sector Best Prospects Return to top

- Aircraft re-fleeting and upgrade of commercial airlines.
- Airport ground support equipment for the planned airport expansion projects in Mactan-Cebu, and smaller regional airports.
- Airport security equipment including screening equipment for both passenger and cargo, and closed-circuit television (CCTV) cameras, and perimeter intrusion detection system (PIDS).
- Rotary wing aircraft for multi-role use (search and rescue, VIP).

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The tables below illustrate airport PPP projects in various stages of implementation. All these projects are led by the DOTC. The information provided below is from the PPP website.

Projects for bidding in 2014:

Project	Budget	Description
Operations & Maintenance (O&M): Laguindingan Airport (Cagayan de Oro – Misamis Oriental)	US$353.78 million	Operation and maintenance of the existing facilities of the Laguindingan Airport; expansion/ construction of new passenger terminals; enhancement of airside facilities; and installation of required equipment and associated facilities.
Enhanced O&M of the New Bohol (Panglao) Airport	US$52 million	Operation and maintenance of the airside and landside facilities of the existing airport until completion of new facilities; O&M of the new facility, management of all sub-concessions, commercial development, and future expansion of the airport.

Projects undergoing inter-agency review:

Project	Budget	Description
O&M of Puerto Princesa Airport (Palawan)	US$71.11 million	Operation and maintenance of the airside and landside facilities of the existing airport until completion of new facilities; O&M of the new facility, management of all sub-concessions, commercial development, and future expansion of the airport.
O&M of Davao Airport	US$476.44 million	Operation and maintenance of the existing Davao International Airport; enhancement/ development and O&M of airside facilities to meet the enhanced scale of operations at the airport
O&M of Bacolod Airport	US$208.89 million	O&M of the existing facilities of the Bacolod-Silay Airport; expansion/ construction of new passenger terminal(s); enhancement of airside facilities; and installation of all the required equipment and facilities as per applicable standards
O&M of Iloilo Airport	US$ 322.44 million	O&M of the existing facilities of the Iloilo Airport; expansion/construction of new passenger terminal(s); enhancement of airside facilities; and installation of all the required equipment and facilities as per applicable standards.

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Department of Transportation and Communications (DOTC) – http://www.dotc.gov.ph
Public-Private Partnership (PPP) Center – http://ppp.gov.ph

Post Contact Information:
Ms. Yna C. Quiambao, Commercial Specialist
U.S. Commercial Service, Philippines
E-mail: Yna.Quiambao@trade.gov; Office.Manila@trade.gov

Leading Commercial Sector #2: Electric Power Systems including Renewable Energy

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Unit: US$ thousands

	2012	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size	25,083,097	78,955,866	82,903,659	87,048,842
Total Local Production	-			
Total Exports	25,961,560	79,940,714	83,937,750	88,134,637
Total Imports	878,463	984,848	1,034,090	1,085,795
Imports from the U.S.	490,343	443,996	466,196	489,506
Exchange Rate: 1 US$	42.23	42.23	42.45	44.81

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).

Guided by the overall vision of providing “Energy Access for More,” the 2012-2030 Philippine Energy Plan (PEP) seeks to mainstream access of the larger populace to reliable and affordable energy services to fuel, most importantly, local productivity and countryside development. The energy sector will ensure the delivery of secure, sustainable, sufficient, affordable and environment-friendly energy to all economic sectors. In pursuit of this goal, the government will mobilize private sector participation and involvement of other stakeholders to make power of choice a reality.

The Philippines has had a very strong history of successful independent power producers (IPPs) implementations. In 2001, the Philippine Congress enacted the Electric Power Industry Reform Act 2001 (EPIRA), which was meant to achieve a total overhaul of the power industry. The major changes introduced by the EPIRA include

(1) Privatization and sale of National Power Corporation (NPC) assets and contracts with the Independent Power Producers (IPPs) which would give the government the cash flows needed to pay off NPC’s debts and create a level playing field among generators;

(2) Creation of a wholesale electricity spot market for the trading of energy, by which competitive market forces would establish generation tariffs and make costs more transparent; and,

(3) Implementation of the retail competition and open access (which would allow generation companies and distribution utilities to apply for a license to become Retail Electricity Suppliers).

The current installed capacity in the country of about 16,250MW is expected to increase to 25,000MW (an increase of about 60 percent by 2013). The three major island groups in the Philippines (Luzon, Visayas and Mindanao) will require a substantial capacity addition of 13,000 MW until 2030, yet only 1,800MW has been committed. Grid strengthening and connectivity are key priority investment areas as island grids need to be interconnected. The greatest potential for addressing the energy gap is the Interim Mindanao Electricity Market.

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 national grid runs on a very low reserve margin and is sensitive to the prospects of blackouts due to sudden line disruptions for unplanned maintenance. Secretary of Energy Abaya, citing a possible energy shortfall nationally in 2015, has called for an emergency Presidential Directive to declare an “emergency” in this sector to address this problem.

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. 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 country’s largest producing gas field and the main source of gas, with an estimated daily production of 13 million cubic meters but will run out in 20XX. Recently exploited reserves include the Galoc oil field.

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 in significant fuel displacement, from 92 million liters in 2010 to 1.885 million liters in 2030.

Major U.S. players in the energy market include Chevron, which remains a leader in Philippine geothermal steam fields operations; AES Transpower Private Limited, which operates operates the 600 MW Masinloc Coal Plant; and Intergen-Quezon Power, which has a 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.

Renewable Energy

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 the "Renewable Energy Act of 2008," establishes a policy environment that offers fiscal and non-fiscal incentives to equipment manufacturers with the goal of achieving 60 percent renewable energy generation by 2017.

The Philippines has been developing large-scale, economically viable green energy projects. While earlier power plants have consisted almost exclusively of hydro and geothermal power, the country's new National Renewable Energy Program (NREP) contributes to the energy mix. The NREP aims to increase installed capacity from renewable energy by 200 percent by 2030 from 2011 levels. Some 1495 MW of geothermal energy is to be constructed by 2030 along with 2345 MW of wind power, 5394 MW of hydropower, 277 MW of biomass power, 350MW of solar power and 71 MW ocean energy. Other renewable energy milestones include the creation of the Renewable Energy Management Bureau and the National Biofuels Board in 2009, the implementation of the net metering program, and adoption of a feed-in tariff (FIT) incentive scheme. As of mid-2013, other policy mechanisms such as the Renewable Energy Portfolio Standards are under final review.

The major players in the renewable energy sector include San Miguel Energy Corporation (natural gas and hydropower plant), First Gen Corporation and Energy Development Corporation (natural gas, hydropower and geothermal power plant operations), and Aboitiz Power Corporation (investments in geothermal and hydropower).

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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, and 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 (for example, lightning arresters, reclosers, switch gears, voltage regulators)
- Lighting systems/equipment
- Connectors

- Stand-by mobile power generating systems, cogeneration systems, converter stations
- Electric vehicle and charging station systems

Opportunities

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- The power sector offers many opportunities for the private sector. In the power generation sector, capacity addition of over 13GW, coupled with setting up high capacity interconnectors between the different parts of this archipelago, would provide large opportunities for investment by the private sector.
- 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 infrastructure 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 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, system reconstruction, and new smart grid technologies.
- 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 101 renewable energy service contracts have been awarded to RE service contractors with a total installed capacity of 2,565 MW of electricity. The National Renewable Energy Board holds the various policy and regulatory mechanisms to speed up the implementation of the law.
- Considering that coal remains to be a leading contributor to the country's energy supply, the government continues to optimize the exploration, development, production and utilization of indigenous coal reserves. 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) include the Energy Labeling and Efficiency Standards, Government Energy Management Program, among others.

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Arangkada Philippines (a joint USAID-American Chamber of Commerce project): 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

Post Contact Information:

Ms. Thess Sula, Commercial Specialist
U.S. Commercial Service Manila
Email: Thess.Sula@trade.gov; Office.Manila@trade.gov

Ms. Dell Santos, Commercial Assistant
Email: Dell.Santos@trade.gov

Leading Commercial Sector #3: Information Technology

Overview

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Unit: US$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,203,539	1,801,910	1,892,005	1,986,605
Total Local Production	3,340,750	3,854,099	4,046,804	4,249,143
Total Exports	3,037,046	3,503,727	3,678,913	3,862,858
Total Imports	1,899,835	1,451,538	1,524,114	1,600,320
Imports from the U.S.	421,470	375,111	393,866	413,559
Exchange Rate: 1 US$	42.23	42.45	44.18	-

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

Total Local Production: Estimated (Total Exports + 10 percent)
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 IT industry plays a significant role in the country's economic development. The major contributors to its growth are financial institutions, telecommunications companies, the Business Process Outsourcing (BPO) industry, and the Philippine Government.

The BPO industry and software services are among the most important segments of the Philippines' IT industry. The Philippines is considered one of the world leaders in the BPO industry with an annual growth rate of 20 percent. It is expected to reach its goal of US$25 billion in revenue and 1.3 million employees by 2016. The BPO industry's contribution to the country's GDP is now estimated to be between 4 to 5 percent. According to the Philippine Software Industry Association (PSIA), the Philippine software industry is expected to reach US$1.5 billion in revenue by the end of 2014.

The administration of President Aquino created the Philippine Digital Strategy (PDS) 2011-2016. The PDS outlined IT sector priority areas based on its impact on national development. The PDS has four strategic thrusts:
(1) Transparent government and efficient services,
(2) Internet opportunities for all,
(3) Investing in people: digital literacy for all, and
(4) Information communications technology (ICT) industry and business innovation.

Under "ICT industry and business innovation", the PDS specified the following measurable targets:

1. Increased use of ICT among micro, small and medium enterprises (MSMEs):

   a. Over 90 percent of registered companies use the Internet by 2016, from below 80% in 2008
   b. Over 60 percent of registered companies have a website by 2016, from below 50% in 2008
   c. Over 30 percent of registered companies use ICTs for e-commerce by 2016
   d. 10 percent increase of ICT usage among micro-companies over baseline data to be established.
2. Investment increase and more business for the IT/BPO industry and ICT sector.
3. Enhanced high-value ICT capacity and higher number of ICT-related jobs.
4. Higher rates of innovation and their commercialization.
5. Higher rates of investments in ICT Research & Development.

There are currently 33 million Internet users in the Philippines, which represents 33 percent of the population. Filipinos, especially the youth, are quite adept with social networking and computer gaming. Filipinos are among the world's top users of social media (Facebook, Twitter, etc). They are connected via their mobile devices, personal computers or through Internet Café's.

The sector is dominated by large U.S. companies, including IBM, HP, Microsoft, Accenture, Cisco, Avaya, Oracle, Symantec, McAfee, and Apple Products that are expected to have best prospects are IT Security, Networking Systems/Solutions (servers, LAN, WAN), Enterprise Software (CRM, ERP), Broadband Solutions, Wireless Applications, Data Storage, Database Management, and Software as a Service (SAAS).

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

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The Philippine Government has created the Medium-Term Information and Communications Technology Harmonization Initiative (MITHI) to "harmonize all IT resources, programs and projects of the whole government". Under MITHI, the Government has allocated around US$56 million for the e-government fund. This will include the lease of 300,000 laptops for government.

The following are major IT targets for the Philippine government in 2014:

- Government Integrated Financial Management System (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.
- iGov: Centralized government cloud, Fiber core network
- Justice: Harmonized Inmate Management System

- Health: Community Health Information Tracking System (CHITS) and Hospital Management Information System
- Higher Education: Enrollment system

In addition to these, the Information Communications Technology Office (ICTO) of the Department of Science and Technology (DOST) are undertaking the following IT infrastructure projects:

- TV White Space Initiative (TVWS): to make use of available television frequency spectrum to provide connectivity to areas unreached by commercial broadband service.
- Government Fiber Core Network: a Ggovernment-owned network to provide secure connectivity between government agencies, data centers and the public Internet.
- Upgrade of National Microwave Network: the microwave network serves as a redundant system for government-owned and private sector data networks. The network linkages in the Visayas and Mindanao regions are being upgraded.
- Cloud Top e-Learning for Public Schools: this project aims to reduce hardware acquisition costs by using cloud computing for educational use.
- Internet TV Testbed: consists of ongoing tests with industry and academic partners for Internet TV as it is expected be a popular means of digital content delivery.

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Information Communications Technology Office (ICTO):
http://www.icto.dost.gov.ph/index.php/home

Post Contact Information:
Ms. Yna C. Quiambao, Commercial Specialist
U.S. Commercial Service, Philippines
E-mail: Yna.Quiambao@trade.gov; Office.Manila@trade.gov

Leading Commercial Sector #4: Telecommunications

Overview

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Unit: US$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,670,376	2,699,271	2,834,234	2,975,946
Total Local Production	797,862	581,452	610,524	641,050
Total Exports	759,869	553,764	581,452	610,524
Total Imports	2,632,383	2,671,583	2,805,162	2,945,420
Imports from the U.S.	113,420	127,540	133,917	140,612
Exchange Rate: 1 US$	42.23	42.45	44.81	-

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

Total Local Production: Estimated (Total Exports + 5 percent)
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 telecommunications industry is evolving. Mobile has traditionally been the leading mode of telecom service in the country as shown by its over 100 percent penetration rate. Since most people have multiple subscriber identification module (SIM) cards, the actual penetration rate is estimated to be around 80 percent[1].

The Filipino consumer's communication needs are shifting. From a purely text and call culture, mobile connectivity to the Internet is now driving demand. Growth projections for the telecommunications industry is based on the following sub-sectors:

(1) Mobile: the mobile industry has reached maturity with its 109 million subscriber base (Globe – 36.5 million, SMART – 72.5 million). Fierce competition between Globe Telecom and SMART Communications has led to lower average revenue per user (ARPU) for voice and short message service (SMS). The traditional mobile revenue is expected to slow as consumers shift to wireless broadband.

(2) Broadband: the broadband sub-sector has over five million subscribers (Globe – 2.2 million, SMART – 3.3 million). There is tremendous growth potential for the broadband sub-sector, both fixed and wireless. Wireless broadband is seen as the growth area for the mobile industry. This is based on the continuous increase of smartphone ownership that is becoming more affordable and the growing demand for high-speed Internet access.

[1] Oxford Business Group, "The Philippines Report 2014: Broadening Bandwidth"

The challenge for the Philippines is to continue to upgrade its telecom infrastructure to keep up with the growing demand for broadband. In its "State of the Internet" report published in the third quarter of 2013, Akamai, a content delivery network, states that the Philippines average connection speed is 1.8 Megabits per second (Mbps)[2], wellbelow the global average of 3.6 Mbps. Akamai ranked the Philippines at 114th from 185 countries.

(3) Fixed Line: fixed line penetration is at 4 percent with an estimated 4 million subscribers. This sub-sector is expected to remain stagnant.

The Philippine Long Distance Telephone Company (PLDT) and Globe Telecom are the two major telecommunication carriers in the country. PLDT, through its mobile group, SMART Communications and Sun Cellular, controls 70% of the mobile market, with Globe having 30 percent. 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.

Sub-Sector Best Prospects Return to top

- Fiber Optic Network
- LTE Network
- Wireless Broadband
- Outside Plant Equipment
- Innovative Content

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Both Globe and PLDT continue to upgrade their telecom infrastructure to meet strong consumer demand. The focus of both firms will be in expansion of their data networks. Globe is allocating US$650 million for additional LTE sites and improvements to its fixed broadband network.[3] PLDT has announced its continuous fiber expansion nationwide. By the end of 2014, PLDT expects to have 85,000 kilometers of domestic fiber optic network (DFON) for long haul applications, fiber-to-the-home (FTTH), fiber-in-the-loop (FITL), and other inter-office fiber systems. With the launch of FTTH, PLDT can offer high-speed internet services to selected parts of the country, such as Metro Manila, regions of Central Luzon, Southern Tagalog, and the provinces of Panay, Negros Occidental, Cebu, and Davao.[4]

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Globe Telecom: http://www.globe.com.ph/press-room
Philippine Long Distance Telephone Company (PLDT): http://www.pldt.com/

Post Contact Information:

[2] Rappler - http://www.rappler.com/technology/news/49248-global-broadband-speeds-rising-philippines-third-lowest
[3] Globe Press Release - http://www.globe.com.ph/press-room/globe-telecom-to-sustain-revenue-growth-momentum
[4] PLDT News Center - http://www.pldt.com/news-center/article/2014/05/26/pldt-fiber-assets-to-reach-almost-100-000-kms-by-yearend#.U56cjPmSz_E

Ms. Yna C. Quiambao, Commercial Specialist
U.S. Commercial Service, Philippines
E-mail: Yna.Quiambao@trade.gov; Office.Manila@trade.gov

Leading Commercial Sector #5: Medical Equipment

Overview

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Unit: US$ thousands

	2012	2013	2014	2015
Total Market Size	169,468	177,941	186,838	196,180
Total Local Production	-	-	-	-
Total Exports	175,000	183,750	192,938	202,585
Total Imports	344,468	361,691	379,776	398,765
Imports from the U.S.	86,117	87,457	91,830	96,422
Exchange Rate: 1 US$*	42.23	42.45	44.18	-

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

Total Local Production: No available data
Total Exports: Unofficial estimates; Total Imports: Unofficial estimates
Imports from the U.S.: U.S. Census (2012-2013); unofficial estimates (2014 and 2015)
* 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 medical equipment sector continues to present good opportunities for U.S. firms. The Philippine medical industry is almost completely dependent on imports. Additional requirements for medical services, new technology, and equipment replacement spur market growth. Philippine medical tourism continues to grow and offer good opportunities for U.S. sellers of medical equipment and instruments.

Several Philippine investment companies/private corporate groups have taken an interest in healthcare and have acquired stakes in the healthcare sector, providing much-needed capital for facilities to upgrade and modernize equipment. Real estate developers have partnered with known healthcare providers to construct health and wellness centers in and around the communities that they are building, adding more appeal to the community and more value to the real estate.

In addition to private investment, the government's Public-Private Partnership (PPP) program has allotted PhP5.69 Billion (approximately U.S. $129 Million) for the modernization of public hospitals and the construction of an orthopedic hospital. According to a Philippine Department of Health (DOH) official, its medical equipment requirements will likely include capital-intensive linear accelerators for the cancer centers, dialysis machines, and radiotherapy equipment.

Hospitals tend to 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 smaller 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 Return to top

Besides linear accelerators, 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 a demand for clinical laboratory devices, supplies, and biological rapid test kits.

Opportunities Return to top

About 25 public hospitals expect to receive a boost out of the government's Public-Private Partnership (PPP) program. The first beneficiary is the Philippine Orthopedic Hospital, which PPP intends to transform into the country's primary center for bone and joint diseases on par with global standards.

Requirements for efficient healthcare services, new technologies, and equipment replacement should drive market growth. All hospitals must continue upgrading facilities to remain competitive.

Some requirements of the hospitals under the PPP program are linear accelerators for eight cancer centers being proposed, dialysis units, various imaging equipment, and devices for treating kidney, heart, respiratory, and diabetes diseases.

Medical device distributors expect an average 10% growth through 2016.

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Department of Health http://www.doh.gov.ph
U.S. Census: http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c5650.html#questions

Post Contact Information:
Ms. Dey Robles, Commercial Specialist
U.S. Commercial Service Manila
E-mail: Dey.Robles@trade.gov; Manila.Office.Box@trade.gov

Trade Events:
Medica 2014
November 12-15, 2014 / Dusseldorf, FRG

http://www.medica-tradefair.com/

American Association of Clinical Chemistry
2015 Annual Meeting & Clinical Lab Expo
July 26 – 30, 2015 / Atlanta, GA
www.aacc.org

Leading Commercial Sector #6: Water Resources Equipment and Services

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Unit: US$ thousands

	2012 (estimated)	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size	348,822	359,926	379,213	399,478
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	31,972	32,292	32,615	32,941
Total Imports	380,794	392,218	411,828	432,419
Imports from the U.S.	57,501	37,951	39,848	41,840
Exchange Rate: 1 US$	42.23	42.45	44.18	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 requirements, and sanitation and wastewater-related problems.

Government entities fund water-related projects through a mixture of national/local government budgets and foreign (governments, multilateral and bilateral agencies) loans/grants. There are also projects offered for public-private partnerships. Water districts use internally-generated funds and loans. Private entities finance water and wastewater treatment projects through internal funds and/or loans.

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
- Water recycling products/equipment
- Products/equipment/accessories for sewage/septage projects; packaged or modular wastewater treatment equipment; industrial wastewater treatment; wastewater treatment technologies that will result in smaller footprints (due to land constraints)

Opportunities Return to top

- **Projects of Manila Water Company (MWCI) and Maynilad Water Services, Inc. (MWSI):** MWCI and MWSI are the concessionaires of the Government-owned Metropolitan Waterworks and Sewerage System (MWSS). The two companies, which service approximately 14.2 million people, are continuously expanding, modernizing and improving water and sewerage services.

  Projects of MWCI and MWSI include provision of bulk water service; reduction of non-revenue water; pipe replacement; meter management; laying of transmission and distribution lines; development of new water sources and raw water aqueduct; network improvement; building, rehabilitating, upgrading of boosters, pumping stations and reservoirs; construction of sewage and treatment plants and conveyance systems, and modernization of data management and information system.

- **Water Projects under Public-Private Partnership (www.ppp.gov.ph):**
  (1) Bulacan Bulk Water Project (http://50.57.171.177/r3d3s1gn/wp-content/uploads/BBWSP_Project_briefer.pdf)
  (2) New Centennial Water Source - Kaliwa Dam Project (http://50.57.171.177/r3d3s1gn/wp-content/uploads/NCWSP_Project_briefer.pdf)
  (3) Bohol Water and Sanitation Facility Project (http://ppp.gov.ph/?p=21323)
  (4) El Nido Water Supply and Sanitation Facility Project (http://ppp.gov.ph/?p=10511)

- **Water Projects in the Asian Development Bank Pipeline:**
  (1) Angat Water Transmission Improvement (http://www.adb.org/projects/46362-002/details; http://www.adb.org/sites/default/files/projdocs/2013/46362-001-phi-pptar.pdf; http://50.57.171.177/r3d3s1gn/wp-content/uploads/AWTIP_Project_briefer.pdf)
  (2) Urban Water Supply and Sanitation Project (http://www.adb.org/projects/42363-013/main)

- **Projects of Water Districts (WDs) Under the Local Water Utilities Administration (LWUA):** There are over 800 WDs that had been formed all over the Philippines. 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, reduce non-revenue water, etc.

- **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.

- **U.S. Agency for International Development's Water Security for Resilient Economic Growth and Stability (Be Secure) Project(http://www.usaid.gov/philippines/energy-and-environment/be-secure):** This is a four-year project that started in 2013 that aims to improve water security and access to water services to support resilient and stable economic growth in the Philippines. Among Be Secure's project objectives are: to strengthen the capacity of water supply and wastewater treatment service providers, to expand coverage and improve services, and to mobilize water sector financing.

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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.mayniladwater.com.ph
Philippine Association of Water Districts: http://www.pawd.org.ph
Philippine Water Works Association: http://pwwa.waterphl.ph/
Water Environment Association of the Philippines (WEAP): http://www.weaphil.com/

Trade Events:

Enviro-Tech Philippines 2014 (14th International Total Environment Management Technology, Water & Waste Water Control System, Equipment and Services Exhibition), September 25-27, 2014, SMX Convention Center, Pasay City, www.globallinkmp.com/

Water Philippines, March 2015, SMX, Pasay City, Metro Manila, http://pwwa.waterphl.ph/

PAWD (Philippine Association of Water Districts) National Convention, February 2015, Bacolod City, Negros Occidental, http://www.pawd.org.ph

Post Contact Information:

Ms. Bebe Montesines, Commercial Specialist
U.S. Commercial Service Philippines
E-mail: Bebe.Montesines@trade.gov; Office.Manila@trade.gov

Ms. Lolit Rivera, Commercial Assistant
U.S. Commercial Service Philippines
E-mail: Lolit.Rivera@trade.gov

Ms. Cecile Santos, Commercial Specialist
U.S. Commercial Service Liaison Office to the Asian Development Bank
Cecile.Santos@trade.gov

Leading Commercial Sector #7: Defense

Overview

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Unit: US$ thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	71,339	76,464	89,824	94,314
Total Local Production	71,655	99,899	114,430	120,151
Total Exports	65,141	90,818	95,358	100,126
Total Imports	64,825	67,383	70,752	74,289
Imports from the U.S.	20,728	9,973	10,471	10,995
Exchange Rate: 1 US$	42.23	42.45	44.18	-

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

Total Local Production: Estimated (Total Exports + 10 percent)
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 Aquino Administration has allocated US$1.9 billion for defense modernization projects from 2013 to 2017. Republic Act (RA) 10349 or The Revised Armed Forces of the Philippines (AFP) Modernization Program was enacted on December 2012. The RA was created to facilitate the capability upgrade of the AFP to achieve "minimum credible defense in a Joint Force Environment". This is the largest defense modernization undertaken by the Philippines.

RA 10349 has the following components:

- Force restructuring and organization development
- Capability, material, and technology development
- Bases/support system development
- Human resource development
- Doctrines development

RA 10349 identifies the following core security concerns of the AFP: challenges to territorial integrity, maritime security, natural disasters, internal security, and cyber security. These security concerns directly impact the primary goals of RA 10349:

- Maritime Domain Awareness (MDA)
- Maritime Security (MARSEC)
- Territorial Defense (TD)
- Joint Operations
- General Support

U.S. companies face strong competition from Israeli, Korean and European companies. U.S. companies are often unable to meet the "Approved Budget for the Contract" (ABC). Under the Philippine Procurement Law (Republic Act 9184), a bidder who fails to meet the ABC will be automatically disqualified. A detailed discussion on the Philippine Procurement Law is available in Chapter 3.

Sub-Sector Best Prospects Return to top

- Aircraft (rotary and fixed wing)
- Surveillance equipment
- Munitions and firearms
- Maritime vessels
- Assault vehicles
- Night vision equipment
- Thermal imaging equipment
- Personal protective equipment
- Secure communications

Opportunities Return to top

The General Headquarters (GHQ) of the Armed Forces of the Philippines (AFP) is taking the lead in the design and procurement of a Command Control Communication Computer Intelligence Surveillance Target Acquisition and Reconnaissance (C4ISTAR) System. The C4ISTAR project will facilitate command and control of AFP units and provide situational awareness to the President, other senior government leaders, and military commanders. The C4ISTAR project is expected to undergo a two-stage bid process similar to the CAS and LRPA projects. The bid documents are expected to be released on the third quarter of 2014.

Some of the priority projects of the different service commands include:

Philippine Air Force (PAF):

1) Air Surveillance Radar
2) Lead-in Fighter Trainer
3) Munitions (Short Range Air-Air Missiles; 20mm Ammunitions; Air-Ground Missiles; Countermeasures)
4) Long Range Patrol Aircraft (LRPA)
5) Close Air Support (CAS) Aircraft
6) Combat Utility Helicopter (CUH)
7) Medium-Lift Aircraft

The PAF, through the DND, has already signed Government-to-Government agreements for the supply of the Lead-in Fighter Trainer and CUH. South Korea's Korean Aerospace Industries (KAI) will supply the 12 FA-50 lead-in fighter trainer jets worth US$ 429 million, while Bell Helicopter, through the Canadian Commercial Corporation (CCC), will provide eight CUH amounting to over US$100 million. The bid documents for the LRPA and CAS have been released. Both projects will undergo a two-stage bid process where companies will submit their eligibility requirements and technical proposal on the first stage. The DND will review and identify which companies are short-listed and will submit their financial proposals on the second stage. The first stage bid submission for both projects are scheduled in July 2014.

The DND awarded the medium-lift aircraft project to EADS Construcciones Aeronauticas S.A. (CASA). The notice to proceed for three C-295 aircraft, with a budget of US$118 million, was issued on March 2014.

Philippine Army (PA):

1) Shore-Based Missile System
2) Radio Communications Systems (VHF 2-5W, and HF 50W)
3) Rocket Launcher
4) Night Fighting Systems

The Philippine Army is planning a major procurement of 4000 units of Night Fighting Systems. The invitation to bid is expected to be released 2014.

Philippine Navy (PN):

1) Frigates
2) Helicopters (Anti-Submarine Warfare capable, Search and Rescue)
3) Multi-Purpose Attack Craft
4) Amphibious Assault Vehicle
5) Maritime Forces Imagery and Targeting Support System
6) Basing Support System

The DND has allocated US$122 million for two the Anti-Submarine Helicopters for the Philippine Navy. This budget includes munitions, mission essential equipment and integrated logistics support (ILS). The bid submission is scheduled for July 2014. Agusta Westland won the contract for five search and rescue (SAR) helicopters of the PN. Three AW109 SAR helicopters were received by the DND in December 2013, with the remaining two expected to be delivered in 2014.

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Department of National Defense (DND:
http://www.dnd.gov.ph/transparency/procurement/dnd-bids-and-awards-committee.html
Philippine Air Force (PAF): http://www.paf.mil.ph/
Philippine Army (PA): http://www.army.mil.ph/
Philippine Marine Corps (PMC): http://pmc.navy.mil.ph/
Philippine Navy (PN): http://www.navy.mil.ph/

Post Contact Information:
Ms. Yna C. Quiambao, Commercial Specialist
U.S. Commercial Service, Philippines
E-mail: Yna.Quiambao@trade.gov; Office.Manila@trade.gov

Leading Commercial Sector #8: Infrastructure

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The Aquino administration recognizes the need for dramatic improvements in Philippine infrastructure and thus it has doubled the Government's 2011 infrastructure spending from $4.5 billion to $9 billion in 2014. Furthermore, the Government has set an infrastructure spending target of 5% of Gross Domestic Product by 2016, up from 2.8% in 2011.

To accelerate infrastructure development, the Philippine Government, through the Public -Private Partnership (PPP) Center, continues to pursue initiatives to create an enabling environment for public-private partnerships. By August 2014, seven PPP projects were been awarded (two school infrastructure projects, two road projects, one hospital project, one airport and one automatic fare collection system for rail lines).

The devastation in infrastructure wrought by typhoon Haiyan (Yolanda) imposed additional challenges to the Philippines. The master plan entitled "Yolanda Comprehensive Rehabilitation and Recovery Plan" which was submitted to President Aquino in August 2014, details the $3.9 billion major rehabilitation projects covering infrastructure, resettlement, livelihood, social services, climate change, and disaster preparedness.

The World Bank and the Asian Development Bank are critical players in Philippine infrastructure given the specialized financing vehicles they offer. These multilateral banks continue to finance Philippine infrastructure projects such as road improvement, water and sanitation, transportation, solid waste management and energy-related projects. The Export-Import Bank of the United States of America (U.S. Ex-Im) offers a financing package for up to US$1 billion in guaranteed loans and direct-dollar loans to finance U.S. exporters in renewable energy and liquefied natural gas (LNG) facilities.

Sub-Sector Best Prospects

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(1) Companies that finance, design, construct, operate and/or maintain infrastructure projects;
(2) Equipment, products and technologies that can be used in airport, port, road and other infrastructure projects.

Please see Leading Sector: #1 Aerospace, #2 Electrical Power Systems, #3 Information Technology, #4 Telecommunications, #5 Medical Equipment, and #6 Water Resources and Equipment for detailed opportunities.

Opportunities

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(1) Infrastructure Projects Funded by the Philippine Government – For instance, the Philippine Government has earmarked between $4.9 billion and $5 billion out of the proposed $0.06 trillion (Php2.61 trillion) 2015 national budget for the development of

efficient transport infrastructure networks. The projects that will be undertaken include roads and bridges, airports, seaports and rail.

(2) PPP - The Invitation to Prequalify and to Bid to Finance, Design, Construct, Operate and Maintain the Laguna Lakeshore Expressway Dike Project (http://ppp.gov.ph/wp-content/uploads/2014/08/LLED-Advertisement.pdf), the biggest PPP project that was rolled out by the Philippine Government, was released in August 2014 and the deadline for submission of bids is on October 16, 2014. There are three other PPP projects that are currently under procurement. These are the Bulacan Bulk Water Project, Integrated Transport System – Southwest Terminal Project and the Integrated Transport System – South Terminal Project. The last two projects are terminals for land transportation, i.e., buses, taxis and other public utility vehicles.

The PPP Center announced that it will roll out 16 projects -- seven airports, three rail projects, one port, one natural gas pipeline, one ferry system, one prison facilities, one motor vehicle inspection system and one public market -- between September 2014 and January 2015. Information on these projects is available at www.ppp.gov.ph

(3) Infrastructure Projects led by the Private Sector – For instance, major Philippine companies in the power generation and distribution sectors have announced large projects in natural gas, waste-to-energy, smart-grid and rural electrification. Private water utilities are also undertaking major water and wastewater treatment projects.

Please see Leading Sector: #1 Aerospace, #2 Electrical Power Systems, # 3 Information Technology, #4 Telecommunications, #5 Medical Equipment, #6 Water Resources and Equipment for additional opportunities.

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Department of Energy: http://www.doe.gov.ph
Department of Health: http://www.doh.gov.ph
Department of Public Works and Highways: http://www.dpwh.gov.ph
Department of Transportation and Communications: http://www.dotc.gov.ph
Information Communications Technology Office: http://www.icto.dost.gov.ph/index.php/home
Public-Private Partnership Center: www.ppp.gov.ph
U.S. Export and Import Bank of the Philippines: www.exim.gov
Asian Development Bank: http://www.adb.org/projects/search/495
World Bank: http://www.worldbank.org/en/country/philippines/projects/all

Post Contact Information:

Ms. Bebe Montesines, Commercial Specialist
U.S. Commercial Service Philippines
E-mail: Bebe.Montesines@trade.gov; Office.Manila@trade.gov

Ms. Dey Robles, Commercial Specialist
U.S. Commercial Service Manila
E-mail: Dey.Robles@trade.gov; Manila.Office.Box@trade.gov

Ms. Yna C. Quiambao, Commercial Specialist
U.S. Commercial Service, Philippines
E-mail: Yna.Quiambao@trade.gov; Office.Manila@trade.gov

Ms. Thess Sula, Commercial Specialist
U.S. Commercial Service Manila
Email: Thess.Sula@trade.gov; Office.Manila@trade.gov

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General Market Overview

The Philippines is a key market in Southeast Asia and the 10th largest globally for U.S. agricultural and related (AR) products. In 2013, U.S. exports of AR products to the Philippines increased six percent to a record US$2.52 billion[1]. The top U.S. exports in 2013 were soybean and soybean meal (US$613 million), wheat (US$569 million), dairy products (US$345 million), red meats (US$175 million), poultry meat ($84 million), other intermediate products (US$81 million), ethanol (US$80 million), snack foods ($72 million), prepared food (US$70 million), and fresh fruit and vegetables (US$61 million).

U.S. food and beverage (F&B) exports (a key subsector of overall agricultural exports) to the Philippines grew 15 percent in 2013 and reached a record US$1 billion[2]. As the number one market in Southeast Asia and the 10th largest market in the world for U.S. F&B products, the Philippines purchased enough value-added goods in 2013 to fill roughly 25,000 container trucks stretching more than 300 kilometers. These sales provide key support to the approximately 1.8 million American food processing jobs and to many more throughout the supply chain in both countries.

By doubling sales to the Philippines from 2009-2012, F&B exporters achieved the White House National Export Initiative (NEI) a full two years earlier than the target year of 2014. Growth across the sector has been exceptionally broad-based, with most of the products that comprise the F&B category setting new records. The top five export items in 2013 include dairy, meat and poultry, prepared food, fresh fruit and processed vegetables. While sales for these products are expected to remain strong in the coming years, prospects are excellent for a wide variety of F&B products, particularly those that can be classified as “healthy,” “gourmet” or “convenient.”

Market Characteristics

The Philippines has a young, fast-growing, highly urbanized population with about 10-15 million[3] potential customers with sufficient income to purchase high-value products on a regular basis. While overall per capita income is US$2,792[4], the 10 million population in and around the capital of Manila has a per capita income of US$8,300[5] or three times the national average. 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 Philippine economy has the largest service sector in Southeast Asia and private consumption comprises roughly 70 percent of the economy. Cash remittances, which help power domestic consumption, grew 6.4

percent in 2013 to US$22.8 billion, another record high, according to preliminary data. Cash remittances are expected to grow by 5 percent in 2014[6].

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 because of 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. Upscale 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, including Bacolod, Cagayan de Oro, and Davao. Nonetheless, Importers and retailers estimate 70 percent of retail food sales still take place in "mom-and-pop" stores all over the Philippines and foresee continued strong growth for U.S. F&B products. The proliferation of modern convenience stores is 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 food service 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 have 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 and 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

The Philippines' rapidly expanding production of processed foods and beverages (F&B) presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. Quadrupling in recent years to over US$27 billion, F&B processing comprised 50 percent of the Philippines' total manufactured output in 2013[7]. Roughly 90 percent of the Philippine F&B processing industry's output is consumed domestically, with excellent growth prospects stemming from the country's resilient economy and strong consumer base. In addition, as quality and efficiency continue to improve, the Philippines will be in a position to exploit export opportunities due to its strategic location and membership in various free trade agreements. The Philippine F&B processing industry's growing use of U.S. agricultural ingredients provides a valuable path for U.S. and Philippine exports to grow in tandem. About 65 percent of U.S. agricultural exports to the Philippines flow through the F&B processing industry. Wheat, dairy, meat, and poultry comprise the bulk of sales, but other items such as dried fruits and nuts play a vital and increasingly important role. While most of the roughly 500 F&B processors registered under the Philippine Food and Drug Administration are micro or medium-sized businesses, food processors are also among the largest corporations in the country[8].

Top Prospects for 2014

TOP PROSPECTS for 2014	
Healthy, Natural & Organic Products	Instant or "Convenience" Foods
Gourmet Products	Dried Fruits and Vegetables
Beef	Breakfast Cereals
Lamb	Coffee Flavoring & Syrups
Deli Meats and Cheeses	Preserved Fruits & Pie Fillings
Snack Foods	Processed Fruits & Vegetables
Dips, Sauces and Spreads	Fruit & Vegetable Juices
Tree Nuts	Potatoes (Frozen, Dehy & Fresh)
Wine	Dairy Products

Notes:

1. "Gourmet", "healthy" and "convenience" products are experiencing excellent growth and prospects, but are not defined by U.S. Customs.
2. The selection of top prospects is based on discussions with chefs, retailers and food processors.

Key Contacts and Further Information

USDA-FAS at the U.S. Embassy in Manila is ready to help U.S. exporters of agricultural raw materials and ingredients achieve their objectives in the Philippines. For further information or assistance please contact:

U.S. Department of Agriculture
Foreign Agricultural Service
Embassy of the United States of America
1201 Roxas Boulevard
Manila, Philippines
Trunk Line: (632) 301-2000
Email: 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 & Analysis" then "Global Agricultural Information Network (GAIN)."

References

1) U.S. Customs Data as reported in U.S. Department of Agriculture Global Agricultural Trade System
2) U.S. Customs Data as reported in U.S. Department of Agriculture Global Agricultural Trade System
3) CIA World Fact Book
4) International Monetary Fund's World Economic Outlook, October 2013 edition
5) Philippine National Statistics Office official data, October 2013 est.
6) Philippine National Statistical Coordination Board
7) Philippine National Statistical Coordination Board
8) BusinessWorld's Top 1000 Corporations in the Philippines, 2012 edition

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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The Philippines' simple average applied tariff was 7.12 percent in 2013. As a general rule, imported manufactured goods competing with locally produced goods face higher tariffs than those without strong local competition. The Philippine Government cites domestic and global economic developments to justify the modification of applied rates of duty for certain products to protect 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 (AFTA) agreement. For more information about the country's free trade agreements, see the section on "Trade Agreements."

For additional information on Philippine applied tariffs, visit:
http://www.tariffcommission.gov.ph/

Queries related to import tariffs:

Atty. Edgardo B. Abon
Chairman
Tariff Commission
5th Floor, Philippine Heart Center Building
East Avenue, Diliman, Quezon City
Tel: (632) 929-1964; 926-8731
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 2014(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 domestic industries from import surges 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 Philippines continues to levy safeguard duties on steel-angle bars and testliner boards. The Philippines does not impose anti-dumping and countervailing duties on any product.

For a comprehensive list of safeguard, anti-dumping, and countervailing investigations initiated by the Philippines, kindly visit: www.tariffcommission.gov.ph

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

Atty. Luis M. Catibayan
Director
Bureau of Import Services
Department of Trade and Industry
3/F Tara Building
389 Sen. Gil J. Puyat Avenue
Makati City 1200 Philippines
Tel: (632) 896-4430; 403-1421
Fax: (632) 896-4431
E-mail: thebisdirector@yahoo.com.ph

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. Republic Act No. 10351, “An Act Restructuring the Excise Tax on Alcohol and Tobacco,” also called the "Sin Tax Reform 2012," took effect on January 1, 2013., This

Act significantly changed the rate of excise tax charged on distilled spirits, wines and fermented liquor (see below).

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) dramatically increased from 413 pesos (US$10) to 700 pesos (US$17) per 750ml, while the tax on most still wines (containing 14%alcohol per volume or less) slightly increased from 22 pesos (US$0.53) to 30 pesos (US$0.73) per liter. The new excise tax levied on most premium beers (with a net retail price of 50 pesos or US$1.23 per liter of volume capacity) increased by a mere 2%, and will likewise have a minimal effect on exports of U.S. craft beers.

Distilled Spirits

The 2012 Sin Tax Reform Measure was drafted 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 law, 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:

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:
   i. An *ad valorem* ("according to value") tax equivalent to 15% of the net retail price (excluding excise tax and value-added tax) per proof liter; and
   ii. A specific tax of twenty pesos (P20.00) per proof liter.

b) Effective on January 1, 2015:
   i. An *ad valorem* tax equivalent to 20% of the net retail price (excluding excise tax and value-added tax) per proof liter; and
   ii. 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 4 percent effective on January 1, 2016, and every year thereafter.

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

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 Philippine Government 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 and a 50 percent tariff for volumes beyond the quota. Import licenses are regulated by the NFA. In 2004, the government completed negotiations with other WTO members for the extension of its quantitative restrictions (QR) on rice, and in December 2006, their request for extension was approved. The QR extension expired in 2012 and in November 2011, the Philippine Government formally initiated WTO discussions for another extension through 2017. Negotiations to extend the quota are ongoing.

Sanitary and phytosanitary import clearances that serve as import licenses are required prior to the importation of all agricultural commodities, including feeds, live animals, meat and poultry products, plant and plant products, seafood and fishery items. In addition, a minimum access volume certificate is required for products entering at the lower in-quota duty 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 (PhP8,000).

Import Regulations for Plant Products

The Bureau of Plant Industry (BPI) regulates imports of all plant products, including live plants, and fresh and processed fruits and vegetables. All imported 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 do 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 Philippine Government 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

On 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 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/Lists/Advanced%20Search/AllItems.aspx

Import Requirements for Pharmaceutical Products

Any person who desires to import pharmaceutical products must secure a license to operate from the Philippine Food and Drug Administration (FDA) and submit the documents as specified in the checklist of requirements. The FDA is the government agency tasked with the administration and enforcement of laws pertaining to the manufacture and sale of food, drugs and cosmetics in the Philippines.

In addition to food, drugs, and cosmetics, the Philippine Food and Drug Administration (FDA) also regulates household/urban hazardous substances and health devices.

These imported finished products each require a Certificate of Product Registration prior to distribution and marketing in the Philippines.

The checklist of requirements for obtaining a license to operate and a certificate of product registration may be found in the following FDA links:

http://www.fda.gov.ph/industry-corner/downloadables/217-requirements-for-drug-registration (Pharmaceutical Products Registration requirements)

http://www.fda.gov.ph/industry-corner/downloadables/221-drug-establishment-licensing-requirements (Establishment Licensing requirements)

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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 and 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), the 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., Food and Drug Administration (FDA) 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).

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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 Return to top

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.

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Philippine 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 equipment and electronics, as well as consumer, chemical and construction and building materials, 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 that processes the PS and ICC marks.

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

Contact Details:

Mr. Gerardo P. Maglalang
Officer-in-Charge
Bureau of Product Standards
Department of Trade and Industry
3rd Floor, Trade and Industry Building
361 Sen. Gil J. Puyat Avenue
Makati City, Philippines
Tel: (632) 751-3127; 751-0384
Fax: (632) 751-4706
E-mail: bps@dti.gov.ph

Ms. Anne Daisy T. Omila
Officer-in-Charge, Standard Promotion Division
Bureau of Product Standards
Department of Trade and Industry
3rd Floor, Trade and Industry Building
361 Sen. Gil J. Puyat Avenue
Makati City, Philippines
Tel: (632) 751-4700
Fax: (632) 751-4735

Prohibited and Restricted Imports

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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, in addition to complying 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 Waste, even in transit into Philippine territory (Republic Act No. 6969, Section 24 of IRR);
- Laundry and Industrial Detergents containing hard surfactants (Republic Act No. 8970);
- Polychlorinated Biphenyls (PCBs) (DENR Administrative Order No. 1, series of 2004);
- Used Motorcycle Parts, except engine (Executive Order No. 156); and
- Live Piranha, Shrimps and Prawns (FAO No. 126, series of 1979).

Complete details on prohibited imports in the Philippines are available at: http://www.dti.gov.ph/dti/index.php?p=214

Section 101 of the Tariff and Customs Code of the Philippines also includes restrictions on the importation of the following goods:

- Dynamite, gunpowder, ammunitions and other explosives, firearms, weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles that contain information advocating or inciting: treason, rebellion, insurrection, sedition, subversion against the government, forcible resistance to laws, threats to life, or inflicting 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 of which do not indicate the actual fineness of quality of 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 Drugs 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 government 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 the import of corn. Private grain dealers may be allowed to import rice, but only with an import clearance.

Furniture manufacturers and agents, as well as 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. For comprehensive list and details, visit http://www.dti.gov.ph/dti/index.php?p=214 and http://dti.gov.ph/uploads/DownloadableForms/BIS%20attachment%203%202013.pdf.

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,	Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) *Republic Act No. 6969 (The Toxic*

Polychlorinated Biphenyl, Chlorofluorocarbon and other ozone depleting substances TH 2805.4, 2903, 2523,2503 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	*Substances,* *Hazardous and Nuclear Wastes Control Act of 1990) dated 26 October 1990* *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)*
Live Animals Animal Products and by-products	Department of Agriculture (DA) – Bureau of Animal Industry (BAI)
Fishery and Aquatic Products	Department of Agriculture (DA) – Bureau of Fisheries and Aquatic Resources (BFAR)
Living Plants	Department of Agriculture (DA) – Bureau of Plant Industry (BPI)
Chainsaws Wood products	Department of Environment and Natural Resources (DENR) - Forest Management Bureau *Republic Act No. 9175 (Chainsaw Act dated 22 July 2002)*
	Department of Health (DOH) - Food and Drugs Administration (FDA)

Semi-synthetic antibiotics (all form and salts of ampicillin, amoxicillin, and cloxacillin) Wheat Flour TH 1101 Iodized Salt TH 2501 All Health Products Toys, Selected Medical Devices	*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* *Executive Order No. 175 amending Republic Act No. 3720 (Food and Drug Cosmetic Act) dated 22 June 1969) dated 18 August 2009*
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	Department of Agriculture-Fertilizer and Pesticide Authority (DA-FPA)

use	*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 Used Trucks and Buses	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*
Aircrafts, engines, propellers	Civil Aviation Authority of the Philippines (CAAP) *CAAP Memorandum Circular No. 18-12, series of 2012*
All commodities originating from the following socialist and centrally-planned economy countries (Albania, Angola, Ethiopia, Laos, Libya, Mongolia, Mozambique, Myanmar, Nicaragua and North Korea)	Philippine International Trading Corporation (PITC) *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	Maritime Industry Authority (MARINA) *Memorandum Circular No. 104*

TH 8901 High Speed Craft TH 8901.9 Ship's Equipment/Spare Parts Spare Parts of Foreign Flagships undergoing emergency repair	*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

Customs Regulations and Contact Information Return to top

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, foreign embassies, consulates, and international organizations with diplomatic status and/or recognized by the Philippine government, such as the Asian Development Bank (ADB) and the World Health Organization (WHO). For information on accreditation and/or authority to import and procedures, visit the Department of Trade and Industry website at the following links: http://www.dti.gov.ph/dti/index.php?p=225http://www.dti.gov.ph/dti/index.php?p=196.

Importers (or customs brokers) are required to lodge an import entry electronically through the BOC's Electronic to Mobile (E2M) system:

http://customs.gov.ph/services/electronic-2-mobile-customs/. The E2M system allows customs officers and traders to electronically process 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 Proforma 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" and is subject to documentary review. A high-risk shipment passes through the "red lane" and is 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:

- accredited by BOC;
- 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 under the following circumstances: only when they are on the list of possible imports (that is,., 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 the 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. The current "de minimis" level of the Philippines for express shipments is US$.23 or PhP10.00. This is still based on "Republic Act 1937: Tariff and Customs Code of the Philippines" which has not been changed since 1957.

Valuation

The Philippines 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 continues to encourage the Philippines 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. John Phillip Sevilla
Commissioner
Bureau of Customs (BOC)
Ground Floor, OCOM Building, Port Area, Manila
Tel: (632) 527-4573, 527-4537; 917-3201
Fax: (632) 537-4573

Queries related to tariff nomenclature and classification:

Mr. Artemio D. Bernardino
Director III
Research, Investigation and International Trade Analysis Services (RIITAS)
Philippine Tariff Commission
5th Floor, Philippine Heart Center Building
East Avenue, Diliman
Quezon City 1100 Philippines
Tel: (632) 433-5898; 9267476
Fax: (632) 921-7960
E-mail: info@tariffcommission.gov.ph

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Overview Return to top

The Bureau of Philippine Standards (BPS) is the Philippines' National Standards Body (NSB). A Governmental agency under the Department of Trade and Industry (DTI), it 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, and Executive Order No. 292, Series of 1987 (The Administrative Code of the Philippines).

The BPS formulates Philippine National Standards (PNS) or adopts relevant international or foreign standards to help industries produce quality products or services and raise productivity. These standards also help consumers evaluate product quality and safety. Some of these include the family of international standards on Quality Management System (ISO 9000) Environmental Management System (ISO 14000), and Quality System for Calibration and Testing Laboratories (ISO 17025) that apply to both the manufacturing and services sectors.

To further provide only quality services to its clients, the BPS maintains 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 maintains its accreditation to ISO/IEC 17025 on performing electronic and electrical tests and procedures as attested by the DTI-Philippine Accreditation Office (PAO). The BPSTC also performs tests on chemical and mechanical products.

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) actively 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 has a tight watch of the system and products of manufacturers, importers, distributors, dealers and retailers of mandatory products.

Standards Promotion

To strengthen its information program on standards and standardization activities, the BPS, together with the Department of Education (DepEd) and the private sector, conducts the Standards Blitz for 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) aligned to international standards.

Also part of the Standards Blitz program is the development, print, and use of education materials on standards. The BPS, DepEd and private sector have ready teacher-support materials (TSMs) on standards for formal and non-formal education students and learners. High schools use these TSMs in their Chemistry, Araling Panlipunan, Science and Technology, and Technology and Livelihood Education (TLE) and subjects. Also available are modules on standards for out-of-school youth or mobile learners in the secondary level of the DepEd alternative system.

Moreover, the BPS' broadcast program, Konsyumer Atbp (KATBP) is in its ninth year as a consumer education program that 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. The KATBP simultaneously airs over ABS-CBN's DZMM 630 AM Radio, Skycable Channel 26, and The Filipino Channel (TFC) every Saturday from

10:30 in the morning to 12:00 pm. ABS-CBN is a leading broadcast network in the Philippines.

Other BPS Support Services

In addition, the BPS operates the following support services such as the Standards Data Center, a library for PNS; Sales and Publication; and Trainings/Seminars. Basic information on the BPS services is available at the BPS Standards and Conformance Portal (http://www.bps.dti.gov.ph) and queries can be sent to bps@dti.gov.ph.

The BPS operates a National Registration Scheme for Quality Auditors (NRSQA) for the registration of provisional and lead auditors engaged in the assessment of quality systems for ISO 9000 certification, product standards certification, laboratory accreditation, and accreditation of certifying bodies.

International and National Cooperation

To achieve its objectives in standardization and product certification, the BPS has established networks with local Government agencies, regional standardization bodies, and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electro technical Commission (IEC), Asia Pacific Economic Cooperation (APEC), and ASEAN Consultative Committee on Standards and Quality (ACCSQ), among others.

The Philippines supports the WTO Agreement on Technical Barriers to Trade (TBT). As such, 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.

The BPS signed Mutual Recognition Agreements (MRA) on conformity assessment with several conformity assessment bodies such as the American Society for Testing and Materials and the United Kingdom's British Standard Institute.

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:

Ms. Rhoda Medalla
President
Philippine Rubber Industries Association
C/o Rhodeco Rubber Corp.
Principal Add: 32 Mulawinan Rd. Brgy., Lawang Bato, Valenzuela City
Mailing Add: c/o Rhodeco Rubber Corp. 40 J.P. Ramoy St., Barrio Talipapa, Novaliches, Quezon City
Tel: (632) 454-0111; (632) 983-6820 loc. 20
Fax: (632) 454-0111
Website: http://www.philippinerubber.com.ph

Engr. Gregorio R. Cayetano
National President
Institute of Integrated Electrical Engineers of the Philippines, Inc.
41 Monte de Piedad St., Cubao
Quezon City, Philippines
Tel: (632) 721-6442; (632) 384-6405; (632) 727-3552; 414-5626 loc. 105 &101
Fax: (632) 721-6442; (632) 410-1899
Website: http://iiee.org.ph

Engr. Danilo G. Duya
President
Philippine Society of Ventilating A/C and Refrigerating Engineers (PSVARE)
Unit 924 Cityland Shaw Tower
Corner St. Francis St.
Mandaluyong City, Philippines
Tel: (632) 638-6539
Fax: (632) 910-2721
Website: http://www.psvare.com.ph/

Hon. Carlos Jericho L. Petilla
Secretary
Department of Energy
Energy Center, Merritt Rd. Fort Bonifacio
Taguig City, Philippines
Tel: (632) 840-2008; (632) 840-2134
Fax: (632) 812-6194
Website: https://www.doe.gov.ph/

Mr. Antonio C. Olizon
President
Philippine Wood Producers Association
c/o Union Plywood Corp.
Room 305, LTA Building
118 Perea St., Legaspi Village
Makati City, 1229 Philippines
Tel: (632) 817-6751; 817-6885
Fax: (632) 817-6884
Website: http://www.pwpa.org.ph/

Mr. Roberto Batungbacal
President
Samahan Sa Pilipinas ng mga Industriyang Kimika (SPIK)
(Chemical Industries Association of the Philippines)
Unit 2201 Cityland 10 Tower
H.V. Dela Costa St. corner Ayala Avenue
Makati City, Philippines
Tel/Fax: (632) 814-0970
Website : http://spikchemicals.wordpress.com

Ms. Edita P. Molato
President
Packaging Institute of the Philippines
c/o AVP-Sales & Marketing, San Miguel Yamamura Packaging Corp.
Unit 725, Cityland Shaw Tower
St. Francis Ave. corner Shaw Blvd.
Mandaluyong City, Philippines
Tel: (632) 687-3051
Fax: (632) 687-2018
Website: http://phil-packaging.org

Mr. Orlan A. Calayag
Administrator
National Food Authority
Philippine Sugar Center Bldg.
North Avenue, Diliman
Quezon City, Philippines
Tel: (632) 453-3900; 981-3800
Fax: (632) 453 3900
Website: http://www.nfa.gov.ph

Mr. Eric J. Montes
President
Philippine Welding Society (PWS)
c/o Pilipinas Shell Petroleum Corporation
DOST-MIRDC, General Santos Ave.
Upper Bicutan, Taguig City
Tel: (632) 8185255
Fax: (632) 894-4609
Website: www.philippineweldingsociety.org

Ms. Sonia T. Valdeavilla
Officer in Charge
Philippine Domestic Construction Board
5/F Executive Bldg. Center
369 Sen. Gil Puyat Ave. corner Makati Ave.
Makati City, Philippines
Tel: (632) 896-1831
Fax: (632) 896-4569

Engr. Jesus L. Motoomull

Director in Charge
Construction Industry Authority of the Philippines
5/F Executive Bldg. Center
369 Sen. Gil Puyat Ave. corner Makati Ave.
Makati City, Philippines
Tel: (632) 895-4424; 895-6826
Fax: (632) 897-9336
Website: http://www.dti.gov.ph/dti/index.php?p=180

Mr. Roberto O. Dizon
Officer-In-Charge
Metals Industry Research and Development Center
MIRDC Compound, Gen. Santos Ave.
Bicutan, Taguig City, Philippines
Website: http://www.mirdc.dost.gov.ph

Kenneth Y. Hartigan-Go, M.D.
Director IV
Food and Drug Administration
Department of Health
Civic Drive, Filinvest Corporate City, Alabang
Muntinlupa City, Philippines
Tel: (632) 857-1900
E-mail: info@fda.gov.ph
Website : http://www.fda.gov.ph

Dir. Celia B. Elumba
Director IV
Philippine Textile Research Institute
Department of Science and Technology
Gen. Santos Ave., Bicutan
Taguig City, Metro Manila, Philippines
Tel/Fax: (632) 837-1325
Website: http://www2.ptri.dost.gov.ph/index.php

Ms. Anne Daisy T. Omila
Head, Standards Data Center
Bureau of Product Standards
Tel: (632) 751.4736
Fax: (632) 751.4706
E-mail: bps@dti.gov.ph
Website: http://www.bps.dti.gov.ph

Ms. Marie Camille B. Castillo
Head, Standards Promotion and Media Relations
Bureau of Product Standards
Tel: (632) 751.4740
Fax: (632) 751.4706
Website: http://www.bps.dti.gov.ph

Engr. Gerardo P. Maglalang
Officer-in-Charge
Bureau of Product Standards
Department of Trade and Industry
3/F, Trade and Industry Building
Tel: (632) 751.4729
Fax: (632) 751. 4706
E-mail: bps@dti.gov.ph
Website: http://www.bps.dti.gov.ph; http://www.business.gov.ph

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: http://www.nist.gov/notifyus/

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The BPS is in close coordination with the Philippine Accreditation Office, a DTI office that supports product certification schemes.

The PAO accredits testing and/or calibration laboratories under its Laboratory Accreditation Scheme, conformity assessment bodies, medical laboratories and inspection bodies. The PAO maintains its signatory status to the International Accreditation Forum/ Pacific Accreditation Cooperation Multilateral Agreement (IAF/PAC MLA) and the Asia-Pacific Laboratory Accreditation Cooperation- Mutual Recognition Agreement (APLAC-MRA).

The PAB operates the following accreditation schemes:

- Testing and Calibration Laboratories (ISO/IEC 17025)
- Medical Testing Laboratories (ISO 15189)
- Inspection Bodies (ISO/IEC 17020)
- Quality Management Certification Bodies (ISO/IEC 17021)
- Environmental Management Certification Bodies (ISO/IEC 17021)
- Food Safety Management System Certification Bodies (ISO/IEC 17021 and ISO/TC22003)
- Product Certification Bodies (ISO/IEC Guide 65)
- Personnel Certification Bodies (ISO/IEC 17024)
- Information Security Management System (ISO/IEC 27006)
- Hazard Analysis Critical Control Point Certification Bodies – CODEX
- Certification Authorities for Electronic Signatures

Product Certification

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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 PNS for mandatory certification are not allowed to 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; (4) an application with the Philippine Standard (PS) license from a foreign supplier. There are 85 listed PNS measures that require mandatory certification.

Accreditation

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Introduction

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 President Gloria Macapagal Arroyo to strengthen and recognize the PAO as the national accreditation body for Conformity Assessment Bodies (testing, inspection and certification).

On October 17, 2013, upon the approval of the Rationalization Plan of the Department of Trade and Industry, the Philippine Accreditation Office (PAO) was officially created as one the newest bureaus of DTI, hence the name is now the Philippine Accreditation Bureau (PAB).

Worldwide 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

Director Ernani M. Dionisio
Officer-in-Charge
3/F Trade and Industry Bldg.
361 Sen. Gil J. Puyat Avenue, Makati City
Tel.: (632) 751-0384 loc 4707
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 systems, environment management systems, food safety management systems, and products, among others.

Contact:

Ms. Ma. Juanita P. Carpio
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:

Ms. Perla F. Baje
Head, Laboratory Accreditation
Tel.: (632) 751-4707
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.

Contact:

Ms. Anne Daisy T. Omila,
Officer-in Charge, Standards Mainstreaming Division
Tel: (632) 751-4736
Fax: (632) 751-4706
E-mail: bps@dti.gov.ph

Labeling and Marking Return to top

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

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

Contact:

Ms. Marie Camille B. Castillo
Head, Standards Promotion and Media Relations
Tel.: (632) 751-4740
Fax: (632) 751-4748

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Engr. Gerardo P. Maglalang, Officer-in-Charge
Bureau of Product Standards
Department of Trade and Industry
3/F, Trade and Industry Building
Tel.: (632) 751-3126

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) took effect in 2010 and consolidated all Common Effective Preferential Tariff/ASEAN Free Trade Area (CEPT/AFTA) commitments related to Trade in Goods. It focuses on tariff liberalization and non-tariff measures as well as trade facilitation initiatives, simplification of rules of origin, and establishment of an ASEAN Trade Repository.

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 helps facilitate trade by simplifying processes and procedures thereby reducing transaction times and costs 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 and Japan entered into the Philippines-Japan Economic Partnership Agreement (PJEPA) in 2008. PJEPA is the Philippines' first bilateral free trade agreement, 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, Department of Trade and Industry - Bureau of International Trade Relations (DTI-BITR) at pjepa.secretariat@gmail.com or at telephone numbers (632) 465-3300 extension 401/402.

Other Trade Agreements

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

For more information on Philippine trade agreements, contact:

Mr. Angelo Salvador M. Benedictos
Assistant Director and Officer-in-Charge
Bureau of International Trade Relations
Industry Development and Trade Policy Group
Department of Trade and Industry
4F DTI International Building, 375 Senator Gil J. Puyat Avenue
Makati City 1200 Philippines

Tel: (632) 465-3300 ext. 407; 897-1719; 897-8290
Fax: (632) 890-5149

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Tariff Commission of the Philippines http://www.tariffcommission.gov.ph/
Department of Agriculture, Philippines http://www.da.gov.ph/agrilaws/

Food Security Inspection Service, U.S. Department of Agriculture
http://www.fsis.usda.gov/regulations_&_policies/Philippines_Requirements/index.asp
Global Agricultural Information Network, USDA
http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx
Food and Drug Administration of the Philippines http://www.fda.gov.ph/industry-corner/
Bangko Sentral ng Pilipinas http://www.bsp.gov.ph
Department of Trade and Industry http://www.dti.gov.ph/dti/
Bureau of Customs http://www.customs.gov.ph
Department of Trade and Industry http://www.dti.gov.ph
Department of Agriculture http://www.da.gov.ph
Bureau of Industry and Security, USDOC http://www.bis.doc.gov
Bureau of Product Standards http://www.bps.dti.gov.ph
Philippine Rubber Industries Association http://www.philippinerubber.com.ph/
Institute of Integrated Electrical Engineers of the Philippines http://iiee.org.ph
Department of Energy https://www.doe.gov.ph/
Philippine Wood Producers Association http://www.pwpa.org.ph/
Philippine Packaging http://phil-packaging.org
National Food Authority, Philippines http://www.nfa.gov.ph
Philippine Welding Society www.philippineweldingsociety.org
Metal Industry Research and Development Center http://www.mirdc.dost.gov.ph
Philippine Textile Research Institute http://www2.ptri.dost.gov.ph
Philippine Business Registry http://www.business.gov.ph
National Institute of Standards and Technology http://www.nist.gov/notifyus/:

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Chapter 6: Investment Climate

Executive Summary

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The Philippines' growing middle class, strong domestic demand, and stable political environment, paired with gross domestic product (GDP) growth of 7.2 percent in 2013 make the country an increasingly attractive destination for Foreign Direct Investment (FDI). FDI rose in 2013 and is expected to continue with the Government of the Philippines (GPH) emphasizing job creation and inclusive economic growth. Thanks to a relatively large, educated, English-speaking workforce, the Business Process Outsourcing (BPO) and tourism industries have experienced growth in recent years and these trends are likely to continue. Under the administration of President Benigno Aquino, the Philippines has implemented reforms to improve the investment climate, making strides in good governance, transparency, and accountability.

Restrictions on foreign ownership rules, poor infrastructure, and corruption continue to be significant concerns for investors. Strengthening the rule of law is important as a complex and slow judicial system inhibits the timely and fair resolution of commercial disputes. In general, the Philippines lags behind its Asian neighbors in attracting Foreign Direct Investment (FDI) because many sectors of the economy limit foreign investment. The Philippines has recently liberalized some of its industries to stimulate investments, specifically infrastructure, insurance, banking, telecommunications, and power industries. Invest Philippines (www.investphilippines.gov.ph/) is the GPH's network of investment promotion agencies.

Investors generally report that Philippine bureaucracy is non-discriminatory, but describe business registration and procedures as slow and burdensome. Overall, however, the investment climate of the Philippines has improved. If the country can maintain its reform momentum, its prospects for investment will continue to brighten.

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Attitude Towards FDI

The Philippines actively seeks foreign investment to promote economic development. The Philippine investment landscape has noteworthy advantages, such as its free trade zones, including the Philippine Economic Zone Authority (PEZA) (http://www.peza.gov.ph/) and its relatively large, educated, English-speaking Filipino workforce. Philippine law treats foreign investors the same as their domestic counterparts, except in sectors reserved for Filipinos by mandate of the Philippine Constitution and Foreign Investment Act (detailed below). However, legal restrictions, regulatory inconsistency, inadequate public investment in physical and social infrastructure, and lack of transparency hinder foreign investment. Philippine regulatory authority remains ambiguous in many sectors of the economy and corruption is a significant problem. A complex and slow judicial system inhibits the timely and fair resolution of commercial disputes.

Other Investment Policy Reviews

The World Trade Organization conducted a Trade Policy Review of the Philippines in March 2012. It is available at: http://www.wto.org/english/tratop_e/tpr_e/tp361_e.htm

Laws/Regulations of FDI

The 1987 Omnibus Investments Code (OIC) mandates that the Board of Investments (BOI) (http://www.boi.gov.ph/) regulates and promotes investments in the Philippines. The annual Investment Priorities Plan (IPP) identifies preferred economic activities that are approved by the President. Government agencies are encouraged to adopt policies and implement programs consistent with the IPP.

The 1991 Philippine Foreign Investment Act (FIA) requires the publishing of the Foreign Investment Negative List (FINL), which outlines sectors in which foreign investment is restricted or limited. The FINL is comprised of two parts:
Part A details sectors in which foreign equity participation is restricted by the Philippine 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).

The FINL is updated every two years. The ninth FINL was published in October 2012.

The 1995 Special Economic Zone Act allows PEZA to regulate and promote investments in export-oriented manufacturing and service facilities inside special economic zones. PEZA facilitates granting of fiscal and non-fiscal incentives to investors operating within these zones.

Industrial Strategy

The Investment Priorities Plan (IPP) enumerates promoted investment areas entitled to incentives. The 2013 IPP seeks to increase exports, create jobs, raise revenue, advance technology, and spur countryside development. It includes agriculture/agribusiness and fisheries; infrastructure; motor vehicles; green projects; research and development; disaster prevention, mitigation and recovery; creative industries; business process outsourcing and IT and IT-enabled services; shipbuilding; mass housing; energy; iron and steel; hospital/medical services; and strategic projects. The BOI reviews projects to determine the extent of entitlement to incentives.

The Aquino administration established a Public Private Partnership (PPP) Center (http://ppp.gov.ph/) to promote transparency and oversee project development and approval. The Build-Operate-Transfer (BOT) law provides the legal framework for the PPP program. The PPP program has been slow in approving contracts, however, and as of July 2014, only seven out of 57 PPP projects/contracts had been awarded though several more projects are expected to be announced by the end of 2014.

Limits on Foreign Control

Foreigners are prohibited from owning land under the 1987 Constitution, although the 1993 Investors' Lease Act allows foreign investors to lease a contiguous parcel of up to 1,000 hectares for 50 years, renewable once for 25 additional years. The 2003 Dual-Citizenship Act allows dual citizens full rights to possess land. Yet, ownership deeds continue to be difficult to establish, and the court system is slow to resolve land disputes.

The FINL restricts foreign investment in the following areas: 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.

Only Philippine citizens can practice the following licensed professions: engineering, medicines, accounting, architecture, interior design, chemistry, environmental planning, social work, teaching, law, real estate services, respiratory therapy, and psychology. Companies that register with the BOI may employ foreign nationals in supervisory, technical, or advisory positions for five years from the date of registration, which can be extended upon request. Top positions and elective officers of majority foreign-owned BOI-registered enterprises (i.e., president, general manager, and treasurer, or their equivalents) are exempt from the five-year limitation.

Other areas carry lower limits on foreign investment: 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%, 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).

For reasons of national security, defense and public health, the Philippines limits foreign ownership to 40 percent in the following industries: manufacturing of explosives, firearms, military hardware, and massage clinics.

Retail trade enterprises with 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 is limited to 60 percent for enterprises engaged in financing and securities underwriting, which are regulated by the SEC.

The 1994 Foreign Bank Liberalization Act limits foreign ownership in the banking sector. Only 10 new foreign banks can open full-service branches in the Philippines, and those licenses have already been issued to major international banks. The banks are limited to six branch offices. Foreign ownership limits also apply for locally incorporated banking institutions. A foreign bank that meets the Bangko Sentral ng Pilipinas (Philippine Central Bank) (http://www.bsp.gov.ph/) selection guidelines is limited to owning 60 percent of the voting stock in a banking subsidiary. Since 1999, the Central Bank has imposed a moratorium on the issuance of new bank licenses, although micro-finance institutions are exempt. Philippine law also requires that majority Filipino-owned banks control at least 70 percent of total banking resources in the country.

The 2007 Lending Company Regulation Act, which established a regulatory framework for credit enterprises that do not clearly fall under the scope of existing laws, requires majority Philippine ownership for such enterprises.

Privatization Program

The GPH's privatization program is managed by the Privatization Management Office (PMO) (http://www.pmo.gov.ph/) under the Department of Finance (DOF) (http://www.dof.gov.ph/). Apart from restrictions in the FINL there are no regulations that discriminate against foreign buyers and the bidding process appears to be transparent.

Screening of FDI

Corporations or partnerships must register with the SEC and sole proprietorships must register with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the Department of Trade and Industry (DTI) (http://www.dti.gov.ph/). A foreign enterprise seeking incentives under the OIC must apply for registration with the BOI, while export-oriented manufacturing and service enterprises within the economic zones must register with PEZA. Investors report that Philippine bureaucracy is nondiscriminatory, but slow to process business requirements.

Competition Law

The Philippines does not have a general competition law. Rather there are several laws dealing with competition. The Department of Justice (DOJ) (http://www.doj.gov.ph/) is responsible for enforcement of and the investigation of cases involving competition laws.

Investment Trends

The Philippine investment climate continues to make progress as a result of reforms undertaken by the government. In 2012, FDI in the Philippines was US$2.7 billion, the highest level since 2007. The majority of investment inflows are in manufacturing, retail, real estate, mining, and the information and communication sectors.

In 2013, Fitch, Standard & Poor's, and Moody's upgraded the Philippines' sovereign credit ratings to investment grade, attributing the upgrade to robust economic performance, continued fiscal and debt consolidation efforts, and improved governance. The Philippines rose 25 spots in the World Bank's Doing Business Report in 2013, although it still remains in the bottom half of all of the countries surveyed.

Inadequate infrastructure, regulatory inconsistency, corruption, and a slow and complex judicial process remain major constraints to investments. Restrictions on foreign investment contribute significantly to a poor Philippine record of attracting foreign investment, particularly compared to its ASEAN counterparts. According to the United Nations Conference on Trade and Development (UNCTAD), the Philippines ranked sixth among ASEAN's ten countries in terms of FDI flows in 2012.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or Value**	**Website Address**
TI Corruption Perceptions Index	2013	94 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom Index	2014	89 of 178	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business Index"	2014	108 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	90 of 142	http://www.globalinnovationindex.org/ content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	US$2,500	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of US$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards are available here: http://www.mcc.gov/pages/selection/scorecards.
Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Conversion and Transfer Policies Return to top

Since 2007, the Central Bank has accelerated efforts to relax and streamline the Philippine foreign exchange 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.

Expropriation and Compensation Return to top

Philippine law allows expropriation of private property for public use or in the interest of national welfare or defense, and offers fair market value compensation at the time of expropriation. In the event of expropriation, foreign investors have the right 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 under the Philippine courts.

There are no recent cases of actual expropriation involving U.S. companies in the Philippines. Since the implementation of the Build-Operate-Transfer (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 court.

Dispute Settlement Return to top

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Philippine judicial system is a separate and independent branch of the government, composed of the Supreme Court (http://sc.judiciary.gov.ph/) and lower courts. The Supreme Court is the highest court and sole constitutional body created by the Philippine Constitution. The lower courts are composed of:

(a) trial courts with limited jurisdictions (i.e., Municipal Trial Courts, Metropolitan Trial Courts, etc.);
(b) Regional Trial Courts (RTCs);
(c) Shari'a District Courts (Muslim courts); and
(d) Court of Appeals (appellate court). Special courts include the "Sandiganbayan" (anti-graft court for public officials) and Court of Tax Appeals.
Several RTCs have been designated as Special Commercial Courts (SCC) to hear intellectual property (IP) cases, with four SCCs recently authorized to issue writs of search and seizure on IP violations enforceable nationwide.

Under Philippine law, a separate action must be filed for foreign judgments to be recognized or enforced. Philippine law also does not recognize or enforce foreign judgments that run counter to existing laws, particularly those relating to public order, public policy, and good customs.

Bankruptcy

The 2010 Philippine bankruptcy and insolvency law provides a 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. It also recognizes cross-border insolvency proceedings in accordance with the UNCTAD Model Law on Cross-Border Insolvency, allowing 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 (IFC)'s 2014 *Ease of Doing Business Index*, the Philippines ranks 108 of the 189 economies in resolving insolvency and bankruptcy cases, compared to 164 in 2013.

Investment Disputes

Foreign investors describe the inefficiency and uncertainty of the judicial system as a significant disincentive to investment. Many investors are discouraged to file dispute cases in court because of slow, costly litigation processes and corruption among judiciary personnel. Stakeholders also report inefficiency when confronted with complex issues such as technology, science, trade, and intellectual property cases.

To decongest the court's clogged dockets, several laws on alternative dispute resolution (ADR) mechanisms (i.e., arbitration, mediation, negotiation, and conciliation) were passed as part of judicial reform. In 2012, the Government issued an executive order requiring all government contracts involving public private partnerships to include ADR provisions. The goal is to make resolving disputes less expensive, tedious, and time-consuming, particularly for large-scale capital-intensive infrastructure and development contracts.

International Arbitration

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, or the "New York Convention." However, Philippine courts have shown a reluctance to abide by the process or its resulting decisions, meaning enforcing an arbitral award in the Philippines can take years.

Duration of Dispute Resolution

Investment disputes can take years to resolve due to systemic problems in the Philippine judicial system. Lack of resources, understaffing, and corruption makes court processes protracted and expensive. ADR mechanisms offer shorter periods for out-of-court dispute resolutions.

Performance Requirements and Incentives Return to top

WTO/TRIMS

The Philippines currently has no measures reportedly violating WTO-TRIMS commitments.

Investment Incentives

There are about 180 fiscal incentives laws in the Philippines. The Investment Priorities Plan (IPP) lists promoted investment areas entitled to incentives. For companies seeking incentives, screening for legitimacy and regulatory compliance appears to be nondiscriminatory, but the application process can be complicated. Incentives granted by the BOI often depend on action by other agencies such as the Department of Finance (DOF) (http://www.dof.gov.ph/), including its Bureau of Customs (BOC) (http://customs.gov.ph/).

BOI-registered enterprises that locate in less-developed areas are entitled to "pioneer" incentives and can deduct 100 percent of the cost of the necessary infrastructure work and labor expenses from their taxable income. Pioneer status can be granted to enterprises producing new products or using new methods, goods deemed highly essential to the country's agricultural self-sufficiency program, or goods utilizing non-conventional fuel sources.

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. Export-oriented firms with at least 50 percent of their revenues derived from exports may register for additional incentives under the 1994 Export Development Act. Philippine law also provides incentives for multinational enterprises to establish regional or area headquarters, and regional operating headquarters, in the Philippines. Regional operating headquarters enjoy many of the same incentives as regional headquarters. Multinational 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.

Performance Requirements

Investors who receive incentives must adhere to certain requirements. Philippine law gives preference to local products and/or Filipino-controlled enterprises in the bid process for public sector purchases of goods and supplies. The 2003 Government Procurement Reform Act (GPRA) requires the public sector to procure goods, supplies, and consulting services from enterprises that are at least 60 percent Filipino-owned and infrastructure services from enterprises with at least 75 percent Filipino interest. Although Philippine law outlines objective criteria for a selection of a single portal electronic procurement system, U.S. and other foreign companies continue to raise concerns about irregularities in government procurement and inconsistent implementation.

The Philippines is not a signatory to the WTO Agreement on Government Procurement.

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 Constitution and other laws.

Protection of Property Rights

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Real Property

The Land Registration Authority (LRA) (http://www.lra.gov.ph/) and the Register of Deeds, which facilitates the registration and transfer of property titles, are responsible for land administration. The Philippines recognizes and protects property rights, but the laws are weakly implemented due to a poor and complex land administration system. Multiple agencies are involved in property administration, which results in overlapping procedures for land valuation and titling processes. Property registration is tedious and costly. Record management is weak due to a lack of funds and trained personnel. Corruption is also prevalent among land administration personnel and the court system is slow to resolve land disputes. The Philippines ranked 121 out of 189 economies in terms of ease of property registration in the 2014 World Bank "Ease of Doing Business Index" (http://www.doingbusiness.org/rankings).

Intellectual Property Rights

In 2014, the Philippines was taken off the United States Trade Representative's (USTR) Special 301 Watch List, which identifies countries that do not offer adequate protection for intellectual property rights (IPR). While there have been significant improvements in the Philippine IPR environment in the recent years, U.S. rights holders report concerns about increasing internet-based piracy, cable signal piracy, and provisions in the patent law that may preclude the issuance of patents on certain chemical forms unless the applicant demonstrates increased efficacy. The availability of pirated and counterfeit goods and a judiciary lacking adequate experience in enforcing IPR are additional concerns.

The Intellectual Property (IP) Code provides the legal framework for IPR protection, particularly in the key areas of patents, trademarks, and copyright. In 2013, the Philippines passed amendments to the IP Code and the Philippine Intellectual Property Office (IPOPHL) (http://www.ipophil.gov.ph/) issued the law's implementing regulations, covering: (a) new enforcement functions granted to IPOPHL; (b) accreditation of collective management organizations (CMOs); and (c) copyright registrations and deposits.

The 2000 Electronic Commerce Act extends the legal framework established by the IP Code to the Internet. The 2013 Anti-Cable Television and Internet Tapping Act criminalize theft of cable television and cable internet signals. Other important laws defining intellectual property rights include: the 2002 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 2001 Integrated Circuit Act, providing WTO-consistent protection for layout designs of integrated circuits.

The Philippines generally has strong patent and trademark laws. Its first-to-file patent system grants patents that are valid for 20 years from the date of filing. The holder of a patent is guaranteed an additional right of exclusive importation of the invention. However, the Cheaper Medicines Act limits patent protection for pharmaceuticals and significantly liberalizes the grounds for compulsory licensing of pharmaceutical products. IPOPHL reported that it has not received an application for compulsory licensing since the law passed in 2008.

The Philippines is a contracting party to the Madrid Protocol, an agreement that facilitates the protection of trademarks in a large number of countries by obtaining an international registration. IPOPHL also utilizes the Industrial Property Automation System (IPAS), an integrated IP administration system developed by the World Intellectual Property Organization (WIPO) that automates processing of trademarks, patents, industrial designs, and utility model applications. The trademark law protects well-known marks, which do not need to be in actual use or registered to be protected under the law. Prior use of a trademark in the Philippines is not required to file a trademark application.

The IP Code also recognizes industrial designs, performers' rights, and trade secrets. There are no codified rules on the protection of trade secrets, but Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information.

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 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The enactment of the Anti-Camcording Act in 2010 provided stringent penalties for illegal camcording of motion pictures in theaters, and has helped to significantly reduce unlawful camcording incidents in the country.

IPOPHL seeks to expand cooperation between the Government and rights-holders to strengthen enforcement. The amended IP Code mandates creation of an IP enforcement office under IPOPHL that reviews IPR-related complaints requiring enforcement actions. It also authorizes IPOPHL to conduct visits to establishments reportedly engaged in IPR-related violations. Joint efforts to combat IPR violations between the private sector and the National Bureau of Investigation (NBI) (http://www.nbi.gov.ph/), Philippine National Police (PNP) (http://www.pnp.gov.ph/), Bureau of Customs (BOC) (http://www.customs.gov.ph/), Optical Media Board (OMB) (http://www.omb.gov.ph/), and several LGUs resulted in successful enforcement actions.

Enforcement actions are often not followed by successful prosecutions, however. IP infringement is not considered a major crime in the Philippines and takes lower priority in court proceedings. Philippine officials noted the private sector's preference for settling cases is a deterrent in obtaining IPR-related convictions. Many stakeholders have opted for out-of-court settlements rather than filing a lawsuit that may take years to resolve through Philippine courts. Stakeholders also report that Philippine judges lack the experience needed to handle complicated IPR disputes, resulting in slow and unpredictable decision-making. In 2011, the Philippine Supreme Court approved the "Rules of Procedure for IPR Cases" that: streamlined procedures to expedite cases and rules of evidence for IPR cases; designated regional IP commercial courts; and assigned four courts with national jurisdiction to issue search warrants.

IPOPHL has jurisdiction to resolve certain disputes concerning alleged infringement and licensing through its Arbitration and Mediation Center (AMC). The AMC facilitates IP disputes for review, resolution, and settlement through mediation and arbitral proceedings.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/

Contact at Mission:

Economic Section, U.S. Embassy Manila
Telephone: (632) 301-2000
Email: ManilaEcon@state.gov

Transparency of Regulatory System

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Philippine agencies are required by law to develop implementing rules and regulations (IRRs) through a public consultation process that includes public hearings. New regulations must be published in national newspapers or in the Government's official gazette before taking effect.

Regulatory enforcement is often weak, inconsistent, and unpredictable. Regulatory agencies 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, several agencies have established express lanes or "one-stop shops" to reduce bureaucratic delays.

Efficient Capital Markets and Portfolio Investment

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Money and Banking System, Hostile Takeovers

The Philippines supports the entry of foreign investments in local and foreign-issued equities listed on the Philippine Stock Exchange (PSE) (http://www.pse.com.ph). Registration with the Central Bank is required if the foreign exchange is for repatriation and remittance purposes and will be sourced from authorized banks or their subsidiary foreign exchange corporations. There are minimal requirements for the divestment of portfolio investments and the subsequent repatriation of capital.

The securities market is growing, but remains dominated by government bills/bonds. Private sector issuances have steadily increased and constitute an important source of financing for major Philippine enterprises. Positive rating actions by major, international credit rating agencies have contributed to a more robust expansion of the capital market in recent years.

Philippine Stock Exchange

Membership in the PSE is open to foreign-controlled stock brokerages incorporated under Philippine law. Investments in any publicly-listed firm on the PSE are governed by foreign ownership ceilings stipulated in the Constitution and other laws. Although growing, the Philippine stock market lags behind many of its neighbors in size, product offerings, and trading activity. Important milestones in 2013 included the introduction of exchange-traded funds and the launching of index options at the Singapore Exchange, with hopes for a reciprocal initiative in the Philippines.

There are less than 260 listed firms on the PSE. In 2013, ten of the most actively-traded companies accounted for 47 percent of trading value and 31 percent of domestic market capitalization. The PSE has worked to enhance the quality of its indices to encourage publicly-listed companies to widen their investor base, better reflect corporate actions in a timely manner, and elevate index standards towards international best practices.

The 30 companies included in the benchmark Philippine Stock Exchange Index (PSEi) are subject to review every six months. In 2010, the PSE reinstated a policy for listed companies to maintain at least 10% public ownership of their issued and outstanding shares to promote greater market liquidity and more transparent and fair stock pricing.

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 decrease the likelihood of hostile takeovers.

The 2000 Securities Regulation Code 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. It expressly prohibits any 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. The prosecution of stock market irregularities can be subject to delays and uncertainties of the Philippine legal system, although there has been some progress with the creation of special commercial courts.

Banking

The Central Bank has worked to strengthen banks' capital bases, reporting requirements, corporate governance, and risk management systems. There is ample liquidity in the banking system, with the liquid assets-to-deposits ratio estimated at more than 59 percent.

Commercial banks constitute more than 90 percent of the total assets of the Philippine banking industry. As of 2013, the five largest commercial banks represented about 52 percent of the total resources of the commercial banking sector.

The 2000 General Banking Law 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 Committee on Banking Supervision capital adequacy rules. In July 2007, the Philippines adopted the Basel II capital adequacy framework for commercial banks and their bank/quasi-bank subsidiaries. This allowed for the expansion of coverage from credit and market risks to include operational risks, and enhanced the risk-weighting framework and disclosure of capital adequacy and risk management systems. The full implementation of Basel III capital standards for commercial banks and their banking/quasi bank subsidiaries commenced on January 1, 2014 – four years ahead of the timeline set 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, which stems from Basel 1.5 and consists of Basel I with some elements of Basel II, 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. Some impediments remain in the way of 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.

To help promote lending at competitive rates to small borrowers and Micro, Small, and Medium Enterprises (MSMEs) with limited or non-existing collateral, the Philippines enacted the Credit Information System Act, which established the legal and regulatory framework for a centralized credit information system that collects and disseminates fair and accurate information about the track record of borrowers and the credit activities of entities participating in the financial system. The system is in place, but not yet operational.

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 (AMLC). Covered institutions include foreign exchange dealers and remittance agents, which are required to register with the Central Bank and must comply with its various 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 Philippines has worked to address “strategic deficiencies” that pose potential risks to the international financial system, as identified by the Asia Pacific Group on Money Laundering. In 2013, the FATF removed the Philippines from its “watch list” following the enactment of key laws: allowing *ex parte* inquiry into bank deposits/investments; making terrorist financing a stand-alone crime; broadening the definition of the crime of money laundering to meet international standards; and expanding the scope of predicate crimes and covered institutions.

With the enactment of the Exchange of Information on Tax Matters in 2010, the Organization for Economic Cooperation and Development (OECD) upgraded the Philippines from its tax standards "blacklist" to those that "have substantially implemented the internationally agreed tax standard" for the exchange of information. The OECD evaluated the Philippines to be largely compliant with the standards following a more recent peer review process.

Accounting Standards

In 2005, the Philippines adopted Philippine Financial Reporting Standards, which were patterned after the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). In 2010, the Philippines also adopted the IFRS for Small- and Medium-sized Entities which, except for limited circumstances, apply to enterprises that do not have public accountability and with total assets ranging from approximately US$75,000 to US$8.75 million or liabilities ranging from approximately 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 assumes management responsibility and accountability for financial statements. Financial statements are examined by independent auditors in accordance with Philippine Standards on Auditing, which are based on international auditing standards. The SEC reviews and revises guidelines 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 (http://www.insurance.gov.ph/), and Bureau of Internal Revenue (BIR) (http://www.bir.gov.ph/), enforce separate accreditation rules.

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 foreign exchange subsidiaries/affiliates above US$60 million per investor or per fund per year require prior approval from the Central Bank.

Competition from State Owned Enterprises

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Private and state-owned enterprises generally compete equally with some clear exceptions. In 2002, the National Food Authority (NFA) (http://www.nfa.gov.ph/) first allowed the private sector to import rice. In 2013, the NFA ceded 75 percent of all rice importation to the private sector. The Philippines has also intervened to cap or control pricing in some private markets, specifically during heavy typhoons and flooding when temporary price controls on gasoline and basic goods may be imposed. Under Philippine law, the President may freeze prices on basic goods for a period of 60 days under a state of emergency or calamity.

Corporate Social Responsibility

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Corporate social responsibility (CSR) is regularly practiced 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, environment protection, health initiatives, shelter, education, and disaster relief. The Philippine Tax Code provides CSR-related incentives to corporations, such as tax exemptions and deductions. Under the 2013 IPP, registered companies are encouraged to develop sustainable CSR projects.

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. A travel warning is in place for those U.S. citizens contemplating travel to the Philippines: http://travel.state.gov/travel/cis_pa_tw/tw/tw_6026.html. The State Department strongly encourages Americans in the Philippines to register with the Consular Section of the U.S. Embassy through the State Department's travel registration website found at the Smart Traveler Enrollment Program (STEP) at https://step.state.gov/step/.

The Philippines continues to experience significant human rights issues, including: extrajudicial killings and enforced disappearances undertaken by security forces; a dysfunctional criminal justice system notable for poor cooperation between police and investigators; few prosecutions and lengthy procedural delays; and improving but still widespread official corruption and abuse of power.

The Philippines conducted two major nationwide elections in 2013: the May 13 mid-term elections for both houses of Congress, provincial governors, and local government officials, and the October 28 elections of members of village councils. International and national observers viewed the elections as generally free and fair, but reported that instances of vote-buying were widespread and dynastic political families continued to monopolize elected offices at the national and local levels. Election-related violence persisted in both elections.

In March 2014, the Philippines and the Moro Islamic Liberation Front (MILF) signed the Comprehensive Agreement on the Bangsamoro (CAB), which paves the way for the creation of a new, autonomous political entity by 2016 that will replace the existing and inadequate Autonomous Region in Muslim Mindanao (ARMM). As of the reporting period, the Bangsamoro Transition Commission, a body consisting of Philippine and MILF representatives, have completed a draft of a Bangsamoro Basic Law, which the President plans to submit to Congress for review, followed by a region-wide plebiscite for approval.

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

Terrorist groups, including the Abu Sayaaf Group (ASG) and Jema'ah Islamiyah (JI), including an MILF splinter group called the Bangsamoro Islamic Freedom Fighters (BIFF), periodically attack civilian targets in Mindanao, kidnap civilians – including foreigners – for ransom, and engage in armed skirmishes with government security forces. So far these groups have carried out such activities mostly in western and central regions of Mindanao, including the Sulu Archipelago and its surrounding waters.

Corruption Return to top

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 105 in 2012 to 94 in 2013. Nevertheless, corruption ranked second among the most problematic factors for doing business in the World Economic Forum's 2013-2014 Global Competitiveness Report, with inadequate supply of infrastructure ranked first.

The Philippines continues to implement 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. Several bills supporting anti-corruption efforts are currently filed in Philippine Congress, including freedom of information rights, whistle-blower protection, and a strengthening the country's witness protection program.

Since President Aquino took office in 2010, corruption charges have been filed against several high-profile public officials, including a former President and the Supreme Court Chief Justice, but there have been no convictions to date. Recent allegations against several lawmakers for misappropriating monies distributed as part of the Priority Development Assistance Fund (PDAF), commonly referred to as "pork barrel," have garnered strong public criticism and spurred mass protests. In 2013, the Supreme Court declared the PDAF "unconstitutional" and ordered the prosecution of lawmakers involved in the illegal disbursement of pork barrel funds.

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", while cases against low-ranking officials are filed before regional trial courts. The Office of the President can directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting, accepting and/or offering/giving a bribe are criminal offenses punishable by imprisonment, a fine, and/or disqualification from public office or business dealings with the government.

The Philippines ratified the United Nations Convention against Corruption in 2003. It is not a signatory to the OECD Anti-Bribery Convention.

Resources to report corruption:

Contact at Government Agency:

Office of the Ombudsman
Ombudsman Building
Agham Road, North Triangle, Diliman
Quezon City, Philippines 1101
Telephone: (632) 479-7300
Email: pab@ombudsman.gov.ph
http://www.ombudsman.gov.ph/

Contact at Watchdog Organization:

Transparency International Philippines. Inc.
Room 401, Fedman Suites Condominium
199-201 Salcedo Street, Legaspi Village
Makati City, Philippines
Telephone: (632) 869-9702
Email: info@transparency-ph.org
http://www.transparency-ph.org/

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 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 anti-corruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, 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, visit: http://www.justice.gov/criminal/fraud/fcpa/

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.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of April 2014, there are 41 parties to the Convention, including the United States (see http://www.oecd.org/daf/anti-bribery/WGBRatificationStatus_April2014.pdf). Major exporters such as China and India 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.

UN Anti-corruption Convention: The UN Anti-corruption Convention entered into force in 2005, and there are 171 parties to it as of 2014 (see https://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anti-corruption agreement. It requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anti-corruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. It 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 is a signatory to this Convention.

Free Trade Agreements: While it is U.S. Government policy to include anti-corruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anti-corruption 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 transnationally) 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 anti-corruption laws, and, where appropriate, seek legal counsel. 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 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 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 Trade Barrier" website at http://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 http://www.justice.gov/criminal/fraud/fcpa/docs/frgncrpt.pdf. 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 Commerce, U.S. Department of Commerce website, at http://www.commerce.gov/os/ogc/international-commerce. 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.

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/corruption/oecdantibriberyconvention.htm. See also Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/investment/anti-bribery/anti-briberyconvention/44884389.pdf.

- General information about anti-corruption 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's website: http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 177 countries and territories around the world. The CPI is available at: http://www.transparency.org/research/cpi/overview. TI also publishes a *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/research/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI) that assess six dimensions of governance in 215 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.aspx#home. 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/reports/global-enabling-trade-report-2014.

- 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: https://www.globalintegrity.org/global-report/what-is-gi-report/.

Bilateral Investment Agreements Return to top

The Philippines does not have a bilateral investment agreement with the United States. As of 2013, however, the Philippines had 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 is a member of four regional free trade agreements that include an investment chapter: the ASEAN Comprehensive Investment Agreement; the ASEAN-Australia-New Zealand Free Trade Agreement; the Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and Republic of Korea; and the Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among Governments of ASEAN and China.

U.S. – Philippines Tax Treaty

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

U.S. recipients of royalty income qualify for preferential tax rates (currently 10 percent) under the most favored nation clause of the United States-Philippines tax treaty. 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, the requirements for tax treaty relief applications are burdensome. Stricter regulations issued in 2010 disqualify late filings from preferential tax rates. In 2013, the Philippine Supreme Court ruled the BIR erred in denying taxpayers benefits due to late filings because the treaties should be considered self-executory and, therefore, not encumbered by additional BIR requirements. The BIR has filed a motion for reconsideration. The volume of tax treaty relief applications has resulted in processing delays, with most applications reportedly pending for over a year.

The BIR appears to be altering its position on taxing gains through liquidation. Previously, it consistently applied United States-Philippines 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, since 2009, a number of rulings involving foreign companies held that such gains were subject to corporate income tax but not to capital gains tax, and in other cases, the gains were subject to a tax on dividends. A number of transactions involving partial liquidations through shares redemption are reportedly on hold because of this unresolved issue. Tax lawyers maintain that any gains from partial or full liquidation should be exempt under the Unites States-Philippines Tax Treaty.

The 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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Pursuant to the U.S.-Philippines Investment Incentive Agreement that enables the Overseas Private Investment Corporation (OPIC) to support investment in the country, OPIC is able to offer the following:

- **Investment Insurance:** The Philippine government does not provide guarantees against losses due to inconvertibility of currency, expropriation or damage caused by war. OPIC can provide U.S. investors with political risk insurance against risks of expropriation, inconvertibility and transfer, and political violence.

- **Financing:** OPIC financing is available for creditworthy projects and companies with substantial U.S. investment or participation and where sufficient or appropriate financing is not available from local or other private sector financial institutions.

Labor

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Managers of U.S.-based companies report that Philippine labor is low cost, highly motivated, and possess strong English language skills. In 2013, the Philippine labor force was estimated at 37.9 million, with an unemployment rate at 7.3 percent. This figure includes employment in the informal sector and does not capture the substantial rates of underemployment in the country.

Multinational managers report that compensation packages in the Philippines 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. 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. The non-agricultural daily minimum wage in Metro Manila is PhP456 (approximately US$10.74), although some private sector workers receive less. Cost of living allowances are given across the board. Most regions set their minimum wage significantly lower than Metro Manila. Regional Boards may grant various exceptions to the minimum wage, depending on the type of industry and number of employees at a given firm.

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 shortage of inspectors has made enforcement difficult.

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

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 often make many unions more willing to accept productivity-based employment packages. The trend among firms of using temporary contract labor continues to grow. The DOLE Secretary has the authority to end strikes and mandate a settlement between the parties in cases involving the national interest, including cases where companies face strong economic or competitive pressures.

In 2013, DOLE amended its rules concerning disputes, specifying industries vital to national interest. Vital sectors include: hospitals, electric power industry, water supply services (excluding small bottle suppliers), air traffic control, and other industries as recommended by the National Tripartite Industrial Peace Council (NTIPC). Economic zones often offer on-site labor centers to assist investors with recruitment. These centers coordinate with DOLE and the Social Security Agency and offer services such as mediating labor disputes. Although labor laws apply equally to economic zones, unions have noted some difficulty organizing inside the zones.

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 2009, the Philippines 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 the ILO mission recommendations, the Philippines created the National Tripartite Industrial Peace Council (NTIPC) to monitor the application of international labor standards and proposed several legislative measures to address weaknesses in the Philippine Labor Code.

Two new labor laws were passed in 2013: a) Republic Act 10395, or the Tripartism law, which institutionalized tripartism in labor relations as a state policy, allowing employers and workers to become part of policy-making bodies of the government, and b) Republic Act 10396, or Strengthening of Conciliation-Mediation Law, which formalized the Single Entry Approach (SENA) of DOLE and mandated that all issues affecting labor and employment shall be subjected to a mandatory conciliation-mediation for one month. Various union leaders criticized the law for adding another layer of bureaucracy that delays the delivery of justice to workers.

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

Foreign-Trade Zones/Free Ports

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

Philippine Economic Zone Authority (PEZA)

There are 300 operating ecozones in the Philippine Economic Zone Authority (PEZA), composed primarily of manufacturing, IT, tourism, medical tourism, logistics/warehousing, and agro-industrial sectors. PEZA manages three government-owned export-processing zones (Mactan, Baguio, and Cavite) and administers incentives to enterprises located in the other 297 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. PEZA administrators have earned a reputation for maintaining a clear and predictable investment environment within the zones of their authority.

Bases Conversion Development Authority (BCDA)

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/). Enterprises already receiving incentives under the BCDA law are disqualified from receiving incentives and benefits offered by other laws. 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), the Bataan Technology Park (Morong, Bataan), and 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 (PIA), 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 similar to PEZA incentives, but they are administered independently. In addition to offering export incentives, the Cagayan Economic Zone Authority is authorized to grant gaming licenses.

Foreign Direct Investment Statistics Return to top

TABLE 2: Key Macroeconomic Data, U.S. FDI in Host Country

	Host Country Statistical Source		*USG or International Statistical Source*		*USG or International Source of Data*
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic product (GDP) *(Millions U.S. Dollars)*	2012	250,182	2012	250,200	http://www.worldbank.org/en/country/philippines
Foreign Direct Investment	*Host Country Statistical Source*		*USG or International Statistical Source*		*USG or International Source of Data*
U.S. FDI in partner country *(Millions U.S. Dollars, stock positions)*	Published data by country not available		2012	4,591	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&208=2&209=52&205=1,2&203=30&204=10&202=1&207=43&200=1&201=1
Host Country's FDI in the United States *(Millions U.S. Dollars, stock positions)*	Published data by country not available		2012	Not Shown	http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=1&203=22&204=10&205=1,2&207=43&208=2&209=52&200=2&201=1

Total inbound stock of FDI as % host GDP	2012	*11.5%	2012	12.4%	http://unctadstat.unctad.org/TableViewer/tableView.aspx

*Based on International Investment Position submitted for IMF's Dissemination Standards Bulletin, BPM-6 Concept

Host Country Statistical Sources:
http://www.nscb.gov.ph/sna/DataCharts.asp
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm

TABLE 3: Sources and Destination of FDI Philippines, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	28,438	100%	Total Outward	3,339	100%
Netherlands	6,318	22%	Cayman Islands	1,263	38%
Japan	4,948	17%	Virgin Islands, British	723	22%
United States	4,700	17%	China, P.R.: Mainland	545	16%
Singapore	2,873	10%	China, P.R.: Hong Kong	181	5%
China, P.R.: Hong Kong	2,111	7%	United States	76	2%
"0" reflects amounts rounded to +/- US$ 500,000					

Source: http://cdis.imf.org

The Philippine Central Bank does not publish or post inward and outward FDI stock broken down by country. Total stock figures are reported under the "International Investment Position" data that the Central Bank publishes and submits to the International Monetary Fund's (IMF) Dissemination Standards Bulletin Board (DSBB). The DSBB FDI stock figures posted on the Central Bank's website show inward direct investments (i.e., liabilities) at US$28,687 million and outward direct investments (assets) at US$9,549 million as of 2012. The published DSBB submission on the outward direct investment stock is substantially larger than the total for all countries, as per Table 3 above. Central Bank officials cited conceptual differences between the DSBB and CDIS submissions. The DSBB figures conform to the latest (6^{th}) Balance of Payments Manual and also reflect other complementary data sources for external account reporting purposes which the IMF's prescribed CDIS survey forms do not capture.

Host Country Statistical Sources:
http://www.bsp.gov.ph/statistcis/sdds/sdds.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm

TABLE 4: Sources of Portfolio Investment Philippines, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	6,787	100%	All Countries	88	100%	All Countries	6,699	100%
United States	2,439	36%	United States	37	42%	United States	2,402	36%
Indonesia	1,022	15%	Luxembourg	23	26%	Indonesia	1,022	15%
Korea, Republic of	481	7%	Singapore	7	8%	Korea, Republic of	479	7%
China, P.R.: Mainland	369	5%	Netherlands	7	8%	China, P.R.: Mainland	367	5%
United Kingdom	342	5%	Australia	3	3%	United Kingdom	342	5%

Source: http://cpis.imf.org/

While it disaggregates data into equity and debt securities, the Philippine Central Bank does not publish or post the stock of portfolio investment assets broken down by country. Total foreign portfolio investment stock figures are reported under the “International Investment Position” data that the Central Bank publishes and submits for the International Monetary Fund’s (IMF) Dissemination Standards Bulletin Board (DSBB). The DSBB portfolio investment stock figures posted on the Central Bank’s web site showed inward portfolio investments (i.e., assets) at US$9,054 million as of 2012 (US$92 million in equity securities and US$8,962 million in debt securities), larger than the total for all countries as per Table 4 above. Central Bank officials cited differences in data coverage between the DSBB and CPIS submissions. The IMF’s prescribed CPIS survey forms do not capture complementary sources of data used by the Philippine Central Bank for external account reporting purposes.

Host Country Statistical Sources:
http://www.bsp.gov.ph/statistcis/sdds/sdds.htm
http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm

Contact Point at Post for Public Inquiries

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Economic Section U.S. Embassy Manila
1201 Roxas Boulevard, Manila
Telephone: (632) 301-2000
Email: ManilaEcon@state.gov

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Chapter 7: Trade and Project Financing

How Do I Get Paid? (Methods of Payment)

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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

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), provides 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 range 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 2013, the banking sector was comprised of 36 commercial banks, 71 thrift banks, and 566 rural and cooperative banks, with combined assets of approximately US$225 billion (PhP9,962 billion). Although fewer in number, commercial banks dominate the banking sector and account for about 90% of the banking system's total resources. In 2014, President Aquino signed legislation to allow more foreign banks to open branches in the Philippines to create a liberalized and more competitive 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 invest in non-allied undertakings, in addition to regular commercial banking activities. Twenty-two (22) banks (18 universal and commercial banks and four thrift banks) are licensed to engage in derivatives activities. Twenty (20) banks are foreign-controlled (14 foreign branch banks and six majority foreign-owned, domestically-incorporated subsidiaries). Additionally, there are four offshore banking units (OBUs), one of which is U.S.-owned, as well as 15 foreign bank representative offices, two of which are U.S. banks.

More detailed regulations governing the operations of financial institutions are available in various circulars, including the Manual of Regulations for Banks, Manual of Regulations for Non-Bank Financial Institutions, and Manual of Regulations on Foreign Exchange Transactions compiled by the Bangko Sentral ng Pilipinas (BSP, the Central Bank):

http://www.bsp.gov.ph/regulations/reg_MORB.asp
http://www.bsp,gov.ph/downloads/Regulations/MORB/MORNBFI1.pdf
http://www.bsp.gov.ph/donwloads/Regualtions/MORFXT/MORFXT.pdf .

Most corporate clients raise capital by borrowing directly from banks or through capital markets. Favorable economic conditions have supported the growth of corporate loans. A total of 183 thrift, rural, and cooperative banks are involved in micro-lending, with outstanding loans estimated at more than US$356 million (PhP8.1 billion pesos) as of 2013.

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: address the lack of a centralized and reliable credit information system on borrowers to enable lenders to improve risk management; identify good borrowers and increase the volume of affordable loans to credit-worthy but underserved markets; and strengthen overall credit discipline. The Securities and Exchange Commission, the lead agency, issued implementing rules and regulations in 2010. In 2014, the Central Credit Information Corporation was created and it is targeted to be operational before the end of the year.

Since 1997, the BSP has implemented policies to enhance risk management systems, 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 various mechanisms such as regulatory incentives and strengthening programs, especially for the less-capitalized rural and cooperative banking sectors. The BSP has also demonstrated greater resolve in weeding out weak financial institutions by intensifying enforcement actions.

The largest sectors comprising outstanding loans of the banking system as of 2013 were real estate and business services (18.5 percent), financial intermediaries (17 percent, including interbank credits and reverse repurchase transaction with the BSP and other banks), and manufacturing (13 percent). Outstanding loans from banks' foreign currency deposit units stood at US$10.5 billion as of 2013, mainly to producers and manufacturers (24 percent), public utilities (18.7 percent), and transport-related service providers (11percent).

Regular inspections by the BSP 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 BSP requires that bank financial statements be audited by BSP-accredited 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. A bank's senior management should also disclose to the BSP any significant risks/issues that may affect the bank, including changes in management.

To strengthen its ability to check bank fraud and other serious irregularities, the BSP supervisory and enforcement powers enhance a bank's ability to manage financial system liquidity (such as authorizations to issue its own securities), provide legal protection for BSP 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 $68 million (PhP3 billion), augmented by premiums paid by member banks (currently one-fifth of 1% 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$11,300 (PhP500,000).

Foreign-Exchange Controls Return to top

As a general policy, Philippine residents and non-residents may purchase foreign exchange from authorized agent banks (AABs) and/or banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps). They may also purchase from non-bank entities operating as foreign exchange dealers (FXDs) and/or money changers (MCs) to fund legitimate foreign exchange obligations, subject to Central Bank-required information and/or documents. There is no mandatory foreign exchange surrender requirement for residents' foreign exchange earnings, which may be sold for pesos, retained in foreign currency, or deposited in foreign currency accounts in the Philippines or abroad.

The BSP has adopted major reforms to simplify and liberalize the foreign exchange regulatory regime as part of continuing efforts to keep the regulatory framework responsive to economic conditions. Foreign exchange sales by AABs and AAB-forex corps are covered by the Central Bank's Manual of Regulations on Foreign Exchange Transactions (issued under Circular 645 in 2009, as amended). Foreign exchange sales by FXDs/MCs are governed by Circular 471 (2005), as amended by BSP Circular 652 (2009).

Registration of foreign investments with the BSP or custodian banks is optional, unless the foreign exchange to service the repatriation of capital and/or the remittance of related earnings will be sourced from AABs and AAB-forex corps.

Foreign borrowings of the private sector generally do not require prior approval and/or registration if it is to be sourced from entities other than AABs and AAB-forex corps, except for the following: a) loans guaranteed by banks and government financial institutions; and b) loans obtained by non-bank financial institutions with a maturity of more than one year, for re-lending. Foreign borrowings of the public sector require the prior approval of the BSP, pursuant to existing laws, including the Philippine Constitution.

Foreign exchange purchases from AABs and AAB-forex corps for non-trade current account transactions (such as travel, medical and educational expenses, royalties, copyright, patent, franchise and licensing fees) up to US$120,000 or its equivalent in other foreign currencies require only the completion of a BSP prescribed application form; amounts in excess require the submission of additional documents. AAB-forex corps 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 required.

Foreign exchange purchases for trade-related transactions are subject to documentary requirements (i.e., shipping documents). The BSP does not require registration of importations under any mode of payment but requires banks to report such transactions to the BSP prior to payment.

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

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT-faas.zip
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/Publications/FAQs/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

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. JP Morgan International Finance Limited operates an offshore banking unit (OBU) in the Philippines and 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. 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 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 CitibankTower, 8741 Paseo de Roxas St., Makati City 1226 Tel: (632) 894-7700 Fax:(632) 894-7703 E-mail:batara.sianturi@citi.com	Batara Sianturi 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 Senior Country Officer
OBUs	**Address and Contact #**	**Contact Person**
1. JP Morgan International Finance, Limited	31/F Philam LifeTower,8767 Paseo de Roxas, Makati City 1226 Tel: (632) 885-7700 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 E-mail:Imelda.capistrano@welssfargo.com	Imelda B. Capistrano Senior Vice President & Country Manager
2. Bank of New York Mellon	10/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1200 Tel: (632) 885-0383 Fax: (632) 885-0382 E-mail:teri.floro@bnymellon.com	Ma. Therese A. Floro Vice President & Chief Representative

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), net commitment in Calendar Year (CY) 2012 increased by US$ 221.43 million (from US$ 8.60 billion in CY 2011 to US$ 8.82 billion in CY2012.) The US$8.82 billion ODA loans in CY 2012 comprised of 70 project loans amounting to US$6.89 billion (78 percent) and 10 program loans worth US$1.93 billion (22 percent). The 70 project loans support the implementation of 62 projects while the 10 program loans support the implementation of 10 programs.

Of the total loans portfolio, 17 loans (worth US$2.316 billion) were newly-signed within CY 2012. Two of these 17 loans were closed within the year while the remaining 15 loans were all made effective during the year. From the 63 loans (worth US$6.505 billion) continuing from previous years (those that were signed prior to CY 2012), 48 are still ongoing as of CY 2012 while 15 were closed within the year.

As of CY 2012, The GOJ-JICA is still the biggest source of ODA loans with 32, 37 percent respectively (US$2.738 billion, US$3.261 billion), followed by WB at 29, 21 percent (US$2.479 billion, US$ 1.839 billion) and China ADB with 13 16 percent (US$1.14 billion, US$ 1.371 billion). France contributed 8.4, 13 percent (US$0.721 billion, US$1.181 billion). Other sources contributed 9 percent (US$ 0.782 billion). while China contributed 4 percent (US$ 0.387 billion).

Most of the new loans that became part of the CY 2012 portfolio were sourced from JICA (US$943 million for seven loans). This included one fully-availed program loan ("Development Policy Support Program-Investment Climate") worth US$96.41 million. ADB was the second-largest source of new loans (about US$712 million for three loans), two of which were fully-availed program loans closed within the year (US$650 million). WB provided the third-largest amount of new loans, with two new project loans (US$325 million).

In the past decade (2003-2012), ADB was the largest source of new loans with a total of US$4.03 billion while WB and JICA were the second- and third-largest sources with US$3.45 billion and US$3.09 billion respectively.

ODA Loans Net Commitment by Development Partner

Development Partner	Loan Count	Net Commitment (US$B)	Share (%)
JICA	21	3.261	37
WB	19	1.839	21
ADB	10	1.371	16
France	3	1.181	13
Other sources*	23	0.782	9
China	4	0.387	4
TOTAL	**80**	**8.821**	**100**

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

New loans in CY 2012 showed that 46 percent (US$1.07 billion) were directed to the infrastructure sector. In the past ten years, the INFRA sector received the largest amount of new loans with US$5.53 billion, followed by the SRCD sector with US$3.14 billion, the GID sector with US$2.87 billion and the AARNR sector with US$1.97 billion.

Other bilateral donor organizations include the Australian Agency for International Development (AusAID); Canada; the European Union; Korea International Cooperation Agency (KOICA); New Zealand; Spain/AECID; United States Agency for International Development (USAID); and the 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$109.489 million in development assistance to the Philippines in FY 2013. Within this assistance, all USAID projects were awarded as grants, not loans, as they take the form of contracts, grants, or cooperative agreements with American government, Philippine government, or other entities. USAID's programs in the Philippines focus on accelerating inclusive economic growth, improving quality health access and environmental resilience, post-typhoon rebuilding, promoting democracy and good governance, and upgrading the quality of education.

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, due to expire in 2016, 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 on Samar Island; improve community-level infrastructure and social services for millions of poor Filipinos through roughly 3,000 locally driven development projects; and 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. Over half of the Compact’s total investment is dedicated to areas that were affected by Typhoon Yolanda (Haiyan) and, as such, will help the overall rehabilitation effort in those areas. MCC projects follow strict international competitive bidding practices

Construction on the Samar road project has commenced and all four construction contracts are progressing; one contract for nearly 16 kilometers is close to 95 percent complete. Over 2,200 community-driven infrastructure and social service projects have been initiated, with more than 1,300 of these completed. The first phase of the development of an electronic tax information system has begun and the BIR has experienced sustained increased revenue collection, due in part 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.

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 of the largest borrowers – *fifth* in 2013 with over US$906 million in loans, grants and technical assistance. The majority of the bank's assistance to the Philippines in 2013 went to emergency programs in the aftermath of Typhoon Yolanda (Haiyan) in support of the government's budgetary requirements for rehabilitation. ADB assistance also went to disaster needs assessment and livelihood support for poor municipalities affected by the typhoon.

ADB's current Philippine portfolio totals US$4.6 billion: US$2.1 billion under implementation, and US$2.5 billion in planned lending from 2014-2016. Priority sectors are industry and finance, education, energy and agriculture.

In addition to its public sector operations, ADB has also provided nearly US$700 million since 2000 in equity investments and credit guarantees directly to private sector enterprises in the Philippines through its Private Sector Operations window. ADB supported power plants, expressways, small and medium enterprise development, financial services, and local government financing. In 2012, ADB committed about US$25 million for the Philippine Alliance for Infrastructure Fund intended to serve government priorities in infrastructure finance, renewable energy, and energy efficiency. ADB's investment will help secure a further US$525 million for the fund from other funding groups.

ADB's lending and technical assistance programs, which reached US$21 billion for a third consecutive year in 2013, result in significant business opportunities open to U.S. consultants, contractors, goods and equipment suppliers, banks and project developers. About 80% of ADB loans are used for the procurement of goods, equipment and services. U.S. firms have won over US$8 billion in contracts since 1967.

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 five countries in Central Asia. The other large borrowers in 2013 were India, China, Pakistan and Indonesia. The United States is one of 19 donor member countries, and with Japan, are the largest shareholders, with about 15% each.

There are now 31 resident missions and representative offices in ADB member countries. A dedicated unit within the ADB headquarters serves as the Philippine Country Office. Other representative offices are located in Washington, D.C., Tokyo, and Frankfurt.

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 (currently Peggy Keshishian), began operations in 1992 and works closely 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, other Commercial Service offices in the region, and Department of State offices.

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:

Address: The U.S. Commercial Liaison Office for ADB (CS ADB)
U.S. Embassy Manila
1201 Roxas Boulevard, Manila 1000

U.S. mailing address:

FCS-ADB
Unit 8600 Box 1570
DPO AP 96515-1570

E-mail: Office.ManilaADB@trade.gov

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

Fax: (632) 516-6958

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Philippine Government:
Philippine Rating Services Corporation http://www.philratings.com
Central Bank of the Philippines http://www.bsp.gov.ph

U.S. Government:
Export-Import Bank of the U.S. http://www.exim.gov
Small Business Administration http://www.sba.gov
SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Foreign Agricultural Service	http://www.fas.usda.gov
Asian Development Bank	http://www.adb.org/
Overseas Private Investment Corporation	http://www.opic.gov
Trade and Development Agency:	http://www.ustda.gov/
U.S. Agency for International Development	http://www.usaid.gov

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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 (such as 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 (e.g., 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 will 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 (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 staff or a 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 appetizers. 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 seasons 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-wear 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).

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http://travel.state.gov/travel/warnings_consular.htm

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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 thirty (30) 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. Immigration officers at Ports of Entry may exercise their discretion to admit holders of passports valid for at least 60 days upon the request of said passport holders (Americans or other foreigners). The applicant must pay the corresponding immigration fees after securing an extension of stay. 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 elective (managerial) or non-elective (technical) positions 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 visit the following links:

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

United States Embassy Manila: http://manila.usembassy.gov/about-us/consular2.html

Telecommunications Return to top

The Philippines' 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 National Telecommunications Commission (NTC) is the telecommunications, broadcast, and cable industry regulatory body. They regulate the installation, operation and maintenance of radio stations, supervise the provision of public telecommunications services, manage the radio spectrum, and oversee radio and television broadcast stations, cable television (CATV) and pay television.

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, and 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, stream high-definition video and play online games at speeds of up to 100 megabytes per second (MBPS).

As of 2013, there are 103 million active mobile phones. 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 a call is US$ 0.15, while one SMS or text message costs US$ 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 six free-to-air TV networks, three of which are Government-owned. In June 2010, the NTC announced that the Philippines would adopt Japan's Integrated Services Digital Broadcast (ISDB) technology as the standard for digital terrestrial television (DTT). The Implementing Rules and Regulation (IRR) for DTT implementation is still being prepared and is expected to be released by the third quarter of 2014. DTT roll-out is planned for 2015. No specific date has been identified for the analog shut-off.

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., 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 from 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. They 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 Philippines has over 80 airports, with four major international airports, namely the Ninoy Aquino International Airport (NAIA) in Manila, Clark International Airport in Pampanga, Mactan Cebu International Airport (MCIA), and Davao International Airport. The country’s primary international gateway, NAIA, currently operates four terminals in Manila, one of which is used exclusively by flag carrier Philippine Airlines for its domestic and international routes.

On April 9, 2014, the Federal Aviation Administration (FAA) announced that the “Philippines complies with international safety standards set by the International Civil Aviation Organization (ICAO) and has been granted a Category 1 rating.” According to the FAA press release, “the return to Category 1 status is based on a March 2014 FAA review of the Civil Aviation Authority of the Philippines.” A Category 1 rating means the country’s civil aviation authority complies with ICAO standards. For more information, travelers may visit the FAA’s website at: http://www.faa.gov/.

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$13 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, 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. Many of them are Joint Commission International (JCI)-approved (medical facilities) or are in the process of obtaining JCI approval. These hospitals employ excellent medical staff, some of whom are U.S. Board Certified; although the number of nursing and other support services are sometimes inadequate.

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.

The general level of sanitation in the Philippines is lower than in the United States. Overpopulation has 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 p.m.. 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.

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http://travel.state.gov/travel/warnings_consular.htm
http://www.immigration.gov.ph/
http://travel.state.gov/visa/
http://manila.usembassy.gov/about-us/consular2.html
http://www.faa.gov/
http://www.doh.gov.ph

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Chapter 9: Contacts, Market Research and Trade Events

Contacts

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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

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
http://www.clarksubicmarketing.com/directory/listing.php?id=666

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.lawphil.net/administ/hudcc/hudcc.html

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
http://www.icto.dost.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

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To view market research reports produced by the U.S. Commercial Service please visit 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.

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

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

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals 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://export.gov/philippines/servicesforu.s.companies/index.asp

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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