WORLD TRADE ORGANIZATION

G/L/325
5 October 1999

(99-4156)

Council for Trade in Good
15 October 1999

Original: English

PHILIPPINES – REQUEST FOR EXTENSION OF THE TRANSITION PERIOD UNDER THE AGREEMENT ON TRADE-RELATED INVESTMENT MEASURES

The following communication, dated 4 October 1999, has been received from the Permanent Mission of the Philippines.

The Government of the Philippines, pursuant to Article 5:3 of the Agreement on Trade-Related Investment Measures (TRIMs Agreement), requests an extension of the five-year transition period referred to in Article 5:2 of the TRIMs Agreement for the TRIMs herein specified.

Notified TRIMs

In its communication dated 31 March 1995 addressed to the Council for Trade in Goods (CTG), the Philippines notified the following general categories of TRIMs pursuant to Article 5:1 of the TRIMs Agreement.

1. Local content and foreign exchange requirements under the Car Development Programme (CDP), Commercial Vehicle Development Programme (CVDP), and the Motorcycle Development Programme (MDP), and,

2. Local content requirement for coconut-based chemicals.

Such communication was circulated to Members in document G/TRIMS/N/1/PHL/1 dated 25 April 1995, which is incorporated herein by way of reference.

Request for Extension

Coverage

This request covers one category of the above-notified TRIMS: Local content and foreign exchange requirements under the Car Development Programme (CDP), Commercial Vehicle Development Programme (CVDP), and the Motorcycle Development Programme (MDP),

Period of extension requested

Up to 31 December 2004

Basis

The Philippines will have particular difficulties in phasing out the subject TRIMs, taking into account its development, financial and trade needs.

By the end of 1997, the parts manufacturing sector had made the following significant contributions to the economy, among others:

1. Investments of 25.58 billion (Philippine) pesos;
2. Employment of 44,715 workers,
3. Exports of US$ 934 million, a ten-fold increase from 1988.

Thus, despite a relatively low market volume, the Philippines was able to implement trade and investment liberalization measures by way of (i) lower tariff rates (ii) relaxation of the entry of brand new completely built-up units, components and parts, as well as of participants in the motor vehicle development programmes. The current tariff levels for manufactured products in this sector is minimal in comparison with those prevailing in the region.

However, the 1997 Asian financial crisis wiped out six years of industry growth because of poor consumer buying power and high costs of doing business. As a result of such crisis, local industry continues to be confronted with a severely contracted domestic market volume. Capacity utilization is only 40%, working hours have been reduced, and there have been temporary closures. Investment recovery has been poor and slow.

Thus far, about 5000 workers have been displaced. If this trend continues, it is estimated that at least another 10,000 workers will be further displaced. If this materializes, at least one-third of the total work force in the sector would have been adversely affected.

If granted, the extension would provide the industry the indispensable adjustment period to institute further structural reforms and to implement enhancement capability programmes in preparation for even further liberalization.