

NOTIFICATION UNDER ARTICLES 5.1 AND 5.5 OF THE AGREEMENT
ON TRADE-RELATED INVESTMENT MEASURES

Philippines

The following communication, dated 31 March 1995, has been received from the Permanent Mission of the Philippines.¹

1. Local Content and Foreign Exchange Requirements under the Car Development Programme (CDP), Commercial Vehicle Development Programme (CVDP), and the Motorcycle Development Programme (MDP).

(a) Description of the measures and of their main features

The local content requirement under the motor vehicle development programme aims to develop viable automotive parts and components manufacturing sector. Participants in the CDP, CVDP and MDP are required to comply with the local content requirement in order for them to remain in the programme. From a list of locally produced automotive parts and components, the automotive assemblers can select which automotive parts they wish to manufacture or source locally in order to meet the local content requirement.

Aside from local content, automotive assemblers are required to earn foreign exchange through exports of automotive parts and components to finance a proportion of their imports of completely knocked down (CKD) and semi-knocked down automotive parts and components for the assembly of motor vehicles.

(b) TRIM category

The local content requirement mentioned above falls under category 1(a) of the illustrative list of the Annex to the TRIMS Agreement. The requirement to earn foreign exchange is covered under category 2(b) of the said list.

(c) Local content and foreign exchange requirements

The local content and foreign exchange requirements under the CDP, CVDP and MDP are given in Annex A.

¹The replies in this notification respond to the points contained in the agreed format for notifications under Article 5.1, contained in document G/TRIMS/1.

(d) Legal enactments

The above measures are covered by the following Executive Orders (EO), Presidential Memorandum Orders (MOs) and are applied to new entrants and all existing participants in the CDP, CVDP and MDP that are registered with the Board of Investments (BOI):

	EO 248 (24 July 1987)	-	Attachment A
CDP	MO 136 (1 December 1987)	-	Attachment B
	MO 286 (9 March 1990)	-	Attachment C
	MO 68 (21 December 1992)	-	Attachment D
	Supplemental MOs:		
	MO 134 (31 May 1993)	-	Attachment E
	MO 238 (28 July 1994)	-	Attachment F
	MO 242 (2 December 1994)	-	Attachment G
CVDP	MO 157 (9 February 1988)	-	Attachment H
MDP	MO 160 (29 February 1988)	-	Attachment I

Copies of the above-mentioned legislation are enclosed in this notification.*

(e) Modification of TRIM

MO 242 extends participation in CDP to ASEAN Industrial Joint Venture (AIJV) project proponents, the projects of which are endorsed by the Government. This MO further requires participants under the AIJV's scheme to earn 100 per cent of their foreign exchange requirements for imports of CKD units for assembly.

Article 5.5 of the TRIMS Agreement is being invoked with respect to the participation of AIJV proponents in the programme under MO 242.

MO 238 on the other hand introduces the following modifications to MO 134:

- Rule 3 is modified to change the book value of completely built-up passenger vehicles importable under MO 134 from US\$25,000 to US\$20,000;
- Rule 13 is modified to replace the Board of Investment (BOI) with the Bureau of Import Services (BIS) of the Department of Trade and Industry as the issuing authority for import clearances required by MO 134;
- Incorporates an Annex A which modifies Section 3.1 to extend to 19 June 1995 the relaxation of existing regulations on the importation of passenger vehicles in CBU (completely built-up) condition with certain limitations, previously relaxed up to June 1994 by MO 134.

*Copies of these documents are available for inspection by interested delegations in the Secretariat (Intellectual Property and Investment Division).

(f) Phase-out

There is no provision under the relevant laws providing for a phase-out of the motor vehicle programmes. The programmes will be maintained until the applicable laws/regulations are amended or repealed.

(g) Implementing agency

The Motor Vehicle Development Programmes are being implemented by the national government through the Board of Investments/Department of Trade and Industry.

2. Local Content Requirement for Coconut-Based Chemicals

(a) Description of the measure and of its main features

Soap and detergent manufacturers are required to use at least 60 per cent locally produced cocochemical surfactant. The requirement applies to all soap and detergent manufacturers, whether new or existing manufacturers.

(b) TRIM category

This is a local content requirement falling under category 1(a) of the illustrative list.

(c) Legal enactment

The requirement above is contained in Executive Order 259 which was enacted in July 1987 for the purpose of rationalizing the soap and detergent industry and promoting the utilization of chemicals derived from coconut oil. Compliance is mandatory. A copy of this Executive Order is enclosed with this notification as Attachment J.*

(d) Phase-out

There is no provision under EO 259 for the phase-out of the local content requirement. The measure will be maintained until the Executive Order is amended or repealed.

(e) Implementing agency

The measure is being implemented by the national government through the Board of Investments/Department of Trade and Industry.

*Copies of this document are available for inspection by interested delegations in the Secretariat (Intellectual Property and Investment Division).

ANNEX A

Local Content and Foreign Exchange Requirements

Car Development Programme

Category	Engine displacement	Local content requirements	Foreign exchange requirements
I	1200 cc and below	51% - starting 1993 (M.O. 286, s. 1990, Sec. 3 par. 3.1)	50% - up to 1994 75% - 1995 to 1997 100% - 1998 onwards (M.O. 68, s. 1992, Sec. 3 par. 3.1)
II	1201 cc - 2800 cc	40% - starting 1990 (M.O. 136, s. 1987, Sec. 7 par. 7.1)	50% - up to 1994 75% - 1995 to 1997 100% - 1998 onwards (M.O. 68, s. 1992, Sec. 3 par. 3.1)
III	2190 cc and above	None specified	100% - 1992 onwards (M.O. 68, s. 1992, Sec. 2 par 2.6)

Commercial Vehicle Development Programme

Category	Vehicle type	Vehicle WT. (KGS, GVW) ¹	Local content requirement ²	Foreign exchange requirement ³
I	Asian Utility Vehicle	up to 3,000	54.86%	25%
II	Light Commercial Vehicle	up to 3,000	44.42%	25%
III	Light trucks	3,001 to 6,000	21.90%	25%
IV	Cargo trucks or passenger buses A B C D	6,001 - 9,000 9,001 - 12,000 12,001 - 15,000 15,001 - 18,000	21.44% (M.O 157, s. 1988, 22.44% Sec. 7 par. 7.1) 13.53% 13.77%)	25% (M.O. 157, s. 1988, Sec. 9 par. 9.1)

¹GVW Gross Vehicle WT in kilogramme

²From 1990 onwards

³From 1988 onwards

Motorcycle Development Programme

Category	Vehicle type	Local content requirement	Foreign exchange requirement
A	2-wheeler	54.95% (M.O. 160, s. 1988, Sec. 7 par. 7.1)	25% (M.O. 160, s. 1988, Sec. 9 par. 9.1)
B	3-wheeler	46.64% (M.O. 160, s. 1988, Sec. 7 par. 7.1)	25% (M.O. 160, s. 1988, Sec. 9 par. 9.1)