Doing Business in the Philippines:

2010 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 avoided recession in 2009; supported by the continued expansion in overseas workers' remittances, a resilient business process outsourcing industry, and fiscal stimulus efforts. GDP growth was only 0.9%, as it was stunted by the global financial crisis and weather-related loss of agricultural output. http://www.neda.gov.ph/ads/press_releases/pr.asp?ID=1143 http://www.nscb.gov.ph/sna/2009/4thQ2009/2009qpr4.asp
- The Government recorded declining fiscal deficits from 2003 to 2007, but opted for higher deficits in 2008 and 2009 to help support economic growth and generate employment. The year-end budget deficit is estimated to grow to US$6.1 billion, or 3.8% of GDP. This would be PhP40 billion higher than the PhP250 billion deficit ceiling programmed for the year.
- Average consumer price inflation slowed to 3.2% in 2009, down from a ten-year high of 9.3% in 2008 which had been spurred by high food and fuel prices. http://www.bsp.gov.ph/publications/media.asp?id=2241&yr=2010
- The foreign exchange rate averaged 47.64 Philippine pesos to the US dollar during 2009, 7.1% weaker than the previous year. However, the peso closed 2.8% stronger than 2008, on December 31st, at PhP46.20 per US dollar, topping off its four-month upswing. http://www.bsp.gov.ph/statistics/spei_new/tab25.htm
- The Philippine Stock Exchange Index, which dropped 48% year-on-year in 2008, gained ground during the second half of 2009 with an increase of 63%.
- The balance of payments surplus widened to US$5.3 billion in 2009. Contributing factors included a narrower merchandise trade deficit, a boost in overseas workers' remittances, net inflows of foreign portfolio capital investments (a reversal from 2008's net withdrawals), expansion in net inflows of foreign direct investments, and proceeds from foreign loans/financing. http://www.bsp.gov.ph/statistics/sdds/sdds_bop.htm
- Gross international reserves increased by 19.7% in 2009 to a new record high of US$45 billion, a value equivalent to approximately nine months' of goods and service imports. http://www.bsp.gov.ph/publications/media.asp?id=2242&yr=2010
- The ratio of public and private sector foreign debt-service payments to merchandise and service exports inched up 10% to 11.6% during the first nine months of 2009,

reversing the positive downward trend. This ratio reflects an export slump against steady foreign debt service payments.
http://www.bsp.gov.ph/statistics/spei_new/tab18.htm

- The January-November 2009 merchandise trade deficit narrowed by 41.9%, as merchandise exports dropped 24.5% to US$35 billion. Revenues from electronics were down nearly 25.3%. January-November 2009 imports also declined 26.8%, reflecting lower import payments for oil/fuel and rice and declines in payments for capital equipment and raw materials/intermediate goods. According to U.S. Government data, January-November 2009 Philippine exports to the U.S. totaled US$6.2 billion (-24.2%) while Philippine imports from the U.S. totaled US$5.2 billion (-33%).
http://www.census.gov.ph/data/pressrelease/2010/ex0911tx.html
http://www.census.gov.ph/data/pressrelease/2010/tr0911tx.html
http://www.census.gov/foreign-trade/balance/c5650.html#2009

Political Situation and Other Issues that Affect Trade

- The Philippines was named a Major Non-NATO Ally of the U.S. in 2003 and has assumed the role of coordinating country for U.S.-ASEAN relations.
- The Philippines remains a committed bilateral and regional partner in fighting terrorism.
- Major counterterrorism successes include the capture of over 200 terrorists from the Abu Sayyaf Group (ASG) and Jemaah Islamiyah (JI) and the killing of more than 20 ASG and JI leaders since 2006.
- The U.S. Government allocated US$87 million in development assistance to the Philippines in FY 2009, with an additional $27 million in U.S. assistance provided in the aftermath of severe tropical storms in 2009. Furthermore, the U.S. Government provided nearly US$9 million in Department of Defense funds for infrastructure development in conflict-affected areas of Mindanao, and US$2 million to provide relief to internally displaced persons in these areas. In 2009, the Philippines was re-selected as eligible for funding under the U.S. Millennium Challenge Corporation's "Compact" program. The Compact would provide financial and technical assistance for several major institutional reform and infrastructure projects in the Philippines.
- Combined U.S. foreign military assistance to the Philippines was US$65.26 million in FY 2008 and US$58.75 million in FY 2009.
- Elections for the Senate, House of Representatives, and local and provincial officials took place in May 2007, yielding a large majority of supporters of the Arroyo administration in the House of Representatives. The next national election will be in May 2010. A number of candidates are vying for the Presidency, including Senators Manny Villar and Benigno Aquino, former President Joseph Estrada, and former Defense Secretary Gilbert Teodoro.
- Various constituencies favor different types of constitutional reform, with some favoring the creation of a unicameral legislature instead of the current bicameral and conversion from a unitary government to a system of federal states. Others have noted the need to address the barriers posed by constitutional restrictions on foreign investment.
- Outspoken political debate, an active civil society, and a freewheeling media contribute to a political environment that often seems more volatile than it is in reality.

Market Challenges

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- **Graft and Corruption:** Graft and corruption in government and business remain a major business constraint, despite the Government's effort to combat them.
- **Ineffective Judicial System:** A severe shortage of judges and prosecutors, corruption, and a weak record of prosecution plague the judicial process.
- **Limited Ownership:** The Philippines has restricted foreign ownership in selected industries. See Chapters 5 and 6 for complete restrictions.
- **Poor Intellectual Property Rights Protection:** A variety of counterfeit goods are commonly sold throughout the country. Due to the efforts of the Intellectual Property Office (IP Philippines) to control these sales, the U.S. Trade Representative moved the Philippines from the Special 301 Priority Watch List to the Watch List in 2006. However, enforcement remains inconsistent. The 2009 Special 301 Report identified the Philippines as one of the countries that will undergo an out-of-cycle review. See Chapter 3 for a more detailed discussion on Intellectual Property Rights.
- **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):** VAT is in place, by virtue of the Republic Act (RA) 9337. VAT is a 12% tax levied on the sale of goods and services and on the imports of goods into the Philippines. It is an indirect tax which can be passed on to the buyer.
- **Infrastructure:** The Philippines lags behind many of its neighbors in infrastructure development. Major improvements are needed in transport infrastructure. Capacity at Ninoy Aquino International Airport (NAIA), the primary international gateway, is beyond rated levels and is a significant impediment to development and tourism. There is dire need for a mass transportation system that relieves vehicular congestion.
- **Air Transportation Safety:** In 2007, the Federal Aviation Administration (FAA) revised the Philippines' aviation safety oversight category from Category 1 to Category 2. In Category 2, Philippine air carriers will be permitted to continue current operations servicing the United States, but will be under heightened FAA surveillance.
- **Lack of Long-Term Development Policies:** There is a need to identify long-term growth and development strategies for the country that will be sustained regardless of who is in power. For example, major sectors like air and sea transport lack long-term strategies that will address the continuing increase in demand, and changing international standards.
- **Upcoming 2010 National Elections:** 2009 is seen by many as a year to complete the current administration's programs, as such, there will be a rush to complete projects in the pipeline. The challenge is ensuring transparency in project implementation and quality of deliverables when proponents are under pressure to perform with a very short lead time. As a result, changing policies and regulations may impinge on business dealings as there is a shuffle of governmental positions and representation. It is recommended that businesspersons consider the laws, policies, and regulations that (may) affect their line of business if proceeding with investments prior to May 2010.
- **Tariff/Non-Tariff Barriers and Other Trade Regulations:** See Chapter 5.

Market Opportunities Return to top

The Philippine's economic growth has created opportunities for U.S. companies in the infrastructure sectors of telecommunication, information technology and electric power systems. Filipino consumers are creating opportunities for new sales of U.S. medical products and water resources equipment.

For more information on best prospects, please see Chapter 4.

Market Entry Strategy Return to top

Agents and distributors are commonly used in the Philippines (See Chapter 3). U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service, Manila. For more information, visit http://www.buyusa.gov/philippines and click "How We Help U.S. Companies."

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

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

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

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

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

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

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

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

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

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

Establishing an Office

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

A business enterprise must comply with the following requirements before it can begin operations (Refer to Philippine Economic Zone Authority (PEZA) information, Chapter 6):

Business Registration Procedures

	WHERE TO REGISTER	FILING FEE	TIMETABLE
1. Corporation/ Partnership	Securities and Exchange Commission (SEC) Web: www.sec.gov.ph	1/5 of 1% of the authorized capital stock	Within five (5) working days
2. Single Proprietorship	Department of Trade and Industry (DTI)-NCR DTI Website: www.dti.gov.ph	P315.00	Within the day
3. Incentives Availment (OPTIONAL)	Board of Investments (BOI) www.boi.gov.ph Philippine Economic Zone Authority (PEZA) www.peza.gov.ph	Depends on company's project cost	BOI – within 3 weeks for pioneer projects
4. Tax Identification No.- (T.I.N.)	Bureau of Internal Revenue (BIR) www.bir.gov.ph	None	Within the day
5. Mayors Permit (License to Operate)	Local Government Unit (Office of the Mayor) where business is located	Initial Fee – based on bus. Activity Garbage Fee – based on land/floor area License fee: P.25 for every P1000.00 of company's capital	Within two (2) weeks
6. Barangay Clearance Certificate	Barangay where the business is located	Filing Fee – P300.00 to P500.00 depends on the Barangay requirement	Within the day
7. Employer/ Employee (S.S.S. Registration No.)	Social Security System (SSS) nearest branch where business is located. www.sss.gov.ph	None	Within the day
8. Environmental Clearance Certificate (ECC)/or Certificate of Non-coverage	Department of Environmental and Natural Resources (DENR) www.emb.gov.ph	ECC Non-Critical – P4,000 ECC Critical – P6,000 CNC –P100.00	ECC -120 working days Cert of Non-coverage- within one (1) week.
9. Utilities installation	Landline or Mobile, etc.	Depends on the categories, type of	Within the day

	a. PLDT (171 Customer service) www.pldt.com.ph b. SMART 888-1111 (Customer hotline) www.smart.com.ph c. GLOBE 730-1000 (customer hotline www.globe.com.ph	model unit	
	Water and Electric (Energy) a. Water Maynilad Water Services (1626) Manila Water Co., Inc. (1627) www.maynilad.com.ph	Depends on the capacity requirement per cubic meter	Within two weeks
	b. MERALCO (Manila Electric Company) (16-211; 631-111) www.meralco.com.ph	Depends on the capacity requirement per KWH	Within two (2) to four (4) weeks

Source: Philippine Board of Investments, One-Stop-Action Center (OSAC)

Multinational firms, depending on the nature of their intended business activity in the Philippines, may establish and register any of the following: branch, subsidiary, licensing or franchising agreement, joint-venture agreement, or regional or area headquarters. Under the Republic Act (RA) 8756, regional or area headquarters are exempt from payment of corporate income tax and value-added tax (VAT) when purchasing goods, property, or services. Regional operating headquarters are also subject to a lower tax rate of 10% of their taxable income and a 10% VAT. Furthermore, they are exempt from several local taxes, fees, or charges with the exception of real property tax on land improvement and equipment. Regional operating headquarters enjoy tax and duty-free importation of equipment and materials that are used exclusively for their operations and which are not locally available (this is subject to prior approval from the Board of Investments). To complement the activities of regional headquarters, investors are permitted to establish regional warehouses that house their supplies. Under certain conditions, these supplies may be exempted from customs duty, internal revenue tax, export tax, and local taxes.

Foreign personnel working for regional headquarters are issued special multiple-entry visas (within 72 hours), upon submission of complete documents to the Bureau of Immigration (BI). They are also exempted from payment of attendant fees and enjoy tax and duty-free importation of personal and household effects.

Franchising

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

According to the Philippine Franchise Association (PFA), the Philippines has increasingly become a consumption-led and service-oriented economy, and franchising, a powerful tool for economic development. In the last three years, the sector has also grown to more than 800 franchise concepts with an estimated 100,000 franchises nationwide.

Franchising allows a foreign company, the franchisor, to operate legally in the Philippines by appointing a Filipino franchisee. U.S. franchises continue to dominate the market as demand for new American brands remains high.

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

The franchisor collects a fee for the use of any or all forms of its intellectual property rights, such as its name, trademarks and system. Philippine retail laws (Retail Trade, Republic Act 1180) prohibit foreign equity positions in franchises.

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).

Master franchise fees vary widely, depending on the type of business. Royalty arrangements are defined in the agreement between the parties.

Franchise agreement clauses prohibited under Section 87 are:

- Those which 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;
- Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- Those that contain restrictions regarding the volume and structure of production;
- Those that prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;

- Those that establish a full or partial purchase option in favor of the licensor;

- Those that 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;

- Those that require payment of royalties to the owners of patents for patents that are not used;

- Those that 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;

- Those that 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;

- Those that require payments for patents and other industrial property rights after their expiration or termination arrangement;

- Those that require that the technology recipient shall not contest the validity of any of the patents of the technology supplier;

- Those that restrict 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;

- Those that 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;

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

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

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

The Direct Selling Association of the Philippines (http://www.dsap.ph) currently has 26 active members. U.S. firms such as Amway, Avon, Herbalife, Fuller Life, Nu Skin, Mary Kay, Reliv, and Sunrider have established direct selling distributorship networks in the country.

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

Department of Trade and Industry
6F Trade and Industry Building
361 Sen. Gil J. Puyat Avenue, Makati City

Phone : (+632) 751.3336/751.3334
Fax : (+632) 751.3335
E-mail : useczcm@dti.gov.ph
Contact: Ms. Zenaida Cuison-Maglaya, Undersecretary for Consumer Welfare and Trade Regulation
Website: http://www.dti.gov.ph

Joint Ventures/Licensing Return to top

LEGAL REQUIREMENTS/OPTIONS FOR JV/LICENSING

A common method for enterprises to begin business operations in the Philippines is through joint ventures with local enterprises.

Beginning in 1998, the GRP no longer required submission of licensing/technology transfer arrangements for approval and registration by the Intellectual Property Office. However, to ensure compliance with Sections 87 and 88 of the Intellectual Property Code, voluntary submission is strongly encouraged since non-conformance with Section 87 on Prohibited Clauses and Section 88 on Mandatory Provisions automatically renders the arrangement unenforceable. The Intellectual Property Office may allow exemption from conformance with Section 87 and 88 after an evaluation under the provisions of Section 91 on Exceptional Cases.

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

Selling to the Government Return to top

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

- 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) of the Department of Budget and Management (DBM) handles the purchase of common supplies and locally-funded purchases for all government units. An integrated procurement system is implemented by three interdependent entities: the Procurement Policy Board, the Inter-Agency Bids & Awards Committee (IABAC) and the Procurement Service. The Governing Council, now known as the Procurement Policy Board, is headed by the DBM Secretary along with the Secretaries of Finance, National Defense, Trade and Industry, Health, Education, Public Works and Highways, and a representative of the Philippine Institute of Certified Public Accountants. An Inter-Agency Bids and Awards Committee is comprised of a DBM representative (Chairman), and as members; one representative from DOF, DTI, the client-agency for whom a major bid is called, and the PS Director (in an ex-officio capacity). A Commission on Audit (COA) representative sits as resource person in all IABAC meetings. The Procurement Service implements the policy decisions of the Board and executes awards issued by the IABAC.

By virtue of Section 63 of R.A. 9184 the Government Procurement Policy Board (GPPB) was established as the central agency of Government tasked with:

- Ensuring that procurement personnel are properly trained and are familiar with the processes dictated by RA 9184 and
- Formulating or amending the implementing rules and regulations (IRR), as necessary.

The full text of RA 9184, along with the recently updated IRR (updated September 2009), is accessible on the GPPB website.

Philippine government-funded projects have a national ownership requirement. Companies must be at least 60% Philippine-owned in order to participate in a bid. Projects financed partly or wholly by international institutions such as bilateral or multilateral development banks (MDBs) (e.g., World Bank, Asian Development Bank) are open to international competitive bidding. Foreign suppliers or contractors can bid either directly or indirectly through local agents or distributors. Generally, these projects require 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 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. The BAC then compares the responses with the lowest calculated bid price versus the project's requirements. The contract will be awarded to the lowest calculated responsive bid.

Opportunities to sell to the Philippine government range from transport infrastructure projects (road, bridge, rail, ports, and airports), military and defense equipment and spare parts to information technology and automation. The major government purchasers are the Department of Transportation & Communication, Department of Public Works & Highways, Department of National Defense, Department of Education, Department of Health, National Power Corporation, National Electrification Administration, National Housing Authority, National Irrigation Administration, and Local Water Utilities Administration.

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

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

Distribution and Sales Channels Return to top

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

There are currently two types of importers in the Philippines: stocking distributors and indentors. 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. Indentors, 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 indentor already has the financing for the goods.

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

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

Despite having the presence of a local distribution/sales agent, it is critical that foreign manufacturers visit the country during the pre-qualification process as well as after an agent has been selected. Foreign suppliers must establish a strong personal relationship with the end customer.

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

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. Transportation to outlying areas is almost entirely by water since there are only a few roads along the Zamboanga peninsula.

Selling Factors/Techniques Return to top

Understanding the local business culture will help U.S. suppliers gain and maintain market leadership. First, it is recommended that U.S. business partners conduct adequate due diligence before selecting local distributors, agents, or representatives, as these are crucial market linkages. In this regard, the U.S. Commercial Service in Manila (CS Manila) 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.

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

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

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

U.S. firms may also work with their local partners in liaising with relevant professional, industry and trade associations/ organizations as well as business chambers such as the American Chamber of Commerce in the Philippines (AMCHAM). 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 (e.g., product brochures, catalogs, and advertisements) and instructions on product use, installation, and labeling are mostly written in English. In some instances, instructions or product advertising should be translated into Filipino/Tagalog or the regional/provincial dialect (as in the case of pesticides and other agricultural inputs) to achieve wider reach and impact. For imported items, price quotations in dollars are acceptable, but a Philippine peso equivalent should also be noted.

Electronic Commerce Return to top

The Philippine E-Commerce Law-Republic Act 8792 (June 2000) has made the Philippines a player in the global e-commerce marketplace. Both commercial and government activities fall under the scope of this legislation. In January 2004, the Commission on Information and Communications Technology (CICT) was created under

Executive Order 269 as the “primary policy, planning, coordinating, implementing, regulating, and administrative entity of the Executive branch of Government to promote, develop, and regulate integrated, strategic ICT systems as well as reliable and cost-efficient communication facilities and services.” CICT has been actively lobbying for the formation of a Department of Information and Communications Technology (DICT), which would pave the way for the allocation of more resources in ICT development. However, the 2009 approval of the DICT Bill did not materialize and CICT and other supporters of the DICT Bill are still hoping it will be passed by the 14th Congress. Despite ten-year-old legislation, e-commerce remains at its infancy levels and holds, significant growth potential. Slow e-commerce growth can be attributed to several factors including:

- Low PC Penetration: PC penetration is estimated at ten (10) percent. Internet usage is estimated at twenty (20) percent.
- Low Broadband Penetration: More Filipinos access the web through internet café’s and their workplace. Broadband access from home is used by less than 1% 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 B2B websites:

- www.b2bpricenow.com - A trading portal with close to 10,000 members, most of which are cooperatives. Provides on market information for agriculture, consumer manufactures, and industrial manufactures. Officially endorsed by the Philippine Congress as the Philippine e-Marketplace for Agriculture and Fisheries.

- www.sourcepilipinas.com - A multi-industry B2B horizontal e-marketplace powered by Oracle's latest exchange technologies.

- www.asiarx.com - Caters primarily to the pharmaceutical and medical supply industry and is unique in its regional scope (covers ten regional countries, including the Philippines).

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

Online banking is gaining popularity and will continue to experience strong growth as more Filipinos gain access to the internet. Banks currently offer ATM accounts with online purchasing capability. Included are the Bank of the Philippine Islands, Citibank Philippines, Union Bank, Metrobank, HSBC, Philippine National Bank, and Banco De Oro.

In the travel industry, only major Philippine airlines (e.g., Philippine Airlines, Cebu Pacific, Air Philippines, Southeast Asian Airlines, and Zest Airways) have introduced online booking and electronic ticketing or “e-tickets” services for domestic and international flights. However, portal issues on the airlines’ websites often create additional burden for the customer. Airlines sometimes provide separate counters for "e-tickets" to encourage passengers to support the new paperless ticketing system. Conversely, 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.

Other B2C portals include:

- MyAyala.com and Divisoria.com for general merchandise
- Regaloservice.com for Gift delivery service
- Bidshot.com and PinoyAuctions.com for auction items
- National Bookstore, Goodwill, and Powerbooks for books

Other Philippines search engines and web directories:

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

E-learning is an emerging market in the Philippines, and has vast potential for growth. Usage is still sporadic, but cuts across several industries, business sizes, school levels, and locations. Blended learning (i.e., combining technology with personal interaction) is still the preferred mode for implementing e-learning programs, whether in the corporate or academic environment. Most users currently represent only a small segment of the Philippine education and business communities. There are no stereotypical e-learners, schools large and small can be found using the technology, and 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 exist, most notably infrastructure (e.g., 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.

Trade Promotion and Advertising Return to top

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

As of December 2008, the National Telecommunications Commission (NTC) reported that broadcast media in the Philippines is comprised of 383 AM radio stations, 659 FM radio stations, 297 TV stations (VHF and UHF), 30 TV relay stations, 56 TV translator stations, 3 TV stations operating at 40 GHz, 873 cable stations (CATV) and 1 Multi-Channel, Multi-point Distribution System (MMDS) stations.

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

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

Over the last few years, local organizers have initiated several industry-specific trade shows and exhibitions. These trade promotion activities cater to a wide array of sectors including construction, clean energy, health and lifestyle, furniture and home décor, food and food equipment, regional products, giftware, franchise opportunities, education, industrial goods, automotive, maritime and defense, sporting goods, apparel, telecommunications and IT, among others. Popular venues for holding these events include shopping malls (e.g., SMX Convention Center within the SM Mall of Asia complex), trade halls (e.g., World Trade Center and the Philippine Trade Training Center), and convention centers. The U.S. Commercial Service 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 on: http://www.buyusa.gov/philippines/en/bsn.html

- 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 ads are currently offered free of charge to qualified U.S. exporters seeking trade leads or representation in over 30 markets around the world. Information on

how to join the FUSE program can be found on:
http://www.buyusa.gov/home/fuse.html

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

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

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

Pricing

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Typical retail markups average 30 percent of invoice value, but markup percentages range from a minimum of 7 to 10 percent for regulated goods such as glass, aluminum, etc. to 10 to 15 percent for most consumer goods, and as much as 30 percent for high-end or luxury items. These rates enable distributors, wholesalers, and retailers to recover expenses incurred in importing equipment, raw materials, or finished goods. These expenses include 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, property and/or services are subject to Value Added Tax or VAT. VAT is imposed on the gross selling price (for sale of goods) and gross receipts (for the rendering of services). 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.

For capital expenditures and other major purchases, the ability to offer financing can be a significant advantage. The U.S. Export-Import (Ex-Im) Bank trade financing mechanism is available through several local banks that have existing Master Guarantee Agreements (MGAs) with the former. Contact the U.S. Commercial Service Manila for details. http://www.buyusa.gov/philippines

Sales Service/Customer Support Return to top

After-sales service and support are extremely important factors in the Philippines. It is imperative for U.S. vendors to provide this support during and after the warranty period, in order to provide utmost customer satisfaction and build brand equity. The proximity to Singapore, China, Taiwan, Korea and other Asian nations presents a strong challenge to U.S. competitiveness in this regard. U.S. firms with substantial sales in the Philippines usually establish a branch office, which can provide after-sales service and support to their local distributors or resellers. The strategy of having local presence provides for a competitive advantage.

Protecting Your Intellectual Property Return to top

Introduction

Several key principles are important to keep in mind for the effective management of intellectual property (IP) rights. First, it is important to have an overall strategy to protect your IP rights. Second, it is important to remember that IP rights are protected differently in the Philippines than in the United States. Third, bear in mind that rights must be registered and enforced in the Philippines under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that IP is primarily a private right and that the U.S. government (USG) generally cannot enforce rights for private individuals in the Philippines. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the USG is willing to assist, there is little it can do if the rights' holders have not taken the steps necessary to secure and enforce their IP rights in a timely fashion. Moreover, rights' holders who delay enforcing their rights on the mistaken belief that the USG can provide a political resolution to a legal problem, may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights' holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting your IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the Philippines require constant attention. Work with legal counsel familiar with Philippine laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

It is also recommended that small-and medium-sized companies understand the importance of working together with trade associations and organizations that support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Philippine-and U.S.-based. They include:

- The U.S. Chamber and local American Chambers of Commerce
- 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)
- Motion Picture Association of America (MPAA)
- Motion Picture Association (MPA)
- Business Software Alliance (BSA)
- Cable & Satellite Broadcasting Association of Asia (CASBAA)
- International Federation of the Phonographic Industry (IFPI)
- Intellectual Property (IP) Coalition
- Biotech Coalition of the Philippines (BCP)
- Pharmaceutical and Healthcare Association of the Philippines (PHAP)

IP Rights Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small- and medium-sized companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit:
http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing IP rights and market-specific IP toolkits visit: www.StopFakes.gov. This site links to the USPTO website for registering trademarks and patents (both in the United States as well as in

foreign countries), and the U.S. Customs & Border Protection website for recording registered trademarks and copyrighted works to assist DHS/CBP in blocking imports of infringing products. It also allows you to register for Webinars on protecting IP. The website also offers a free **Online IPR Training Module** for assistance in developing a strategy for evaluating, protecting, and enforcing IPR.

- The U.S. Department of Commerce has positioned IP attachés in key markets around the world.

IP Climate in the Philippines

The Government of the Republic of the Philippines (GRP) has a system for registering claims of IP that is compliant with the WTO Trade-Related Intellectual Property Rights (TRIPS) Agreement. All legal entities doing business in the Philippines should register their copyrights, trademarks, and patents with the Philippine Intellectual Property Office (IPO). Procedures for filing an IP registration with the IPO can be obtained by visiting its website: http://www.ipophil.gov.ph/. Manufacturers and importers are also encouraged to register copyrights, trademarks, and patents with the Philippine Bureau of Customs to facilitate enforcement of rights.

The legal framework for the protection of IP rights in the Philippines needs updating, and while the Senate has ratified key World Intellectual Property Organization treaties, implementing legislation is pending. Enforcement of IP laws remains weak and the judicial system is often slow and unpredictable with respect to the adjudication of disputes.

The GRP has taken steps a number of steps over the last 10 years to improve IP protection. Most recently, the Intellectual Property Code (R.A. 8293) took effect in January 1998 which established the Intellectual Property Office. The new code provides legislation on patents, trademarks, geographical indications and copyrights to facilitate compliance with TRIPS and other international treaties. It also increased criminal penalties for trademark, copyright and patent infringement. Other key components of the IP legal infrastructure include the Electronic Commerce Act (R.A. 8792, 2000), which governs the use of electronic commercial and non-commercial transactions and provides penalties for IP piracy via telecommunication networks; the Integrated Circuit Act (R.A. 9168, 2001) protecting layout designs of integrated circuits; the Philippine Plant Variety Act of 2002 (R.A. 9168, 2002) which protects the exclusive rights of plant breeders with respect to their new plant varieties; and the Optical Media Act (R.A. 9239) which regulates the manufacture, mastering, replication, and importation of optical media and equipment.

The U.S. Trade Representative (USTR) moved the Philippines from the Special 301 Priority Watch List to the Watch List in February 2006. The GRP has taken several steps to improve the protection of intellectual property rights, but enforcement continues to be a major issue. IP rights holders must take a vigorous, assertive and proactive approach to working with enforcement agencies if they are to successfully protect their IP. A list of Philippine lawyers and law firms specializing in intellectual property law is available from the U.S. Commercial Service Manila.

For further information on protection of IPR in the Philippines, U.S. firms should contact:

The Director General
Intellectual Property Office
351 Senator Gil Puyat Avenue
Makati City 1200 Philippines
Tel: (632) 890.4942; (632) 890.4863
Fax: (632) 890.4862
E-mail: odg@ipophil.gov.ph, mail@ipophil.gov.ph
Website: http://www.ipophil.gov.ph/

Or the U.S. Commercial Service Manila (http://www.buyusa.gov/philippines).

As an additional resource regarding IP, please refer to Chapter 6: Investment Climate Statement of this document.

Due Diligence

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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. In this regards, Philippine law and accounting firms as well as trade associations, serve as excellent resources. Financial statements submitted by Philippine companies to the Philippines' Securities and Exchange Commission are also good sources of information.

To help with this important process, the U.S. Commercial Service in Manila 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 visit http://www.buyusa.gov/philippines and search under the heading "Services for U.S. Exporters." Alternately, you may visit a U.S. Department of Commerce office. (Visit http://www.buyusa.gov/home/us.html to find a location near you).

Local Professional Services

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Please visit http://www.buyusa.gov/philippines/en/bsn.html

Web Resources

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http://www.sec.gov.ph
http://www.dti.gov.ph
http://www.boi.gov.ph
http://www.peza.gov.ph
http://www.bir.gov.ph
http://www.sss.gov.ph
http://www.emb.gov.ph
http://www.pldt.com.ph

http://www.smart.com.ph
http://www.globe.com.ph
http://www.maynilad.com.ph
http://www.meralco.com.ph
http://www.immigration.gov.ph
http://www.dsap.ph
http://www.dbm.gov.ph/index.php
http://www.gppb.gov.ph
http://www.pitc.gov.ph
http://www.b2bpricenow.com
http://www.sourcepilipinas.com
http://www.asiarx.com
http://www.alleba.com
http://www.pinoysites.org
http://www.filipinolinks.com
http://www.yehey.com
http://www.eyp.ph
http://www.buyusa.gov/philippines/en/bsn.html
http://www.buyusa.gov/home/fuse.html
http://www.globallinkph.com
http://www.leverageinternational.com
http://www.primetradeasia.com
http://www.worldbex.com
http://www.fmi.com.ph
http://www.bworldonline.com
http://www.mb.com.ph
http://www.manilastandardtoday.com
http://www.manilatimes.net
http://www.inquirer.net
http://www.philstar.com
http://www.businessmirror.com.ph
http://www.abs-cbn.com
http://www.igma.tv
http://www.buyusa.gov/philippines
http://www.StopFakes.gov
http://www.ipophil.gov.ph/
http://www.buyusa.gov/home/us.html

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

Commercial Sectors

Leading Sector #1: Telecommunications

Overview

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(In US$ millions)

	2008	2009(estimated)	2010 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	950	1,045	1,150
Total Imports	1,130	1,243	1,368
Imports from the U.S.	76	84	92

Notes: 2008 imports and exports are based on data available from the Philippine National Statistics Office (NSO). N/A – data not available. 2009 and 2010 estimated figures based on 10% growth rate

WiMax was launched in the Philippines late 2009. Commission on ICT (CICT) chairman Ray Anthony Roxas-Chua commented that the rollout of WiMax will boost broadband penetration in the country and help government reach its vision of Universal Internet access for all Filipinos[1]. Broadband penetration is still below 5 percent of the Philippines population of 96 million, but with WiMax access now available, broadband subscribers is expected to surge. This development will also lead to increased demand for WiMax-enabled devices.

Cellular mobile telephone system (CMTS) is the preferred mode of service with mobile subscribers hitting 60 million in 2009. Landline subscribers grew to an estimated seven million due to the availability of wireless landline service. CMTS subscribers in the Philippines are divided into two basic segments; postpaid and prepaid subscribers, with an estimated ratio of 15:85 in favor of prepaid. 3G users in the Philippines, whether for mobile phones or USB modem devices, are projected to grow to eight to 10 million in 2010. This will be driven by social networking sites (Facebook, Twitter, Friendster, etc.), location-based uses (tracking, security), gaming devices (delivering content through non-traditional devices), and healthcare, among others[2].

The major telecom carriers in the local market are - Philippine Long Distance Telephone Company or PLDT (PLDT's mobile subsidiary is Smart Communications), Globe Telecom, Digital Telecom (mobile subsidiary is Sun Cellular), and Bayantel. Industry sources are watching how a possible fourth major player, Liberty Telecoms, might influence the market. Qatar Telecom (QTel) and Philippine food giant San Miguel Corporation (SMC) announced their plan to invest heavily into Liberty Telecoms to revive the firm and compete with the virtual duo-poly between PLDT and Globe.

The broadcast sector is dominated by ABS-CBN Broadcasting and GMA Network. TV5 is a very far third in revenue and ratings. But, TV5 was recently acquired by Telecom

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[1] http://computerworld.com.ph/philippines-prepares-for-wimax-invasion/, Philippines gears for WiMax invasion, Computerworld Philippines Staff, September 3, 2009

[2] 3G users in RP seen to reach 8-10 million next year, Philippine Star, December 07, 2009

giant, PLDT. PLDT is listed in the NYSE. Mediaquest Holdings, a PLDT subsidiary, manages all of PLDT's media companies, which includes mobile and satellite TV service, radio station and a business newspaper. Mediaquest is expected to invest heavily on equipment upgrades to allow TV 5 to compete with GMA and ABS-CBN. Broadcast equipment is largely dominated by US suppliers.

Best Prospects/Services Return to top

- WiMAX
- Network Hardware
- Wireless Devices
- Broadband Technology
- Innovative Content
- Broadcast Transmitters
- Production Equipment

Opportunities Return to top

Investments in the telecom and broadcast industries will lead to significant opportunities in the sector. QTel plans to invest an initial $500 million into Liberty Telecoms, while San Miguel plans an even higher investment. TV5 plans to upgrade 99% of their equipment and facilities. They need everything, from transmitters (around 40 to 50), production and post production equipment, studio equipment, news reporting equipment, to broadcast industry consultants. They need hardware, software, services and content.

Resources Return to top

1. For additional information on telecommunication policies, please refer to the National Telecommunications Commission (NTC) - http://www.ntc.gov.ph

2. Post Contact Information

Yna V. Capatayan, Commercial Specialist
U.S. Commercial Service, Philippines
Email: Yna.Capatayan@mail.doc.gov

Leading Sector #2: Information Technology

Overview Return to top

(In US$ millions)

	2008	2009(estimated)	2010 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	5,232	5,390	5,551
Total Imports	2,978	3,067	3,159
Imports from the U.S.	136	140	144

Notes: 2008 imports and exports are based on data available from the Philippine National Statistics Office (NSO). N/A – data not available. 2009 and 2010 estimated figures based on 3% growth rate

2010 is slated to be a significant year for the Philippines IT industry. This year will mark the country's first automated elections (May) and the release of secure government identification (ID) cards. The Automated Election System (AES) Project was given a budget of over US$230 million dollars. An estimated 50 million voters will make use of 82,000 Precinct Count Optical Scan (PCOS) machines that will count and securely transmit votes to the Commission on Elections (COMELEC) via the Internet. The Philippines has also begun its efforts to secure identification cards and passports. A US$14 million project is underway for the Automated Fingerprint ID Systems (AFIS) component of the Social Security System (SSS) ID project.

Apart from government, large IT spenders include financial institutions (led by banks) and the IT-enabled service (ITES) industry. With contributions over 2% of the national GDP, ITES has boomed into a US$7 billion industry approximately 500,000 employees.

The results of the National Statistics Office's (NSO) 2008 Survey on Information and Communications Technology (SICT) were released in December 2009. Results show that about 90.2 percent, or nine out of 10 establishments, in the country use computers and computer hardware, while 79.5 percent of establishments use the Internet for business operations. However, only 32.4 percent of these establishments had e-commerce transactions in 2008.

Social networking is a huge success in the Philippines. Since over 10 million Filipinos work or live overseas, sites such as Facebook, Twitter, Multiply, and Friendster allow families and friends to stay connected through the internet. This phenomenon is the main driving force behind internet usage and PC sales.

The IT sector is largely American-dominated; the likes of IBM, Microsoft, HP, Apple, Oracle, and Cisco have a growing presence in the Philippines.

Best Prospects/Services

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- Automated Fingerprint ID System (AFIS) and related secure ID Solutions
- IT Security
- Networking Systems/Solutions (servers, LAN, WAN)
- Enterprise Software (CRM, ERP)
- Broadband Solutions
- Wireless Applications
- Innovative Applications
- VoIP
- Workforce Management
- Software-as-a-Service (SAAS)

Opportunities

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Government will be a large IT customer in 2010. Apart from the AES, upcoming IT opportunities for the public sector include: network upgrades, web development, security, database applications, financial systems (i.e., accounting, payroll), and data capture technology for government issued IDs. The hacking of government websites in late 2009 and early 2010 highlighted government's lack of IT security measures. The hackers victimized the websites of the Department of Health, Department of Social Welfare and Development, National Disaster Coordinating Council, and Department of Labor and Employment, and Technical Education and Skills Development Authority.

Private sector IT customers are expected to continue their demand for data security and management systems, enterprise applications, data storage, and network equipment. SMEs continue to harbor opportunities for sales of basic IT infrastructure.

Filipino consumers continue to have a preference for smaller, handier devices such as:

- Ultra-mobile personal computers (UMPCs) such as the mini-laptops and netbooks
- Mobile-phone handsets capable of surfing the Internet
- Ultralow-voltage laptops that are lighter, slimmer, and more powerful
- The first generation of mobile Internet devices (MIDs).

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

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Leading Sector #3: Electrical Power Systems

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(In US$ millions)

	2008	2009 (estimated)	2010 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	289	280	288
Total Imports	472	420	433
Imports from the U.S.	47	50	52

Data is based on unofficial trade and industry estimates

The Philippines is a world leader in renewable energy with a third of its total electric power needs met through renewable sources. The new Philippine renewable energy law, the Philippine Renewable Energy Act of 2008 (Republic Act 9531), is a supportive policy environment that offers fiscal and non-fiscal incentives to equipment manufacturers with the goal of achieving 60% renewable energy generation by 2017.

The country is blessed with rich renewable energy resources including robust wind energy sites, ideal solar conditions, and an abundance of hydro and biomass resources. The Philippines is the second largest geothermal power producer in the world.

The implementation of the Electric Power Industry Reform Act (EPIRA) has gained momentum, as noted by recent consecutive successes in privatization of assets previously owned by the National Power Corporation (NPC). As of December 2009, the Philippine government reports that it sold 80% of the total generating assets up for bid (valued at US$9.3 billion). The government's major assets that were privatized included two coal plants (Sual 1,000 MW and Pagbilao 700 MW, valued at US$1.76 billion) and three (3) hydro facilities (San Roque, Bakun and Benguet, valued at US$595 million). In June 2006, the Wholesale Electricity Spot Market (WESM) started commercial operation in Luzon, signaling an important phase in promoting open access in accordance with the EPIRA Law.

Following the implementation of the Biofuels Act of 2006 (Republic Act (R.A) 9367) which mandated specific biofuel blends; various initiatives from both public and private sectors underscore the efforts to achieve energy independence, improve agricultural activity and introduce environment-friendly and efficient energy sources (which include bioethanol and biodiesel).

Meanwhile, demand for power continues to surge, and that will require additional capacity in the main grid areas (i.e., Luzon, Visayas, and Mindanao). Older power plants are being retired or decommissioned. According to the Philippine Department of Energy's (DOE) Philippine Energy Plan (2006 – 2015), demand for electricity will grow annually at an average of 4% to 7%. The expected increase in energy use is fueled by increased economic activity, notably in the mining, business process outsourcing, transportation, and building and construction industries (notably in the public infrastructure, commercial and residential segments).

DOE projects that P227 billion (approx. US$5.5 billion) worth of investments are required to increase the country's power generating capacity by 2015. As of 2008, DOE reports that private sector proponents have already committed 22% of the total investment required. To drum up interest, the government is offering various fiscal and other investment incentives to power sector investors.

International U.S. oil giant ExxonMobil, along with partners Mitra Energy Ltd. and BHP Billiton (International Exploration Pty. Ltd.)., engaged in the drilling of exploration wells at its oil and gas development prospect in Sandakan basin at the Sulu Sea in Southern Philippines. Named "Service Contract 56", this exploration program in the assigned oil block is estimated to yield about 750 million barrels.

Other major U.S. players in the energy market include Chevron, which remains a leader in Philippine geothermal power production; SunPower, which established a solar silicon wafer manufacturing facility to serve growing domestic and export markets; and AES Philippines, which operates the 600 MW Masinloc Coal Plant.

Industry insiders note that in the last couple of years, 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 Japan, China, and Singapore.

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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, which include:

- Renewable energy equipment and products such as turbines and solar panels
- Energy Efficiency Technologies
- Transformers
- Kilowatt hour (kWh) meters and related electronic metering equipment
- Circuit Breakers
- Protection Devices (e.g., lightning arresters, reclosers, switch gears, voltage regulators)
- Lighting Equipment
- Connectors
- Pole Line, Transmission, and Distribution Hardware

Stand-by Mobile Power Generating Systems

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- Expansion, upgrading, or rehabilitation of existing power plants to augment existing capacity and avert threats of a power shortage in the next few years, particularly in the Mindanao grid.

- The power generating companies (GenCos) and new entrants are in different stages of rehabilitation, upgrading, and/or regular maintenance work. This presents a range of opportunities for supplying various types of equipment and services.

- 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.

- Increase in demand from local electric power cooperatives requires an enhancement of their distribution capacities. Their main concern remains the reduction in systems losses.

- Additional power demand will come from increased industrial activity, particularly mining-related activities which are enjoying renewed investment interest.

- Remote, off-grid areas are being addressed by the government's rural electrification program (also called barangay electrification) which includes tapping new and renewable energy sources. This includes the supply of electricity to isolated and underserved areas called "missionary electrification areas" under the Small Public Utilities Groups (SPUG) managed by the NPC. 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.

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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 Power Corporation (NPC) - http://www.napocor.gov.ph
National Grid Corporation of the Philippines (NGCP) - http://www.ngcp.ph
Power Sector Assets & Liabilities Management (PSALM) Corp. – http://www.psalm.gov.ph
Wholesale Electricity Spot Market (WESM) - http://www.wesm.ph

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Leading Sector #4: Building Products

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(In $ Millions)

	2008*	2009*	2010*
Total Market Size	1030	931	975
Total Local Production	1581	1344	1371
Total Exports	1107	941	950
Total Imports	556	528	554
Imports from the U.S.	25	23	25

**Unofficial estimates*

The outlook on the Philippine construction industry sector is positive. In 2010, the Philippine government is projected to continue its economic stimulus program as well as rebuild infrastructure damaged by the 2009 natural calamities. Stimulus spending in 2010, however, is expected to be less than its 2009 figures since fiscal stability is a concern of the Philippine government. Stimulus spending for 2009 was planned at US$7 billion.

Private construction is expected to grow, particularly with residential projects that will address the 3.8 million housing backlog, commercial projects, and tourism/leisure facilities.

Because of the expected growth in the construction sector, Philippine imports of building products are projected to increase by at least 5% through 2012. Many U.S. made/U.S. brand building products, everything from locks to roofing, are readily available in the Philippines.

Green building construction is slowly gaining headway in the Philippines and the Philippine Green Building Council, a member of the World Green Building Council, has drafted a framework of the Philippine green building rating system and hopes to launch it by November 2010.

Best Prospects/Services

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- Building products with specialized characteristics, or high-end products for specific application, especially those not produced in Asian countries. These include, but are not limited to, interior design and renovation products, specialized fittings, etc.
- Green building products that benefit a company's bottom line (i.e., products and systems designed to promote water conservation and improve energy efficiency).
- Products used in building roads, airports, and other infrastructure projects.

Opportunities

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On-going and Upcoming Projects:

- **Residential Units, Retail Development/Shopping Malls, Office Buildings** - Ayala Land Inc. (http://www.ayalaland.com.ph); Filinvest Corporation (http://www.filinvestland.com); Megaworld Corporation (http://www.megaworldcorp.com); Robinsons Land (http://www.robinsonsland.com); SM Development Corporation (http://smdevelopment.com); SM Prime Holdings (http://www.smprime.com); and Sta. Lucia Realty and Development (http://staluciarealty.com) are among the active developers of residential, shopping centers/complexes and/or office building projects.
- **Hotel/Tourism Projects** - The Fairmont Hotel and Raffles Hotel in Makati City of Ayala Land Inc. and Dubai-based Kingdom Hotel Investments; a $600 million tourism project at the Newport City Cyber Tourism Zone in Villamor Airbase, Pasay City of the Alliance Global Group Inc. (http://allianceglobalinc.com); a world-class theme park, hotels and other tourism-related projects of the Alliance Global Group at Bagong Nayong Pilipino Entertainment City Manila/Manila Bay Tourism City/PAGCOR City; hotel projects of the SM Group such as Pico de Loro Hotel, Ritz Carlton Hotel at the Mall of Asia complex, SM Inn Travelers Hotel; and three resorts planned by Banyan Tree Holdings Ltd. between 2010 and 2012.
- **Infrastructure Projects** - A US$164.5 million Panglao Island Airport Development Project; a $169.501 million Southrail Phase 1A, also known at the Calamba to Lucena line; a $1.8-billion Light Rail Transit (LRT) Line 1 south extension or the Baclaran to Cavite phase, a $1.235-billion Metro Rail Transit Line 7 (MRT 7) that will traverse Commonwealth Ave. in Quezon City to Bulacan, and a US$336.5 million Tarlac-La Union Toll Expressway. Information on the product, equipment and service requirements of government projects is available at http://www.philgeps.net (Philippine Government Electronic Procurement System). Information on ongoing and upcoming projects is available at http://www.neda.gov.ph (National Economic and Development Authority), http://www.dilg.gov.ph (Department of Interior and Local Government), and http://www.dpwh.gov.ph (Department of Public Works and Highways).

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Alliance Global Group Inc. (http://allianceglobalinc.com)
Ayala Land Inc. (www.ayalaland.com.ph)
Department of Interior and Local Government (http://www.dilg.gov.ph)
Department of Public Works and Highways (http://www.dpwh.gov.ph)
Filinvest Corporation (http://www.filinvestland.com)
Megaworld Corporation (http://www.megaworldcorp.com)
National Economic and Development Authority (http://www.neda.gov.ph)
Philippine Government Electronic Procurement System (http://www.philgeps.net)
Robinsons Land (http://www.robinsonsland.com)
SM Development Corporation (http://smdevelopment.com)
SM Prime Holdings (http://www.smprime.com)
Sta. Lucia Realty and Development (http://staluciarealty.com)

Trade Events:
Worldbex 2010 (The 14th Philippine World Building and Construction Exposition), March 17-21, 2010, World Trade Center Metro Manila, Roxas Blvd., Pasay City, Philippines
http://www.worldbex.com

Philconstruct 2010 (Philippine International Construction Equipment and Building Materials Exhibition), November 11-14, 2010, SMX Convention Center, Seashell Drive, Mall of Asia Complex, Pasay City, Philippines
http://www.globallinkmp.com

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Leading Sector #5: Water Resources Equipment and Services

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(In $ Millions)

	2008	2009*	2010*
Total Market Size	171	181	192
Total Local Production	60	62	64
Total Exports	57	57	57
Total Imports	168	176	185
Imports from the U.S.	31	32	34

**Unofficial estimates*

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

Water supply infrastructure development has not kept up with the growing needs of the economy and the population (The Philippines has an estimated population of 90 million, growing at an average annual rate of 2 %.). Approximately 20-50% of the population does not have access to safe drinking water. Sixteen national rivers and lakes are already biologically dead and only 33% of river systems are suitable as water supply sources. Depletion of groundwater resources has been an increasing problem in some areas of the country. Wastewater management is a major concern as indiscriminate discharging of untreated wastewater over the years, particularly from domestic sources, has caused major pollution problems, especially in highly urbanized areas. Sewer coverage in urban areas ranges from about 3% to 11%.

The Philippines is highly dependent on imported water and wastewater treatment products and services. Suppliers from the US, China, Japan, Korea and Taiwan dominate the market.

Government entities fund water- and sewage-related projects through a mixture of national/local government budgets and foreign (governments, multilateral and bilateral agencies) loans/grants. Build-Operate-Transfer (BOT) project financing schemes are used for some projects. Private entities finance water and wastewater treatment projects through internal funds or loans.

Best Prospects/Services Return to top

- Drinking water treatment equipment/processes
- Products/equipment for the construction and development of additional water resources and water supply systems
- Products/equipment for water supply rehabilitation
- Products/equipment/accessories for sewage, septage and combined sewage-septage projects, including packaged or modular wastewater treatment equipment
- Products/equipment for industrial wastewater treatment and recycling

Opportunities

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Water District Projects - There are 617 water districts all over the Philippines that engage in construction, development and maintenance of water supply systems in provinces and municipalities. The Local Water Utilities Administration (LWUA) is the government entity that provides financial, technical, institutional, developmental and regulatory service to local water utilities. LWUA's lending program provides funds to develop water sources and new water supply systems; repair/rehabilitate/expand existing systems, and reduce non-revenue water. Information on project requirements of water districts is available on the LWUA website (http://www.lwua.gov.ph/).

Manila Water Company (MWC) and Maynilad Water Services, Inc. (MWSI) Projects- Under a 25-year concession agreement (1997 to 2022), MWC and MWSI are the concessionaires of the government-owned Metropolitan Waterworks and Sewerage System (MWSS). Both companies are continuously expanding, modernizing and improving water and sewerage services.

MWC's concession agreement has been extended for 15 years, or until 2037. From the original investment of $4.06 billion under its concession agreement, MWC will raise its investment to $9.8 billion to expand its wastewater services and improve water supply reliability. Additionally, MWC took over the water concession of the Sta. Rosa, Biñan and Cabuyao areas, and entered into a joint venture agreement with the Philippine Tourism Authority to develop the water distribution and sewage facilities in Boracay (Western Visayas).

Water and Wastewater Projects of Industrial Plants, Tourism Facilities, Residential/Commercial buildings, Hospitals, 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.

Resources

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Asian Development Bank - http://www.adb.org/; http://www.buyusa.gov/adb
Department of Environment and Natural Resources - http://www.denr.gov.ph
Department of Health - http://www.doh.gov.ph
Department of Interior and Local Government - http://www.dilg.gov.ph
Environmental Management Bureau - http://www.emb.gov.ph
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/
National Economic and Development Authority - http://www.neda.gov.ph
World Bank - http://www.worldbank.org.ph

Trade Event:
Enviro-Tech Philippines 2009 (9th International Total Environment Management Technology, Cleaning & Maintenance Solutions, Water & Waste Water Control System, Equipment and Services Exhibition and Conference), October 7-10, 2009, SMX Convention Center, Pasay City (Note: Enviro-Tech Philippines 2009 will be held in conjunction with six other shows: Hardware Philippines, Metal Philippines, Plastics and

Packaging Philippines, Philtronics, Print and Label Philippines and Woodmach Philippines), http://www.globallinkph.com/

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Leading Sector #6: Medical Equipment

Overview

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(In $ Millions)

	2008	2009 (estimated)	2010 (estimated)
Total Market Size	101	107	114
Total Local Production	-	-	-
Total Exports	96	102	108
Total Imports	197	209	222
Imports from the U.S.	60	64	68

Trade statistics for 2008 are official figures. Statistics for 2009 and 2010 are unofficial estimates. Data on local production is negligible.

The medical industry in the Philippines is almost totally dependent on imports. The medical equipment sector continues to present good opportunities for U.S. firms. Although the Philippines' total importation of medical equipment dropped by 4% -- from $206 million in 2007 to $197 million in 2008, imports from the U.S. surged by 88% -- from $32 million in 2007 to $60 million in 2008. The U.S. was the leading source of imported equipment, with 30% market share.

The Philippine market is familiar with U.S.-made products. Despite perceived high costs, American products enjoy a prominent place in the market because U.S.-trained Filipino doctors prefer the high technology of American medical equipment and instruments, despite their higher costs. American brands face increasing third-country competition, notably from Germany, which enjoys 12% market share; Singapore, with 11%; and China, with 10%. Industry has reason to believe that much of Singapore's share could actually be U.S. equipment that is transshipped through its ports.

Hospital construction and expansion spurred market growth for medical equipment in 2008-2009. Government projects are few and have little impact, but private hospital construction in Metro Manila and in the provinces drove demand. End-users based buying decisions on quality and price.

There are more than 1,700 licensed hospitals in the country, of which more than 60% are privately owned. Total bed capacity is more than 90,000.

In January 2010, St. Lukes opened a new state-of-the-art hospital in Manila; the first hospital in the Philippines to be accredited by JCI, a subsidiary of the Joint Commission on Accreditation of Healthcare Organizations (JCHAO) in the United States.

JCHAO is the oldest and largest healthcare accrediting body in the US, which was set up to ensure that the quality of medical service in American hospitals are improved continuously

U.S. suppliers interested in selling in the Philippines should appoint a local distributor. The import duty on medical equipment is 3 percent, plus a 12% value-added tax (VAT).

Except for radiation emitting equipment, USFDA-approved medical equipment does not require registration with the Bureau of Food and Drugs (BFAD).

Best Products/Services

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The most promising subsectors are electro-medical equipment, ultrasonic scanning machines, X-ray and radiation equipment, dialysis instruments and apparatus, and medical and surgical instruments for cosmetic surgery.

Opportunities

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Hospitals throughout the country are upgrading facilities and adapting new technologies to address demand from foreigners and returning residents who avail themselves of healthcare services in the Philippines.

Industry sources expect a 1-25-7% growth in imports of Medical Equipment in the next three years.

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Department of Health: http://www.doh.gov.ph
National Statistics Office: http://www.census.gov.ph
Philippine Medical Tourism Program: http://www.philippinemedicaltourism.info

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Agricultural Sectors

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General Market Overview

With sales of US$1.2 billion in FY 2009, the Philippines is a key Southeast Asian market for U.S. agricultural exports. The top exports to the Philippines in FY 2009 were wheat (US$432 million), soybeans and soybean meal (US$216 million), dairy products (US$86 million), red meat (US$79 million*), animal feed (US$52 million), snack foods (US$46 million), processed fruits and vegetables (US$37 million), fresh fruit (US$27 million) and poultry (US$25 million*). Total agricultural exports declined by 27 percent compared to FY 2008. With sales of US$394 million in FY 2009, imports of consumer-oriented, high-value products remain comparatively strong and are the best prospects for future growth. The United States is the top foreign food and beverage supplier to the Philippines; however, competition has greatly intensified in recent years, with products from Australia, New Zealand, the EU, Canada, China, and neighboring Southeast Asian countries capturing a growing share of the market.

New sales opportunities are being created by an ongoing expansion in modern, large-scale supermarket chains, continued interest in U.S. food trends, and a growing demand for convenience. Furthermore, approximately 15% of the population (8-10 million consumers) currently has sufficient income to regularly purchase imported food items, suggesting long-term import growth potential as income distribution improves.

* Denotes highest export levels since FY 1970

Market Characteristics

Philippine consumers have a strong affinity and distinct preference for American products. Nowhere is American culture and lifestyle more evident and emulated in Asia than in the Philippines, due to the long-standing relations between the two countries.

American products are highly-regarded for their high quality and product consistency. At the same time, Filipinos, while brand conscious, are also price sensitive. Popular American brands enjoy a small price premium compared to competing products from third- country suppliers.

There are many Philippine overseas workers who are an essential source of foreign exchange. Overseas works also serve as an important stabilizing factor in terms of consumer purchasing power. This is especially true during times of economic difficulty.

Filipinos are known to eat about five times a day and have a propensity for snacking in between meals. Consumption of imported food products peaks during the Christmas season when sales reach as much as three times normal levels.

Market Sector Structure and Trends

The retail and food service sectors are experiencing tremendous growth and evolution due to continuing changes in demographics, political and economic developments, multilateral trade agreements and evolving consumer preferences and sophistication.

Philippine food retailing is rapidly modernizing and expanding. National and upscale

Supermarket chains are attracting customers with large and modern stores, while displacing older, traditional small-scale retail chains and corner stores. While focused primarily on urban markets in Metro Manila and Cebu, in recent years national chains have expanded into smaller regional markets including Bacolod, Cagayan de Oro, and Davao.

The growth in modern, large-scale retailing presents new opportunities for U.S. foods since the modern chains offer improved cold-chain and distribution systems, market a wider variety of products, and tend to rely on imports more than traditional retailers. The customer base for national retailers is generally more upscale and demanding in terms of product quality and variety. Overall, this creates a positive environment for American foods and beverages, which tend to be pricier than local products, but offer excellent quality, variety, and reliability. The market is dominated by locally-owned and operated chains. The leaders are SM Supermarket, Rustans/Shopwise, Robinson's, Puregold, and Pilipinas Makro.

Purchasing power is largely strengthened by two-income households, especially in urban areas. The increasing prevalence of women entering the workforce, coupled with the decreasing availability of household helpers, is making a dramatic change in food consumption patterns. This has greatly encouraged dining out, food delivery, and purchases of convenient/instant/ready-to-cook food that require minimal preparation and clean up.

More than two-thirds of the population of 92 million is below 30 years of age. This age group relies heavily on processed and ready-to-cook/eat food products, and their meals are increasingly eaten away from home; 40 percent of the population is comprised of the "MTV-generation" whose lifestyles are very westernized due to extensive exposure to cable TV, foreign reading material and the Internet.

There is growing health awareness among upscale Philippine consumers. They are now more aware of food product labels and are conscious about contents and nutritional information. There is an increasing interest in foods low in calories, cholesterol and reduced or sugar/salt/fat. Natural and organic foods are gaining prominence among high-income consumers whose awareness for a "healthy lifestyle" arises from overseas travels, influences from family and friends, eco-friendly advocates, or therapeutic recommendations.

<u>Best Market Prospects</u>

US exports to the Philippines 2009:

Tree fruits	Juices
Pet Food	Natural and Health Foods
Fresh Produce	Seafood
Beef	Wine
Poultry Products	Cheese
Tree nuts	Dried Fruits
Food Ingredients	Food Processing Ingredients

Key Contacts and Further Information

For inquiries, please contact:

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Annual Commodity reports and other agricultural updates on the Philippine market can be accessed at the U.S. Department of Agriculture, Foreign Agricultural Service's website (http://www.fas.usda.gov) under the section Market and Trade Data - Attaché Reports.

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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The Philippines' simple average applied tariff was 7.1 percent in 2009, significantly below its WTO bound tariff rate of 25.8 percent. The current tariff program schedule (2006 - 2010) took effect in April 2007, and the GRP will commence the next comprehensive review shortly, to produce the new five-year program schedule (2011-2015). As a general rule, imported manufactured goods in competition with locally produced goods face higher tariffs than those without strong local competition. The GRP cites domestic and global economic developments to justify the modification of applied rates of duty for certain products, as a temporary protection for local producers in the agriculture and manufacturing sectors.

In January 2010, the Philippines reduced its duties to zero on 99 percent of all ASEAN Harmonized Tariff Nomenclature tariff lines (a total of 8,897 lines) to meet its commitments under the ASEAN Free Trade Area . For more information about free trade agreements, see the section on "Trade Agreements."

For additional information on Philippine applied tariffs:
http://www.tariffcommission.gov.ph/
http://www.apectariff.org/tdb.cgi.

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Trade Barriers

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Automobile Tariffs

The GRP seeks to promote domestic vehicle production in the Philippines with the objective of transforming the Philippines into a regional hub for auto production and spurring regional exports-- through the Motor Vehicle Development Program (MVDP). Component tariffs are low and designed to support local assembly, whereas finished autos and motorcycles are subjected to the highest duty rates applied to any nonagricultural product. The Philippines imposes a 30 percent tariff on passenger cars, 20-30 percent for vehicles utilized for the transport of goods and 15-20 percent for vehicles used for the transport of persons, with exact tariffs dependent upon vehicle weight. A one percent duty applies to completely knocked-down (CKD) kits by MVDP-registered participants with the exception of CKDs of alternative fuel vehicles, which are duty free.

Under the Japan Philippine Economic Partnership Agreement (JPEPA), tariff rates remain at 2009 rates (30% for engine displacement above 3L, 20% for 3L & below). The rates will remain at this level until the completion of negotiations.

An Automotive Export Program grants export credits to qualified Completely Built Units (CBU), which may be applied against import duties on qualifying imported finished automobiles. This system effectively reduces the applied tariff rate to ten percent. The access to preferential tariff rates is contingent upon export performance. For more details, refer to the website: http://www.tariffcommission.gov.ph/eo_312.htm.

In addition, a value-added tax of 12 percent is charged on vehicle imports. Excise taxes are based on the price of vehicles with more expensive vehicles taxed at much higher rates.

Consistent with the objectives of the MVDP, Executive Order 156 (2002) imposed a general import prohibition on used motor vehicles. However, used vehicles account for a considerable portion of new vehicle registrations in the Philippines. In 2008, new vehicle registrations totaled 177,451 units, while local industry sales were recorded at 124,449 units, hence a discrepancy of over 50,000 units, or nearly 30% of all new registrations. Local auto industry attributes a significant portion of the difference to used vehicle imports.

Further information on automobile tariffs can be obtained from Philippine Tariff Commission http://www.tariffcommission.gov.ph/contact1.html, or

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Agriculture Tariffs and Quotas

The average tariffs on agricultural products increased from 11.04% in 2003 to 11.95% in 2008 (http://www.tariffcommission.gov.ph/tariff2008.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% and 41.2%, respectively, and have not changed since. At present, a few TRQ products have already achieved unified in-quota and out-quota tariff rates including: the meat of chicken, ducks and geese (40%), frozen or chilled; turkey livers, frozen or chilled (40%); potatoes, fresh and chilled (40%); and roasted coffee beans (40%). However, a special safeguard duty is in place for chicken meat, which effectively doubles the effective rate of tariff protection. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses.

Safeguards, Antidumping, and Countervailing Duties

The Secretary of Trade and Industry and the Secretary of Agriculture have the legal authority to raise tariffs that protect a domestic industry from an import surge (Safeguard Measures Act of 2000). In the case of an agricultural good, they may impose a quantitative cap in the form of the maximum access volume restriction. The GRP continues to levy safeguard duties on glass products, ceramic floor and wall tiles, and steel-angle bars.

Detailed information on the imposition of a safeguard measure and government agencies involved in a safeguard investigation can be obtained from the following websites: http://www.tariffcommission.gov.ph/safeguar.html

As of 2009, the GRP maintains anti-dumping duties on clear float glass from Indonesia. For a comprehensive list of anti-dumping investigations initiated by the Philippines, you may refer to the following websites:
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/semi-ann1.html

The GRP does not impose a countervailing duty on any product.

For additional information on safeguard measures, anti-dumping and countervailing duties, you may refer to the following:
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/anti-dum1.html

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Excise Taxes on Alcohol and Tobacco 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. In October 2009, the United States formally observed WTO consultations between the European Communities and Philippine Government in Manila. The United States requested its own WTO consultations with the Philippines in January 2010 on the discriminatory excise tax treatment on imported distilled spirits.

The GRP continues its multi-tiered excise tax system for cigarettes. Some cigarette exporters note that Philippine law pegs excise taxes for older brands to their October 1996 retail prices, while new brands are taxed at their current retail price.

Import Requirements and Documentation

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

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

2. **Regulated Commodities** - The importation of these commodities requires clearances/permits from appropriate government agencies including the Philippine' Central Bank or Bangko Sentral ng Pilipinas (BSP) (http://www.bsp.gov.ph). They are enumerated under the provisions of CB Circular 1389 and E.O. 156 dated 12 December 2002.

3. **Prohibited Commodities** - The importation of these commodities is not allowed under existing laws. (See Prohibited Imports section of Chapter 5 for list of prohibited imports.)

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

Import documents required for shipments to the Philippines include:

- Commercial invoice
- Bill of lading (for sea freight) or air way bill (for air freight)
- Certificate of origin (if requested)
- Packing list
- Special certificates depending on the nature of goods being shipped and/or requested by the importer/bank/letter of credit clause (e.g., Bureau of Food and Drugs (BFAD) license)
- 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. For a non-L/C transaction, either Draft Documents against Acceptance (D/A), Documents against Payment (D/P), Open Account (OA) or self-funded documentation, or a Pro-forma Invoice is required.

Import Requirements for Food Products

The Philippines (GRP) is a signatory to the World Trade Organization 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) has been established for these commodities.

The GRP opened its rice market in 2002 when it allowed participation by the private sector, mainly traders, to import rice. Prior to this, the National Food Authority (NFA) was the sole importer of rice. Private sector rice imports are assessed a 40-percent in-quota tariff rate and a 50-percent tariff rate for volumes beyond the quota. Import licenses are regulated by the NFA. In 2004, the GRP completed negotiations with other WTO members for the extension of its quantitative restrictions on rice and in December 2006, their request for extension was approved by the WTO subject to certain concessions. On June 15, 2007, President Gloria Macapagal Arroyo signed Executive Order No. 627 (EO 627) which lowered the tariff rates of various agricultural products, in order to implement the Philippine commitment on rice under the World Trade Organization (WTO) Agreement on Agriculture. EO 627 was published on June 28, 2007 and took effect immediately thereafter.

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

In all cases, imported meat, fish or produce requires that a registered importer be the receiver of the shipment. Consequently, the importer would have to be knowledgeable about the regulations associated with the particular commodity being imported.

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 Bureau of Food and Drug (BFAD). 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 & bakery related products; non-alcoholic beverages & beverage mixes; candies & confectionery products; cocoa & cocoa related products; coffee, tea & non-dairy creamer; condiments, sauces & seasonings; culinary products; gelatin, dessert preparation & mixes; dairy products; dressings & spreads; flour/flour mixes & starch; fish & other marine products; fruits, vegetable & edible fungi (prepared); meat and poultry products (prepared); noodles, pastas & pastry wrapper; nut & nut products; native delicacies; oils, fats & shortening; snack foods & breakfast cereals and; sugar & 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 BFAD by the importer before the product can be imported. Only products with a valid Certificate of Product Registration from BFAD 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 BFAD) 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 BFAD 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 PhP200 (approximately US$4) 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 BFAD
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 (physico-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 PhP250 to PhP 1,000 (approximately US$5-$20) per product plus cost of laboratory analysis.

Laboratory testing by BFAD 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.

Upon approval, a Certificate of Product Registration (CPR) shall be issued by BFAD 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 BFAD to bring any of the products into the country. 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 BFAD 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, BFAD issued Bureau Circular No. 6-A (2007) imposing additional requirements for imported products to be sold in the Philippines. BFAD 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 an initial one-year licensing fee is PhP 4,000 (approximately US$80). Renewal of a License to Operate, valid for two (2) years, is PhP 8,000 (approximately US$160).

<u>Import Regulations for Fresh Produce and Meat</u>

The Bureau of Plant Industry (BPI) of the Philippine Department of Agriculture (DA) regulates imports of fresh fruits and vegetables. In response to pressure from domestic vegetable producers to limit imports as well as to crack down on illegal importation of fruits and vegetables into the Philippines, the DA has further tightened its import permit application process.

In September 2009, BPI issued a memorandum regarding the implementation of plant quarantine regulations. The memorandum reiterates that a Plant Quarantine Clearance

(PQC) certificate issued by DA-BPI and a USDA Animal Plant Health Inspection Service (APHIS) Phytosanitary Certificate are both required for all imports of plant products and planting materials, including highly- processed plant products such as frozen potato fries and raisins. Moreover, PQCs and Phytosanitary Certificates must be first secured for all imports before the shipment leaves the country of origin, unless covered by an Exemption Certificate issued by DA-BPI. Importers of soybean meal, dried distiller grains with solubles, etc. may obtain Exemption Certificates from DA-BPI at no cost. As previously done, these permits must be applied for by the Philippine importer for each shipment and secured prior to export from the United States. The date of shipment should not be earlier than the import permit.

In December 2009, the DA-BPI issued another memorandum clarifying this policy and enumerating alternative acceptable documents. Effective immediately, the following documents are now accepted for highly-processed plant products in lieu of the USDA phytosanitary certificates:

1. A certified true copy of the Philippine Food and Drug Administration/Bureau of Food and Drug (BFAD) 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

In January 2006, the APHIS Regional Office in Manila submitted the pest list for the following U.S. vegetables: broccoli, cauliflower, lettuce, carrots, cabbage and celery to BPI, as requested, in order for it to conduct a pest risk analysis. BPI and APHIS are currently in the process of negotiating the import protocols for the aforementioned vegetables. In the interim, BPI has expressed willingness to allow these products entry into the country provided that they are intended for the high-end market (i.e., hotels, restaurants and supermarkets). However, in August 2009, Memorandum Order No. 206, issued by DA-Bureau of Plant Industry limiting the definition of high-end markets to mean hotels, restaurants and airlines only, and removes supermarkets, hypermarkets and grocery stores from the list of previously accepted high-end outlets. Moreover, all local importers must now show proof of high-end clients or buyers by presenting certifications of orders with corresponding volumes. This severely restricts the entry and availability of U.S. vegetables in the country.

In 1995, BPI established plant health regulations, which allow the importation of U.S. apples, grapes, oranges, potatoes, onions, and garlic from the United States, provided these products, when necessary, undergo a specified cold treatment to control targeted pests. Importation of Florida grapefruit, oranges, and tangerines into the Philippines is permitted under a March 2000 protocol between the Philippines and the United States. In 2004, BPI formally allowed the entry of U.S. fresh cherries into the country. More information on import requirements for fresh fruits and vegetables may be downloaded from http://bpi.da.gov.ph/

In September 2005, the DA issued Administrative Order No. 26 (AO26) or the "Revised Rules, Regulations and Standards Governing the Importation of Meat and Meat Products into the Philippines." AO26 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 (without extension) 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 adhered to. The complete text of Administrative Order No. 26 may be obtained from: http://www.da.gov.ph/

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. It is recommended that such markings be covered or removed since the Philippines does not require the cartons to be marked for export to the Philippines.

Sensitive Agricultural Products

Tariff rates for sensitive agricultural products were established in Executive Order 313 (March 1996), which set varying in-quota and out-quota rates for products considered important to domestic agriculture including pork, coffee, poultry, sugar 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 GRP committed to providing minimum market access in exchange for the lifting of quantitative import restrictions in the WTO. The MAV Administration and its allocation are 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. The complete text of AO 8 is provided in:
http://www.biotech.da.gov.ph/upload/DA_AO_8-signed_copy.pdf

A detailed report which specifically addresses import regulations and standards, The Philippines: Food and Agricultural Import Regulations & Standards Country Report (FAIRS) can be obtained from the FAS homepage. To access, visit www.fas.usda.gov, select 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://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp

Import Requirements for Pharmaceutical Products

Any person, or entity, desiring to import pharmaceutical products must secure a license to operate from the Bureau of Food and Drugs (BFAD) and submit the necessary documents as specified in the checklist of requirements. The Bureau of Food and Drugs (BFAD) 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.

The checklist of requirements may be found in these BFAD links:

http://www.bfad.gov.ph/default.cfm?isservice=1&page_id=656&parent=631
http://www.bfad.gov.ph/default.cfm?did=0&level2=1&page_id=741&parent=738
http://www.bfad.gov.ph/cfc/pdf.cfm?pdfid=947

U.S. Export Controls

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

Temporary Entry

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Section 105 of the Tariff and Customs Code of the Philippines contains the regulations and requirements for products entering the Philippines temporarily, such as but not limited to the following: 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. The articles listed in Section 105 of the Tariff and Customs Code of the Philippines are exempted from the payment of import duties subject to conditions as defined in the Tariff and Customs Code.

Labeling and Marking Requirements

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Every imported and locally-manufactured product must display the following information:

1. Registered trade or brand name;
2. Duly registered trademark;
3. Duly registered business name;
4. Address of the manufacturer, importer, or re-packer of the consumer product in the Philippines;
5. General make or active ingredients;
6. Net quantity of contents, in terms of weight, measure, or numerical count in the metric system;
7. Country of manufacture, if imported;

8. If a consumer product is manufactured, refilled, or repacked under license from a principal, the label shall state such facts.

The following additional information may be required by the responsible government agency, depending on the product:

1. Whether the product is flammable or inflammable;
2. Directions for use, if necessary;
3. Warning of toxicity;
4. Wattage, voltage or amperes; and,
5. Process of manufacture used, if necessary.

Philippine inspectors enforce labeling requirements for 91 products that are subject to Philippine national standards including: automotive and motorcycle batteries, cosmetics, medical equipment, lighting fixtures, fire extinguishers, electrical wires and cables, cement, pneumatic tires, sanitary wares, and household appliances. U.S. manufacturers' self-certification of conformity is accepted for all other products.

Some exemptions to general labeling requirements apply in cases where compliance would induce significant hardship. For these items, the container may simply indicate the country of origin and product name.

Food: In addition to the regular requirements listed above, processed packaged food products must include the following information:

1. Expiry or expiration date;
2. Whether the consumer product is semi-processed, fully-processed, ready-to-cook, ready-to-eat, prepared food, or a plain mixture;
3. Nutritional value; and,
4. Whether the ingredients used are natural or synthetic.

Processed Foods Derived from Modern Biotechnology: There are no labeling requirements for biotechnology products. As of this writing, the Philippine Food and Drug Administration is publicly considering a voluntary negative labeling policy.

Pharmaceuticals: The generic name of a pharmaceutical must appear above its brand name on all packaging. In addition, Philippine law now requires that the label of a generic drug shall prominently display its positive statement regarding therapeutic equivalency to brand names and other generics, although this requirement is not strictly enforced. Another law that is not strictly enforced is the requirement that pharmaceutical products that are subject to price regulation must display the maximum retail price.

Textile and Garment Labeling: A reasonably-legible label is mandatory for the following products.

1. Finished textile fabrics in rolls or folds;
2. Textile piece goods;
3. Ready-made garments;
4. Household and institutional linens such as bed sheets, towels, napkins, and placemats; and

5. Textile products such as handkerchiefs, umbrellas, socks, hosiery, neckties, and scarves.

Ready-Made Garments: The label must be durable and include the manufacturer's name, trademark or both, manufacturer address, the percent fiber content by mass, and the country of origin.

Finished Textile Fabrics in Rolls or Folds: The label shall include the trademark, the percent fiber content by mass, using the generic name of the fiber in the order of predominance, and the country of origin.

Textile Piece Goods: A tag must be attached to the goods when there is no label. In cases where tags are to be attached by the purchaser (retailer), the name of the store must be indicated.

Labels are not mandatory for special items made of textiles, such as narrow fabrics, artificial flowers, purses, doilies, bags, hats, belts, gloves, and other garments or clothing accessories not specified above.

Mislabeling, misrepresentation, or misbranding may subject the entire shipment to seizure and disposal.

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; and to comply with international treaties and obligations.

Prohibited Goods Include:

- Those specifically listed under the Section 101 of the Tariff and Customs Code of the Philippines (see below)
- Used Clothing and Rags (Republic Act (RA) 4653)
- Toy Guns (LOI 1264, July 1982),
- Right-Hand Drive Vehicles (RA 8506, February 1998)
- Laundry and Industrial Detergents containing hard surfactants (RA 8970, October 2000)

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

- Dynamite, gunpowder, ammunitions and other explosives, firearms, and weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles in any form containing any matter advocating or inciting treason, or rebellion, insurrection, sedition, or subversion against the Government of the Philippines, or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;

- Written or printed articles, negatives or cinematographic film, photographs, engravings, lithographs, objects, paintings, drawings, or other representation of an obscene or immoral character;
- Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter, which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;
- Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes, or other when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
- Lottery and Sweepstakes tickets except those authorized by the Philippine government, advertisements thereof, and list of drawings therein;
- Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks or which do not indicate the actual fineness of quality of said metals or alloys;
- Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the Food and Drug Act;
- Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs, which are or may hereafter be declared habit forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the Government of the Philippines 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 (PD) No. 34.

Regulated/Restricted Commodities

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

Imports of fresh, chilled, or frozen fish and fish products may be allowed only when certified by the Secretary of Agriculture. One explicit criterion is potential threat to domestic industry.

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

Imports of biotech plants and plant products for direct use as seeds, feeds, food, and further 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, or further processing.

Products approved for importation are added to the approval registry for direct use, and 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 following table lists commodities that may be imported into the Philippines as well as the appropriate government agencies for the obtaining the required import clearances and permits.

Commodity Description/Commodity Group/ Tariff Heading (TH)	Government Agencies/ Issuing Permits/Clearance/ 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 (RA) No. 9165 (The Comprehensive Dangerous Drugs Act of 2002) dated 7 June 2002
Cyanide, Mercury, Asbestos, Polychlorinated Biphenyl, Chlorofluorocarbon and other ozone depleting substances TH 2805.4, 2903, 2523, 2503	Environmental Management Bureau (EMB) RA No. 6969 (The Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990) dated 26 October 1990
Semi-synthetic antibiotics (all form and salts of ampicillin, amoxicillin, and cloxacillin) Wheat Flour TH 1101 Iodized Salt TH 2501	Department of Health - Bureau of Food and Drugs (DOH – BFAD) Executive Order No. 776 dated 24 February 1992 and Bureau Circular No. 03-A s.2000 R.A. No. 8976 (Philippine Food Fortification Act of 2000) dated 7 November 2000 R.A. No. 8172 (An Act for Salt Iodization Nationwide - ASIN) dated 20 December 1995
Coal and lignite (excluding jet), whether or not pulverized, but not agglomerated TH 2701, 2702	Energy Resource Development Bureau (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 Bangko Sentral ng Pilipinas (Central Bank)
Chlorates, nitrates and nitric acid TH 2829, 2834, 2808	Explosives Management Branch (EMB), Philippine National Police (PNP) Executive Order (E.O.) No. 522 (prescribing Rules and Regulations for

Commodity Description/Commodity Group/ Tariff Heading (TH)	Government Agencies/ Issuing Permits/Clearance/ Legal Basis
	the Control and Supervision of the Importation, Sale and Possession of Chemical Used as Ingredients in the Manufacture of Explosives and for Other Purposes) dated 26 June 1992
All fertilizers, pesticides and other chemical products that are intended for agricultural use	Fertilizer and Pesticide Authority (FPA) Presidential Decree No. 1144 (Creating the Fertilizer and Pesticide Authority and Abolishing the Fertilizer Industry Authority) dated 30 May 1997 and FPA Pesticide Regulatory Policies and Implementing Guidelines, 2nd Edition, 2001
Used motor vehicle under the no-dollar import program for returning resident or immigrant with a gross vehicle weight (GVW) not exceeding 3,000 kilograms (kgs) and must be left-hand drive Used trucks excluding pick-up trucks with GVW of 2.5 – 6 tons TH 8709 Used buses with GVW of 6 – 12 tons TH 8702 Brand new/Used automotive replacement parts and brand new motorcycle replacement parts No used motorcycle parts TH 8702.9, 8703.9	Bureau of Import Services (DTI-BIS) E.O. No. 156 (Providing for a Comprehensive Industry Policy and Directions for the Motor Vehicle Development Program and Its Implementing Rules) dated 12 December 2002
Used trucks for rebuilding purposes such as truck chassis, engine, body and cabin/cowl, transmission/drivelines, axles (front and rear) or steering system TH 8701.1	E.O. No 156 and Department Administrative Order (DAO) No. 08 s. 2003
Used tires	LOI No. 1086 dated 25 November 1980
Used motor vehicle importation through donation by local government units	E.O. No. 443 s. 2005 dated 5 July 2005
Importation by all instrumentalities of the government	LOI No. 1307 s. 2003

Commodity Description/Commodity Group/ Tariff Heading (TH)	Government Agencies/ Issuing Permits/Clearance/ Legal Basis
Used vehicles for the use of an official of the Diplomatic Corps	Department of Foreign Affairs (DFA) E.O. No. 156 dated 12 December 2002
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) LOI No. 444 (Promulgating Guidelines on Trade Socialist and Other Centrally-Planned Economy Countries) dated 9 August 1967, as amended by EO NO. 244 dated 12 May 1995
Ships TH 8901 High Speed Craft TH 8901.9 Ship's Equipment/Spare Parts Spare Parts of Foreign Flagships undergoing emergency repair	Maritime Industry Authority (MARINA) Memorandum Circular (MC) No. 104 dated 6 April 1995 MC No. 121 dated 29 July 1997 R.A. No. 9295 (Domestic Shipping Development Act of 2004) dated 3 May 2004 MC No. 169 dated 13 December 2001
Atomic energy materials TH 2844	Philippine Nuclear Research Institute (PNRI) 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	Bangko Sentral ng Pilipinas (Central Bank)

Customs Regulations and Contact Information Return to top

Importers must register with the Bureau of Customs (Customs). Exceptions include importers in Special Economic Zones, the Philippine government and its agencies and instrumentalities, foreign embassies, consulates, and international organizations with diplomatic status. For a complete list of requirements on accreditation of importers, refer to the revised rules and regulations on accreditation of importers from the Bureau of Import Services website:

http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc

Import documents required in all shipments:

- 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)
- For non-L/C Transactions, either Draft Documents against Acceptance (D/A), Documents Against Payment (D/P), Open Account (OA) or self-funded, a Pro forma Invoice;

Customs uses the Automated Customs Operating System (ACOS) to determine the appropriate clearance of shipments. Shipments with low-risk pass through the green lane without physical inspection. Moderate-risk shipments pass through the yellow lane, subject to documentary examination. High-risk shipments in the red lane submit to both documentary and physical inspection.

Customs now has a "super green lane" for a no-questions-asked clearance of goods, aside from basic import licenses. Customs may conduct random post-entry inspections, but only at the importer's premises. To qualify for this lane, an importer must be free of disciplinary action, with official transaction records in the Philippines for at least one year, and among the top 1000 importers in terms of duties and taxes paid. In practice, Customs limits participation to the top 120 importers, as adoption has not been as strong as anticipated.

<u>Valuation</u>

As of January 1, 2000, the Government converted to the 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.

Other methods of valuation may be applied by Customs when there is doubt regarding the value of goods. Customs may apply at its discretion the transaction value of identical goods, transaction value of similar goods, deductive value, computed value, or fallback value.

Reports of corruption and other irregularities persist in the effective 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 U.S. Government (USG) remains concerned about reported private sector involvement in the valuation process, particularly in the activities of the Import Specialist Team, which has the power to review all green lane entries for possible valuation-related offenses. The USG raised this issue during bilateral trade discussions and will continue to monitor implementation of the law and related measures closely. The USG has repeatedly requested that the GRP improve administration of its customs regime and minimize import harassment.

<u>Clearance Requirements</u>

Following are the documentary requirements necessary to clear imports through Customs, 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:

Atty. Emmilene David
Chief, Value Reference Information System (VRIS)
Office of the Commissioner
Bureau of Customs (BOC)
Gate 3 South Harbor, Port Area, Manila
Telephone: (632) 527.3085
Fax: (632) 536.1576

Queries related to tariff nomenclature and classification:

Philippine Tariff Commission
Ms. Zenaida C. Lacar, Acting Director
Research and Investigation Department
5th Floor, Philippine Heart Center
Medical Arts Bldg., East Ave.,
Diliman, Quezon City 1100
Phone: (632) 926-7476
Fax: (632) 921-7960
E-mail: tarcm@mydestiny.net; tarcm@pworld.net.ph

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The Bureau of Product Standards (BPS) is the Philippine National Standards Body. 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 & Industry, Its Attached Agencies, and for Other Purposes), as amended by Executive Order No. 242, Series of 1987 (amending Executive Order No. 133, Series of 1987, Entitled "Reorganizing the Department of Trade and Industry, Its Attached Agencies, and for Other Purposes"), and Executive Order No. 292, Series of 1987 (The Administrative Code of the Philippines)

The BPS formulates Philippine National Standards (PNS) or adopts relevant international or foreign standards to help industries produce quality products or services and raise productivity. The standards also help consumers evaluate product quality. Some standards focus on quality management systems (ISO 9000), environmental management systems (ISO 14000), and quality system for calibration and testing laboratories (ISO 17025) that apply to both the manufacturing and services sector.

<u>Product Testing</u>
Along with other BPS recognized testing laboratories, BPS likewise offers its clients third-party testing of products through its BPS Testing Center to verify conformity to PNS requirements and to support the Philippine Standards (PS) and Import Commodity Clearance (ICC) product certification schemes.

<u>Standards Enforcement</u>
To ensure that all stakeholders covered by the BPS regulations conform to the standard requirements, the BPS in collaboration with the Department of Trade & Industry (DTI) Regional Development Operations Group (RDOG) actively carries out activities to strengthen the DTI's monitoring and enforcement program. Through the nationwide conduct of market monitoring, the BPS has a tight watch of the system and products of the 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 elementary pupils and high school students. In this program, standards are introduced through BPS modules and through visits to testing centers or laboratories to witness the tests performed on products to verify quality and safety based on standards.

BPS embarked on an aggressive consumer education program called Konsyumer Atbp. (KATBP). This DTI radio program, airs over ABS-CBN's DZMM every Saturday from 10:00 -11:30 in the morning, in cooperation with the Department of Education and the Philippine Product Safety and Quality Foundation. It aims to raise consumer awareness and understanding, particularly among students, regarding standards, prices, monitoring and enforcement activities, product quality and safety characteristics, consumer tips, and trade and industry news.

Other BPS Support Services

Moreover, the BPS provides the following services: Technical Help to Exporters; Standards Data Center; Sales; Publications; 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 the email address bps@dti.gov.ph.

The BPS operates a National Registration Scheme for Quality Auditors (NRSQA) for the registration of provisional auditor and lead auditor engaged in the assessment of quality system 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 and standardization bodies, and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), Asia Pacific Economic Cooperation (APEC), and ASEAN Consultative Committee on Standards and Quality (ACCSQ), among others.

It also supports the WTO Agreement on Technical Barrier and Trade, otherwise known as Standards Code. As such BPS has been designated as the notification authority and focal inquiry 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 (MRAs) in some aspects of conformity assessment with several conformity assessment bodies of foreign countries such as: the American Society for Testing and Materials, the United Kingdom's British Standard Institute.

Standards Organizations Return to top

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

Mr. Pablito Chua
President
Philippine Rubber Industries Association
c/o Philippine Belt Manufacturing Corp.
2nd Floor, Siemkang Bldg.
280 Dasmariñas St., Binondo
Manila, Philippines
Tel: (632) 241-2975; 241-0794 to 98
Fax: (632) 241-3279
Email: philbelt@info.com.ph

Mr. Lucio Tan
Director
Philippine Rubber Industries Association (PRIA)
c/o Manhattan Rubber and Plastics Mfg. Corp.
1422 I. Santiago St., Malinta
Valenzuela City, Philippines
Tel: (632) 294-6056; 357-7185
Fax: (632) 277-1781

Engr. Gregorio Guevarra
National President
Institute of Integrated Electrical Engineers of the Philippines, Inc.
41 Monte de Piedad Street, Cubao
Quezon City, Philippines
Tel: (632) 721-6442; 722-7383
Fax: (632) 410-1899

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/Fax: (632) 910-2721; 638-6539
Email: psvare@pldtdsl.net

Hon. Angelo Reyes
Secretary
Department of Energy
Energy Center, Merritt Rd.
Fort Bonifacio, Taguig City, Philippines
Tel: (632) 479-2900
Telefax: (632) 840-2268

Mr. Fernando A. Lu
President
Philippine Wood Producers Association
Room 305, LTA Building
118 Perea Street, Legaspi Village
Makati City, Philippines
Tel: (632) 817-6751; 817-6885
Fax: (632) 817-6884
Email: philwood@globelines.com.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
Email: spik.secratariat@gmail.com

Mr. Alexander Tan
President
Packaging Institute of the Philippines
Unit 725, Cityland Shaw Tower
St. Francis Ave. corner Shaw Blvd.
Mandaluyong City, Philippines
Tel: (632) 687-3051
Fax: (632) 687-2018
Email: secratariat@phil-packaging.org

Engr. Jessup P. Navarro
Administrator
National Food Authority
Philippine Sugar Center Bldg.
North Avenue, Diliman
Quezon City, Philippines
Tel: (632) 928-1634; 926-6493
Fax: (632) 928-1634
Email: jpn@nfa.gov.ph

Mr. Romulo T. Carmen, Jr.
President
Philippine Welding Society (PWS)
Gate 2 TESDA, NCR Complex
East Service Road, South Super Highway
Taguig City, Philippines
Telefax: (632) 894-4609
Email: philwedsoc@yahoo.com
Website: www.philippineweldingsociety.org

Ms. Sonia T. Valdeavilla

Officer in Charge
Philippine Domestic Overseas Construction Board
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Makati City, Philippines
Tel: (632) 896-1831
Fax: (632) 896-4569

Undersecretary Zenaida C. Maglaya
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Construction Industry Authority of the Philippines
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Email: pdcb_ciap@yahoo.com

Engr. Arthur Lucas Cruz
Officer in Charge
Metals Industry Research and Development Center
MIRDC Compound, Bicutan
Taguig City, Philippines
Tel: (632) 837-0431
Telefax: (632) 837-0613
Email: alcruz52@yahoo.com

Ms. Nazarita Tacandong
Director
Food and Drug Administration
Department of Health
Civic Drive, Filinvest Corporate City, Alabang
Muntinlupa City, Philippines
Tel: (632) 809-4390 local 2182 to 2184
Telefax: (632) 807-8511; 842-5606; 807-0751
Email: nazaritatacandong@yahoo.com.ph, bfad@bfad.gov.ph

Mr. Carlos C. Tomboc
Director
Philippine Textile Research Institute
Department of Science and Technology
Bicutan, Taguig City, Philippines
Telefax: (632) 837-1325
Email: carlos@dost.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 Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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The BPS offers its clients third-party testing of products through its BPS Testing Center to verify conformity to buyer-seller specifications and to support the Philippine Standards and Import Commodity Clearance certification mark schemes and the research requirements.

Product Certification

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The BPS is implementing a mandatory product certification for various building and construction, electrical and electronics, chemical and consumer products under its two (2) Product Certification Schemes. Products under the mandatory certification of BPS cannot be sold or distributed in the Philippine market without the necessary Philippine Standard (PS) or Import Commodity Clearance (ICC) mark.

1. Under the PS 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 Philippine National Standards (PNS) or an internationally accepted foreign standard. Conformity to standards is determined on the basis of satisfactory results of the assessment of the manufacturer's production and quality assurance processes and its product.

2. Under the Import Commodity Clearance (ICC) Scheme (Department Administrative Order No. 5:2008), an importer obtains ICC certificates after the import shipments have been evaluated by BPS as meeting the requirements of the applicable PNS. The BPS, thru the DTI Regional and Provincial Offices, subjects import shipments to sampling, testing, and evaluation based on the requirements of specific Philippine National Standards (PNS).

There are 80 products listed under PNS that require mandatory certification.

Accreditation

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The Philippine Accreditation Office (PAO), as the national accreditation body, handles the accreditation of conformity assessment bodies in the country. Conformity assessment refers to the processes of inspection, testing, calibration, and certification used to demonstrate that a product, service, or management body meets specified trustworthy requirements and standards.

The PAO operates the following schemes, according to international standards:

a) Accreditation of calibration and testing laboratories
b) Accreditation of Quality Management Certification bodies
c) Accreditation of Environmental Certification bodies
d) Accreditation of Food Safety Management Certification bodies
e) Accreditation of Hazard Analysis Critical Control Points Certification bodies
f) Accreditation of Inspection bodies
g) Accreditation of Electronic Signature certifiers
h) Accreditation of Data Protection certifiers

The PAO is a signatory to the Multilateral Recognition Arrangement (MRA) of the Pacific Accreditation Cooperation (PAC) and International Accreditation Forum (IAF). It is also a signatory to the Mutual Recognition Agreement (MRA) of the Asia-Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).

For further inquiries, contact:

Mrs. Cirila S. Botor
Officer-in-Charge
Philippine Accreditation Office
3/F Trade & Industry Building
361 Sen. Gil J. Puyat Avenue
1200 Makati City, Philippines
Phone (632) 751-3126/27
Fax (632) 751-3262
Email: pao@dti.gov.ph

Publication of Technical Regulations Return to top

The approved Philippine National Standards for mandatory certification are published in the Official Gazette of the National Printing Office and two newspapers of general circulation. Comments are entertained while the standards are still in their draft stage for circulation.

Contact details
Tel: (632) 751-4736
Fax: (632) 751-4706
Email: bps@dti.gov.ph
Contact: Ms. Anne Daisy T. Umila, In-Charge of Standards Information Services

Labeling and Marking Return to top

The approved Philippine National Standards for mandatory certification are published in the Official Gazette of the National Printing Office and two newspapers of general circulation. Comments are entertained while the standards are still in their draft stage for circulation.

The labeling marking requirements are specified in the Consumer Act of the Philippines and in the specified Philippine National Standards (PNS).

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

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

Contacts Return to top

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Director-In-Charge
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Department of Trade and Industry
3/F Trade & Industry Bldg.
361 Sen. Gil Puyat Avenue, Makati City
Tel: (632) 751-4724
Telefax: (632) 751-4706
Email: bps@dti.gov.ph
URL: http://www.bps.dti.gov.ph; http://www.business.gov.ph

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AFTA

As a member of the Association of Southeast Asian Nations (ASEAN), the Philippines committed to reduce tariff and non-tariff barriers and investment restrictions within the ASEAN Free Trade Area (AFTA). Under these commitments, ASEAN members agreed to accelerate the tariff reductions in each country's AFTA Common Effective Preferential Tariff (CEPT) Inclusion List. The end goal for the six ASEAN members is to reduce tariffs to zero for all products in the Inclusion List by 2010 (2015 for the four newer ASEAN members), with flexibility on some sensitive products until 2018. CEPT duty rates are lower than or equal to the MFN rates accorded to other trading partners, including the United States.

The Philippines is on track in meeting its AFTA commitments and has reduced duties to zero percent on 99 percent of total ASEAN Harmonized Tariff Nomenclature tariff lines. The average CEPT preferential tariff rate on imports from ASEAN countries was reduced from 3.20% in 2003 to 0.92% in 2009. Moreover, the Philippines began implementing preferential rates under the ASEAN-China, ASEAN-Korea, and ASEAN-Australia New Zealand Free Trade Areas.

For more information on AFTA, please refer to the following websites:
http://www.aseansec.org/4920.htm; http://www.aseansec.org/12025.htm;
http://www.tariffcommission.gov.ph/afta-cep.html

ASEAN Priority Integration Sectors

ASEAN member states agreed to accelerate the establishment of the single market ASEAN Economic Community (AEC) by five years through 2015.

ASEAN is implanting the AEC through the Framework Agreement for the Integration of Priority Sectors and the 11 ASEAN Sectoral Integration Protocols on electronics, e-ASEAN, automotives, textiles and apparel, healthcare, wood-based products, rubber-based products, agro-based products, fisheries, air travel, and tourism. The Philippines eliminated import duties for these priority products in 2007 along with the other ASEAN-6 countries. The remaining ASEAN nations must comply by 2012.

For further information on the ASEAN Priority Sectors, you may refer to the following website: http://www.aseansec.org/AIPS - Framework.doc

Other Trade Agreements

Under the ASEAN framework, the Philippines is negotiating free trade agreements (FTA) with Japan and India and FTA chapters on trade in services and investments with China, the Republic of Korea, and Australia-New Zealand.

For more information on the Philippines and its commitments to AFTA, the point of contact is:

The National AFTA Unit
Assistant Secretary Ramon Vicente T. Kabigting
Bureau of International Trade Relations - Department of Trade & Industry
DTI International Bldg., 375 Senator Gil J. Puyat Avenue
Makati City 1200 Philippines
Tel: (632) 897.8289 / 897.8290 Fax: (632) 890.5149
E-mail: bitr_mon@dti.gov.ph

APEC

80% of all trade is with other Asia-Pacific Economic Cooperation (APEC) countries, and the Philippines formally committed to its Bogor Goals of free and open trade and investment in the Asia-Pacific for industrialized economies (2010) and developing economies (2020).

The country participates in the Accelerated Tariff Liberalization (ATL) program of the WTO, originally an APEC program. Since joining, however, the Philippines has noted extensive reservations for both policy and revenue reasons, and has requested flexibility on end dates. The country complies with its tariff reduction commitments with the WTO (originally APEC) and ASEAN under its Tariff Reform Program.

For more information on the Philippines and APEC, please refer to the following websites: http://www.apec-iap.org/
http://www.tariffcommission.gov.ph/asia.html

JPEPA

The Philippines and Japan signed the Japan Philippine Economic Partnership Agreement (JPEPA) - the first bilateral free trade agreement for the Philippines - on September 2006.JPEPA seeks the liberalized flow of goods, persons, services, and capital; as well as a comprehensive economic partnership focusing on intellectual property, competition policy, improvement of business environment, human resources development, information and communications technology, and small and medium enterprises. JPEPA was ratified by the Philippine Senate and entered into force on December 11, 2008.

For more details on the JPEPA, refer to the following websites:
http://tradelinephil.dti.gov.ph/dti/downloads/RPJapanJointPressStatementNovember292004.pdf
http://tradelinephil.dti.gov.ph/dti/downloads/TradeAdvisory.pdf

For detailed information regarding the JPEPA, contact the Philippine Coordinating Committee (PCC) Secretariat at the Bureau of International Trade Relations, Department of Trade and Industry via e-mail at jpepa@dti.gov.ph.

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http://www.tariffcommission.gov.ph/
http://www.apectariff.org/tdb.cgi
http://www.tariffcommission.gov.ph/eo_312.htm
http://www.tariffcommission.gov.ph/contact1.html
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/orders_issued%20by%20DTI.htm
http://www.tariffcommission.gov.ph/semi-ann1.html
http://www.tariffcommission.gov.ph/safeguar.html
http://www.tariffcommission.gov.ph/anti-dum1.html
http://www.bsp.gov.ph
http://www.customs.gov.ph
http://www.dti.gov.ph
http://www.da.gov.ph
http://bpi.da.gov.ph/
http://www.biotech.da.gov.ph/upload/DA_AO_8-signed_copy.pdf
http://www.fas.usda.gov
http://www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp
http://www.bfad.gov.ph/default.cfm?isservice=1&page_id=656&parent=631
http://www.bfad.gov.ph/default.cfm?did=0&level2=1&page_id=741&parent=738
http://www.bfad.gov.ph/cfc/pdf.cfm?pdfid=947
http://www.bis.doc.gov
http://www.dti.gov.ph/uploads/DownloadableForms/Revised%20Rules%20and%20Regulations%20on%20the%20Accreditation%20of%20Importers%20under%20CMO%2015-2009.doc
http://www.bps.dti.gov.ph
http://www.philippineweldingsociety.org
http://www.nist.gov/notifyus/
http://www.business.gov.ph

http://www.aseansec.org/4920.htm
http://www.aseansec.org/12025.htm
http://www.tariffcommission.gov.ph/afta-cep.html
http://www.aseansec.org/AIPS - Framework.doc
http://www.apec-iap.org/
http://www.tariffcommission.gov.ph/asia.html
http://tradelinephil.dti.gov.ph/dti/downloads/RPJapanJointPressStatementNovember292004.pdf
http://tradelinephil.dti.gov.ph/dti/downloads/TradeAdvisory.pdf

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Chapter 6: Investment Climate

Openness to Foreign Investment

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The GRP is receptive to suggestions and criticism from the private sector, and many foreign and domestic businesses make their views known through platforms such as economic reform-promoting industry associations. The American Chamber of Commerce of the Philippines (AMCHAM), along with other local chambers of commerce, identify investment opportunities while offering prospective solutions to any challenges of doing business. AMCHAM produces publicly-available advocacy papers on economic and political issues, often jointly with other chambers. (See http://amchamphilippines.com)

Philippine gross capital formation ranks among the lowest in Southeast Asia, averaging at only 15 percent of gross domestic product (GDP). Overall, net foreign direct investment (FDI) flows have averaged less than $1.6 billion annually over the past ten years. Net FDI flows improved yearly from less than $500 million in 2003 to $2.9 billion in 2007, but contracted by more than 50 percent year-on-year in 2008 to $1.4 billion. As of September 2009, year-to-date net inflows were estimated at $1.3 billion, up 6.8 percent from 2008's comparable nine-month period. In 2009, the Philippines scored lower on global competitiveness and anti-corruption rankings. The American and other in-country foreign chambers continue to urge the Philippine government to remove legal barriers to trade and investment and further open-up the economy.

Trade infrastructure, including Bureau of Customs operations, the nation's inter-island shipping, and port facilities offer much opportunity for improvement. Investors cite high electricity costs power shortages, and corrupt practices as challenges to doing business. The GRP follows a policy of liberalizing the power sector through the sale of government generation and transmission assets, and through support for alternative energy sources that reduce dependence on imported fuels.

Third party assessments of the Philippine investment climate statement include:

Measure	Year	Ranking	Index
World Bank’s Doing Business	2010	144 out of 183	-
World Bank "Doing Business"	2009	141 out of 183	-
Transparency International’s Corruption Perception Index	2009	139 out of 180	2.4
Heritage Foundation’s Economic Freedom Index	2009	104th freest out of 122	56.8

Sources: World Bank’s Doing Business 2010, Transparency International’s Corruption Perceptions Index 2009, The Heritage Foundation’s 2009 Index of Economic Freedom

The Philippines ranked 144 out of 183 economies surveyed in the World Bank’s Doing Business 2010 report, an annual survey of economies’ ease of doing business. Of the 10 factors measured, the Philippines scored 162 in starting a business, 132 in protecting investors, 118 in enforcing contracts, 115 in employing workers, and 68 in trading across borders (the only factor where the country scored below 100). According to the Heritage Foundation’s Economic Freedom Index, the Philippines was the 104th freest economy in 2009, scoring 56.8 in economic freedom. It scored above the world average in four of the ten “economic freedoms,” namely, trade freedom (76.8), fiscal freedom (75.4), financial freedom, (50.0), and government size (90.8). In Transparency International’s Corruption Perception Index, the Philippines scored 2.4, ranking 139 out of 180 countries ranked. A country scoring 10 in the index is perceived to have low levels of corruption.

General Provisions

Under the law, foreign investors are to be treated like their domestic counterparts, with the exceptions outlined below and in the Foreign Investment Act (R.A. 7042, 1991, amended by R.A. 8179, 1996). Corporations or partnerships must register with the Securities and Exchange Commission (SEC) while sole proprietorships must register with the Bureau of Trade Regulation and Consumer Protection in the Department of Trade and Industry (DTI). Investors state that Philippine bureaucracy is slow to process these requirements, but nondiscriminatory. Foreign investment incentive programs are described in the section on "Performance Requirements and Incentives."

Restrictions on Foreign Investment

The Foreign Investment Negative List is comprised of two lists which outline sectors that are restricted or limited in terms of foreign investment (1991 Foreign Investment Act). These limits are routinely cited as contributing to the country's lagging foreign investment, as compared to its Asian neighbors. List A enumerates investment sectors and activities for which foreign equity participation is restricted by mandate of the Constitution and specific laws. List B enumerates areas where foreign ownership is restricted or limited (generally to 40 percent) for specific reasons. The restrictions stem from a constitutional provision permitting Congress to reserve to citizens certain areas of investment (Section 10 of Article XII) and limit foreign participation in public utilities or their operations (Section 11, Article XII). No mechanism exists for a waiver under the Negative List. The Foreign Investment Act requires the government to publish an updated negative list every two years to reflect new changes in law. The 2007 negative list is in force, pending release of the eighth negative list.

Only citizens can practice licensed professions such as engineering, medicine and the allied professions, accounting, architecture, interior design, chemistry, environmental planning, social work, teaching, and law. As a general policy, the Department of Labor and Employment (DOLE) allows the employment of foreigners provided there are no qualified Philippine citizens who can fill the position. BOI-registered companies may employ foreign nationals in supervisory, technical, or advisory positions for five years from registration. This is extendable for limited periods at the discretion of BOI. Top positions and elective officers of majority foreign-owned enterprises (i.e., president, general manager, treasurer, or their equivalents) are exempt from these restrictions.

Other investment areas reserved for Filipinos include: mass media (except recording); small-scale mining; private security; utilization of marine resources, including small-scale utilization of natural resources in rivers, lakes, and lagoons; and the manufacture of firecrackers and pyrotechnic devices.

The retail trade industry is highly restricted to foreign investment. Retail trade enterprises with paid-up capital of less than $2.5 million, or less than $250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign ownership of retail trade enterprises with paid-up capital between $2.5 to 7 million is now allowed, with initial capitalization requirements. Enterprises engaged in financing and investment activities that are regulated by the Securities and Exchange Commission (SEC), which includes securities underwriting, are limited to 60 percent foreign ownership.

Other specific limits on foreign investment include:

- Private radio communications networks (20 percent)
- Employee recruitment and locally-funded public works construction and repair (25 percent)
- Advertising agencies (30 percent)
- Natural resource exploration, development, and utilization (40 percent, with exceptions)
- Education institutions (40 percent)
- Public utilities' operation and management (40 percent)
- Operation of commercial deep-sea fishing vessels (40 percent)
- Philippine government procurement contracts (40 percent)

- Adjustment companies (insurance sector) (40 percent)
- Operations of build-operate-transfer projects in public utilities (40 percent)
- Ownership of private lands (40 percent)
- Rice and corn processing (40 percent, with exceptions)

In 2004, the Philippine Supreme Court upheld the constitutionality of the Philippine Mining Act of 1995. This allowed a foreign entity full ownership of a company involved in large-scale exploration, development, and utilization of mineral resources, as arranged through Financial and Technical Assistance Agreements with the Philippine government.

Negative Investment List B enumerates areas where foreign ownership is restricted or limited for reasons of national security, defense, public health, safety, and morality. Sectors include: explosives, firearms, military hardware, massage clinics, and gambling, and are generally limited to 40 percent foreign equity. This list also restricts foreign ownership in small- and medium-sized enterprises to no more than 40 percent in non-export firms.

In addition to the restrictions noted in the "A" and "B" lists, firms with more than 40 percent foreign equity that qualify for BOI incentives must divest to the 40 percent level within 30 years from registration date or within a longer period determined by BOI. Foreign-controlled companies that export 100 percent of production are exempt from this requirement.

Financial Services

The number of new foreign banks that can open full-service branches in the Philippines was capped at ten in 1994 (Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines, R.A. 7721). All ten licenses were issued within the five-year window provided for this mode of entry, which closed in 1999. These foreign banks are limited to six branch offices each. This is in addition to the four foreign banks operating in the Philippines prior to 1948, which were also allowed to open up to six branches each. Foreign banks that qualify under the law -- publicly-listed and with national or global rankings -- may own up to 60 percent in a locally incorporated subsidiary. Foreign investors that do not meet these requirements are limited to a 40 percent stake.

Since 1999, a Central Bank-imposed moratorium on the issuance of new bank licenses has limited investments to existing banks, with the exception of micro-finance institutions. Law requires that majority Filipino-owned banks must, at all times, control at least 70 percent of total banking system resources in the country.

The insurance industry was opened to 100 percent foreign ownership in 1994, with a sliding scale of minimum capital requirements depending on the degree of foreign ownership. As a general rule, only the state-owned Government Service Insurance System may provide coverage for government-funded projects. Build-operate-transfer projects and privatized government corporations must secure insurance and bonding from the Government Service Insurance System that is proportional to GRP interests (Administrative Order 141).

The Philippines is generally open to foreign portfolio capital investment. A more detailed discussion is provided in the section "Efficient Capital Markets and Portfolio Investment." Membership in the Philippine Stock Exchange is open to foreign-controlled stock brokerages incorporated under Philippine law. Offshore companies not incorporated in the Philippines may underwrite Philippine issues for foreign markets, but not for the domestic market. The Lending Company Regulation Act (May 2007) requires majority Philippine ownership for such enterprises and established a regulatory framework for credit enterprises that do not clearly fall under the scope of existing laws. Current law also restricts membership on boards of directors for mutual fund companies to Philippine citizens (Investment Company Act, R.A. 2629).

Land Ownership

The 1987 Constitution prohibits foreign nationals from owning land in the Philippines. The Investors' Lease Act (R.A. 7652, 1994) allows foreign investors to lease a contiguous land parcel of up to 1,000 hectares for 50 years, renewable once for an additional 25 years.

In mid-2003, the Dual-Citizenship Act (Republic Act 9225) allowed natural-born Filipinos who became naturalized citizens of a foreign country to re-acquire Philippine citizenship. Philippine dual citizens now have full rights of possession of land and property. Ownership deeds and title continue to be difficult to establish, are poorly reported and regulated, and respective cases are slow to be resolved with the current court system.

Public Infrastructure

The Build-Operate-Transfer (BOT) Law provides the legal framework for large infrastructure projects and other types of government contracts (R.A. 6957 of July 1990, as amended in May 1994 by R.A. 7718). Franchises in railways/urban rail mass transit systems, electricity distribution, water distribution, and telephone systems may only be awarded to enterprises with at least 60 percent Philippine ownership. American firms have won contracts, under the law and similar arrangements, mostly in the power generation sector. However, more active foreign participation under BOT and similar arrangements is discouraged as a result of legal administration challenges, which include poor planning, tendering, execution of private sector infrastructure projects, and ambiguities about the level of guarantees and other government support.

Conversion and Transfer Policies Return to top

There are no restrictions on the full and immediate transfer of funds associated with foreign investments, foreign debt servicing, payment of royalties, lease payments, and similar fees. Foreign exchange purchased from the banking system; foreign exchange corporations that are subsidiaries/affiliates of banks; or from foreign exchange dealers, money changers, and remittance agents; requires specific documentation spelled out in Central Bank regulations. To obtain foreign exchange for debt servicing, repatriation of capital, or remittance of profits; the foreign loans and foreign investment must be registered with the Central Bank. To be registered with the Central Bank, foreign investments should be funded by inward remittances of foreign exchange.

There is no mandatory foreign exchange surrender requirement imposed on export earners and other foreign exchange earners such as overseas workers. The Central Bank follows a market-determined exchange rate policy, with scope for occasional intervention targeted mainly at smoothing excessive foreign exchange volatility.

Expropriation and Compensation

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Philippine law allows for expropriation of private property for public use or in the interest of national welfare or defense. In such cases, the GRP offers compensation for the affected property. Most expropriation cases involve acquisition for major public sector infrastructure projects. In the event of expropriation, foreign investors have the right under Philippine law to remit sums received as compensation in the currency in which the investment was originally made, and at the exchange rate at the time of remittance. However, agreeing on a mutually- acceptable price can be a protracted process. There are no recent cases of expropriation of U.S. companies in the Philippines.

Philippine law mandates divestment to 40 percent foreign equity in some sectors. The Omnibus Investment Code specifies a 30-year divestment period for non-pioneer, foreign-owned companies that accept investment incentives. Exempt from divestment requirements are pioneer enterprises and companies that export 100 percent of production. Certain non-luxury retail establishments must offer at least 30 percent of their equity to the public within eight years from the start of operations.

Dispute Settlement

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Investment disputes can take years to reach final settlement. A number of GRP actions in recent years have raised questions over the soundness of contracts in the Philippines, thereby clouding the investment climate. Recent high-profile cases include the GRP-initiated review and re-negotiation of contracts with independent power producers, court decisions voiding allegedly tainted and disadvantageous BOT agreements, and challenges to the extent of foreign participation in large-scale natural resource exploration activities, such as mining.

Legal System

Many foreign investors describe the inefficiency and uncertainty of the judicial system as a disincentive for investment. The judiciary branch is constitutionally independent of the executive and legislative branches, and it faces understaffing and corruption. Critics contest judges' credentials and comprehension of market economics or business. They also claim that decisions stray from the interpretation of law into policymaking. The GRP is continuously pursuing judicial reform with support from foreign donors, including the U.S. Government, the Asian Development Bank, and the World Bank.

The Philippines is a member of the International Center for the Settlement of Investment Disputes and of the Convention on the Recognition and Enforcement of Foreign Arbitrage Awards. However, courts have, in several cases involving U.S. and other foreign firms, shown a reluctance to abide by the arbitral process or its resulting decisions. Enforcing an arbitral award in the Philippines can take time.

Bankruptcy Law

Regional trial courts that are specifically designated by the Supreme Court as commercial courts have jurisdiction (Securities Regulation Code of 2000). Bankruptcy cases are governed by procedural rules in effect since January 2009. The new rules allow courts to approve rehabilitation plans endorsed by creditors holding at least two-thirds of the total liabilities of the debtor. They also recognize foreign proceedings, as well as specific deadlines for compliance with procedural requirements, including court approval/disapproval of a rehabilitation plan. Some judges reportedly have not enforced the deadlines in a number of cases, resulting in protracted proceedings that can take years to resolve. Investors have expressed concern over a provision that allows the courts to approve a rehabilitation plan despite opposition from majority creditors.

The legal framework is unclear in the area of bankruptcy, especially regarding secured creditors' rights if a debtor is liquidated. While the Civil Code stipulates that a secured creditor has the right to full payment up to the value of the collateral securing the loan, several subsequent judicial rulings and statutory provisions have allowed other parties (including employees and tax authorities) access to the liquidated assets when funds are insufficient to pay the claimants.

Performance Requirements and Incentives Return to top

Every year, the Investment Priorities Plan presents a list of investment areas entitled to incentives. The 2009 Plan was formulated to mitigate the effects of the global economic slowdown, with the following priority investment areas: agriculture/agribusiness and fisheries (including biotechnological products and services); infrastructure; engineered products; tourism; business process outsourcing; research and development; and creative industries. Also covered are "strategic activities," or projects with a minimum investment of US $300 million that create at least 1,000 jobs or use advanced technology.

Screening for the legitimacy and regulatory compliance of companies seeking investment incentives appears to be nondiscriminatory, but the application process can be complex as incentives granted by BOI often depend on action by other agencies, such as the Department of Finance and the Bureau of Customs. The basic incentives offered to BOI-registered companies include:

- Income tax holiday: new projects with "pioneer" status receive a six-year income tax holiday, with the possibility of an extension to eight years. New projects with non-pioneer status receive a four-year holiday, with a possible extension to six years. New or expansion projects in less-developed areas, regardless of status, receive a six-year income tax holiday. Expansion and modernization projects receive three years, limited to incremental sales revenue/volume. Enterprises located in less-developed areas may secure a bonus year if the ratio of total imported and domestic capital equipment to number of workers for the project does not exceed $10,000 per worker; the net foreign exchange savings or earnings amount to at least $500,000 annually for the first three years of operation; or indigenous raw materials used are at least 50 percent of the total cost of raw materials for the years prior to the extension, unless BOI prescribes a higher percentage; For the first five years after registration, an additional deduction from taxable income equivalent to 50 percent of the wages of additional direct-hire workers, provided the enterprise meets a prescribed capital equipment-to-labor ratio set by BOI. Firms that benefit from this incentive cannot simultaneously claim an income tax holiday;

- Additional deduction from taxable income for necessary and major infrastructure works for companies located in areas with deficient infrastructure, public utilities, and other facilities. A company may deduct from its taxable income an amount equivalent to expenses incurred in the development of necessary and major infrastructure works. This deduction is not applicable for mining and forestry-related projects;
- Tax and duty exemption on imported breeding stocks and genetic materials and/or tax credits on local purchases thereof, for purchases made within ten years from a company's registration with BOI or from the start of its commercial operation;
- Exemption from wharf dues and any export tax, duty, impost, or fees on non-traditional export products made within ten years of a company's registration with BOI;
- Tax and duty exemption on importation of required supplies/spare parts for consigned equipment by a registered enterprise with a bonded manufacturing warehouse;
- Importation of consigned equipment for ten years from date of registration with BOI, subject to posting a re-export bond;
- Enterprises may employ foreign nationals in supervisory, technical, or advisory positions for a period not exceeding five years from registration (extendible for limited periods at the discretion of BOI) under simplified visa requirements. The positions of president, general manager, and treasurer of foreign-owned registered enterprises are not subject to this limitation. GRP regulations require the training of Filipino understudies for the positions held by foreigners;
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies and exports of processed products;
- Access to a bonded manufacturing / trading warehouse subject to customs regulations.

To encourage the regional dispersal of industries, BOI-registered enterprises that locate in less- developed areas, and the thirty poorest provinces determined under the Investment Priorities Plan, are automatically entitled to pioneer incentives. Such enterprises can deduct from taxable income an amount equivalent to 100 percent of infrastructure outlays. They may also deduct 100 percent of incremental labor expenses for the first five years from registration, which is double the rate allowed for BOI-registered projects not located in less-developed areas.

Proposed Changes to Investment Incentives

There are currently more than 140 laws that address general and sector-targeting incentives. The scope and detail of reform remains contentious, although past and present administrations have acknowledged the need to rationalize the incentives regime and a number of bills have been filed in the Philippine Congress. Proposals to phase out income tax holidays have been especially controversial and are opposed by business.

Incentives for Exporters

An enterprise with more than 40 percent foreign equity that exports at least 70 percent of its production may still be entitled to incentives even if the activity is not listed in the Investment Priorities Plan. In addition to the general incentives available to BOI-registered companies, a number of incentives apply specifically to registered export-oriented firms. These include:

- Tax credit for taxes and duties paid on imported raw materials used in the processing of export products;
- Exemption from taxes and duties on imported spare parts (applies to firms exporting at least 70 percent); and,
- Access to customs bonded manufacturing warehouses.

BOI is flexible with the enforcement of individual export targets, provided that exports as a percentage of total production do not fall below the minimum requirement (50 percent for local firms and 70 percent for foreign firms). BOI-registered foreign-controlled firms that qualify for export incentives are subject to a 30-year divestment period, at the end of which at least 60 percent of equity must be Filipino-controlled. Foreign firms that export 100 percent of production are exempt from this divestment requirement.

Firms that earn at least 50 percent of their revenues from exports may register for additional incentives under the Export Development Act (R.A. 7844, 1994). Registered exporters may also be eligible for BOI incentives, provided the exporter is registered according to BOI rules and regulations and that the exporter does not take advantage of the same or similar incentives twice. Export incentives include a tax credit ranging from 2.5 to 10 percent of annual incremental export revenue.

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; although acquisitions, mergers, and other combinations of business interests involving foreign equity must comply with foreign nationality caps as specified in the Constitution and other laws. The 1987 Constitution gives the GRP the authority to regulate or prohibit monopolies, and it also bans unfair competition, although there is no implementing law.

A few sectors are closed to private enterprise, generally on grounds of security, health, or public morals. For example, the GRP controls and operates the country's casinos through the Philippine Amusement and Gaming Corporation and runs lottery operations through the Philippine Charity Sweepstakes Office.

Only the state-owned Government Service Insurance System may insure government-funded projects. BOT projects, as well as partially privatized government corporations, must meet insurance and bonding requirements from the government insurance system, in proportion to GRP interests. Additionally, government funds are kept in government-owned banks.

Protection of Property Rights Return to top

Although procedures and systems for registering claims on property - including intellectual property and chattel/mortgages- exist; delays and uncertainty associated with a complex court system, and the soundness of contracts and the property rights they support, presents a challenge for investors.
Intellectual Property Rights

In 2006, the United States moved the Philippines from the United States Trade Representative (USTR) Priority Watch List on intellectual property protection to the Special Watch List, under Section 301 of U.S. trade law. This improvement in its rating recognized steps that the GRP has taken to strengthen its intellectual property regime. The Philippine government pledged continued focus on intellectual property rights initiatives following the announcement.

The Intellectual Property Code provides the legal framework for intellectual property rights protection, especially in the key areas of patents, trademarks, and copyright (R.A. 8293, 1997). The Electronic Commerce Act extends the legal framework established by the Intellectual Property Code to the internet (R.A. 8792, 2000). Investment challenges include deficiencies in the Intellectual Property Code and other IP laws; due to unclear provisions relating to the rights of copyright owners over broadcast, rebroadcast, cable or satellite retransmission of their works, and restrictions affecting contracts to license software and other technology.

The Philippines has a first-to-file patent system, with a term of 20 years from the date of filing. It also recognizes the patentability of microorganisms and non-biological and microbiological processes. The holder of a patent is guaranteed an additional right of exclusive importation of his/her invention. A compulsory license may be granted in some circumstances; for example, if the patented invention is not being used in the Philippines without satisfactory reason, although importation of the patented article constitutes using the patent. In 2008, the Philippine Congress passed the Cheaper Medicines Act, which places limitations on patent protection for pharmaceuticals and significantly liberalizes the grounds for the compulsory licensing of pharmaceuticals (Republic Act 9502).

Prior use of a trademark in the Philippines is not required to file a trademark application. Recognizable marks need not be in actual use in Philippine commerce or registered with the Bureau of Patents, Trademarks. A Certificate of Registration remains in force for ten years and may be renewed for ten-year periods. Notwithstanding these legal provisions, counterfeit trademarked goods such as brand name and designer clothing, handbags, cigarettes, or other consumer goods remain widely available through mainstream outlets and street markets.

In the area of copyright, computer software is protected as a literary work. Exclusive rental rights may be offered in several categories of works and sound recordings. Terms of protection for sound recordings, audiovisual works, and newspapers and periodicals are compatible with the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS). Although the Philippines is a member of the World Intellectual Property Organization, and has acceded to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, the Philippine government has not enacted the necessary amendments to its Intellectual Property Code to fully implement these treaties. Optical media piracy, including piracy of digital video disks and compact disks, continues to be widespread. There are widespread unauthorized transmissions of motion pictures and other programming on cable television systems, as well as, the clandestine recording of movies in cinemas. Piracy of books, cable television, and computer software also remain significant.

In addition to these provisions, the IP Code recognizes industrial designs, performers' rights, and trade secrets. The registration of a qualifying industrial design is for a period of five years and may be renewed for two consecutive five-year periods. While Philippine law recognizes performers' rights for 50 years after their death, the exercise of exclusive rights for copyright owners over broadcast and retransmission is ambiguous. Despite the fact that there are no codified rules on the protection of trade secrets, GRP officials assert that existing civil and criminal statutes protect trade secrets and confidential information.

Other important laws defining intellectual property rights are the Plant Variety Protection Act (R.A. 9168, 2002), which provides plant breeders intellectual property rights consistent with the 1991 Union for the Protection of New Varieties of Plants Convention, and the Integrated Circuit Act (R.A. 9150, 2001), which provides WTO-consistent protection for the layout designs of integrated circuits.

In addition to its commitments under TRIPS, the Philippines is a party to the following International Intellectual Property agreements: the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, the Patent Cooperation Treaty; and the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.

Enforcement Challenges for Intellectual Property Rights

Concerns remain regarding the consistency and effectiveness of intellectual property rights protection. U.S. distributors continue to report high levels of pirated optical disks of cinematography, musical works, computer games, and business software; as well as widespread unauthorized transmissions of motion pictures and other programming on cable television systems. Trademark infringement in a variety of product lines is also common, with counterfeit merchandise openly available.

The Intellectual Property Office (IPO) has jurisdiction to resolve certain disputes concerning alleged infringement and licensing. Intellectual property owners have used the IPO's administrative complaint system as an alternative to the judicial court system. However, due to limited resources, it can be slow-moving. Other agencies with IP enforcement responsibilities include the: Department of Justice; National Bureau of Investigation (NBI); Philippine National Police (PNP); Optical Media Board (OMB); the Bureau of Customs; and the National Telecommunications Commission (NTC).

The OMB spearheads enforcement of the Optical Media Act since its establishment in 2005; with jurisdiction over the manufacture, mastering, replication, importation, and exportation of optical media, regardless of content (Republic Act No. 9239 of 2004). Generally, government enforcement agencies are most responsive to those copyright owners who actively work with them to target infringement. Agencies will not proactively target infringement unless the copyright owner brings it to their attention and works with them on surveillance and enforcement actions. Joint efforts between the private sector and the NBI, PNP and OMB have resulted in several successful enforcement actions.

Enforcement actions, however, are not often followed by successful prosecutions. Intellectual property infringement is not considered a major crime within the judicial system and takes a lower precedence in court proceedings. The government has tried various judicial approaches to handling intellectual property cases, but none have worked well due to a lack of resources and heavy non-IP workloads. Due to the prospect of a lengthy court action, many cases are settled out of court. Since 2001, there have been sixty-four convictions for IP violations, with no convictions in 2009. Convicted intellectual property violators rarely spend time in jail, since the six-year penalty enables them to apply for probation immediately under Philippine law.

Registering Intellectual Property

U.S. manufacturers and suppliers should register their copyrights, trademarks, and patents with:

The Intellectual Property Office (IPO)
351 Sen. Gil J. Puyat Avenue
Makati City
fax: (63-2) 897-1724 / 752.5450 to 65 local 201 / 207
email: dittb@ipophil.gov.ph; mail@ipophil.gov.ph
website: http://www.ipophil.gov.ph/

Manufacturers and importers are also encouraged to register copyrights, trademarks, and patents with the Bureau of Customs in order to facilitate enforcement of rights.

Transparency of Regulatory System Return to top

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

On the enforcement side, however, regulatory action is often weak, inconsistent, and unpredictable. Regulatory agencies in the Philippines are generally not statutorily independent. Instead, they are attached to cabinet departments or to the Office of the President, making them subject to political pressure. Many U.S. investors find business registration, customs, immigration, and visa procedures as burdensome. To counter this, some agencies, such as the SEC, BOI, and the Department of Foreign Affairs (DFA), have established express lanes or "one-stop shops" to reduce bureaucratic delays, all with varying degrees of success. More discussion about express lanes as related to investment zones can be found in the section on "Foreign Trade Zones/Free Trade Zones."

Efficient Capital Markets and Portfolio Investment Return to top

The government welcomes foreign portfolio capital investment. Non-residents may purchase domestically-issued securities and invest in money market instruments, as well as in peso-denominated time deposits with a minimum maturity of 90 days. Although growing, the securities market remains small and underdeveloped, with a limited range of choices. Except for a few large firms, long-term bonds and commercial paper are not yet major sources of capital.

Investments in publicly listed firms are governed by foreign ownership ceilings stipulated in the Constitution and other laws. Fewer than 250 firms are listed in the Philippine Stock Exchange (PSE). In 2009, the ten most actively-traded companies accounted for more than 60 percent of trading value and about 40 percent of domestic market capitalization. To encourage publicly listed companies to widen their investor base, the PSE introduced reforms in April 2006 to include trading activity and free float criteria in the selection of companies comprising the stock exchange index. The 30 companies included in the benchmark index are subject to review every six months. Hostile takeovers are uncommon because most company shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

The July 2000 passage of the Securities Regulation Code strengthened investor protection by requiring full disclosure in the regulation of public offerings, tightening rules on insider trading, segregating broker-dealer functions, outlining rules on mandatory tender offer requirements, significantly increasing sanctions for violations of securities laws and regulations, and mandating steps to improve the internal management of the stock exchange and future securities exchanges. To improve transparency and minimize conflict of interest, the Code also prohibits any one industry group (including brokers) from controlling more than 20 percent of the stock exchange's voting rights.

The enforcement of these strengthened laws is mixed. While there has been some progress from the creation of special commercial courts, the prosecution of stock market irregularities can be subject to delays and uncertainties in the Philippine legal system. Compliance with the law is fraught with problems as well. For example, within the ten years the Code has been in effect, the PSE has yet to fully comply with the 20 percent industry limit, although it has taken steps to reduce brokers' ownership from 100 percent to 40 percent of the stock exchange.

Credit Policies

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 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 programs such as improving the productivity of farmers to whom land has been distributed under agrarian reform programs (Agri-Agra Law P.D. 717, as amended). To facilitate compliance, alternative modes of meeting the Agri-Agra lending requirement include low-cost housing, educational and medical developmental loans, and investments in eligible government securities. Recent investor experience in these alternatives raise questions about implied guarantee by the Philippine government and investors are cautioned to be wary.

Banks are required to set aside ten percent of their loans for small-business borrowers (R.A. 9501). While most domestic banks are able to comply with these requirements, foreign banks find mandatory policies more burdensome for a number of reasons; including their lack of knowledge and experience in these sectors, constrained branch networks, and their constitutional restrictions on ownership of land by foreigners, which impede their ability to enforce security rights over land accepted as collateral.

Direct lending by non-financial government agencies is limited per Executive Order 558 to the Department of Social Welfare and Development, which focuses on the poorest areas not being served by micro-finance institutions.

Banking System

As of the end of September 2009, the five largest commercial banks in the Philippines represented nearly 53 percent of total commercial banking system resources, with estimated total assets of the equivalent of US$57 billion. The Bangko Sentral ng Pilipinas (Central Bank) has worked to strengthen banks' capital base, reporting requirements, corporate governance, and risk management systems. Central Bank-mandated phased increases in minimum capitalization requirements and regulatory incentives for mergers have prompted several banks to seek partners. All Central Bank-supervised entities are required to adopt Philippine Financial Reporting Standards and Philippine Accounting Standards, patterned after International Financial Reporting and Accounting Standards issued by the International Accounting Standards Board.

Commercial banks' published average capital adequacy ratio, computed according to the Basel 2 risk-based capital adequacy framework, was 15.9 percent on a consolidated basis as of June 2009. This ratio remains above the Central Bank’s 10 percent statutory limit and the eight percent internationally accepted benchmark. Philippine banks have limited direct exposure to investment products issued by troubled financial institutions overseas, estimated at less than two percent of total banking system resources. Fiscal and regulatory incentives to encourage the sale of non-performing assets to private asset management companies have promoted a healthy banking sector in the Philippines. By the end of September 2009, non-performing loans and non-performing asset ratios of commercial banks were estimated at 3.2 percent and 4.1 percent. These ratios had previously peaked in October 2001 at 18.3 percent and 14.6 percent, respectively.

The General Banking Law of 2000 paved the way for the Philippine banking system to phase in these internationally accepted, risk-based capital adequacy standards. In 2007, a revised capital adequacy framework (Basel 2) was adopted which expanded coverage from credit and market risks to include operational risks and enhanced the risk-weighting framework. Other important provisions of the General Banking Law strengthened transparency, bank supervision, and bank management. Some impediments remain to more effective bank supervision, including stringent bank deposit secrecy laws, obstacles preventing regulators from examining banks at will, and inadequate liability protection for Central Bank officials and bank examiners.

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

Asia Pacific Group conducted a comprehensive peer review of the Philippines in September 2008. Some of the more important concerns cited included the exclusion of casinos from the scope of current anti-money laundering legislation, and court rulings that inhibit and complicate investigations of fraud and corruption. Legislation to address these deficiencies is pending, but unlikely to pass before the May 2010 national elections.

In a report released on April 2, 2009, the Organization for Economic Cooperation and Development (OECD) included the Philippines on a four-country blacklist that had not committed to Internationally Agreed Tax Standards (IATS). The IATS promotes international cooperation in tax matters by requiring the exchange of information, on request, for the administration and enforcement of a requesting country’s domestic tax laws and to avoid harmful tax practices. Following subsequent representations by the Philippine government, the Philippines moved to a gray list of jurisdictions that have committed to the IATS but have not yet been substantially implemented. Legislation that would allow and provide the framework for the exchange of tax-related information was ratified by both houses of the Philippine Congress and is being prepared for presidential signature as of this writing.

Accounting Standards

The Philippines has employed the accounting standards of the International Accounting Standards Board since 2005. The Philippine SEC and the Central Bank agreed to the full adoption of these standards, which are now embodied in the Philippine Financial Reporting Standards and Philippine Accounting Standards. However, some companies/industries have been granted temporary exceptions. For example, a Central Bank circular to implement the Special Purpose Vehicle Act deviates from generally accepted accounting principles by allowing banks to book losses arising from the sale of non-performing assets on a staggered basis. To encourage consolidation, the Central Bank has also allowed merging institutions to stagger provisions for bad debts.

To stem the effects of the worldwide financial crisis, the Philippines adopted amendments issued by the International Accounting Standards Board in October 2008 to cover the accounting treatment and disclosure of financial assets. These amendments provide guidelines for the reclassification of certain non-derivative financial assets, from categories recorded at fair market value to categories recorded at amortized cost. This move was intended to promote confidence in financial markets by tempering the potentially sharp deterioration in balance sheets and incomes caused by the current global financial turbulence.

The SEC requires a firm's Chairman of the Board, Chief Executive Officer, and Chief Financial Officer to assume management responsibility and accountability for financial statements. Current rules also require the rotation and accreditation of external auditors of companies imbued with public interest (i.e., publicly listed firms, investment houses, stock brokerages, and other secondary licensees of the SEC).

The SEC instituted a system of guidelines for external auditors that require listed companies to disclose to the SEC any material findings within five days of receipt of the external audit findings. Material findings include fraud or error, losses or potential losses aggregating 10 percent or more of company assets, and indications of company insolvency. The external auditor is required to make the disclosure to the SEC within 30 business days of submitting its audit report to the client-company, should the latter fail to comply with this reporting requirement. The regulations require client-auditor contracts to contain a specific provision protecting the external auditor from civil, criminal, or disciplinary proceedings for disclosing material findings to the SEC.

The SEC guidelines on audits provide for credentialing of auditors. The SEC requires accredited external auditors to accumulate professional education credits and to maintain quality assurance procedures. In 2007, the Auditing and Assurance Standards Council issued new standards on quality control, auditing, review, assurance and related services that outline additional measures and policies for compliance by external auditors to improve the independence, objectivity, and thoroughness of audit work.

A number of local accountancy firms are affiliated with international accounting firms, including KPMG, PricewaterhouseCoopers, Ernst & Young, Deloitte & Touché, BDO Seidman, and Grant Thornton.

Competition from State Owned Enterprises

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Private and government-owned firms generally compete equally, with some clear exceptions. The governmental National Food Authority has, at times, been the sole legal importer of rice, though in 2008 the GRP ceded about half of all rice importation to the private sector.

In the insurance sector, only the state-owned Government Service Insurance System (GSIS) may provide coverage for government-funded projects, although the industry was opened up to 100 percent foreign ownership in 1994. All build-operate-transfer projects and privatized government corporations must fulfill all insurance and bonding requirements from the GSIS, at least proportional to the government's interests.

Besides confronting direct competition from state-owned enterprises in some limited areas, some sectors experience government intervention to directly cap or control pricing in private markets. Most notably in 2009, the Philippine government imposed temporary price controls on gasoline (Executive Order 939) and a basket of basic goods and services (Price Act 1991, R.A. 7581) in the wake of typhoons. Under Philippine law, the President may freeze prices on basic goods and services for a period of 90 days under a state of emergency. President Macapagal-Arroyo has also exercised her discretionary authority (Executive Order 821, July 2009) to force price reductions for specific name-brand pharmaceutical medicines.

Privatization

The Privatization Management Office, under the Department of Finance, is the agency tasked to manage the privatization program. Apart from restrictions under the Foreign Investment Negative List, there are no regulations that discriminate against foreign buyers. The bidding process appears to be transparent, though the Supreme Court has twice overturned high-profile privatization transactions to foreign buyers.

The Power Sector Assets and Liabilities Management Corporation is mandated to sell 70 percent of the government-owned National Power Corporation's (NPC) generating assets and transfer 70 percent of NPC-Independent Power Producer (IPP) contracts to private companies. Nine years after the signing of the Electric Power Industry Reform Act, the Philippine government has opened access and retail competition by unbundling rates, removing cross-subsidies, establishing the Wholesale Electricity Spot Market, and privatizing 70 percent of NPC's generation assets. The remaining fifth requirement, the transfer of the NPC-IPP contracts of IPP administrators, is slated for completion in 2010.

Corporate Social Responsibility

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Although no law requires foreign or domestic private companies to institute corporate social responsibility (CSR) programs, they constitute a basic and fundamental feature of most significant business operations in the Philippines. U.S. companies report strong and favorable response to CSR programs among employees and within local communities. Many CSR programs focus on poverty alleviation efforts, promotion of the environment, health initiatives, and education.
In some cases, the GRP has compelled its own entities to engage in CSR. For example, the Philippine Bases Conversion and Development Authority is mandated to declare portions of its property in Fort Bonifacio and surrounding areas as low-cost housing sites (Executive Order 70).

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. The Department of State has issued a travel warning to U.S. citizens contemplating travel to the Philippines at (http://travel.state.gov/travel/cis_pa_tw/tw/tw_2190.html). The Department strongly encourages visiting and resident Americans in the Philippines to register with the Consular Section of the U.S. Embassy in Manila through the State Department's travel registration website, (http://travelregistration.state.gov/).

Arbitrary, unlawful, and extrajudicial killings by various actors continue to be problematic in the Philippines. Following increased domestic and international scrutiny, the number of killings and disappearances dropped significantly in 2008 from a peak in 2006, but recent incidents have again garnered significant international attention. The Philippines will hold national and local elections -- including a presidential election -- in May 2010. Violence has marred the campaign season, with the high-profile killings of a group of 57 civilians, including journalists, in an election-related incident in central Mindanao in November 2009.

In December 2009, the government and the Mindanao-based insurgent group Moro Islamic Liberation Front (MILF) formally resumed peace talks. The peace process had stalled in August 2008 after the Supreme Court placed a temporary restraining order on the signing of a preliminary peace accord. Some MILF members responded by attacking villages in central Mindanao killing dozens of civilians. The ensuing fighting between government and insurgent forces caused both combat and civilian deaths and the displacement of hundreds of thousands of people. In July 2009, both sides' instituted ceasefires, ending nearly one year of intense fighting and enabling the parties to discuss a return to the negotiating table.

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

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

The Philippines faces no major external threat and enjoys strong relations with the United States. The United States and the Philippines are allies under the 1951 Mutual Defense Treaty, and the U.S. designated the Philippines as a major non-North Atlantic Treaty Organization ally in 2003. The Visiting Forces Agreement, ratified in 1999, provides a framework for U.S.-Philippine military cooperation, including exercises, ship visits, and counter-terrorism cooperation.

Corruption

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Corruption is a pervasive and longstanding problem in the Philippines. The Philippines is not a signatory of the Organization for Economic Cooperation and Development Convention on Combating Bribery. The Philippines did sign the UN Convention against Corruption in 2003, which the Senate ratified in November 2006.

There are a number of laws and mechanisms directed at combating corruption and related anti-competitive business practices, although the enforcement of anti-corruption law has been weak and inconsistent. These new laws and mechanisms include the Philippine Revised Penal Code, Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials. The Office of the Ombudsman investigates and prosecutes cases of alleged graft and corruption involving public officials, with the Sandiganbayan (anti-graft court) prosecuting and adjudicating cases filed by the Ombudsman.

A Presidential Anti-Graft Commission assists the President in coordinating, monitoring, and enhancing the government's anti-corruption efforts. The Commission also investigates and hears administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting/accepting and offering/giving a bribe are criminal offenses, punishable with imprisonment (6-15 years), a fine, and/or disqualification from public office or business dealings with the government.

The Philippine government has worked in recent years to reinvigorate its anti-corruption drive. However, corruption indicators developed by non-governmental organizations suggest that these efforts have been inconsistent. Reforms have not improved public perception and are overshadowed by high-profile cases frequently reported in the Philippine media.

Bilateral Investment Agreements

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As of December 2009, the Philippines had signed bilateral investment agreements with the following countries: Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium, Luxembourg, Canada, Cambodia, Chile, China, the Czech Republic, Denmark, Equatorial Guinea, Finland, France, Germany, India, Indonesia, Iran, Italy, Japan, Republic of Korea, Kuwait, Laos, Mongolia, Myanmar, Netherlands, Pakistan, Portugal, Romania, Russian Federation, Saudi Arabia, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, United Kingdom, Venezuela, and Vietnam. The general provisions of the bilateral investment agreements include: the promotion and reciprocal protection of investments; nondiscrimination; the free transfer of capital, payments and earnings; freedom from expropriation and nationalization; and recognition of the principle of subrogation.

Taxation

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

Most Favored Nation Clause for Royalties

Pursuant to the most favored nation clause of the Philippine - U.S. tax treaty, U.S. recipients of royalty income may avail of the preferential rate provided in the Philippine-

China tax treaty, which went into effect in January 2002. Accordingly, a lower tax rate of 10 percent applies with respect to royalties arising from: the use of (or right to use) any patent, trademark, design, model, plan, secret formula, or process; or the use (or right to use) industrial, commercial, and scientific equipment, or information concerning industrial, commercial, or scientific experience.

Permanent Establishments

A foreign company without a branch office that renders services to Philippine clients is considered a permanent establishment and is liable to pay Philippine taxes if the services rendered to a Philippine client require its personnel to stay in the country for more than 183 days (for the same or a connected project in a twelve-month period). However, Bureau of Internal Revenue (BIR) rulings on the taxation of permanent establishments have been inconsistent. In some rulings, the Philippine government has applied the corporate income tax rate on net taxable income, a treatment that applies to resident foreign corporations. In others, it has applied the corporate income tax rate on gross income, a treatment that applies to non-resident foreign corporations.

Tax Treaty Relief Rulings

Philippine courts reportedly have denied a number of claims for refund of tax payments in excess of rates prescribed under applicable tax treaties for failure to secure tax treaty relief rulings. An entity must obtain a tax treaty relief ruling from the BIR in order to qualify for preferential tax treaty rates and treatment. However, according to several tax lawyers, the volume of tax treaty relief applications has resulted in processing delays with most applications reportedly pending for over a year.

Tax on Liquidating Gains

Recently, the Bureau of Internal Revenue appears to be altering its position on taxing gains through liquidation. Until recently, the BIR consistently applied Philippine-U.S. 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, in 2009, a BIR ruling involving foreign company held that such gains were subject to corporate income tax but not to capital gains tax. In another case, the BIR ruled that the gains were subject to tax on dividends. The companies and other interested parties have filed position papers with the Department of Finance to contest these rulings.

Inter-Company Transfer Pricing

Although the BIR has yet to finalize long-pending draft regulations on transfer pricing, it has declared that, as a matter of policy, it subscribes to the OECD's transfer pricing guidelines. In anticipation of the release of the final BIR regulations, multinational companies are weighing in on this issue with transfer pricing studies and/or benchmarking for their related-party transactions. Currently, the Tax Code authorizes the BIR to allocate income or deductions among related organizations or businesses, whether or not organized in the Philippines, if such allocation is necessary to prevent tax evasion.

Optional Standard Deduction

Domestic and foreign resident companies subject to regular income tax may claim an optional standard deduction of up to 40 percent of gross income, in lieu of itemized deductions per Republic Act (June 2008). Implementing regulations allow companies to use either the optional standard deduction or itemized deductions in filing their quarterly income tax returns. However, in the final consolidated return for the taxable year, companies must make a final choice between standard or itemized deductions for the purpose of determining final taxable income for the year.

Stock Transfer Tax

The stock transfer tax is an ad valorem, transactional tax on the sale of publicly-listed stock shares. The BIR does not consider the stock transfer tax as income tax; bilateral treaties that exempt foreign nationals from income or capital gains taxes therefore do not exempt them from the stock transfer tax.

International Financial Reporting Standards

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 can be 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 Return to top

The government currently does not provide guarantees against losses due to inconvertibility of currency or damage caused by war. The Overseas Private Investment Corporation can provide U.S. investors with political risk insurance for expropriation, inconvertibility and transfer, and political violence, based on its agreement with the Philippines. The Philippines is a member of the Multilateral Investment Guaranty Agency.

Labor Return to top

Managers of U.S.-based companies widely report a large, motivated work force in the Philippines that is easy to recruit and train. Low wages, as well as tax benefits and investment incentives offered in Special Economic Zones (ecozones) are other positive factors for investors. U.S. employers regularly report that Filipino workers respond well to productivity goals and wage incentives for increasing their output.

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

Philippine labor is plentiful. In mid-2009, the Philippine labor force was estimated at 38.4 million, with an increase in the official unemployment rate at 7.6 percent in 2009, up from 7.4 in 2008 and 6.3 in 2007 percent. This figure includes employment in the informal sector and does not capture the country's substantial underemployment.
Ecozones continue to play a significant role in attracting new investors to the country, often with on-site labor centers to assist investors with recruitment. These centers coordinate with the Department of Labor and Employment (DOLE) and Social Security Agency, and can offers services such as mediating labor disputes. The ecozones have helped produce rapid growth in new jobs, as both Philippine and foreign firms seek the tax and other advantages of these areas devoted to fostering export industries. As of November 2009, over 600,000 Filipinos were estimated to be directly employed in zones regulated by the Philippine Economic Zone Authority.

Multinational managers report that total compensation packages tend to be comparable with those in neighboring countries. In the call center industry, the average labor cost is between $1.60 and $1.90 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. As of January 2010, the non-agricultural daily minimum wage in the National Capital Region was approximately US$8, although some private sector workers received less. Cost of living allowances are given across the board. Most other regions set their minimum wage significantly lower than Manila. The lowest minimum wage rates were in the Southern Tagalog Region, where daily agricultural wages were US$4.20. 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. In 2009, President Arroyo signed a law offering relief for companies that had not been paying social security taxes for their employees, as an incentive to resume their social security remittances (R.A. 9903). Philippine law also 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. DOLE has responsibility for safety inspection, but a severe shortage of inspectors makes enforcement extremely difficult.

There have been some reports of forced labor in connection with human trafficking for commercial sex activities.

The Constitution enshrines the right of workers to form and join trade unions. The mainstream trade union movement recognizes that its members' welfare is tied to the productivity of the economy and competitiveness of firms. Frequent plant closures have made many unions even more willing to accept productivity-based employment packages. The trend among firms of using temporary contract labor continues to grow.

The number of strikes in the Philippines has been on the decline. The year 2009 saw a record low of four strikes, down from five in 2008 and 25 in 2004. The DOLE Secretary has the authority to end strikes and mandate a settlement between the parties in cases involving the national interest, which can include cases where companies face strong economic or competitive pressures in their industries. As of July 2009, there were 141 registered labor federations and 15,712 private sector unions. The 1.96 million union members represented approximately 5.2 percent of the total workforce of 37.8 million. Mainstream union federations typically enjoy a good working relationship with employers. Although labor laws apply equally to ecozones, unions have noted some difficulty organizing inside them.

The Philippines is a signatory to all International Labor Organization (ILO) conventions on worker rights, but has faced challenges in enforcing them. Unions allege that companies or local officials use illegal tactics to prevent them from organizing workers. The quasi-judicial National Labor Relations Commission reviews allegations of intimidation and discrimination in connection with union activities. In September 2009, the GRP welcomed an ILO mission to the Philippines to examine labor rights. The ILO will issue its report and recommendations in March 2010.

Foreign-Trade Zones/Free Ports Return to top

Enterprises enjoy preferential tax treatment when located in ecozones. The Special Economic Zone Act (R.A. 7916, 1995) outlines the categories of such ecozones, including export processing zones, free trade zones, and certain industrial estates.

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

The Philippine Economic Zone Authority (PEZA)

The Philippine Economic Zone Authority (PEZA) manages five government-owned export-processing zones (in Mactan, Bataan, Baguio, Cavite, and Pampanga) and administers incentives available to firms located in 205 privately-owned and operated zones, technology parks and buildings. Any person, partnership, corporation, or business organization- regardless of nationality, control and/or ownership - may register as an export processing zone enterprise with PEZA. PEZA administrators have earned a reputation for maintaining clear and predictable investment environment within the zones of their authority. PEZA announced in early 2010 an investment goal target of over US4.1 billion for the year.

Incentives for firms in export processing and free trade zones include:

- income tax holiday or exemption from corporate income tax and all local government imposts, fees, licenses or taxes, for four years, extendable to a maximum of eight years (this does not include exemption from real estate tax);
- machinery installed and operated in the economic zone of manufacturing, processing, or for industrial purposes shall be exempt from real estate taxes for the first three years of operation of such machinery;
- after the expiration of the income tax exemption, a special five percent tax rate on gross income in lieu of all national and local income taxes (with the exception of land owned by developers, which is subject to real property tax);
- tax and duty-free importation of capital equipment, raw materials, spare parts, supplies, breeding stocks, and genetic materials;
- exemptions from wharfage dues, export taxes, imposts and other fees; a tax credit on domestic capital equipment;
- tax credits on domestic breeding stocks and genetic materials;
- additional deductions for incremental labor costs and training expenses;
- unrestricted use of consigned equipment;
- remittance of earnings without prior approval from the Central Bank;
- domestic sales allowance equivalent to 30 percent of total export sales;
- permanent resident status for foreign investors and immediate family members;
- permission to hire foreign nationals;
- exemption from local business taxes; and,
- simplified import and export procedures.

Information technology parks located in the National Capital Region may serve only as locations for service-type activities without manufacturing operations. PEZA defines information technology as a collective term for the various technologies involved in processing and transmitting information; which include computing, multimedia, telecommunications, and microelectronics.

Bases Conversion Development Authority (BCDA)

The ecozones located inside the two principal former U.S. military bases and several minor former bases are independent of PEZA and are subject to separate legislation under the Bases Conversion Development Authority (created under R.A. 7227). The principal bases are the Subic Bay Freeport Zone in Subic Bay, Zambales, and the Clark Special Economic Zone in Angeles City, Pampanga.

Five independent operational zones were converted under the Bases Conversion Development Authority:

- Subic Bay Freeport and Special Economic Zone;
- Clark Special Economic Zone;
- John Hay Special Economic Zone;
- Poro Point Special Economic and Freeport Zone; and,
- Morong Special Economic Zone (Bataan Technology Park)

Firms operating inside the zones are exempt from import duties and national taxes on imports of capital equipment and raw materials needed for their operations within the zone. The zones are managed as separate customs territories. Products imported into the zones are exempt from the GRP's Selective Pre-shipment Advance Classification Scheme, with the exception of products imported for sale at duty-free retail establishments within the zones. Firms operating in the zones are required to pay only a five percent tax based on their gross income. Additionally, both Clark and Subic have their own international airports, power plants, telecommunications networks, housing complexes, and tourist facilities.

Regional Ecozones: Zamboanga and Cagayan

In addition to the PEZA zones and converted bases, two other privately-owned ecozones are independent of PEZA oversight: the Zamboanga City Economic Zone and Freeport, located in Zamboanga City, Mindanao; and the Cagayan Special Economic Zone and Freeport, covering the city of Santa Ana, Cagayan Province, and adjacent islands. The incentives available to investors in these zones are very similar PEZA incentives and are provided for by the Zamboanga City Special Economic Zone Act of 1995 (R.A. 7903) and the Cagayan Special Economic Zone Act of 1995 (R.A. 7922).

Capital Outflow Policy

Outward capital investments from the Philippines do not require prior approval from the Central Bank under the following scenarios: the outward investments are funded by withdrawals from foreign currency deposit accounts, funds to be invested are not purchased from the banking system or foreign exchange corporations that are subsidiaries/affiliates of banks, or funds to be invested do not exceed $30 million per investor or per fund per year, if sourced from the banking system or bank-affiliated foreign exchange corporations.

Outward investments exceeding $30 million and funded with foreign exchange purchases from the banking system or bank-affiliated foreign exchange corporations are subject to prior Central Bank approval and registration. Qualified investors such as mutual funds, pension or retirement funds, insurance companies, and similar funds or entities that the Central Bank determines as qualified investors may apply for a higher, annual outward investment limit. All outward investments of banks in subsidiaries and affiliates abroad require prior Central Bank approval.

Applications to purchase foreign exchange from the banking system and from bank-affiliated foreign exchange corporations for outward investments should be accompanied by supporting documents and an affidavit of undertaking. Current regulations require that the foreign exchange proceeds from profits/dividends and capital divestments from such outward investments be inwardly remitted and sold for Philippine pesos within seven banking days from receipt of the funds abroad. Regulations do not require inward remittance of these proceeds if intended for reinvestment overseas, provided the funds are reinvested abroad within two banking days from receipt.

Foreign Direct Investment Statistics

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The Philippine Securities & Exchange Commission (SEC), Board of Investments (BOI), National Economic and Development Authority (NEDA), and the Central Bank each generate direct investment statistics. The Central Bank records actual investments based on balance of payments methodologies which are readily available in US dollar terms. Central Bank data is widely used as a reasonably reliable indicator of foreign investment stock and foreign investment flows. It is published annually by country and industry. The Central Bank is currently working to improve measurement of foreign direct investment stock.

The figures in Table 1 below refer to foreign direct investment stock reported by the Central Bank, based on the Philippines' international investment position and using a balance of payments framework. However, disaggregation by country and by industry is not available. Tables 2 and 3 provide annual net foreign direct investment flows. Table 4 provides a list of major foreign investors in the Philippines, using the most recent published information from the SEC. The United States is the Philippines' largest foreign investor, with an estimated 20 percent share of the Philippines' foreign direct investment stock as of year-end 2008.

Table 1:
Foreign Direct Investment Stock (US Millions)
Levels as of

	2003	2004	2005	2006	2007	2008
FDI Stock	**11,411**	**12,737**	**14,978**	**16,914**	**20,463**	**21,611**
FDI Stock as % of GDP a/	**14.3**	**14.7**	**15.2**	**14.4**	**14.2**	**12.9**

a/ Based on latest revised GDP levels.
Source: Central Bank (Bangko Sentral ng Pilipinas)

Table 2: Net Foreign Direct Investment Flows By Investor Country (US Millions) a/					
	2004	**2005**	**2006**	**2007**	**2008**
Total of which: b/	688.0	1,854.0	2,921.0	2,916.0	1,403.0
United States	118.7	276.2	219.0	655.0	232.7
Japan	43.6	60.6	54.6	824.4	59.4
Hong Kong	1.6	258.1	-1.1	13.3	144.8
United Kingdom	2.0	9.9	16.5	74.8	298.2
Netherlands	-17.5	-4.9	208.8	-3.4	157.8
Singapore	115.5	12.7	-25.0	-2.4	120.1
Denmark	0.3	0.2	168.2	-0.0	0.4
Germany	1.3	36.8	14.2	16.0	18.3
South Korea (ROK)	-0.1	0.0	3.0	14.5	29.1
Mauritius	0.0	40.0	0.0	6.6	-17.2
British Virgin Islands	0.0	1.5	2.2	0.0	12.7
Switzerland	1.6	1.0	5.1	2.0	1.2
Malaysia	0.2	2.1	0.3	6.0	1.0
Annual FDI Flow					
As % of GDP	0.8	1.9	2.5	2.0	0.8

a/ Balance of Payments Net Foreign Direct Investment (FDI) flows which refer to non-resident placements less non-resident withdrawals, plus reinvested earnings, plus net intercompany loans.

b/ Countries listed above posted the largest cumulative inflows for the five-year period 2004 – 2008.
Source: Bangko Sentral ng Pilipinas

Table 3:
Net Foreign Direct Investment Flows By Industry/Sector (US Millions)

	2004	2005	2006	2007	2008
Total	688.0	1,854.0	2,921.0	2,916.0	1,403.3
Agriculture, Hunting, and Forestry	0.0	0.2	0.1	3.7	0.7
Fishing	0.0	0.0	0.0	0.0	0.0
Mining and Quarrying	0.2	0.4	32.4	154.6	154.9
Manufacturing	83.6	531.6	408.7	548.6	309.3
Electricity, Gas, and Water	8.6	-6.3	200.4	699.2	221.9
Construction	-15.3	-2.9	8.7	50.4	157.3
Trade/Commerce	18.6	3.6	8.3	4.6	22.2
Hotels and Restaurants	0.0	0.0	0.0	2.6	20.7
Transport, Storage, and Communications	1.6	-32.4	-8.5	12.8	-26.2
Financial Intermediation	6.8	199.5	-20.1	-22.6	32.3
Real Estate	54.8	111.9	120.5	137.7	164.0
Services	89.9	17.1	-119.5	42.3	-19.3
Others, Not Elsewhere Classified	500.9	358.3	692.9	315.2	198.3
Total Equity	750.0	1,181.0	1,324.0	1,949.0	1,236.0
Reinvested Earnings					
Intercompany Loans					
Total FDI Flow As % of GDP	0.8	1.9	2.5	2.0	0.8

a/ Balance of Payments Net FDI flows refer to non-resident placements less non-resident withdrawals, plus reinvested earnings, plus net intercompany loans. b/Covers non-resident investments in non-banks sourced from cross-border transactions survey industry statistics not available.
Source: Bangko Sentral ng Pilipinas

Table 4:
Major Foreign Investors

Name of Company in the Philippines	**Nationality of Foreign Investor**	**Equity** a/ **(US Millions)**
1. Philippine Telecommunications Investment Corp.	HK-Chinese b/	1,160.2
2. The AES Corporation	American ag/	930.0
3. Citibank N.A.	American c/ d/	719.2
4. Lafarge Holdings (Philippines), Inc.	French e/	705.0
5. Hong Kong and Shanghai Banking Corp., Ltd.	HK-Chinese c/ f/	648.2
6. Petron Corp.	Dutch g/	645.5
7. Intel Technology Philippines, Inc.	American h/ ae/	616.2
8. TI (Philippines), Inc.	American i/	523.6
9. Phil. American and General Insurance Co.	American j/	514.5
10. Amkor Technology Philippines, Inc.	American k/	423.5
11. Team Sual Corp	Japanese l/	416.5
12. Rohm Electronics Philippines, Inc.	Japanese m/	387.7
13. Kepco Iligan Corp.	Korean n/	359.7
14. San Roque Power Corp.	Japanese o/	356.9
15. ING Bank N.V.	Dutch c/ p/	342.2
16. Team Energy Corp.	Japanese l/	335.2
17. Pilipinas Shell Petroleum Corp.	British q/	335.0
18. Coral Bay Nickel Corp.	Japanese r/	332.8
19. CE Casecnan Water and Energy Co., Inc.	American s/	327.6
20. Philip Morris Philippines Manufacturing, Inc.	American t/	320.2
21. Ayala DBS Holdings, Inc.	Singaporean u/	283.0
22. Chevron Philippines, Inc.	American v/	279.0
23. Sun Life of Canada (Philippines), Inc.	Canadian w/	224.1
24. Mizuho Corporate Bank, Ltd.	Japanese c/ x/	210.5
25. Wyeth Philippines, Inc.	American y/ af/	208.9
26. Quezon Power, Inc.	American c/ z/	195.8
27. GlaxoSmithKline Philippines, Inc.	British aa/	156.5
28. KEPCO Philippines Corp.	Korean ab/	154.8
29. Toyota Motor Philippines Corp.	Japanese ac/	152.3
30. Steag State Power, Inc.	German ad/	146.8

Source of Basic Data: "The Philippines 10,000 Corporations in the Philippines," SEC Publication, Year 2009 edition

a/ Refers to total book value of foreign and local equity as of 2008, unless otherwise specified. Original values expressed in pesos, and converted to US$ equivalents using end-2008 rate of 47.49 pesos/US$; b/ First Pacific Co., Ltd.; c/ Philippine branch; d/ Citibank, N.A.; e/ Financiere Lafarge S.A.S.; f/ Hong Kong and Shanghai Banking Corp., Ltd., The; g/ S E A Refinery Holdings B.V. (S E A BV); h/ Intel Corp.; i/ Texas Instruments, Inc.; j/ American International Group, Inc.; k/ Amkor Technology, Inc.; l/ Tokyo Electric Power Co. Int'l. B.V. & Marubeni Corp.; m/ Rohm Co., Ltd.; n/ Korea Electric Power; o/

Marubeni Corp.; p/ I N G Bank N.V.; q/ Royal Dutch Shell plc; r/ Sumitomo Metal Mining Co., Ltd.; s/ Berkshire Hathaway, Inc.; t/ Altria Group, Inc.; u/ Development Bank of Singapore; v/ Chevron Corp.; w/ Sun Life Financial, Inc.; x/ Mizuho Financial Group, Inc.; y/ Wyeth Corp.; z/ Covanta Energy Group, Inc.; aa/ Glaxo Smith Kline plc; ab/ Korea Electric Power Corp.; ac/ Toyota Motor Corp.; ad/ RAG Stiftung; ae/ Under liquidation effective January 2009; af/ Merged with Pfizer, Inc. , becoming a wholly owned subsidiary of Pfizer in January 2009; ag/Completed purchase and transfer of assets in April 2008

Web Resources

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http://amchamphilippines.com
http://www.ipophil.gov.ph/
http://travel.state.gov/travel/cis_pa_tw/tw/tw_2190.html
http://travelregistration.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 (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, opening a Letter of Credit (L/C) is a common and secure method of payment. Under this mechanism, the buyer establishes a credit with his/her local bank of choice and describes in full detail the terms of the sale (i.e., description of items, price, documentary requirements, etc.). The L/C is opened on account of the buyer in favor of the seller. Essentially, the L/C serves as a demand draft, a promise to pay on the part of the importer with the support of the bank responsible for issuing the payment to the exporter. Once the exporter is in full compliance with all the requirements, payment is effected within a specified time frame, typically 30 or 60 days or whatever has been agreed upon. Any discrepancies regarding the L/C may result in delays or even non-payment. Bank charges apply when securing the L/C. A confirmed irrevocable, documentary L/C “confirmed by a U.S. bank” is recommended.

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

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

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

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

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

Credit Rating Agency

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

Collection Agencies

In cases of non-payment or delinquent accounts, the use of collection agencies may be considered. There are several collection agencies operating in the Philippines, typically on a "no collect, no pay" arrangement for collection cases that have not yet been elevated to the courts. A typical collection time frame ranges from 30 to 90 days (longer if it is outside the Metropolitan Manila area), wherein the collection agent issues a demand letter signed by a lawyer. Some agents offer collection services only, while others can help facilitate filing a case in court in instances where the respondent cannot comply with the demand letter. Service fees vary depending on the nature and value of the transaction, but agents typically charge a percentage of the amount collected (current rates vary from 20% to 40%). 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 September 2009, the banking sector was comprised of 38 commercial banks, 73 thrift banks, and 686 rural and cooperative banks all with combined assets of approximately US$ 122 billion (PhP5,868 billion). Although fewer in number, commercial banks dominate the banking sector as they account for almost 90% of total banking system resources. Seventeen (17) 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) in addition to regular commercial banking activities. Six commercial banks are licensed to engage in expanded derivatives activities and seventeen of the commercial banks in the Philippines are foreign-controlled (14 foreign branch banks and three majority foreign-owned, domestically-incorporated subsidiaries). Additionally, there are five offshore banking units (OBUs) in the country (one of which is U.S.-owned), as well as 15 foreign bank representative offices (two of which are U.S. banks). More detailed regulations governing the operations of the banking system are available in various circulars and the "Manual of Regulations for Banks" compiled by the Bangko Sentral ng Pilipinas (Central Bank). (See: http://www.bsp.gov.ph/downloads/Regulations/MORB.pdf)

Most corporate clients raise capital by borrowing directly from banks or trust funds. Most commercial bank loans are short to medium-term and subject to renewal. Long-term loans with relatively attractive rates are readily accessible for more established borrowers with proven track records.   About 215 thrift, rural, and cooperative banks are involved in micro-lending, with an outstanding loan estimate of US$131 million (PhP6.3 billion pesos) as of September 2009. The Credit Information System Act, signed into law in October 2008, provides for the establishment of the Philippines' first centralized credit information system. The Securities and Exchange Commission is working to coordinate and finalize implementing rules and regulations. The Act is intended to narrow the risk premiums in loan pricing and to provide more borrowers improved access to affordable, longer-term credit by providing lending institutions access to pooled credit information and histories on which to base their lending decisions. As a result, increased availability of credit is creating an environment that is more conducive to business.

Since 1997, the Central Bank has implemented policies to beef up loan loss provisions, tighten disclosure and reporting requirements, and increase minimum capitalization levels. The Central Bank continues to promote mergers/consolidation through regulatory incentives and a moratorium on the issuance of new bank licenses. It has also demonstrated greater resolve in weeding out weak financial institutions, especially in the less-capitalized thrift and rural banking sectors.

The largest sectors comprising outstanding commercial bank loans (excluding inter-bank credits) as of September 2009 were real estate and business services (14.3%); wholesale and retail trade businesses (14.3%); and the manufacturing sector (11%). Outstanding loans from banks' foreign currency deposit units stood at US$9.5 billion, mainly in the manufacturing sector (34.5%) and the transport, storage, and communications sector (18.3%).

Regular inspections by the Central Bank are limited by law to once every 12 months. Special inspections require the affirmative vote of at least five of the seven members of the Philippine Monetary Board, the Central Bank's highest policymaking body. In addition to its own inspections, the Central Bank requires that bank financial statements be audited by Central Bank-accredited local external auditors, a number of which are affiliated with international auditors. External auditors are required to bring to the authorities' attention any adverse audit findings and any material developments affecting the condition of its audited financial institutions. To promote independent and transparent auditing, the external auditor should be changed, or the lead or concurring partner rotated, at least once every five years. To strengthen its ability to check bank fraud and other serious irregularities, the Central Bank has been pushing for amendments to its charter that would strengthen its supervisory and corrective action powers, and provide legal protection for Central Bank officials and bank examiners in the performance of their official duties.

The deposit insurance scheme -- administered by the Philippine Deposit Insurance Corporation (PDIC) -- is patterned after the U.S. Federal Deposit Insurance Corporation (FDIC). The PDIC has a permanent insurance fund (PIF) of about US$64 million (three billion pesos), augmented by premiums paid by member banks (currently one-fifth of one percent per annum of the deposit base). A July 2004 law amending the PDIC's charter hiked the deposit insurance coverage per depositor from PhP100,000 to PhP250,000 (about US$5,350) and 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. In April 2009, President Gloria Macapagal-Arroyo signed a law doubling PDIC's insurance coverage per depositor to PhP500,000 (about US$10,370) to help bolster confidence in the banking system during the global financial crisis.

Foreign-Exchange Controls

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Foreign exchange may be freely bought and sold outside the banking system. There is no mandatory foreign exchange surrender requirement for foreign exchange earners. Foreign exchange may be sold for pesos to banks or other entities, or deposited in foreign currency accounts in the Philippines or abroad.

Foreign exchange purchases from banks and their subsidiary/affiliate foreign exchange corporations, as well as from foreign exchange dealers/money changers and remittance agents, require completed application forms and supporting documents to ascertain the legitimacy of underlying foreign exchange obligations. Foreign exchange sales by banks and their subsidiary/affiliate foreign exchange corporations are governed by the Central Bank's Manual of Regulations on Foreign Exchange Transactions (issued under Circular 645 in February 2009). Foreign exchange sales by foreign exchange dealers/money changers and remittance agents are governed by Circular 471 (January 2005), as amended by BSP Circular 652 (May 2009).

A Central Bank registration document for a foreign investment is required to allow purchase of foreign exchange from banks and bank-affiliated foreign exchange corporations for repatriating capital and remitting profits, dividends, and earnings. The registration requirement also applies to foreign exchange purchases for servicing foreign loan obligations. Foreign borrowings of the private sector generally do not require prior approval and/or registration with the Central Bank, unless the loans are guaranteed by the public sector or banks operating in the Philippines; or if they will be serviced with foreign exchange purchased from the banking system and/or their foreign exchange affiliates/subsidiaries.

Foreign exchange buyers are required to complete an application form for purchases of up to US$30,000 for non-trade current account purposes such as travel, medical, and educational expenses; and royalties, copyright, patent and licensing fees. Purchases above that amount are subject to additional documentation. Purchases from foreign exchange dealers/money changers and remittance agents for non-trade current account purposes are subject to a lower threshold (US$10,000), above which supporting documents are also required.

Payments for trade-related transactions are subject to documentary requirements such as shipping documents. The Central Bank requires banks to report imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements for such imports to be eligible for payment using foreign exchange purchased from the banking system and/or their foreign exchange affiliates/subsidiaries.

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

Foreign Exchange Regulations
http://www.bsp.gov.ph/downloads/Publications/FAQs/fxregulations.pdf
http://www.bsp.gov.ph/publications/media_archives.asp?id=1991&yr=2009
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2334
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2378

Foreign Investments
http://www.bsp.gov.ph/regulations/reg_others_rfi.asp

Foreign Loans
http://www.bsp.gov.ph/downloads/Publications/FAQs/forloans.pdf

Further inquiries may also be directed to:

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

U.S. Banks and Local Correspondent Banks

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

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

Commercial and Thrift Banks	Address and Contact #	Contact Person
1. Bank of America	27/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1257 Tel: (632) 815-5429 Fax: (632) 815-5582 E-Mail: roberto.panlilio@jpmorgan.com	Henry T. Pelaez Senior Vice President & Country Manager
2. Citibank, N.A. (Phils.)	9/F Citibank Tower, 8741 Paseo de Roxas St., Makati City 0702 Tel: (632) 894-7700 / 894-7271 Fax: (632) 894-7703 E-Mail: sanjiv.vohra@citicorp.com	Sanjiv Vohra Citigroup Country Officer
3. JP Morgan Chase	31/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1200 Tel: (632) 885-7700 / 729-8000 Fax: (632) 885-7924 / 885-7925 E-Mail: roberto.panlilio@jpmorgan.com	Robert L. Panlilio Senior Country Officer
4. Citibank Savings Bank	19/F Citibank Square, 1 Eastwood Ave., Eastwood City, Libis, Quezon City Tel: (632) 995-1675 Fax: (632) 423-6732 E-Mail: lynchk@citi.com	Kevin R. Lynch President
OBUs	**Address and Contact #**	**Contact Person**
1. JP Morgan International Finance, Limited	31/F, Philam Life Tower, 8767 Paseo de Roxas, Makati City Tel: (632) 885-7700 / 729-8000 Fax: (632) 885-7924 E-Mail: roberto.panlilio@jpmorgan.com	Roberto L. Panlilio Senior Country Officer (concurrent head)
Representative Offices	**Address and Contact #**	**Contact Person**
1. Wachovia Bank	15/F, Tower I Enterprise Center, Ayala Avenue, Makati City	Imelda B. Capistrano Director & Country Manager
2. The Bank of New York Mellon	10/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City Tel: (632) 885-0383 to 87 Fax: (632) 885.03.82 Email: TAFloro@BankofNY.com	Therese A. Floro Vice President & Chief Representative

Project Financing

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Overseas 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 [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), 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), a total of US$10.04 billion (spread over 119 projects) has been committed as ODA loans as of December 2008. Of the total ODA-funded projects:

- Sixty-eight (68) loans worth $5.90 billion are ongoing
- Thirty-two (32) have been closed
- One has been cancelled/terminated (Luzon Northwind Project
- One was signed in 2007 but is yet to be made effective (Northrail Project, phase I Section II).
- seventeen (17) were signed, ten of which became effective in 2008.

A three percent increase in cumulative ODA loans was recorded in CY 2008.

With forty (40) loans valued around US$4.17 billion, GOJ - JICA accounts for 42% of the total value of ODA loan commitments. The ADB accounted for 18% of ODA commitments with 19 loans valued at US$1.80 billion, and the World Bank committed twenty-two (22) loans for a total of US$1.51 billion in ODA projects. Furthermore, 14 percent of overall ODA loan funding came from Germany, Belgium, International Fund for Agricultural Development (IFAD), Kuwait, France, Finland, Nordic Development Fund (NDF), Organization of Petroleum Exporting Countries (OPEC), Netherlands, Korea, Saudi Arabia, Swedish International Development Cooperation Agency (SIDA), Spain, and the UK for a total of 32 loans valued at US$1.44 billion. China had six loans worth US$1.11 billion. Infrastructure projects took the majority of ODA funds with 58 loan commitments valued at US$6.13 billion, whereas agriculture, natural resources, and agrarian reform followed with 28 sector-oriented projects worth US$1.55 billion. During the same reporting period; there were 19 ODA-committed projects under the Social Reform and Community Development sector valued at US$954 million, six loans under Governance and Institutions Development (US$ 733 million), and eight projects under Industry, Trade and Tourism (US$666 million).

Other bilateral donor organizations with recent project involvement include the Canadian International Development Agency (CIDA), the European Commission (EU), the Danish International Development Assistance (DANIDA), the German Technical Cooperation (GTZ), the Australian Agency for International Development (AUSAID), the Norwegian Agency for Development Cooperation (NORAD), the Spanish Development Aid Fund (FAD), and the Swedish International Development Cooperation Agency (SIDA). Key sectors and priority projects include education, governance and institutional capacity-building, finance, energy, environmental protection, and social and physical infrastructure.

The U.S. allocated US$87.175 million in development assistance to the Philippines in FY 2009. Within this assistance, all USAID projects were awarded as grants, not loans, as they take the form of contracts or cooperative agreements with American, Philippine, or other entities.

In FY 2006, the Millennium Challenge Corporation (MCC) allocated US$21 million for a two-year, cooperative good governance program to address corruption under the Millennium Challenge Account's (MCA) "Threshold" program. Although receiving additional assistance will depend on the Philippines' ability to pass MCA-specified indicators, the country was selected on March 11, 2008, and re-selected on December 09, 2009, as eligible to develop a proposal for potentially larger financing under the MCA's "Compact" program.

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. On the other hand, OPIC offers long-term financing and/or political risk insurance to U.S. companies investing in emerging markets such as the Philippines. OPIC financing comes in the form of direct loans and loan guarantees for medium and long-term private investment, while political risk insurance provides for coverage against political violence, expropriation of assets by foreign governments and currency inconvertibility.

The Philippines is host to Asia's premier development finance institution, the Asian Development Bank, which is headquartered in Manila, Philippines. The Philippines is a founding member of the regional multilateral bank, the eleventh largest shareholder, and fifth largest borrower in 2008. Within the ADB headquarters building is a dedicated Philippine Country Office set up to further enhance and strengthen relations with the country. ADB also has 27 field offices in its member countries, including a representative office in Washington, DC.

The bank's lending creates significant business opportunities for U.S. consultants, goods and equipment suppliers, banks and project developers. About 80% of ADB loans are used for the procurement of goods, equipment and services. Procurement under ADB-funded projects is limited to member countries. There are now 67 member countries, including 19 non-regional donor countries. The rest are developing member countries (DMCs) of which some 42 are active borrowers. The bank's membership includes developing countries from South and Southeast Asia, the Pacific Islands, and six countries in Central Asia. The U.S. and Japan are the largest co-equal shareholders.

The Bank's lending reached US$11.4 billion in 2008. Of this, US$940 million went to the Philippines for five loans: one for agrarian reform; two for coal-fired power plants (Masinloc and Calaca); and one each for development policy and justice sector reform.

Since the start of ADB operations in 1967, the U.S. has won over US$6 billion in procurement contract awards, putting the U.S. within the top five in overall procurement among the bank's members. U.S. consulting firms are particularly competitive and continue to dominate consulting award contracts. This translates to a healthy contribution/procurement ratio for the United States.

The ADB supports private sector development in its member countries and has one of the most active portfolios in the Philippines which now exceeds US$1 billion. ADB serves as a catalyst for additional investment and financing, and provides risk mitigation to both co-financing institutions and private developers. In 2008, the ADB approved two loans from its private sector window for two coal-fired thermal power plants, Masinloc and Calaca. The bank's private sector window has also supported development banks, venture capital companies, a mutual fund, expressway rehabilitation and expansion, power-generating projects, water and sewerage concession and airport terminals.

Based on a re-worked business plan consistent with the bank's country partnership strategy for the Philippines, ADB's lending program for 2009-2010 totals US$974 million. The plan focuses on fiscal consolidation, improved investment climate, and accelerated attainment of Millennium Development Goals. In addition, ADB's technical assistance program is envisioned to be in the range of US$5 million for the two-year period. Projects lined up for 2009 are in natural resources and environmental management, financial market regulation and intermediation, development policy support, basic urban services, road sector improvement and water district development. In 2010, the ADB will fund irrigation systems improvement, local government financing, road sector improvement, water resources management (Agusan), and energy efficiency.

Under U.S. Congressional mandate, the Department of Commerce maintains a Commercial Service Liaison Office to the ADB in Manila to help U.S. companies access, enter and expand in Asian markets that benefit from ADB's lending and grant activities. The U.S. Liaison office is integrated into the U.S. Commercial Service – a network of over two hundred offices worldwide - whose mission is to facilitate U.S. exports. The office began operations in 1992 and cooperates with the U.S. Executive Director's Office at ADB to assist U.S. companies. As part of the U.S. Commercial Service network, the Liaison Office also works closely with the U.S. Commercial Service in the Philippines. An American Foreign Service Officer heads the office (currently Kenneth B. Reidbord), assisted by a local staff of four.

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

Address: American Business Center—U.S. Embassy
25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue, Makati City 1226
Philippines

U.S. mailing address:

Mr. Joe Fischl
Senior Commercial Officer
CS ADB
PSC 500 Box 33,
FPO AP 96515-1000.

E-mail: manila.adb.office.box@mail.doc.gov
Telephones: (632) 887-1345/1346
Fax: (632) 887-1164
Website: http://www.buyusa.gov/adb

Web Resources

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Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov

http://www.philratings.com
http://www.bsp.gov.ph/downloads/Publications/FAQs/forloans.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORB.pdf
http://www.bsp.gov.ph/publications/media_archives.asp?id=1991&yr=2009
http://www.bsp.gov.ph/regulations/reg_others_rfi.asp
http://www.bsp.gov.ph/regulations/regualtions.asp?type=1&id=116
http://www.neda.gov.ph/progs_prj/17thODA/17th_odamain.htm
http://www.bsp.gov.ph/downloads/Publications/FAQs/fxregulations.pdf
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2334
http://www.bsp.gov.ph/regulations/regulations.asp?type=1&id=2378
http://www.buyusa.gov/adb

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Chapter 8: Business Travel

Business Customs

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

As a show of respect and acknowledgement of certain social hierarchies, Filipinos usually address people by their titles (e.g., Architect Cruz, Attorney Jose, Dr. Romero), although most contacts will quickly insist on using a more informal approach (e.g., 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 running late for an appointment, their assistant or the individual would typically personally call or advise if he or she is on their way.

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

It is not uncommon for business associates to make personal inquiries about family, marital status, ethnicity, hobbies and after hours activities or other similar questions typically considered by Americans as rather personal. Be prepared to discuss generalities of family hobbies, sports and American customs, as Filipinos see this as a way to become better acquainted.

The U.S. businessperson should avoid, as much as possible, personally grappling with Philippine bureaucracy. The Bureau of Customs, for instance, requires dozens of signatures in order to clear air cargo, which can be expedited with the use of local customs brokers. The Filipino approach is to delegate to a staff or business associate capable of navigating the bureaucracy.

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

English is the official business language, including for most correspondence, contracts, and other documents. Among Filipinos, however, it is common to hear “Taglish” (a combination of Tagalog, a regional dialect from which the Filipino language is largely based, and English, or shifting back and forth between the two languages) during informal conversations. Body language and hand gestures (e.g., a raised eyebrow, a faint smile, a scratch in the head) are also integral to how Filipinos express themselves. Texting, or sending short, oftentimes abbreviated messages through mobile phones, has now become a preferred method for business communication. Do not be surprised if, in the middle of a meeting, people suddenly take out their mobile phones to read or send messages or to answer a call.

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

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). Hosting events private or professional usually ask staff to track down guests for a confirmation reply. In a formal occasion, seating is arranged, where the head table is usually reserved for VIPs. A guest speaker is often the highlight of a dinner or formal gathering. Light entertainment is not unusual. In most instances, important guests accept requests to sing. Americans with vocal talents can score business points in the Philippines.

The holiday season (the Philippines celebrates one of, if not the longest, Christmas season in the world) is also a time to show appreciation to people with whom you have regular dealings, e.g., 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. The Philippines being a predominantly Catholic country 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. It is recommended to have important meetings set prior to those dates.

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

Travel Advisory

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Travel Advisory can be found through:
http://travel.state.gov/travel/cis_pa_tw/tw/tw_2190.html

Visa Requirements

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General Provisions

1. Americans may visit the Philippines for business, pleasure, or health reasons, without a visa, for 21 days, and are exempt from payment of immigration fees and charges during this time. Their initial stay may be extended for an additional 38 days through a visa waiver. Thereafter, they may apply for a regular extension (one to three months per extension), and their total stay must not exceed one year and fifty-nine days. In meritorious cases, the Commissioner of Immigration, or his representative, may authorize extensions for a maximum stay of three years.

2. Temporary visitors who have been allowed to stay in the country beyond 59 days are required to pay for the Alien Certificate of Registration (ACR) fee, while those who have stayed beyond six (6) months are required to pay the Certificate of Residence/Temporary Visitor (CRTV) fee, either at the main office of the Bureau of Immigration (BI) or at any of its sub-ports.

Special Provisions

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

provided this corporation is a 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. SIRV holders are required to possess a SIRV (ID) identification card; otherwise non-compliance thereof shall constitute grounds for blacklisting. A SIRV (ID) identification card shall be the basis for seeking exemption from securing the SRC, ECC and ACR (What are these? Explanation needed.). SIRV applicants who possess SIRV stamps are considered to be on probationary status for a period of six months. However, if the applicant can demonstrate proof of their investments, they will be issued a permanent SIRV visa and SIRV ID.

5. Citizens of the United States, Japan and Germany (countries which have treaties of commerce, 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 persons have the option to apply for a Pre-Arranged Employment Visa under 9(g) with positions of elective (managerial) or non-elective (technical) as long as they qualify under the Immigration rules. Non-elective positions may be employed under the said visa with at least two (2) required Filipino understudies. The pre-arranged employment visa is co-terminus with the Alien Employment Permit (AEP) (This is not mentioned elsewhere so needs clarification) issued by the Department of Labor and Employment (DOLE).

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

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

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

United States Visas.gov: http://www.unitedstatesvisas.gov/

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

Telecommunications Return to top

The telecommunications infrastructure includes seven platforms: fixed line, mobile cellular, cable TV, over the air TV, radio and Very Small Aperture Terminal (VSAT), fiber optic cable and satellite for redundant international connectivity, good international radiotelephone and submarine cable services (four existing submarine cable landing systems, with two more under construction), and adequate domestic and inter-island service. There are 11 international gateways, and various submarine cables to countries like Hong Kong, Guam, Singapore, Taiwan, Japan, Brunei, and Malaysia, among others.

Cellular mobile telephone systems (CMTS) are the preferred mode of service. Mobile subscribers hit close to 60 million in 2009. Landline subscribers grew to an estimated 7 million due to the availability of wireless landline service. CMTS subscribers are divided into two basic segments: postpaid and prepaid subscribers, with an estimated ratio of 15:85 favoring prepaid systems. There are two major CMTS carriers in the local market: Smart Communications [a subsidiary of the telecom giant Philippine Long Distance Telephone Company (PLDT)] and Globe. Digitel, through its corporate brand, Sun Cellular, is gaining ground in the market but remains a far third.

The current Philippine cellular infrastructure is GSM.   The country continues to be the world leader in Short Messaging Service (SMS) with over one billion messages sent per day. VoIP was classified as a “value-added service”, and the emergence of 3G technology is expected to push higher levels of computing to mobile devices.

Broadband services are available for homes and office use. Users should expect to pay prices similar to those in the U.S. for these services. U.S. travelers will find mobile phone service affordable in the Philippines. Average cost per minute of call is US$13, while one SMS or text message costs US$.02. As a result, most Filipinos prefer to text rather than talk on their mobile phones. Broadband penetration to date is estimated at 0.02%. While this is still a relatively low number, uptake is experiencing steady growth of five to ten percent per annum. This surge is attributed to increased availability of wireless broadband, now the preferred technology for voice communications and access to content and data.

In early 2006, the National Telecommunications Commission (NTC) spearheaded the formation of a Technical Working Group (TWG) to study the migration from analog to digital terrestrial television (DTT) in the market. As a result, a draft Memorandum Circular (MC) was prepared which called for the compulsory transition of all analog TV service providers to DTT and the termination of all analog TV broadcast transmission by 11:59 PM, December 31, 2015. A second TWG was created in 2007 to validate the recommendation of the first group, and testing of available standards was conducted from late 2007 to early 2008. Industry sources indicate that a recommendation was submitted to the NTC. To date, the NTC has not named specific DTT standards for the Philippines. Post has received unconfirmed reports that the NTC is proposing to adjust the DTT implementation schedule. Sources indicate that the NTC is looking at 2015 to identify a standard, allowing more time to study the different standards available. 2020 is now being considered as the new cut-off year for analog transmission. Post believes these adjustments on the DTT schedule are realistic. However, the new administration taking over in June 2010 may take a different approach on the matter.

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Many major international airlines fly between Manila and the United States on a regular basis. Typically, these flights are indirect with layovers or stopovers before they reach their final destination (e.g., U.S. airlines such as Delta Airlines (formerly Northwest) flies from Manila to the U.S. via Narita, Nagoya, or Osaka; Continental flies from Manila to Mainland U.S. via Guam, 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 pick up 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 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 country has over 80 airports, but only a few meet U.S. or international aviation standards. There are five major international airports, two of which are located in former U.S. military installations (i.e., Subic and Clark). The country's major airport, the Ninoy Aquino International Airport (NAIA), currently operates two terminals in Manila, one of which is being used exclusively by flag carrier Philippine Airlines for its domestic and international routes. NAIA's Terminal III was recently opened for domestic flights. The remaining 80 airports are mostly regional terminals serving domestic routes.

On December 26, 2007, the U.S. Federal Aviation Administration (FAA) downgraded the Philippines' aviation safety oversight category from Category 1 to Category 2. According to the FAA, "Category 2 indicates that the FAA has assessed the Government of the Philippines' Civil Aviation Authority as not being in compliance with International Civil Aviation Organization (ICAO) safety standards for the oversight of Philippine air carrier operations. While in Category 2, Philippine air carriers will be permitted to continue current operations to the United States, but will be under heightened FAA surveillance." For more information, travelers may visit the FAA's website at: http://www.faa.gov/.

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 (less than US$20 per passenger). Flight delays are not unusual in the Philippines.

Maritime transport is a major conduit for moving goods and people. Inter-island vessels or ferries service major island routes. Being an archipelago, 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.

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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 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.

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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 a business traveler. These hospitals are usually staffed by excellent medical physicians, some of them U.S. Board Certified; while nursing and other medical support services may not be of equal quality. Medical fees are reasonable, compared to U.S. prices, and pharmaceuticals are widely accessible.

Larger pharmacies in the Philippines stock most standard medicines at prices equivalent to those in the U.S., although brand names may vary or be unfamiliar, Vitamins, over-the-counter medicines, general and first aid supplies are readily available. The overall level of sanitation in the Philippines is lower than in the United States. Overpopulation has greatly overtaxed water supplies, sewage and solid waste systems, utilities, and other public works and services. Americans are advised not to drink untreated or tap water. Similarly, ice is usually suspect. Bottled beverages are inexpensive, plentiful and safe so these are recommended. It is also not advisable to buy food from street peddlers as it may be contaminated.

Occasional gastrointestinal upsets, due to poor sanitary conditions, as well as colds and other respiratory ailments, due to the high level of air pollution, are unavoidable in Manila; especially if staying for an extended period of time. Overexertion and excessive fatigue should be avoided, as the tropical environment makes for rapid dehydration.

Diseases that are watch-listed are Avian (Bird) Flu (although no case has been officially reported in the Philippines); Dengue; Meningococcemia, and Severe Acute Respiratory Syndrome. The latest 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). 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 Government of the Republic of the Philippines (GRP) 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 to Friday. Some private companies have office hours on Saturdays from 9:00 a.m. to 12:00 noon. Eight hours per day or 48 hours per week is the maximum period an employee may be required to work at a regular pay rate.

Most shopping centers are open seven days a week with varying 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, Independence Day; August 27, National Heroes Day; November 1, All Saints' Day; November 30, Bonifacio Day; December 25, Christmas Day; and December 30, Rizal Day. Predominantly Muslim areas and regions of the country observe additional holidays such as Eid-ul-Fitr which are officially declared each year.

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 is also observed. In addition, special public holidays such as Election Day and EDSA Revolution Day may be declared by the President and are observed nationwide.

Current GRP practice is to move less important holidays to a Monday or a Friday to extend the weekend.

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. These U.S. holidays have varying dates each year.

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REQUIREMENTS FOR TEMPORARY ENTRY

The Philippine Bureau of Customs requires a traveler to fill out a Re-export Commitment Form and imposes a corresponding cash bond for: exhibit materials; articles brought into the Philippines for repair, processing or reconditioning; software; and laptop computers (in commercial quantity).

A 1.5% cash bond, based on computed duties/taxes and other charges, can be paid to the Bureau of Customs. The cash bond ensures that the traveler will bring the items back when he leaves the country.

A businessperson hand-carrying a personal laptop computer does not have to post a cash bond after demonstrating that the item is a personal effect and is not new. Laptops, considered to be tools of doing business, may be cleared without the necessary documentation (i.e., a Certificate of Identification) upon the businessperson's arrival.

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http://travel.state.gov/travel/cis_pa_tw/tw/tw_2190.html
http://travel.state.gov/visa/index.html
http://www.unitedstatesvisas.gov/
http://manila.usembassy.gov/wwwh3024.html
http://www.faa.gov/
http://www.doh.gov.ph

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Chapter 9: Contacts, Market Research, and Trade Events

Contacts

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U.S. Embassy Contacts:

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

U.S. Commercial Service
http://buyusa.gov/philippines

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://philippines.usembassy.gov

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

Asian Development Bank - FCS Liaison (FCS-ADB)
http://www.buyusa.gov/adb

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

U.S. Embassy Economic Section
http://philippines.usembassy.gov

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

Filipino-Indian Chamber of Commerce (Philippines), Inc.
http://www.come.to/ficc

Integrated Telecommunications Suppliers Association of the Philippines (ITESAP)
http://www.itesap.com

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 Electrical Contractors (SPECS)
http://www.specs.org.ph

<u>Government Agencies</u>:

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

Bureau of Export Trade Promotion
http://tradelinephil.dti.gov.ph/betp/dti2.main

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

Bureau of Internal Revenue (BIR)

http://www.bir.gov.ph

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html 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, but free of charge.

Trade Events

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

http://www.export.gov/tradeevents.html

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/philippines/en/servicesusfirms.html

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