WORLD TRADE ORGANIZATION

WT/TPR/S/368/Rev.1

19 June 2018

(18-3794)

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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

THE PHILIPPINES

Revision

This report, prepared for the fifth Trade Policy Review of the Philippines, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from The Philippines on its trade policies and practices.

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Document WT/TPR/G/368/Rev.1 contains the policy statement submitted by the Philippines.

Note: This report was drafted in English.

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SUMMARY

1. Since its last Trade Policy Review in 2012, the Philippine economy has grown at an average annual rate of about 6%. Growth was driven mainly by consumption and infrastructure investment. GDP per capita in 2016 was some US$2,950, up from US$2,580 in 2012. The poverty rate declined from 25.2% in 2012 to 21.6% in 2015. Services constitute the most important sector in terms of contribution to GDP, and are also the fastest growing export sector. The Philippine Development Plan 2017-2022 focuses on making the economy more competitive, underpinned by sound regulatory practices and competition policy, and open services markets.

2. Machinery is the Philippines' main merchandise export category. Exports of electronics and electrical goods recorded significant growth during the review period, accounting for 25.6% of total exports in 2016, up from 9.6% in 2011. Exports of services and remittances have also experienced fast growth. Imports of manufactured goods have increased significantly, from 50% of total imports in 2011 to 76% in 2016. The surge of manufactures imports, in particular capital goods and consumer products, can be attributed to increasing infrastructure investment and the improvement of living standards. The United States, the European Union, Japan, China, and ASEAN countries are the Philippines' main trading partners.

3. During the review period, the Government pursued a conservative fiscal policy, aiming at strengthening resilience and building a fiscal buffer. Consequently, the total government debt to GDP ratio decreased from 41% in 2012 to 35% in 2016. In order to achieve a higher growth path, the Government has strongly increased infrastructure spending, from 2.7% of GDP in 2013 to 5% in 2016, particularly on inter-island connectivity, road connection, and addressing congestion in Metro Manila and other urban areas. Currently, the budget deficit target is set at 3% of GDP.

4. As regards monetary policy, the central bank maintains an inflation-targeting policy, with the current target set at 3%. During the review period, the Philippines received sizeable capital inflows, from remittances and portfolio investment, which resulted in excess liquidity. To improve policy transmission, the central bank has operated an interest rate corridor system since June 2016; this has narrowed the interest spread between the policy rate and the market rates.

5. Over the review period, the Philippines recorded a strong inflow of foreign direct investment (FDI) which reached US$7.9 billion in 2016, up from US$1.9 billion in 2011. The Netherlands, Australia, the United States, Japan, and Singapore were the major source countries of FDI. More than 60% of FDI was invested in the manufacturing sector. Attracting further FDI has been hampered by factors such infrastructure problems and restrictions on foreign ownership.

6. The institutional framework for trade policy remains largely unchanged, although some institutional changes did occur, notably in the area of SPS measures and agriculture. The Department of Trade and Industry remains responsible for implementation and coordination of trade and investment policies, as well as promoting and facilitating trade and investment.

7. The Philippines grants at least MFN treatment to all WTO Members. It has preferential trading agreements with 15 partners: the other nine parties of ASEAN; six countries that have negotiated agreements with ASEAN (Australia and New Zealand, China, India, Japan, and the Republic of Korea); and a bilateral agreement with Japan. An agreement between the Philippines and EFTA members has been signed, but not yet ratified. FTA negotiations with the European Union are ongoing.

8. During the period under review, the Philippines provided well over 300 notifications to the WTO (including over 200 SPS notifications). Nevertheless, some notifications remain outstanding, notably in the area of agriculture. The Philippines is currently involved in one WTO dispute settlement procedure as complainant; during the review period it was not involved in any dispute settlement cases as defendant.

9. The foreign investment regime of the Philippines is governed, *inter alia*, by the 1987 Constitution and the Foreign Investments Act of 1991, which covers all activities except financial services. Under the Act, the Philippines establishes (every two years) a Foreign Investment Negative List (FINL) of activities in which FDI is restricted. The Philippines continues to limit foreign investment in a number of activities (including agriculture, fisheries, telecom services, and

public utilities), but has also taken some liberalizing steps. Thus, various FDI restrictions were eliminated for professional services (subject to certain exceptions and reciprocity), and banking services. Foreign ownership of land is not permitted, but foreign investors may lease land up to a maximum term of 75 years.

10. The Customs Modernization and Tariff Act of 2016 aims to modernize customs rules, expedite customs procedures, reduce opportunities for corruption, and improve customs service delivery. Pre-shipment inspection is mandatory for all bulk or break bulk cargo. All shipments are classified according to risk. Customs clearance times for high risk consignments (about 50% of all consignments) are between one and two days, while moderate risk consignments require about four hours for clearance. The Philippines accepted the WTO Trade Facilitation Agreement on 27 October 2016; it has also submitted a notification regarding its Category A commitments.

11. The Philippines' tariff comprises 10,813 lines at the HS 2017 eight-digit level (compared to 8,299 in 2011), with rates ranging from zero to 65%. All tariffs are *ad valorem*. The average applied MFN tariff is 7.6%, up from 6.4% in 2011. The increase in the average tariff is mainly due to transposition to HS 2017 and the splitting of lines carrying high tariffs. Tariff rate quotas apply on 77 tariff lines. 65% of tariff lines (including all agricultural lines) are bound. The simple average bound rate is 25.7%. A wide range of tariff and tax exemptions are provided under specific laws. Revenue forgone under tariff and tax concessions is considerable, amounting to PHP 549 billion in customs duties and PHP 301 billion in VAT in 2016.

12. Most imports, like domestically produced goods, are subject to value-added tax which has a standard rate of 12%. Food products and agricultural inputs are exempt from VAT. Excise taxes are levied on alcoholic beverages, tobacco products, automobiles, petroleum products, minerals, perfumes and jewellery. A vast range of goods are subject to licences or permits when imported. For certain products, multiple permits or licences are required, and informal payments have been reported by the business community.

13. In 2016, the Philippines consolidated its regulatory framework for trade contingency measures under the Customs Modernization and Tariff Act. As at end-2017, the Philippines maintained anti-dumping measures on three products (wheat flour from Turkey, and clear float glass and bronze float glass from China) and safeguard measures on three products (steel angle bars, testliner board, and newsprint). In addition, a special agricultural safeguard is in place on poultry meat.

14. Registration and documentation requirements for exporters are similar to those for importers. Only registered companies are allowed to export. No export taxes are levied in the Philippines, apart from exports of plantation logs which are subject to a tax of 20%. Minimum export prices for corn and rice are no longer applied. Export licences are required for a wide range of products. Exports of rice, corn, and sugar remain restricted and may be exported only if there is a surplus. Some tax incentives are contingent on export performance.

15. Economic zones are an important tool for export promotion in the Philippines. Incentives include corporate and income tax reductions, VAT and tariff exemptions, and simplified import and export procedures. As at October 2017, there were 376 economic zones with total employment of more than 1.3 million. Exports by Filipino-owned companies are also promoted through public loans, guarantees and insurance made available by the Philippine Export-Import Credit Agency.

16. About 80% of standards are aligned to international standards. There are 72 mandatory technical regulations, covering a wide range of goods. The Philippines Accreditation Bureau has accredited 243 conformity assessment bodies. The Philippines has reformed its food safety regime based on a "farm-to-fork" approach to enhance food safety. A new Food Safety Act was promulgated in 2013; its implementing legislation entered into force in 2015. However, the Philippines' SPS-related import requirements for food, which appear to be complex, remain largely unchanged. During the period under review, the Philippines submitted 46 TBT notifications and over 200 SPS notifications. Members have not raised any Specific Trade Concerns regarding its SPS and TBT measures.

17. The Philippines passed its first Competition Act in 2015 and established a competition authority in 2016. However, the overall competition environment remains weak in many sectors.

State-owned enterprises continue to play an important role in the Philippine economy, in particular in transport, infrastructure, and housing. The Philippines has notified the National Food Authority (NFA) as a state-trading enterprise. The NFA has the exclusive authority to import rice, corn and other grains. New legislation on public procurement entered into force in 2016. The nationality requirement for bidders continues to restrict foreign-owned entities from participating in public procurement. The Philippines is neither a signatory nor an observer of the Plurilateral Agreement on Government Procurement.

18. The legal framework on intellectual property rights has remained basically unchanged. The Bureau of Copyrights, established in 2013, is responsible for promoting awareness of IP rights and accreditation of organizations that collect royalties. Applications and registrations for most types of IP have grown strongly during the period under review.

19. Agriculture and forestry contributes around 10% to GDP. The Philippines ranks among the major world producers of bananas, coconuts, pineapples, and rice. The WTO waiver allowing the Philippines to defer the tariffication of its quantitative restrictions (QRs) on rice expired in June 2017. A bill on tariffication of the QRs is pending in parliament as at December 2017. In the meantime, the Philippines has extended its WTO waiver-related tariff concessions on rice and other commodities. Thus, as at December 2017, the Philippine rice import regime remains under the status quo. Ensuring food security remains the most important objective of agricultural policy which includes a credit programme for farmers; a livestock, dairy and poultry programme; and a government export marketing campaign for high-value crops.

20. The Philippines is a net importer of energy. The Government has issued a National Renewable Energy Programme to encourage the development of renewable energies. Local content requirements are applied to bioethanol: production must first exhaust domestic feedstock sources before using any imported equivalent. The cost of energy remains high, hindering the development of other sectors.

21. Manufacturing contributes about 25% to GDP and employs some 8% of the labour force. The strongly growing sector mainly comprises: food and beverages, furniture and fixtures, electronics, chemicals, petroleum refining, and motor vehicles. Most industries supply mainly the domestic market, except the electronics industry whose products are mostly for export.

22. The services sector contributes some 51% to GDP; the share of financial services remained at some 10% of GDP during the review period. Up to 100% foreign ownership of banks has been allowed since June 2014. Foreign banks or their branches are also allowed to participate in foreclosure proceedings and take possession of the mortgaged property, with certain restrictions. National treatment has been applied, in terms of regulatory requirements, to foreign-owned insurance companies since mid-2013, when the Insurance Code was amended.

23. In transport, the Philippines reserves cabotage for national carriers, both in aviation and maritime transport. Most Philippine bilateral air services agreements cover third and fourth freedoms. Since July 2015, international relays in maritime transport have been allowed: foreign ships may carry goods that are bound for international trade between inter-island domestic ports; the goods for international relays must be unloaded by another foreign vessel calling at that port e*n route* to the port of final destination.

24. The telecommunications sector in the Philippines is private-sector driven and dominated by two companies. Foreign ownership in telecommunications is not allowed to exceed 40%. Services providers must obtain a franchise from Congress before commencing business. In 2017, the Government issued a National Broadband Plan, with the aim of improving telecom infrastructure and promoting an open access network.

25. Tourism is considered to be central to the Philippines' social and economic development: in 2016, the sector contributed 8.6% to GDP and 12.8% to employment. During the review period, the Government adopted a number of visa facilitation measures to boost tourist arrivals; it also took steps to address infrastructure problems that affect the sector. Restrictions on foreign ownership remain in various areas of the tourism sector. While 100% foreign ownership is permitted for hotels, a minimum of 40% Filipino ownership applies to restaurants.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Philippines is located in the western Pacific Ocean, and on the Ring of Fire. The country consists of over 7,000 islands.[1] Luzon, the major island, is home to the Metropolitan Manila area where most of the economic activities are concentrated. Visayas comprises the Philippines' central islands, where many of the biodiversity and tourism destinations are located. Mindanao, in the south, is mostly a rural economy. Inter-island shipping is the major transport mode for national traffic.

Table 1.1 Economic activities and employment, 2011-16

	2011	2012	2013	2014	2015	2016
Current GDP at market price (US$ billion)	224.1	250.1	271.8	284.6	292.8	304.9
Current GDP at market price (PHP billion)	9,708.3	10,561.1	11,538.4	12,634.2	13,322.0	14,480.7
Economic activities (% of GDP)						
Agriculture	15.4	14.4	13.7	13.8	12.5	11.8
Agriculture and forestry	13.1	12.2	11.6	11.9	10.8	10.2
Fishing	2.3	2.2	2.1	1.9	1.8	1.6
Mining and quarrying	1.8	1.4	1.2	1.3	1.0	1.0
Manufacturing	25.6	25.0	24.9	25.1	24.5	24.0
Construction	6.5	7.3	7.6	7.7	8.3	8.9
Electricity, gas and water	4.1	4.3	4.2	4.1	4.0	3.8
Services	46.6	47.6	48.4	48.1	49.7	50.5
Trade and repair of motor vehicles	21.2	21.5	21.9	21.6	22.1	22.3
Transport, storage, and communication	7.8	7.8	7.7	7.6	7.8	7.7
Financial intermediation	8.5	8.8	9.3	9.5	9.7	9.8
Real estate and business activities	13.8	14.0	14.5	14.8	15.6	16.0
Public administration and defence	5.0	5.3	5.1	4.8	4.7	4.9
Other services	11.4	11.7	11.7	11.4	11.9	12.0
Share of sector in total employment						
Agriculture	33.0	32.2	31.0	30.5	29.2	27.0
Agriculture and forestry	29.0	28.4	27.4	26.9	25.7	23.9
Fishing	3.9	3.8	3.7	3.6	3.4	3.1
Mining and quarrying	0.6	0.7	0.7	0.6	0.6	0.5
Manufacturing	8.3	8.3	8.3	8.3	8.3	8.3
Construction	5.6	5.9	6.2	6.7	7.0	8.2
Electricity, gas and water	0.4	0.2	0.2	0.2	0.2	0.2
Services	52.1	52.6	53.4	53.5	54.7	55.6
Trade and repair of motor vehicles	..	18.3	18.6	18.8	18.9	19.6
Transport and storage	..	7.0	7.2	6.9	7.2	7.4
Accommodation and food service activities	3.0	4.2	4.2	4.4	4.4	4.3
Information and communication	..	0.9	0.9	0.9	1.0	0.9
Financial and insurance activities	..	1.2	1.2	1.3	1.3	1.3
Real estate	..	0.5	0.5	0.4	0.5	0.5
Professional, scientific and technical activities	..	0.5	0.5	0.5	0.5	0.5
Administrative and support service activities	..	2.5	2.7	2.8	2.9	3.3
Public administration and defence; compulsory social security	5.0	5.2	5.2	5.1	5.4	5.4
Education	3.2	3.2	3.2	3.2	3.3	3.2
Human health and social work activities	1.2	1.2	1.2	1.2	1.3	1.2
Arts, entertainment and recreation	..	0.9	0.9	0.9	0.9	0.9
Other services	7.8	7.2	7.1	7.0	7.1	7.1

.. Not available.

Source: Philippine Statistics Authority online information; IMF eLibrary-Data online information.

1.2. Services constitute the most important sector in terms of both contribution to gross domestic product (GDP) (51% in 2016) and employment (56% of the labour force). Within services, "trade and repair of motor vehicles" is the largest subsector, accounting for 22% of GDP and 20% of employment in 2016; real estate, though only employing 0.5% of the labour force, contributes 16% to GDP. Manufacturing accounts for about 24% of GDP and some 84% of the total value of merchandise exports. Agriculture and related activities remain an important sector of the economy, despite the decline in its share to 12% in 2016. Mining and quarrying is an

[1] Only approximately 2,000 islands are inhabited.

underdeveloped sector (1% of GDP), though the country contains abundant mineral resources (Table 1.1).

1.3. The Philippines has a very young population. In 2015, according to the latest census, the total population was 100.98 million, with a median age of 24.3. The country is estimated to have entered its "demographic window", 70% of its population being of working age, with a 64% labour participation rate. Labour exports, through remittances from overseas workers and payment of seafarers' wages, are an important source of national income. Overseas workers account for 3.2% of households. 26.3% of the population are under the poverty line.

1.2 Recent Economic Developments

1.2.1 Overview of economic growth

1.4. Since the last Review in 2011, the Philippines has experienced robust economic growth at a rate of above 6% each year (Table 1.2). Despite typhoon Yolanda and the dry weather associated with El Niño having an impact on growth in 2014-15, the average growth rate was 6.6% for the last five years. This is the highest among the countries in the region. GDP per capita in 2016 was US$2,951, while gross national income (GNI) per capita was PHP 168,830 (~US$3,555). According to the IMF, growth has reached full capacity, with an almost zero output gap.[2] Structural reforms, including scaling up in infrastructure and social expenditure as well as relaxing foreign investment restrictions, are much needed to raise the potential growth path.

Table 1.2 Gross domestic product, 2011-16

	2011	2012	2013	2014	2015	2016
Real GDP (US$ billion, 2010 prices)	136.5	149.3	159.0	161.4	167.0	171.1
Real GDP (PHP billion, 2010 prices)	5,910.2	6,305.2	6,750.6	7,165.5	7,600.2	8,126.4
Real GDP growth (% of change)	3.7	6.7	7.1	6.1	6.1	6.9
Current GDP at market price (US$ billion)	224.1	250.1	271.8	284.6	292.8	304.9
Current GDP at market price (PHP billion)	9,708.3	10,561.1	11,538.4	12,634.2	13,322.0	14,480.7
GDP per capita at current market price (US$)	2,352.5	2,581.8	2,760.3	2,842.9	2,878.3	2,951.1
GDP by expenditure (% of GDP)						
Consumption	83.2	85.1	84.2	83.1	84.7	84.7
Private consumption	73.5	74.2	73.4	72.5	73.8	73.6
Public consumption	9.7	10.8	10.8	10.6	10.9	11.1
Gross fixed capital formation	18.7	19.6	20.6	20.7	22	24.6
Net export of goods and services	-3.6	-3.3	-4.2	-3.6	-5.9	-9.0
Export of goods and services	32.0	30.8	28.0	28.9	28.4	28.0
Import of goods and services	35.7	34.1	32.2	32.6	34.3	36.9

Source: Philippine Statistics Authority online information.

1.5. The main growth drivers are domestic factors such as consumption and investment (Table 1.2). Both consumption and investment, in particular household consumption and private construction, have grown rapidly during the period under review (Table 1.2). Buoyant private consumption was fuelled by cash remittances and wage payments from abroad, as well as by the rapid development of the business process outsourcing (BPO) sector, neither of which is directly reflected in national accounting (Section 1.3.1).

1.6. The revenues of the BPO sector grew at an average pace of 17% per year during 2010-16, and is projected to grow year-on-year at 9% between 2016 and 2022, according to the IT and Business Process Association of the Philippines (IBPAP). In 2016, the sector's revenue was almost US$23 billion. The rapid growth of the BPO sector stimulates other sectors such as construction (i.e. for office space and apartments), retail, and restaurants.

[2] IMF Country Reports, No. 14/245, No. 15/246, and No. 16/309.

1.7. Except in 2014, gross fixed capital formation grew at a double-digit annual rate. In 2016, it grew 25% compared to the previous year (Table 1.3). The growth in investment may be explained by the boom in the real estate sector and the acceleration in infrastructure investment (Section 1.2.2). In June 2016, credit to construction and real estate grew by more than 20% on a year-on-year basis. Since 2014, the authorities have been increasing infrastructure spending, through public-private-partnership (PPP) projects. PPPs have continued to expand from PHP 1.1 trillion in 2013 to PHP 1.4 trillion in June 2016.

1.8. While the services balance is in surplus, reflecting strong services exports, such as receipts from BPO and workers' remittances, net export of goods and services remain in deficit (Table 1.2).

1.9. The unemployment rate has continued to decline since 2014. The unemployment rate in 2016 was 5.4%, the lowest recorded since 2006. Youth unemployment remains a dominant problem in the labour market. Although it has also declined, the youth unemployment rate is almost triple the national rate, at 16.1%, in 2016.

1.10. The outlook for the Philippine economy remains favourable despite external headwinds. Real GDP growth is forecast at 6.7% in 2017, assuming continued robust private domestic demand and higher public spending. Unemployment is projected to decline further in 2017. Inflation is expected to remain within the central bank's target range, as commodity prices stabilize and strong economic activity continues.

1.2.2 Fiscal policy and structural reforms

1.11. During the review period, the Government pursued a conservative fiscal policy. The Aquino administration (2010-2016) was focused on strengthening resilience and building a fiscal buffer. A target of national government deficit to GDP ratio was set at 2%. Sustained primary surplus and rapid GDP growth caused the government debt-to-GDP ratio to continue declining: government debt decreased from 41.4% of GDP in 2011 to 34.6% in 2016 (Table 1.3).

1.12. The Philippines has a small government compared to other countries in the region: government expenditure accounted for around 16% throughout the years of the review period. As for public investment, the Philippines' public capital remains the lowest among ASEAN countries, at 35% of GDP in 2015.[3] Persistently low investment has been reflected in the quality of infrastructure, particularly the inter-island connectivity bottleneck. Poor infrastructure has constrained private investment and job creation.

1.13. In response, the authorities have increased infrastructure spending since 2013: the state budget allocated PHP 207 billion (2.7% of GDP) for infrastructure in 2013, PHP 442 billion (3.4%) in 2014, PHP 570 billion (4%) in 2015, and PHP 767 billion (5%) in 2016. According to an IMF study, increasing infrastructure spending from 3% to 5% of GDP will lead to an additional increase in GDP by 5% to 11%, depending on investment efficiency.[4] This upward shift of growth path is achieved through the public infrastructure enhancement that leads to a permanent improvement in the general productivity of the economy, and crowding in private investment.

1.14. National government budget deficits were below the 2% medium-term target for the years 2013-15 because of budget under-execution early in these years. For instance, the actual spending on infrastructure in 2014 was PHP 276 billion (62% of the amount allocated in the budget). Expenditure was withheld in case of a revenue shortfall to secure the 2% of GDP fiscal deficit target, which impeded efficient expenditure and risked pro-cyclical fiscal management. Budget execution improved thereafter, which led to the deficit reaching 2.4% in 2016. This would imply a fiscal stimulus of 0.4% of GDP in 2016 (Table 1.3).

1.15. When the Government changed in July 2016, the Duterte administration included the ground work from the previous administration in its economic and social policies. The new administration announced a Zero-To-Ten-Point Socioeconomic Agenda, in which it includes policy priorities on, *inter alia,* accelerating infrastructure investment, raising competitiveness by relaxing constitutional restrictions on foreign direct investment (FDI), ensuring security of land tenure,

[3] IMF Working Paper, WP/16/39, February 2016.
[4] IMF Working Paper, WP/16/39, February 2016.

strengthening the education system, implementing a comprehensive tax policy reform, modernizing tax collection agencies, and improving social welfare programmes.

1.16. Starting in 2017, the Duterte administration increased the deficit target to 3% of GDP so as to raise infrastructure and social spending, based on appropriate revenue projections.[5] In the 2017 budget, PHP 858.1 billion was assigned to infrastructure.

Table 1.3 Selected macroeconomic indicators, 2011-16

	2011	2012	2013	2014	2015	2016
National accounts (% change, unless otherwise indicated)						
Real GDP (at 2000 prices)	3.7	6.7	7.1	6.1	6.1	6.9
Consumption	5.1	7.7	5.5	5.3	6.5	7.1
Private consumption	5.6	6.6	5.6	5.6	6.3	7.0
Government consumption	2.1	15.5	5.0	3.3	7.6	8.4
Gross fixed capital formation	-1.9	10.8	11.8	7.2	16.9	25.2
Exports of goods and services	-2.5	8.6	-1.0	12.6	8.5	10.7
Imports of goods and services	-0.6	5.6	4.4	9.9	14.6	18.5
Unemployment rate (%)	7.0	7.0	7.1	6.6	6.3	5.5
Prices and interest rates						
Inflation (CPI, % change)	4.6	3.2	3.0	4.1	1.4	1.8
Lending rate (%)	6.63	5.65	5.76	5.53	5.58	5.64
Deposit rate (%)	3.39	3.16	1.66	1.23	1.59	1.60
Exchange rate						
Pesos/US$ (annual average)	43.31	42.23	42.45	44.40	45.50	47.49
Real effective exchange rate (% change)	0.7	4.8	4.0	-0.3	6.5	-3.1
Nominal effective exchange rate (% change)	-1.0	3.7	2.7	-2.5	5.9	-3.9
Fiscal balance (% of GDP)						
National government balance	-2.0	-2.3	-1.4	-0.6	-0.9	-2.4
Revenue and grants	14.0	14.5	14.9	15.1	15.8	15.2
Tax revenue	12.4	12.9	13.3	13.6	13.6	13.7
Expenditure	16.0	16.8	16.3	15.7	16.7	17.6
Government total debt	41.4	40.6	39.3	36.4	36.2	34.6
Domestic	20.6	22.7	23.1	21.9	21.3	20.3
External	20.8	17.9	16.2	14.5	14.9	14.4
Saving and investment (% of GDP)						
Gross national savings	23.0	21.0	24.2	24.3	23.4	24
Gross domestic investment	20.5	18.2	20.0	20.5	20.6	24.3
Savings-investment gap	2.5	2.8	4.2	3.8	2.8	-0.3
External sector (% of GDP, unless otherwise indicated)						
Current account balance	2.5	2.8	4.2	3.8	2.5	-0.3
Net merchandise trade	-9.1	-7.6	-6.5	-6.1	-8.0	-11.7
Merchandise exports	17.1	18.5	16.4	17.5	14.8	14.0
Merchandise imports	26.2	26.1	22.9	23.6	22.7	25.7
Services balance	2.9	2.5	2.6	1.6	1.9	2.3
Capital account	0.1	0.0	0.0	0.0	0.0	0.0
Financial account	-2.4	-2.7	0.8	3.4	0.8	-0.1
Direct investment	0.2	0.4	0.0	0.4	0.0	-1.9
Balance-of-payments	5.1	3.7	1.9	-1.0	0.9	-0.1
Merchandise exports (% change US$)	4.1	21.2	-4.0	11.9	-13.3	-1.1
Merchandise imports (% change US$)	9.5	11.3	-4.8	8.0	-1.0	17.7
Service exports (% change in US$)	6.2	8.3	14.2	9.3	14.0	7.6
Service imports (% change in US$)	2.5	15.8	14.4	28.2	12.9	2.6
Gross international reserves (US$ billion, end-period)	75.3	83.8	83.2	79.5	80.7	80.7
in months of retained imports	11.6	11.5	11.6	9.9	9.9	8.8
Total external debt (US$ billion; end-period)	75.6	79.9	78.5	77.7	77.5	74.8
% of GDP	33.7	32.0	28.9	27.3	26.5	24.5

Source: Philippine Statistics Authority online information; IMF eLibrary-Data online information; Bangko Sentral ng Pilipinas (BSP) online information.

1.17. The authorities aim to increase public infrastructure spending to at least 5% of GDP over the medium term. Indeed, a spending target of PHP 1,840.2 billion (~7.3% of GDP) on infrastructure was approved by the Presidential Development Budget Coordination Committee on 9 June 2017. The planned prioritized investments of the Government are inter-island connectivity, logistics, farm-to-market roads and tourism sites, addressing congestion in Metro Manila and other

[5] The previous administration's fiscal deficit targets were based on aspirational revenue targets.

urban areas, as well as social spending. In order to expedite infrastructure projects that are deemed urgent, the administration has requested emergency powers from Congress for a limited period of time.[6] Congress' approval of the request was still pending at the time this report was finalized.

1.18. Together with the new 3% mid-term target, the authorities indicated that the fiscal anchor would target a broadly stable consolidated general government debt-to-GDP ratio at the current level (36% of GDP) over the medium term. The 3% deficit target would allow the authorities to address the Philippines' large infrastructure and social gaps to promote inclusive growth; it would also reduce the debt-to-GDP ratio to less than 31% in 2021, thus providing a margin of 5% of GDP to respond to the materialization of fiscal risks and uncertainty through flexible implementation.[7]

1.19. The poverty rate declined from 25.2% in 2012 to 21.6% in 2015.[8] The Government set an ambitious target to reduce the poverty rate by 1.25 to 1.5 percentage points per year, with a cumulative decline of between 7.5% and 9% in six years. In order to achieve this, the authorities consider it imperative that the increase in social and infrastructure spending is targeted at the most vulnerable, particularly in rural areas, and is accompanied by strong structural policies. In this respect, the authorities plan to increase investment in human capital development and support programmes designed to promote inclusive growth such as the K-to-12 Programme, housing programmes for poor Filipinos, labour protection, and health care.

1.20. Facing the increase in spending on infrastructure and social needs, the Philippines needs to reform its tax system and improve revenue collection to finance its structural reform. Tax collection is at around 13% of GDP (Table 1.3), reflecting low compliance and extensive exemptions. The authorities note that a comprehensive tax reform package is expected to be implemented in January 2018; the package, known as the Tax Reform for Acceleration and Inclusion (TRAIN), is expected to simplify the personal income tax structure, tighten VAT exemptions, and increase excises on certain goods.

1.2.3 Monetary and exchange rate policy

1.21. The Bangko Sentral ng Pilipinas (BSP) operates an inflation target band to achieve its primary objective of monetary policy: "to promote price stability conducive to the balanced and sustainable growth of the economy".[9] Currently, BSP maintains a target band of 3±1% for the period of 2016-18. The target was lowered by 1% on 29 December 2015. Before that, the inflation target was a band of 4±1% for the period 2010-14.

1.22. Amid strong economic activity, headline inflation has generally remained within the target band in recent years, and greater exchange rate flexibility has helped cushion the impact of external shocks (Table 1.3). In 2015 and 2016, inflation fell below the target band due to lower food and fuel prices, but is expected to return to within the target range in 2017 as commodity prices stabilize and strong economic activity continues.

1.23. On 3 June 2016, BSP formally shifted its monetary operations to an Interest Rate Corridor (IRC) system that aims to influence short-term market interest rates to move closely with the BSP's policy rate. The IRC is structured as a mid-corridor system, with the Overnight Lending Facility (OLF) and the Overnight Deposit Facility (ODF) forming the upper and lower bounds of the corridor, while the overnight reverse repurchase (RRP) rate is set at the middle of the corridor. The RRP rate is the key policy rate to signal the BSP's monetary policy stance. The authorities note that these changes enabled BSP to take a more active role in monetary policy operation, and

[6] If approved, the emergency power would authorize the President (or the duly authorized Head of Agency) to adopt alternative methods of procurement for the construction, repair, rehabilitation, improvement and maintenance of transportation projects aimed at the reduction of traffic congestion in Metro Manila and other urban areas. Such alternative methods include limited source bidding or selective bidding, direct contracting or single source procurement, repeat order, and negotiated procurement.

[7] IMF Country Report No. 16/309, September 2016.

[8] National Economic and Development Authority (NEDA), Media Release. Viewed at: http://www.neda.gov.ph/2016/10/27/statement-on-full-year-2015-official-poverty-statistics-as-delivered-by-dir-reynaldo-r-cancio-of-neda/.

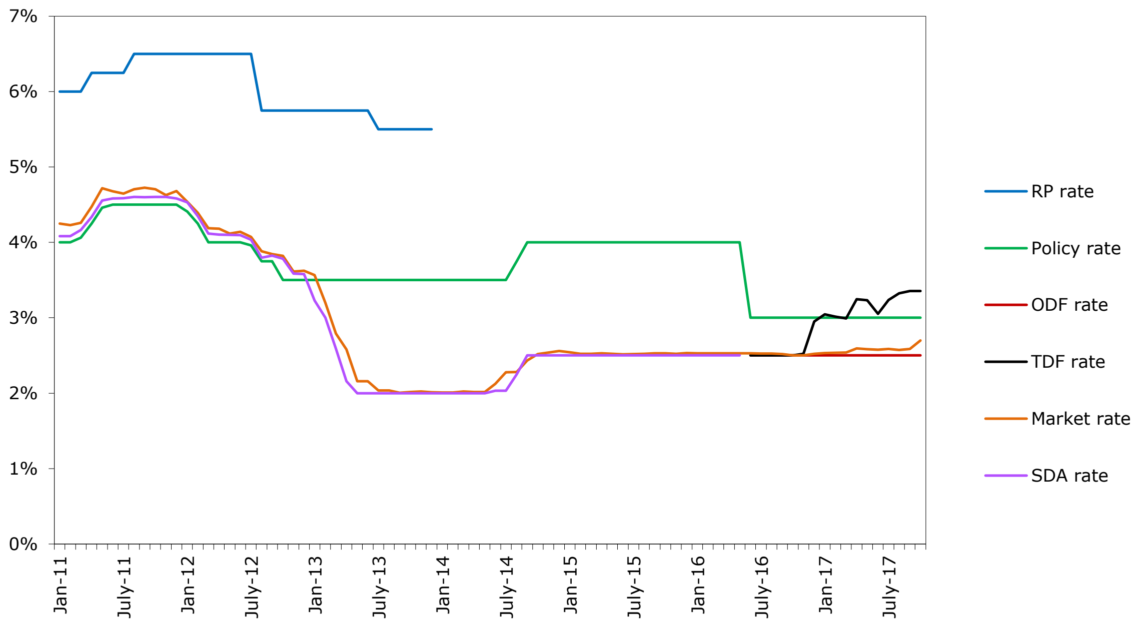
[9] The Bangko Sentral ng Pilipinas (BSP) formally adopted inflation targeting as a framework for conducting monetary policy in January 2002 when the New Central Bank Act (RA 7653) entered into force.

hence enhance the policy transmission to other market rates as well as to key macroeconomic variables.

1.24. Following the global financial crisis, the Philippines received sizeable inflows, from both remittances and portfolio investment, resulting in a build-up of reserves and persistent excess liquidity. Most of the liquidity injected by the build-up of reserves in the period of unconventional monetary policies in the advanced economies was passively sterilized by the BSP's Special Deposit Account (SDA) Facility.[10] This reflected the limited amount of treasury securities held by the BSP for the RRP operations, and its inability to issue its own debt securities. Since the BSP lowered the SDA rate without changing the RRP rate in 2013, market interest rates have followed the SDA rate and remained significantly below the policy rate, with the SDA rate becoming a more relevant benchmark rate (Chart 1.1).[11] Excess liquidity in the banking system has declined slightly since mid-2013 but is still substantial.

1.25. BSP also introduced the Term Deposit Auction Facility (TDF) as the main tool for absorbing liquidity and as a variable rate auction supporting price discovery in the money market. Auctions for the TDF are conducted once a week at a volume determined by the BSP based on its liquidity forecast. The initial TDF auctions were small, and were oversubscribed by a large margin, and market rates have remained at the lower bound of the IRC. BSP is expected to increase its deposit auction volumes to promote the gradual convergence of the TDF and market interest rates toward the policy rate (RRP) (Chart 1.1).

Chart 1.1 Interest rate spread, January 2011-October 2017



Source: Bangko Sentral ng Pilipinas (BSP) online information.

1.26. According to the authorities, the IRC has significantly reduced interest rate volatilities: the interest rate corridor was symmetric and narrowed at 100 base points, compared to 350 base points before.[12] Once most of the liquidity is absorbed through open market operations, and market rates are well anchored within the corridor, BSP also plans to gradually reduce the relatively high required reserve ratio on banks to minimize the risks of financial disintermediation. In March and May 2014, BSP raised the reserve ratio by 200 basis points to 20%, and it has

[10] In 2013, the Bangko Sentral ng Pilipinas decided to restrict nonbanks' direct access to SDA. This restriction released some 5% of GDP in liquidity in late 2013.

[11] The Overnight Deposit Facility and the Term Deposit Facility (TDF) formally replaced the Special Deposit Account (SDA) facility.

[12] Prior to formally adopting the IRC system as a framework for monetary policy implementation, BSP had a *de facto* corridor with the repurchase (RP) rate (ceiling) and the Special Deposit Account (SDA) rate (floor) forming an asymmetrical 350- base-point corridor around the BSP reverse repurchase (RRP) rate.

remained unchanged ever since. Over the period under review, the monetary policy stance was generally on a gradually tightening trend.

1.27. The *de jure* exchange rate arrangement is classified as free floating, while the *de facto* exchange arrangement is classified as floating. The value of the Philippine peso is determined in the interbank foreign exchange market; and BSP intervenes in the spot and forward markets in order to smooth undue short-term volatility in the exchange rate and to strategically build forex reserves.[13]

1.28. The Philippines' real effective exchange rate (REER) was on an upward trend during the review period.[14] The appreciation of the REER in the Philippines was stronger than neighbouring countries such as Malaysia or Thailand. Though the movement of the REER is associated with the nominal effective exchange rate (NEER), the real appreciation has been due to the inflation differential between the Philippines and its trading partners. The IMF considered that the Philippines' REER was broadly in line with fundamentals and desired policies.

1.2.4 External balance

1.29. During the period under review, the current account surplus reached its peak in 2013, at US$11.4 billion, approximately 4.2% of GDP (Table 1.4). The then surplus reflected the Philippines' low level of domestic investment compared with national savings. Raising investment, and thus boosting potential growth, by improving the business environment and infrastructure, could help reduce external imbalances without necessarily adjusting the exchange rate.

1.30. The current account balance registered a deficit of US$954 million (~0.3% of GDP) in 2016, despite a large drop in fuel imports. The reversal of the current account balance reflected a deceleration in remittances, a decrease in exports, and a large increase in imports of capital and intermediate goods. The deficit was expected to further increase to US$601 million (~0.2% of GDP) in 2017 due to higher commodity prices and infrastructure-related imports (Section 1.3.1).

Table 1.4 Balance of payments, 2011-16

(US$ million)

	2011	2012	2013	2014	2015	2016
Current account balance	5,642.7	6,949.5	11,383.5	10,755.9	7,265.7	-953.9
Goods and services balance	-13,866.0	-12,747.4	-10,647.2	-12,753.9	-17,854.4	-28,505.0
Goods balance	-20,428.0	-18,926.1	-17,662.0	-17,330.4	-23,309.2	-35,548.8
Exports	38,276.5	46,384.3	44,512.4	49,823.7	43,197.1	42,734.4
Imports	58,704.5	65,310.4	62,174.4	67,154.1	66,506.3	78,283.2
Services balance	6,562.0	6,178.7	7,014.8	4,576.5	5,454.8	7,043.8
Exports	18,878.2	20,439.2	23,335.2	25,498.1	29,065.0	31,265.0
Imports	12,316.2	14,260.5	16,320.4	20,921.6	23,610.2	24,221.2
Primary income	941.8	197.2	957.3	727.4	1,857.0	2,575.6
Credit	7,637.0	8,257.0	8,358.3	8,779.0	9,502.6	9,544.5
Compensation of employees	5,853.0	6,524.2	7,038.6	7,419.8	7,808.8	7,517.6
Debit	6,695.2	8,059.7	7,401.0	8,051.5	7,645.6	6,968.9
Secondary income	18,567.0	19,499.7	21,073.4	22,782.4	23,263.1	24,975.5
Credit	19,044.2	20,057.0	21,679.7	23,445.7	24,086.0	25,654.1
Workers' remittances	17,140.5	17,953.3	19,288.9	20,762.9	21,510.4	23,151.8
Debit	477.2	557.3	606.3	663.3	822.9	678.6
Capital account	159.9	94.8	133.8	107.9	84.3	102.3
Financial account	-5,318.6	-6,748.0	2,230.2	9,631.2	2,300.5	-351.2
Direct investment	342.5	957.8	-90.4	1,014.3	-99.7	-5,866.6
Philippines' direct investment abroad	2,349.6	4,173.2	3,646.9	6,753.9	5,539.5	2,113.0
Direct investment in the Philippines	2,007.2	3,215.4	3,737.4	5,739.6	5,639.2	7,979.6

[13] IMF Country Report No. 16/309, September 2016.
[14] The authorities indicated that more recently the peso gained external price competitiveness in September 2017: the real effective exchange rate decreased by about 5% on a year-on-year basis.

	2011	2012	2013	2014	2015	2016
Portfolio investment	-3,663.2	-3,205.0	-1,001.1	2,708.3	5,470.9	1,424.6
Assets	-563.2	964.0	-637.8	2,704.9	3,342.7	1,160.8
Liabilities	3,100.1	4,169.1	363.4	-3.4	-2,128.2	-263.8
Financial derivatives	-1,004.7	-13.7	-88.0	4.0	5.6	-32.2
Other investment	-993.2	-4,487.1	3,409.8	5,904.5	-3,076.3	4,123.1
Assets	348.3	-1,014.3	3,639.9	5,838.3	-2,212.7	2,707.8
Liabilities	1,341.5	3,472.8	230.1	-66.2	863.6	-1,415.3
Net errors and omissions	278.8	-4,556.3	-4,202.2	-4,090.6	-2,432.9	80.3
Overall balance of payments	**11,400.0**	**9,236.0**	**5,084.9**	**-2,858.0**	**2,616.5**	**-420.1**

Source: BSP online information.

1.31. The Philippines continues to have ample reserves; its international reserves stood at US$80.7 billion in 2016, covering almost nine months of imports (Table 1.3). The high level of reserves is broadly justified by the vulnerability to natural disasters and capital flow volatility. With changes in the external environment, like the US interest rate increasing, steady portfolio outflows are expected to continue, and gross reserves are projected to increase modestly over the medium term. The opening up of the economy may see a rise in FDI but be accompanied by higher imports of capital goods.

1.32. The external debt continued to decline during the review period. In 2016, it decreased to 25% of GDP, down from 34% in 2011 (Table 1.3).

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.33. As shown in an IMF study, the Philippines' growth is more attributed to internal rather than external factors. Thus, compared to other emerging market economies (EMEs), it is more resilient to external shocks, such as China's slowing-down.[15] In 2016, the ratio of merchandise trade (exports and imports) to GDP was 46.6% (Table 1.3).

1.34. During the review period, merchandise exports of the Philippines reached a peak in 2014 at US$61.8 billion, then gradually declined (Table A1.1). In 2016, total merchandise exports were valued at US$56.3 billion, compared to US$48 billion in 2011 (an increase of 17% over five years). The fluctuation of merchandise exports reflected the change in external demand for Filipino goods.

1.35. Manufactured goods continued to dominate Filipino merchandise exports: their share increasing from 57.9% in 2011 to 84.2% in 2016. Exports of electronics and electrical goods grew significantly in the last five years, and were the country's biggest export by far. In particular, the share of electronic integrated circuits (ICs) and micro-assemblies increased from 9.6% in 2011 to 25.6% in 2016; the share of other electrical machines grew from 6.7% in 2011 to 11% in 2016 (Chart 1.2). The resurgence of the electronics sector reflected recent Japanese investment in the country to diversify the sector from ICs to storage, printers, car parts and other products.

1.36. In contrast to the slow growth of merchandise exports, services exports experienced rapid expansion during the review period. In 2011, services exports were valued at US$18.9 billion, while in 2016 they were recorded at US$31.4 billion (an increase of 66% over five years) (Table 1.5).

1.37. Among services trade, BPO is the fastest growing export. According to IBPAP, about 56% of BPO business is in the subsector of contact centres, while the rest is mainly in the areas of computer application development, healthcare information management, and creative digital services. BPO exports are thus reflected in two services exports: "other business services" and "computer services". In 2016, exports under these two categories combined reached US$22.9 billion, up from US$20.5 billion in 2015, with an average growth rate of 12% per year (Table 1.5).

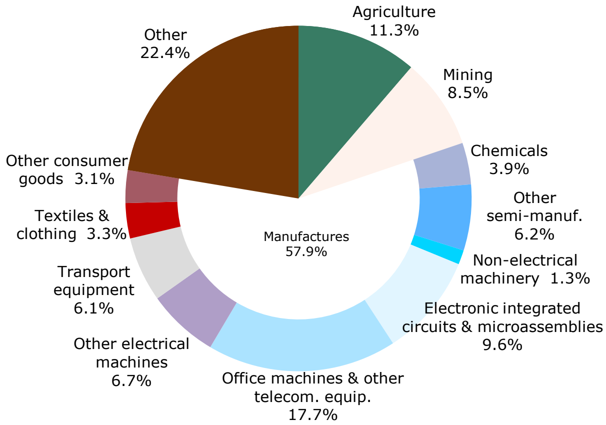
1.38. Travel and tourism are another important source of services exports, accounting for 16% of services exports in 2016 (Table 1.5).

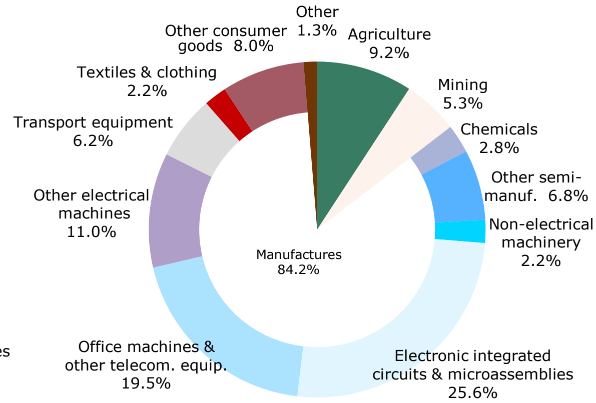
[15] IMF Working Paper WP/16/214, November 2016.

Chart 1.2 Composition of merchandise trade, 2011 and 2016

2011 **2016**

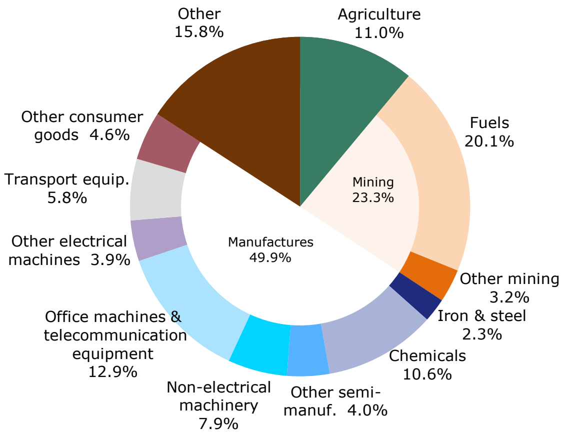
(a) Exports (f.o.b.)

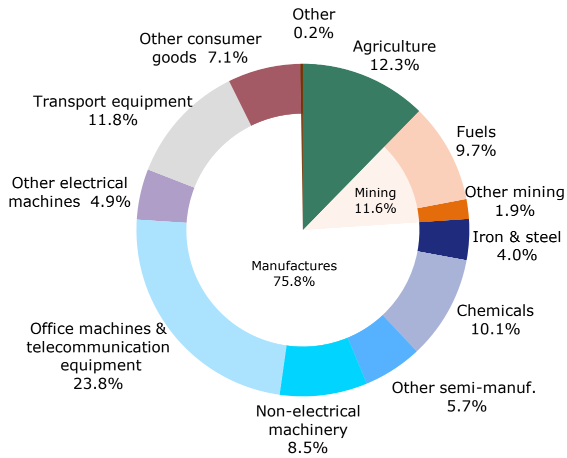




Total: US$48.0 billion **Total: US$56.3 billion**

(b) Imports (c.i.f.)





Total: US$63.7 billion **Total: US$85.9 billion**

Source: UNSD, Comtrade database (SITC Rev.3).

1.39. In addition, remittances from overseas workers and wage payments to seafarers are considered as Mode 4 services exports. During the period under review, personal remittances grew at a slower pace than the period before 2010, at an average rate of 6.3% per year. Despite the deceleration, remittances from Filipinos overseas stood at US$29.7 billion in 2016, approximately equal to 9.7% of the GDP of that year (Table 1.3). These large remittances from Filipinos working abroad support high import volumes relative to GDP.

1.40. With its focus on services exports, through BPO and overseas workers, the Philippines, compared to other EMEs, is less affected by sluggish external demand for manufactured goods.

Table 1.5 Trade in services, 2011-16

	2011	2012	2013	2014	2015	2016
Total credit (US$ million)	**18,878.2**	**20,439.2**	**23,335.2**	**25,498.1**	**29,065.0**	**31,265.0**
	% of total credit					
Maintenance and repair	0.4	0.5	0.3	0.4	0.3	0.3
Transport	7.5	7.8	7.0	7.4	6.7	6.2
Passenger	4.5	4.4	3.9	4.0	3.9	3.8
Freight	2.0	2.3	2.2	2.3	1.8	1.4
Other	1.0	1.1	0.9	1.0	1.0	1.1
Travel	16.9	19.9	20.1	19.7	18.1	16.5
Construction	0.2	0.5	0.4	0.2	0.2	0.2
Insurance and pension services	0.4	0.4	0.4	0.5	0.4	0.3
Financial services	0.6	0.5	0.4	0.7	1.4	1.3
Charges for the use of intellectual property n.i.e.	0.03	0.04	0.01	0.04	0.04	0.03
Telecommunications services	2.0	2.5	2.1	1.4	1.0	1.0
Computer services	12.6	12.2	12.1	12.2	10.9	16.6
Other business services	58.9	55.3	56.6	56.8	60.4	48.4
Personal, cultural and recreational services	0.3	0.4	0.5	0.6	0.5	0.5
Government services	0.1	0.1	0.1	0.1	0.1	0.1
Total debit (US$ million)	**12,316.2**	**14,260.5**	**16,320.4**	**20,921.6**	**23,610.2**	**24,221.2**
	% of total debit					
Maintenance and repair	0.7	0.8	1.6	0.4	0.4	0.5
Transport	26.0	25.3	20.9	18.5	16.3	18.0
Passenger	3.6	4.2	3.5	2.5	2.2	2.3
Freight	18.8	17.1	14.1	12.9	11.5	13.2
Other	3.7	4.1	3.4	3.0	2.7	2.6
Travel	45.6	45.9	48.0	50.7	48.0	46.1
Construction	0.4	0.3	0.5	0.3	0.2	0.2
Insurance and pension services	7.6	6.2	4.9	3.9	3.8	5.6
Financial services	2.2	1.8	1.8	1.8	1.9	2.3
Charges for the use of intellectual property n.i.e.	3.6	3.3	3.2	2.6	2.6	2.3
Telecommunications services	1.2	1.4	1.5	1.8	1.7	1.1
Computer services	1.5	1.0	1.7	1.2	1.4	1.6
Other business services	8.3	11.7	13.9	17.1	21.7	20.3
Personal, cultural and recreational services	0.3	0.3	0.3	0.3	0.8	0.5
Government services	2.5	2.1	1.6	1.5	1.1	1.5
Balance (US$ million)	**6,562**	**6,178.7**	**7,014.8**	**4,576.5**	**5,454.8**	**7,043.8**

Source: BSP online information.

1.41. Merchandise imports have been on an upward trend since the previous TPR in 2011. In 2016, merchandise imports reached US$85.9 billion, with a year-on-year growth rate of 23.4% (Table A1.2). This steep increase reflects infrastructure-related imports (e.g. machinery, iron and steel), and the rising prices of commodities. Before 2016, the Philippines benefited from relative low prices of commodities, due to its reliance on imports of energy, industrial commodities and construction materials.

1.42. Mirroring the composition of merchandise exports, manufactured goods accounted for the largest share of imports. The proportion of manufactured goods expanded from 49.9% in 2011 to 75.8% in 2016. Office machines and telecommunications equipment account for the largest portion of merchandise imports (23.8%), recording an 11% increase. Imports of transport equipment doubled in the review period: in 2016, they were valued at US$7.6 billion, up from US$3.7 billion in 2011 (Chart 1.2). The surge of these types of imports was also matched by an expansion in consumer credit and auto loans.

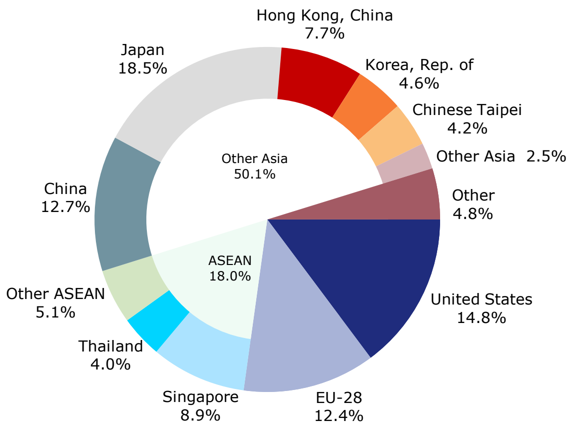
1.43. The share of fuel imports dropped significantly from 20.1% in 2011 to 9.7% in 2016, reflecting the collapse of oil prices since mid-2014 (Chart 1.2).

1.44. As for trade in services, travel (e.g. overseas tourism) represents the largest share of services imports, accounting for more than 45% of all services imports throughout the review period (Table 1.5).

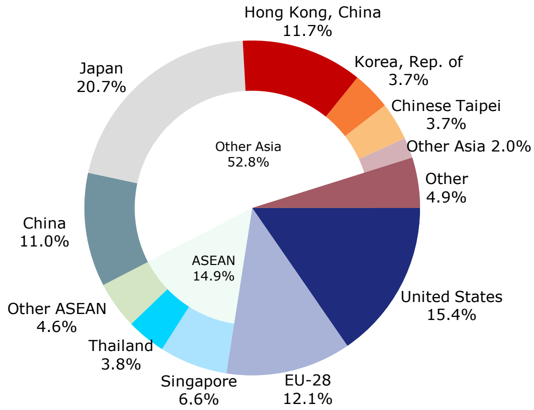
Chart 1.3 Direction of merchandise trade, 2011 and 2016

2011 **2016**

Exports (f.o.b.)

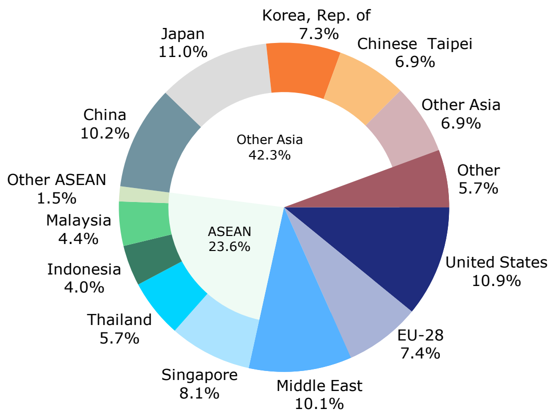


Total: US$48.0 billion

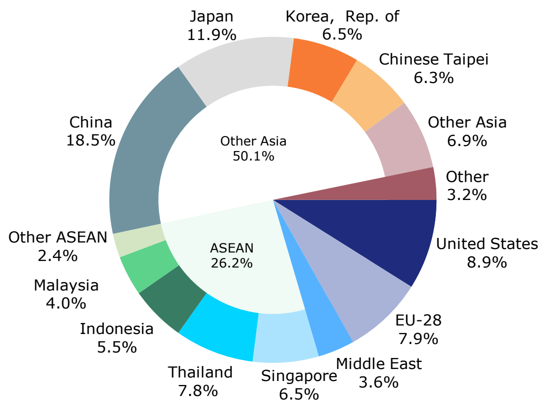


Total: US$56.3 billion

Imports (c.i.f.)



Total: US$63.7 billion



Total: US$85.9 billion

Source: UNSD, Comtrade database (SITC Rev.3).

1.45. Japan remains the top destination for Filipino merchandise exports: 20.7% of merchandise exports in 2016 went to the Japanese market (Chart 1.3). The United States purchased 15.4% of

Filipino merchandise exports in 2016, followed by other ASEAN countries (14.9%), and the European Union (12.1%) (Table A1.3). This pattern fits with the composition of merchandise exports: most electronic products are destined for advanced economies.

1.46. Other ASEAN countries are the major source of imports to the Philippines, accounting for 26.2% of the total value in 2016 (Chart 1.3). China supplied 18.5% of all merchandise imports in 2016, followed by Japan (11.9%), and the United States (8.9%) (Table A1.4).

1.3.2 Trends and patterns in FDI

1.47. During the period under review, the Philippines recorded a strong inflow of FDI, especially after 2013. FDI inflow in 2011 was valued at US$1.9 billion, while in 2016 it reached US$7.9 billion. This resulted largely from the improvement to the economic fundamentals and business environment, as well as from sound macroeconomic policies. Meanwhile, the Philippines also became an increasing investor in the rest of the world. FDI outflow from the country experienced a ten-fold expansion for the five-year period, with a US$3.7 billion outflow in 2016, compared to US$339 million in 2011 (Table 1.6).

Table 1.6 Foreign direct investment, 2011-16

	2011	2012	2013	2014	2015	2016
FDI inflows (US$ million)	2,007.2	3,125.4	3,737.4	5,739.6	5,639.2	7,979.6
FDI inward stock (US$ million)	33,684.0	45,054.7	47,276.1	56,646.3	58,521.9	64,249.4
FDI inward stock (% of GDP)	15.0	18.0	17.4	19.9	20.0	21.1
FDI outflows (US$ million)	2,349.6	4,173.2	3,646.9	6,753.9	5,539.5	2,113.0
FDI outward stock (US$ million)	18,503.6	24,401.3	29,010.2	35,791.3	41,016.6	43,660.1
FDI outward stock (% of GDP)	8.3	9.7	10.7	12.6	14.0	14.3

Source: Information provided by the authorities.

1.48. Further success in attracting FDI inflows has been hampered by a number of factors such as lack of good infrastructure, FDI restrictions (Section 2.4), and weak competition environment. The authorities noted that steps have been taken to address the issues, including steadfast implementation of the competition law, drawing up a national competition policy, and avoiding regulations that unduly discourage new entrants.

1.49. With regard to the source of inward FDI, the Netherlands was the biggest investor, accounting for 22% of total approved FDI over the period between 2011 and 2016, followed by Japan (21%), and the United States (17%) (Table 1.7).

Table 1.7 Approved FDI, by source, 2011-16

(PHP million)

Source	2011	2012	2013	2014	2015	2016
Australia	1,878.4	1,151.5	4,482.4	2,449.3	538.3	32,439.8
British Virgin Islands	2,324.2	3,721.7	92,780.9	7,328.3	5,625.7	4,520.6
Canada	1,539.3	956.3	2,721.3	357.9	329.7	1,395.6
Cayman Islands	8,443.0	7,018.8	7,298.5	15,444.8	4,428.6	3,656.4
China	20,657.4	1,988.3	1,240.9	11,476.4	1,455.1	1,519.4
Denmark	845.1	327.9	607.2	788.0	20.8	6.4
France	1,145.1	1,355.5	379.8	554.7	21.5	444.3
Germany	980.0	1,911.8	3,046.3	6,845.1	3,064.7	4,904.6
Hong Kong, China	875.0	1,261.2	584.4	1,116.4	2,134.1	1,401.2
India	1,533.3	104.4	583.7	648.8	1,760.5	1,595.6
Japan	78,321.2	69,037.0	44,784.4	35,659.9	54,711.1	27,058.7
Korea, Rep. of	13,235.1	9,795.0	8,527.3	4,155.1	23,165.6	16,134.5
Malaysia	570.9	1,598.8	862.0	351.1	2,904.3	1,084.5
Netherlands	28,303.3	104,743.3	24,807.7	32,784.0	82,726.6	49,445.9
Singapore	2,217.1	12,951.6	9,242.1	13,944.8	16,817.2	24,056.0
Switzerland	2,071.1	878.1	366.1	2,175.3	918.6	412.0
Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)	3,130.0	2,472.1	3,140.3	2,977.4	5,457.7	1,608.4

Source	2011	2012	2013	2014	2015	2016
Thailand	-	6,582.6	107.7	246.4	448.9	2,567.2
United Kingdom	1,719.3	6,768.8	1,471.5	7,067.3	4,129.2	4,733.9
United States	79,854.5	39,996.7	55,343.6	17,423.0	21,740.6	31,427.8
Others	8,588.0	14,922.9	11,635.5	23,149.1	12,817.0	8,625.9
Total	**258,231.3**	**289,544.3**	**274,013.6**	**186,943.1**	**245,215.8**	**219,038.7**

Source: Information provided by the authorities.

1.50. In terms of sectoral distribution of foreign investment, manufacturing and electricity accounted for more than 60% during 2012-16, followed by transport, private services, hotels and restaurants, and real estate (Table 1.8).

Table 1.8 Share of approved FDI, by sector, 2011-16

	2011	2012	2013	2014	2015	2016
Agriculture, forestry and fishing	0.49	1.56	0.98	0.29	3.47	2.38
Mining and quarrying	0.21	0.08	0.72	-	-	0.28
Manufacturing	55.34	58.55	28.30	58.57	54.87	43.80
Electricity, gas, steam and air conditioning supply	11.80	1.97	27.19	3.31	18.96	25.40
Water supply; sewerage, waste management and remediation activities	0.15	0.38	0.05	0.07	0.02	0.80
Construction	0.01	1.36	0.00	4.14	-	0.01
Wholesale and retail trade; repair of motor vehicles and motorcycles	0.03	0.10	0.06	0.30	0.70	0.46
Transportation and storage	0.44	18.32	20.24	3.26	2.32	7.12
Accommodation and food service activities	0.39	2.78	9.26	2.95	2.34	2.41
Information and communication	1.31	5.33	1.30	2.64	1.28	1.82
Financial and insurance activities	0.04	0.03	0.02	0.04	0.10	0.12
Real estate activities	23.90	3.45	2.35	8.34	4.03	3.18
Professional, scientific and technical activities	0.10	0.06	0.23	0.03	1.17	0.38
Administrative and support service activities	5.06	5.63	8.97	15.92	9.33	11.75
Public administration and defence; compulsory social security	0.06	0.06	0.01	0.03	-	0.02
Education	0.01	0.19	0.09	0.04	-	-
Human health and social work activities	-	0.00	0.00	0.08	0.01	0.06
Arts, entertainment and recreation	0.65	0.14	0.21	0.00	1.20	-
Other service activities	0.01	0.01	0.02	0.01	0.19	0.02
Total	**100**	**100**	**100**	**100**	**100**	**100**

- Negligible.

Source: Information provided by the authorities.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The Constitution of 1987 proclaims the Philippines as a democratic republic with a presidential form of government. The executive branch is headed by the President, who is elected directly by the people for a single six-year term. The President approves bills that have been adopted by Congress, and is vested with the power to issue presidential issuances.[1] The legislative branch is composed of the Senate (Upper House) and the House of Representatives (Lower House).[2] The judicial branch consists of the Supreme Court, appellate courts (such as the Court of Appeals and two special appellate courts for taxation and corruption cases), and two levels of trial courts.

2.2. The Philippine procedures for the negotiation, ratification, and entry into force of international agreements are set out in Executive Order No. 459 of 1997. Presidential authorization (which includes the negotiating position) must be obtained prior to any negotiations. In general, international trade negotiations are conducted by the Department of Trade and Industry (DTI) in coordination with the Department of Foreign Affairs (DFA). The President ratifies all international agreements and submits treaties to the Senate for concurrence.

2.2 Trade Policy Formulation and Objectives

2.3. The institutional framework for trade policy formulation and implementation remains largely unchanged, although some institutional changes did occur, notably in the area of SPS measures and agriculture (transfer of oversight of the National Food Authority to the Office of the Cabinet Secretary).

2.4. The National Economic and Development Authority (NEDA) is the Philippines' economic development and planning agency. The NEDA Board, chaired by the President, sets the principal economic policy direction, and the NEDA Secretariat serves as the Board's research and technical support arm. The NEDA Board is supported by several Cabinet-level inter-agency committees, including the Committee on Tariff and Related Matters (see below). The (NEDA-approved) Philippine Development Plan 2017-2022 focuses on the competitiveness of the economy through open services markets, good regulatory practices and sound competition policy and institutions.[3]

2.5. The Department of Trade and Industry (DTI) is responsible for implementation and coordination of trade and investment policies, as well as promoting and facilitating trade and investment.[4] Key trade-related implementing agencies are under the authority of the DTI.[5] The DTI chairs the Cabinet Committee on Tariff and Related Matters, as well as the Technical Committee on WTO Matters, and the Committee for the ASEAN Economic Community. The main bodies involved in trade policy matters include:

a. *Committee on Tariff and Related Matters (CTRM)* – Inter-agency body charged with advising the President and the NEDA Board on tariff-related matters; coordinating agency positions and recommending national positions for international economic

[1] Executive orders, administrative orders, proclamations, memorandum orders or circulars, and general or special orders, see Administrative Code of 1987 (Book III. Chapter 2). Viewed at: http://www.officialgazette.gov.ph/1987/07/25/executive-order-no-292-s-1987.

[2] The upper house has 24 members elected directly by universal suffrage (for a six-year term), while the lower house has a maximum of 250 members elected for three years.

[3] NEDA online information. Viewed at: http://www.neda.gov.ph/2017/02/21/neda-board-approves-philippine-development-plan-2017-2022/.

[4] The DTI was restructured in 2017. Department Order No.17-35 laid out the organizational structure of the Department into the following functional groups, namely Competitiveness and Ease of Doing Business Group (CEODBG); Consumer Protection Group (CPG); Industry Development and Trade Policy Group (IDTPG); Management Services Group (MSG); Regional Operations Group (ROG); and Trade and Investments Promotion Group (TIPG).

[5] Board of Investments; Export Marketing Bureau; Bureau of International Trade Relations; Bureau of Import Services; Bureau of Trade and Industrial Policy Research; Bureau of Philippine Standards; Philippine Accreditation Bureau; Consumer Protection Advocacy Bureau; Fair Trade Enforcement Bureau; Intellectual Property Office of the Philippines.

negotiations; and recommending to the President a "continuous rationalization programme" of the tariff structure.

b. *Technical Committee on WTO Matters (TCWM)* – Government inter-agency body under the CTRM charged with recommending to the CTRM positions and strategies relevant to the implementation of WTO commitments and participation in the WTO. It has four sub-committees responsible for WTO implementation issues: agriculture (chaired by the Department of Agriculture)[6]; industrial tariffs (chaired by the Board of Investments and co-chaired by the Tariff Commission)[7]; services (chaired by NEDA)[8]; and other rules and disciplines (chaired by the Bureau of International Trade Relations of the DTI).

c. *Committee for the ASEAN Economic Community (CAEC)* – Inter-agency coordination body created in 2011 (Administrative Order 20) to facilitate policy formulation and implementation of the Philippines' AEC commitments.

d. *Tariff Commission* – Body with investigative and research functions related to the effects of tariff legislation and tariff relations between the Philippines and third countries. It is responsible for: recommending tariff revisions; conducting anti-dumping, countervailing and safeguard investigations and recommending definitive measures; undertaking investigations on petitions to change duty rates and duty classification; and issuing tariff classification rulings.

e. *Interagency Committee on Trade in Services (IAC-TS)* – Inter-agency body chaired by the NEDA that recommends positions on GATS implementation matters. The Committee has expanded its coverage to include bilateral and regional arrangements pertaining to trade in services.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.6. The Philippines grants at least MFN treatment to all trading partners. On 27 October 2016, The Philippines accepted the WTO Trade Facilitation Agreement; it has also submitted a notification regarding Category A commitments.[9] The Philippines is a signatory to the WTO Information Technology Agreement (ITA) and has modified its schedule of concessions in line with the Nairobi Ministerial Declaration on the Expansion of Trade in IT Products.[10] In the WTO, the Philippines is a member of the following groupings: Asian developing members, APEC, ASEAN, Cairns group, G-20, G-33 and NAMA-11.

2.7. During the period under review, the Philippines provided well over 300 WTO notifications (Table A2.1), including some "nil" notifications (e.g. inexistence of agricultural export subsidies and non-application of countervailing measures).

2.8. Since 1995, the Philippines has been involved in 26 WTO dispute settlement cases; 5 as a complainant, 6 as a defendant, and 15 as a third party. Since the last TPR in 2012, the Philippines has become involved in two new disputes, reserving its rights as a third party in both cases.[11] Thus, it is currently involved in one case as complainant (DS371[12]), and seven as a third party.[13]

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[6] The Department of Agriculture has established a Task Force on WTO Agriculture Re-negotiations to cover the DDA, which involves the stakeholders.

[7] The DTI has also established the Joint-Committee on Non-Agriculture Market Access focussing on industrial tariff negotiations in the DDA that also involves stakeholders.

[8] The NEDA has an Inter-Agency Committee on Services to address trade in services issues.

[9] WTO document WT/PCTF/N/PHL/1, 1 August 2014.

[10] See WTO document G/MA/W/117 and Add.19, 26 January 2016 and 28 January 2016. Viewed at: https://www.fta.go.kr/webmodule/_PSD_FTA/support/ITA/W117A19-02_Philippines.pdf.

[11] China - Domestic Support for Agricultural Producers (DS511; Complainant: USA); and Colombia - Measures Relating to the Importation of Textiles, Apparel and Footwear (DS461; Complainant: Panama).

[12] Thailand - Customs and fiscal measures on cigarettes (DS371). The Appellate Body Report was circulated in June 2011. The reasonable period of time granted to Thailand to comply expired in May 2012. Pursuant to Article 21.5 of the DSU, the Philippines requested the establishment of a compliance panel, which took place in in December 2016. The DSB final report is expected to be issued in the first quarter of 2018.

In 2013, The Philippines implemented "An Act Restructuring the Excise Tax on Alcohol and Tobacco Products"[14] to comply with the Appellate Body Reports on "The Philippines - Taxes on distilled spirits" (DS369 and DS403).[15]

2.3.2 Regional and preferential agreements

2.3.2.1 ASEAN

2.9. In 2015, the 10 ASEAN member States accomplished their long-standing objective of establishing the ASEAN Community, which includes the ASEAN Economic Community (AEC), with the ultimate goal of creating a single market and production base, with a free flow of goods, services, and investment within the region. The main building blocks of the AEC are the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Framework Agreement on Services (AFAS), and the ASEAN Comprehensive Investment Agreement (ACIA). ASEAN's focus for the next ten years is set out in the ASEAN Community 2025 Vision.[16]

2.10. The ATIGA provides for tariff elimination within ASEAN, subject to limited exceptions (e.g. rice). This objective has been largely achieved since 2010 with intra-ASEAN import duties having been eliminated on 99.65% of tariff lines. The tariff phase-out is complemented by a number of trade facilitation initiatives, such as an ASEAN Harmonized Tariff Nomenclature (AHTN), removal of NTBs, as well as through harmonization and mutual recognition agreements on conformity assessment.

2.11. The AFAS (implemented since 1995) provides for preferential services market access through incrementally improved packages of commitments. The services commitments made in these packages include new subsectors, higher foreign equity participation, and fewer restrictions to trade in various modes of supply. ASEAN members are currently in the process of completing the tenth and final package of services commitments to liberalize a total of 128 subsectors within the purview of the ASEAN Economic Ministers.[17] In parallel, a new ASEAN Trade in Services Agreement (ATISA) is under negotiation, which would enhance the current AFAS.

2.12. The ACIA (implemented since 2012) aims to facilitate, protect, promote and liberalize cross-border investment in ASEAN. The liberalization of investment under ACIA covers five sectors (manufacturing, agriculture, fisheries, forestry, mining and quarrying, and services incidental to these sectors); investment liberalization is also pursued under AFAS (GATS mode 3).

2.13. Furthermore, ASEAN countries are in the process of establishing an ASEAN Single Aviation Market (ASAM) and an ASEAN Single Shipping Market (ASSM), and expect to implement several new transport agreements in the coming years, including on land transport.

2.14. ASEAN has RTAs in place with Australia and New Zealand, China, India, Japan, and the Republic of Korea. The FTAs with China and the Republic of Korea were updated and improved over the review period. The Philippines is participating in negotiations by ASEAN with Japan on services and investment. The negotiations for an FTA with Hong Kong, China have been completed. In 2012, negotiations were launched for a (16-party) Regional Comprehensive Economic Partnership (RCEP) Agreement between ASEAN and its FTA partners.

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[13] These are (in addition to DS 511 and DS461): Australia - Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (DS434, DS435, DS441, DS458, and DS467; complainants: Ukraine, Honduras, Dominican Republic, Cuba, and Indonesia, respectively).

[14] WT/DS396/15/Add.3; WT/DS403/15/Add.3, 18 January 2013.

[15] WT/DS396/AB/R; WT/DS403/AB/R, 21 December 2011.

[16] The AEC Blueprint 2025 consists of five "characteristics": Highly Integrated and Cohesive Economy; Competitive, Innovative, and Dynamic ASEAN; Enhanced Connectivity and Sectoral Cooperation; Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and Global ASEAN. Viewed at: http://www.asean.org/wp-content/uploads/images/2015/November/aec-page/ASEAN-Community-Vision-2025.pdf.

[17] Based on W/120 classification, there are 155 subsectors, out of which 128 subsectors are under the purview of the ASEAN Economic Ministers, 17 subsectors under the purview of ASEAN Finance Ministers Meeting, 6 under the purview of ASEAN Transport Ministers, and 4 subsectors under the purview of Coordinating Committee on Investments.

2.3.2.2 Japan

2.15. The Philippines–Japan Economic Partnership Agreement (PJEPA) entered into force on 11 December 2008, coinciding with the entry into force of the ASEAN FTA with Japan. It remains to date the Philippines' only bilateral FTA; it is more preferential with regard to goods, services and investment than the ASEAN FTA, according to the authorities.

2.16. On the Philippine side, the tariffs on about 66% of tariff lines were eliminated upon entry into force, and tariffs on about 32% of lines were scheduled for elimination over 4 to 10 years. From 2018, 98.6% of tariff lines will be duty-free; of the 115 lines still attracting tariffs at the end of the transition period, the highest rates will apply to vegetable products (at a rate of 47.2%). On services, the Philippines made commitments in 81 subsectors.

2.3.2.3 European Free Trade Association (EFTA)

2.17. EFTA and the Philippines launched free trade negotiations in March 2015. The Philippines-EFTA FTA was signed on 28 April 2016 in Bern.[18] Ratification is still pending in the Philippines and Iceland, according to the authorities.

2.18. The Philippines will provide duty-free market access (based on different schedules for tariff elimination) on most industrial and fishery products from EFTA member States (Iceland, Liechtenstein, Norway, and Switzerland); a number of tariff lines are excluded from tariff liberalization. Furthermore, disciplines going further than the WTO rule book were agreed on export duties (i.e. the general elimination of export duties, while retaining flexibility for timber), quantitative restrictions, subsidies and countervailing measures, safeguard measures, and modification of concessions. Agricultural market access was negotiated bilaterally. The Philippines has granted bilateral market access on products such as temperate fruits, mineral and aerated waters, food preparations, chocolate, cheese and wine, amongst others.

2.19. Regarding services, the FTA covers financial services; telecoms; maritime transport; energy services, and the movement of natural persons. The Philippines will provide improved market access in those service sectors where investment and technical expertise from EFTA are deemed beneficial to the country (renewable energy, computer and related services, construction, environmental services, maritime transport, finance, amongst others).

2.20. The commitments regarding the movement of natural persons are tied to Philippine companies' fulfilling contracts to supply services – and not individuals seeking employment in the EFTA member States and vice versa. Through this FTA, the maintenance and repair of Swiss aircraft may be carried out in the Philippines (Mode 2). Entry and the temporary stay of service suppliers from EFTA member States is also allowed, in some instances, without an economic needs test in the following categories: intra-corporate transferees (covering executives/managers and specialists); business visitors; contractual service suppliers; and installers and servicers of industrial machinery or equipment, or both. The latter must be part of the purchase contract of the machinery or equipment and includes the contractual requirement to develop local skills through training.

2.3.2.4 European Union

2.21. The Philippines has been a beneficiary of the GSP+ scheme of the European Union since 25 December 2014.[19] Trade negotiations between the European Union and the Philippines were launched on 22 December 2015. The first round of FTA negotiations was held in May 2016, covering trade in goods, SPS and TBT measures, rules of origin, services, investment, competition, intellectual property rights, trade and sustainable development, and dispute settlement. The second round was held in February 2017 covering trade in goods, SPS measures, rules of origin, customs and trade facilitation, services, investments, intellectual property rights, government procurement, trade and sustainable development, and legal and institutional issues.

[18] The Agreement can be viewed at: http://www.efta.int/free-trade/free-trade-agreements/philippines.

[19] See Commission Delegated Regulation (EU) No 1386/2014 of 19 August 2014. Viewed at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R1386&from=EN.

2.3.3 Other agreements and arrangements

2.3.3.1 APEC

2.22. Since its creation in 1989, the 21 members of the Asia Pacific Economic Cooperation (APEC) organization have adopted the principle of "open regionalism" without necessarily establishing a regional free trade area. Trade liberalization at APEC level has been pursued through voluntary and non-binding Individual Action Plans (IAPs) that are intended to indicate how countries plan to achieve the targeted goal of free trade and investment (Bogor Goals).[20]

2.23. APEC trade and investment initiatives with the participation of the Philippines include:

a. *APEC Environmental Goods List tariff reduction* – The Philippines has implemented its APEC commitment (within the 2015 timeline) to voluntarily reduce tariff rates to 5% or lower on a list of 54 designated environmental goods.[21] The tariff reductions are intended to promote regional trade in environmental goods, estimated by APEC at around US$300 billion within the region and US$500 billion globally.[22]

b. *Supply Chain Framework Action Plan (Phase 1)* – The APEC States set themselves a target aiming at a 10% improvement of supply chain performance in terms of time, cost and certainty over the period 2010-2015. Towards this goal, APEC has implemented initiatives on transparency; infrastructure; logistics; capacity; clearance; documentation; connectivity; regulations and standards; and transit.

c. *Supply Chain Framework Action Plan (Phase 2)* – In the second phase (2017-2020), initiatives are being pursued on customs management and procedures; transportation infrastructure; logistics services; regulatory cooperation; and regulatory infrastructure for e-commerce.

2.24. Furthermore, during the review period, the APEC Trade Repository, an online portal on APEC economies' trade and tariff information, was developed by the DTI[23], while the Boracay Action Agenda to Globalize MSMEs and the APEC Services Cooperation Framework provides long-term guidance on APEC's work on MSME internationalization and services, respectively.[24] The Services Competitiveness Roadmap was adopted in 2016, which contains a concerted set of actions and mutually agreed targets to be achieved by 2025.

2.3.3.2 GSP

2.25. As of October 2017, The Philippines is a beneficiary of the GSP schemes of: Australia, Belarus, Canada, the European Union, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States.[25]

2.4 Investment Regime

2.26. The foreign investment regime of the Philippines is governed, *inter alia*, by the 1987 Constitution and the Foreign Investments Act of 1991[26], which regulate the entry and establishment of foreign investors, and Executive Order No. 226 (or Omnibus Investment Code (OIC) of 1987), which stipulates investors' (national and foreign) eligibility for incentives. The

[20] APEC online information. Viewed at: http://www.apec.org/About-Us/How-APEC-Operates/Action-Plans/IAP-Submissions.

[21] 2012 AELM Statement Annex C – List of APEC Environmental Goods. Viewed at: http://www.apec.org/Meeting-Papers/Leaders-Declarations/2012/2012_aelm/2012_aelm_annexC.

[22] APEC online information. Viewed at: http://www.apec.org/Press/News-Releases/2016/0128_EG.aspx.

[23] 2015 APEC Ministerial Meeting (AMM) Statement. Viewed at: http://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm/2015_Annex%20B.

[24] 2015 AELM Statement Annex B. Viewed at: http://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm/2015_Annex%20B.

[25] UNCTAD/ITCD/TSB/Misc.62/Rev.5, 1 February 2015. Viewed at: http://unctad.org/en/Pages/DITC/GSP/GSP-List-of-Beneficiary-Countries.aspx.

[26] "Foreign Investment Act of 1991, as amended by Republic Act No. 8179. Viewed at: http://asean.org/storage/2016/08/P79_Foreign-Investments-Act-of-1991.pdf.

Foreign Investments Act covers all activities, except banking and other financial services.[27] It provides for the establishment of a "regular" Foreign Investment Negative List (FINL) of areas/activities where FDI is limited (Annex A2[fdi]):

a. List A – foreign ownership is prohibited or limited (in terms of foreign ownership caps) by mandate of the constitution and specific laws; and

b. List B – foreign ownership is limited for reasons of security, defence, risk to health and morals, and protection of SMEs.

2.27. The Philippines continues to restrict foreign investment in a number of activities including agriculture, fisheries, telecom services, and public utilities, but it has also taken some liberalizing steps. In the area of professional services, the FDI restrictions in place at the time of the last Review have been eliminated (subject to certain exceptions and reciprocity). The Philippines has also liberalized banking services.[28] The remaining FDI restrictions are made public in a transparent manner through a consolidated negative list.

2.28. The FINL is subject to review every two years to reflect any new legislation amending or repealing laws affecting investment. Following the last TPR (March 2012), the ninth FINL was promulgated on 29 October 2012 (Executive Order No. 98); it entered into force on 13 November 2012.[29] The most recent (tenth) FINL was issued on 29 May 2015 by Executive Order No. 184 and entered into force on 13 June 2015.[30] The authorities expect the eleventh FINL to be issued in 2017.

2.29. At the last Review, Members noted "that the Philippines" economy is operating below potential and encouraged the Philippines to speed up reforms, further improve its business environment and liberalize its FDI regime in order to raise productivity and compete more successfully with low-cost neighbouring economies".[31] Since the last Review, the Philippines has removed foreign ownership restrictions in a number of sectors:

a. At the time of the last Review, a lengthy list of professions (23) was restricted to Filipinos.[32] Under the ninth FINL, new restrictions were imposed on foreign professional practitioners in real estate services, respiratory therapy and psychology. However, the tenth FINL has liberalized the practice of professions by foreigners (albeit subject to reciprocity), with the exception of the professions in the pharmacy, radiologic and x-ray technology, criminology, forestry and legal sectors.

b. Under the ninth FINL, new restrictions in terms of a 49% foreign ownership cap were imposed on lending firms (i.e. those regulated by the Securities and Exchange Commission (SEC)).

2.30. Activities in which foreign ownership remains restricted include the following:

a. *Public utilities* – According to Republic Act 9136 (Section 6, paragraph 3) "power generation shall not be considered a public utility operation. For this purpose, any person or entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise". Electricity generation is thus not subject to foreign ownership limitation. However, the electricity transmission and distribution sectors continue to be subject to 40-60% foreign ownership caps by virtue of

[27] Foreign investment in financial services is regulated by Bangko Sentral ng Pilipinas for banking, the Insurance Commission for insurance and the Securities and Exchange Commission for lending firms, investment houses and financing companies.

[28] Republic Act 10641, An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721, approved 15 July 2014.

[29] NEDA online information. Viewed at: http://www.neda.gov.ph/wpcontent/uploads/2014/04/EO98withannex.pdf.

[30] Executive Order No. 184, 2015. Viewed at: http://www.sec.gov.ph/wp-content/uploads/2015/08/EONo.-184-The-Tenth-Regular-Foreign-Investment-Negative-List.pdf.

[31] WTO online information. Viewed at: https://www.wto.org/english/tratop_e/tpr_e/tp361_crc_e.htm.

[32] See Table AII.2 of the TPR of the Philippines (2012).

being a public utility operation requiring franchise granted by Congress (Article XII, Section 11 of the 1987 Philippine Constitution).

b. *Telecommunications* – Telecom services are deemed a public utility and foreign equity in telecom companies (both basic and value-added) is limited constitutionally to 40%. Foreigners may not become executives or managers of telecoms firms and the number of foreign directors must be proportionate to the firm's aggregate share of foreign capital. Cross-ownership restrictions also apply: no entity can have a franchise in both telecommunications and broadcasting (radio or television), either through airwaves or by cable.

c. *Agriculture* – Under the Constitution, land ownership is limited to Filipino citizens or corporations with at least 60% of the capital stock belonging to Filipino citizens. However, under the Investors' Lease Act (R.A. No. 7652), foreign investors may lease land for a period of up to 50 years, renewable for another 25 years maximum, subject to conditions (social and economic contribution). There are also FDI restrictions with respect to the cultivation, processing and trade of rice and corn (Table A4.2).

2.31. The Philippines continues to encourage investment in targeted areas, which are listed in the Philippine Investment Priorities Plan (a three-year rolling plan), including manufacturing and agriculture. Incentives include duty-free importation of capital goods and a four-year tax holiday. The 2017 plan reflects the Government's objective to spread economic growth opportunities domestically and encourage especially micro, small and medium enterprises (MSMEs) to benefit from local and global value chains. The ten priority investment areas under the 2017 plan are based on the President's "Zero to 10-point" Socio-Economic Agenda, AmBisyon Natin 2040, and the Philippine Development Plan 2017-2022, and focus on competitiveness, skills development, technology upgrading, infrastructure modernization, and improvements in the overall business environment. With the theme, "Scaling-Up and Dispersing Opportunities," the Plan includes more inclusive and innovation-driven activities. One of the strategies is through the Inclusive Business (IB) Model project wherein medium and large agribusiness and tourism enterprises are encouraged to engage micro and small enterprises as raw material suppliers or service providers. The BOI provides full assistance from pre- to post-establishment of investment activities in the country.

2.32. The National Competitiveness Council (NCC) (established in 2006) continues to work on the improvement of procedures for the entry and exit of business persons; trade facilitation; consistency of business rules and simplification of business procedures[33]; and harmonization of incentives. The "Project Repeal: Philippine Red Tape Challenge" is an initiative of the NCC, in collaboration with the Department of Trade and Industry, to change the way in which the government institutes policy and regulatory reforms. It is intended as a framework for deregulation to induce regulatory reform by repealing laws, executive issuances, and department orders, with the objective of reducing the cost of doing business and attracting more FDI. The NCC is also coordinating the implementation of the National Logistics Master Plan (NLMP) which focuses on transportation and infrastructure projects.

2.33. The Philippines ranks 99th (out of 199 countries) in the World Bank's ease of doing business indicator for 2017 (up from 134th place in 2012).[34] It has made, amongst others, anti-corruption reforms in its customs services by limiting person-to-person contacts and imposing heavy penalties on corrupt officials, thereby significantly reducing clearance times.[35] The country's ranking in Transparency International's Corruption Perception Index has improved from 135th in 2012 to 101st place in 2016 (out of 176 countries).[36] The Anti-Corruption Working Group (ACWG) under the NCC (in partnership with the Investment Ombudsman) coordinates efforts to roll-out and implement the Integrity Management Programme (IMP).**[37]** The creation of the position of

[33] The Business Name Registration System and the Philippine Business Registry System have been merged.
[34] World Bank, *Doing Business Report 2017*. Viewed at: http://www.doingbusiness.org/reports/global-reports/doing-business-2017.
[35] World Bank, *Doing Business Report 2017*.
[36] Transparency International online information. Viewed at: https://www.transparency.org/country/PHL.
[37] The IMP aims to reduce the level of corruption vulnerabilities at the department/agency level, ensure integrity in the public sector and improve public trust and confidence in government.

Investment Ombudsman (under the Office of the Ombudsman) in 2014 aims at a speedier resolution of investor issues.

2.34. The Philippines has bilateral investment agreements with 35 countries (in force).[38] The Philippines has 41 double taxation agreements in force[39]; since the last TPR, 5 DTAs took effect (with Kuwait, Germany, Nigeria, Qatar, and Turkey), and new DTAs were concluded (not yet in force) with Brunei Darussalam, Sri Lanka, Mexico and Saudi Arabia.

[38] Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium-Luxembourg, Cambodia, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, India, Indonesia, Italy, Japan (i.e. investment chapter in the PJEPA), Kuwait, Mongolia, Myanmar, Netherlands, Pakistan, Portugal, Republic of Korea, Russian Federation, Spain, Syria, Chinese Taipei, Thailand, Turkey, the United Kingdom, and Viet Nam.

[39] Australia, Austria, Bahrain, Bangladesh, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Republic of Korea, Kuwait, Malaysia, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Poland, Qatar, Romania, Russian Federation, Singapore, Spain, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom, United States and Vietnam. Philippine Bureau of Internal Revenue online information. Viewed at: https://www.bir.gov.ph/index.php/international-tax-matters/international-tax-agreements.html.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. All importers must be registered with the Bureau of Internal Revenue for purposes of the Importer's Clearance Certificate) and the Bureau of Customs (BOC).[1] Registration fees are PHP 1,000 for new applications and PHP 500 for renewals. Registrations are valid for three years. Applications have to be accompanied by: a mayor's permit; the applicant's VAT or non-VAT certificate; the taxpayer identification number (TIN) card of the company and its principal officers; the registration or incorporation documents of the company; pictures with official signature at the back of directors and principal officers; and the company's audited financial statements and income tax declarations for the past three years. Occasional importers may register under a Once-A-Year-Importer scheme.

3.2. All imports with a dutiable value above PHP 10,000 must be declared electronically. However, hardcopies of import documents and attachments must be submitted to the Entry Processing Unit for verification. The customs entry declaration form, which was changed to Single Administrative Documents (SAD) under Customs Memorandum Order (CMO) 29-2015, must be accompanied by: the commercial invoice; a bill of lading or air waybill; a packing list; and a certificate of origin if applicable. Depending on the product, an import licence (Section 3.1.5) or SPS or TBT certificate (Section 3.3.2) may also be required.

3.3. Bureau of Customs' administrative order (AO) No. 243 of January 2010 makes pre-shipment inspection (PSI) mandatory for all bulk or break bulk cargo. PSI covers quantity, quality, and tariff classification. Six companies have been approved by the Bureau of Customs to provide this service. For other goods, no PSI is required.

3.4. The Customs Modernization and Tariff Act (RA No. 10863) of 30 May 2016 has the aim to modernize customs rules, expedite customs procedures, reduce opportunities for corruption, and improve customs service delivery. The Act introduced more severe penalties for misclassification, undervaluation, and corrupt behaviour of officials. Total staff of the Bureau of Customs is 3,500.

3.5. Shipments are classified according to risk. Risk criteria include country of origin and frequency of imports. Goods in the high risk "red lane" are subject to physical examination and documentary review; this requires an average of 1-2 days for clearance. The moderate risk "yellow lane" (documentary review only) requires an average of four hours for clearance. The BOC also uses a "blue lane" (SGL) for qualified importers to provide immediate clearance.[2] According to the BOC, in 2017 about 50% of all consignments were classified as red, followed by yellow (30%), and blue (20%).

3.6. The Philippines has been applying the WTO Customs Valuation Agreement since 2001.[3] However, it reserved the right, with no expiry date, to reverse the order of paragraphs 3 and 4 of Annex III of the Agreement.[4]

3.7. A Valuation and Classification Review Committee (VCRC) is organized in every district port to solve valuation and classification disputes. The decision of the VCRC is appealable to the Central Valuation Classification Review and Ruling Committee (CVCRRC) within 15 days of receipt of the decision. The CVCRRC's decision is subject only to one motion for reconsideration, which needs to be filed within five working days of its receipt. If no motion is filed in time or if denied, the CVCRRC resolution becomes final. The aggrieved importer may pay under "formal protest".

[1] Exceptions include importers in special economic zones, public authorities, and institutions with diplomatic status.

[2] To use the SGL an importer needs to: be accredited by BOC; be a registered user of remote lodgement facilities; have imported for at least one year; be a regular importer of the same type of products; and be willing to undergo voluntary audit.

[3] WTO document G/VAL/N/1/PHL/1, 5 October 2001.

[4] WTO document G/VAL/2/Rev.24, 27 April 2007.

3.8. The Philippines accepted the Trade Facilitation Agreement on 27 October 2016. It notified its category A commitments in August 2014.[5] The authorities indicate that the notification of category B and C commitments is under preparation.

3.1.2 Rules of origin

3.9. The Philippines has notified the WTO that it does not have non-preferential rules of origin.[6]

3.10. The Philippines applies preferential rules of origin under its regional and bilateral trade agreements, i.e. ASEAN Trade in Goods Agreement (ATIGA); ASEAN-Australia-New Zealand; ASEAN-China; ASEAN-India; ASEAN-Japan; ASEAN-Korea; and Philippines-Japan (Section 2.3.2). In general, a good is considered originating in a country if it is wholly obtained or has undergone substantial transformation. Substantial transformation is defined as a change in tariff classification, value-added threshold, and specific process, which may vary across agreements. For example, the ATIGA confers origin status to goods that have either complied with the regional content requirement of at least 40% of their f.o.b. value or the change in tariff heading requirement. Bilateral and regional cumulation is usually allowed.

3.1.3 Tariffs

3.1.3.1 Applied MFN tariffs

3.11. The Philippines' tariff comprises 10,813 lines at the HS 2017 eight-digit level (compared to 8,299 in 2011), with rates ranging from zero to 65%. The share of duty-free tariff lines increased from 4.7% in 2011 to 12.6% (Table 3.1). Tariffs are levied on the c.i.f. value of The Philippines does not apply variable levies or seasonal tariffs. The tariff is set by an inter-agency committee led by DTI and adopted by Executive Order. It usually remains in force for five years. The current tariff was adopted in July 2017.

Table 3.1 Structure of the MFN tariff schedule, 2011 and 2017

		2017[a]	
	2011	**HS12**	**HS17**
Total number of tariff lines	8,299	9,558	10,813
Simple average rate (%)	6.4	6.8	7.6
HS 01-24	10.4	10.5	10.3
HS 25-97	5.7	6.0	7.1
WTO agricultural products	10.2	10.4	10.3
WTO non-agricultural products	5.8	6.2	7.2
Duty free tariff lines (% of all tariff lines)	4.7	4.9	12.6
Simple average of dutiable lines only	6.7	7.1	8.7
Tariff quotas (% of all tariff lines)	0.9	0.8	0.7
Non-ad valorem tariffs (% of all tariff lines)	0.0	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines)[b]	4.2	3.3	6.3
International tariff "peaks" (% of all tariff lines)[c]	4.5	5.1	8.5
Nuisance applied rates (% of all tariff lines)[d]	24.3	22.9	14.9
Coefficient of variation	1.1	1.1	1.1

a As of July.
b Domestic tariff peaks are defined as those exceeding three times the overall simple Average applied rate.
c International tariff peaks are defined as those exceeding 15%.
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations exclude in-quota rates. The 2011 tariff is based on HS07 and the 2017 tariff is based on HS12 and HS17 nomenclature. 123 tariff lines at 8-digit level have more than one tariff rate; in this case the average tariff rates was used for the calculations.

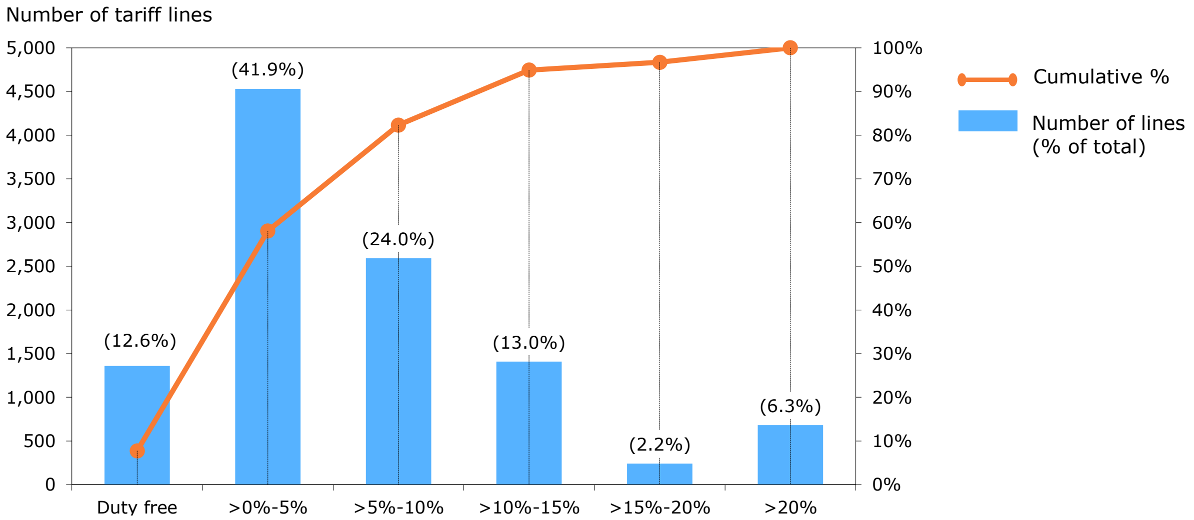
Source: WTO Secretariat calculations, based on data provided by the authorities.

3.12. Cane sugar and rice receive the highest tariff protection, with rates of 65% and 50% respectively. 14.9% of tariff lines are nuisance tariffs, and 41.9% carry a tariff greater than zero

[5] WTO document WT/PCTF/N/PHL/1, 1 August 2014.
[6] WTO document G/RO/78, 10 November 2016.

and up to 5% (Chart 3.1). A greater share of duty-free lines and a reduction of nuisance tariffswould facilitate the Philippines integration into global value chains.

Chart 3.1 Frequency distribution of MFN tariff rates, 2017



Note: Excluding in-quota rates.

Source: WTO Secretariat calculations, based data provided by the authorities.

3.13. The average applied MFN tariff was 7.6% in 2017, up from 6.4% in 2011.[7] Tariffs average 10.3% (10.2% in 2011) on agriculture (WTO definition), and 7.2% on non-agricultural products (5.8% in 2011). Using ISIC (Revision 2) definition (Table 3.2), the least tariff protected sector is mining and quarrying (2.2%), followed by manufacturing (7.7%), and agriculture (7.8%).

Table 3.2 Summary analysis of Philippine's MFN tariff, 2017

	Number of lines	Average (%)	Range (%)	Coefficient of variation	Duty free (%)
Total	**10,813**	**7.6**	**0-65**	**1.1**	**12.6**
HS 01-24	1,725	10.3	0-65	1.0	3.5
HS 25-97	9,088	7.1	0-30	1.1	14.3
By WTO category					
WTO agricultural products	1,369	10.3	0-65	1.1	3.7
Animals and products thereof	152	21.8	0-45	0.8	7.9
Dairy products	45	2.8	0-7	0.9	15.6
Fruit, vegetables, and plants	356	10.1	0-40	0.9	1.1
Coffee and tea	43	18.8	3-45	1.0	0.0
Cereals and preparations	200	10.4	0-50	1.1	7.5
Oils seeds, fats, oil and their products	222	8.0	0-15	0.7	2.3
Sugars and confectionary	31	15.0	1-65	1.3	0.0
Beverages, spirits and tobacco	122	8.3	1-15	0.4	0.0
Cotton	5	2.6	1-3	0.3	0.0
Other agricultural products, n.e.s.	193	4.7	0-35	1.3	4.1
WTO non-agricultural products	9,444	7.2	0-30	1.1	13.8
Fish and fishery products	437	9.2	0-15	0.4	2.1
Minerals and metals	1,554	5.2	0-20	0.8	9.1
Chemicals and photographic supplies	1,506	4.6	0-30	1.0	1.8
Wood, pulp, paper and furniture	557	6.5	0-30	0.8	9.3
Textiles	855	9.6	0-20	0.5	0.7
Clothing	351	14.7	1-15	0.1	0.0
Leather, rubber, footwear and travel goods	322	6.4	0-20	0.7	1.2
Non-electric machinery	1,329	2.1	0-15	1.7	47.7
Electric machinery	719	4.2	0-30	1.2	32.4

[7] While there has been no rise in tariff rates as such, this is due to the increase of number of tariff lines that came with the change in nomenclature from HS07 to HS12, as the number of tariff lines carrying high tariff rates increased over-proportionally.

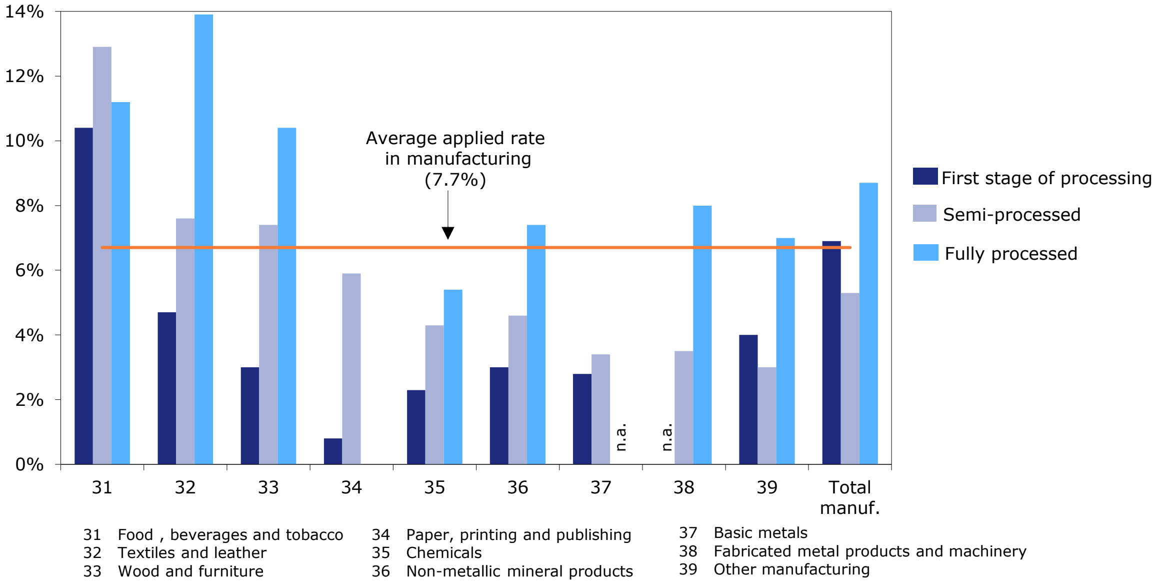
	Number of lines	Average (%)	Range (%)	Coefficient of variation	Duty free (%)
Transport equipment	1,019	20.6	0-30	0.5	1.9
Non-agricultural products, n.e.s.	751	4.5	0-15	1.0	18.6
Petroleum	44	0.1	0-3	4.6	95.5
By ISIC sector					
ISIC 1 - Agriculture, hunting and fishing	685	7.8	0-50	1.1	10.4
ISIC 2 - Mining	122	2.2	0-7	0.6	5.7
ISIC 3 - Manufacturing	10,005	7.7	0-65	1.1	12.8
Manufacturing excluding food processing	8,883	7.2	0-30	1.1	14.1
ISIC 4 - Electricity	1	0.0	0	0.0	100.0
By stage of processing					
First stage of processing	1,132	6.8	0-50	1.3	8.7
Semi-processed products	2,855	5.4	0-65	0.9	4.2
Fully processed products	6,826	8.7	0-45	1.0	16.7
By HS section					
01 Live animals and products	589	10.3	0-40	1.0	5.1
02 Vegetable products	491	10.1	0-50	1.1	3.7
03 Fats and oils	175	8.7	1-15	0.7	0.0
04 Prepared food, beverages and tobacco	470	11.3	0-65	0.9	2.6
05 Mineral products	218	1.8	0-7	0.9	29.4
06 Chemicals and products thereof	1,259	3.2	0-30	1.0	2.1
07 Plastics, rubber, and articles thereof	565	7.9	0-20	0.6	0.7
08 Raw hides and skins, leather, and its products	91	7.4	1-15	0.8	0.0
09 Wood and articles of wood	228	6.9	0-15	0.7	15.8
10 Pulp of wood, paper and paperboard	300	5.5	0-15	0.8	5.3
11 Textiles and textile articles	1,175	10.9	0-20	0.5	0.5
12 Footwear, headgear, etc.	84	9.7	1-15	0.6	0.0
13 Articles of stone, plaster, cement	250	7.2	0-15	0.6	4.0
14 Precious stones and metals, pearls	86	5.4	3-10	0.6	0.0
15 Base metals and articles thereof	1,035	5.5	0-20	0.9	10.6
16 Machinery, electrical equipment, etc.	2,133	2.8	0-30	1.5	42.8
17 Transport equipment	1,033	20.3	0-30	0.6	1.8
18 Precision equipment	326	2.0	0-10	1.1	28.0
19 Arms and ammunition	30	13.8	3-15	0.2	0.0
20 Miscellaneous manufactured articles	267	7.4	1-30	0.7	0.0
21 Works of art, etc.	8	8.1	7-10	0.2	0.0

Note: 2017 data as of July. Tariff schedule based on HS17 nomenclature.

Source: WTO Secretariat calculations, based on data received by the authorities.

3.14. On aggregate, the tariff displays mixed escalation, negative from first-stage processed products (average tariff rate of 6.8%), to semi-finished goods (average rate of 5.4%), and positive from semi-finished to fully processed products (average 8.7%). This structure is strongly influenced by the high tariffs on raw agricultural products and, to a lesser extent, by the tariff structure in certain industries. At a more disaggregate level (Chart 3.2), positive tariff escalation is most pronounced in textiles and leather, followed by wood and furniture, paper and printing, chemicals, and non-metallic mineral products, thereby providing higher levels of effective protection to those industries than that reflected by the nominal rates. Escalation is positive from first-stage processed goods to semi-finished products, and negative from semi-finished to finished goods, in food, beverages and tobacco.

Chart 3.2.Tariff escalation by 2-digit ISIC industry, 2017



n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.15. Fiscal income derived from tariffs increased from PHP 42,195 million in 2011 to PHP 59,413 million in 2016.

3.1.3.2 Tariff quotas

3.16. The Philippines has tariff quotas covering 80 tariff lines; this is equivalent to 0.7% of all lines. Products covered by tariff quotas include live swine, goats and poultry and meat thereof, potatoes, coffee, maize, rice, sugar, and coffee Table A3.1. The system for administering tariff quotas remains complex. Products subject to tariff quotas are also subject to import licences (Section 3.1.5).

3.17. For 34 tariff lines the out-of-quota rate is equal to the in-quota rate; there is effectively no tariff quota on these lines.

3.18. In 2005, the Philippines was granted by the Committee on Market Access a seven-year extension, until 30 June 2012, to maintain a quota on rice imports.[8] In 2012, the Philippines was granted another five-year extension until 30 June 2017.[9] As at November 2017, the situation relating to rice imports was governed by Executive Order 23 of 24 May 2017 which extended the rice waiver until 30 June 2020 or until an amendment of the provisions governing rice tariffication is enacted.

3.1.3.3 Bound rates

3.19. In the Uruguay Round, the Philippines bound 65.2% of all tariff lines (63.7% are fully bound and 1.5% are partially bound). Binding coverage varies substantially across the HS: all agricultural goods and textiles are fully bound, while other sections, mainly industrial products, have either no or a low incidence of bound items. Products with unbound tariffs include certain automobiles, chemicals, plastics, vegetable textile fibres, footwear, headgear, fish, and paper.

3.20. The simple average bound rate is 25.7% (35.5% on agricultural products (WTO definition) and 23.3% on non-agricultural goods). All bound rates are *ad valorem*, and range from zero to 80%.

[8] WTO documents G/MA/TAR/RS/99/Rev.1, 27 September 2006; and WT/Let/562, 8 February 2007.
[9] Country-specific quotas are laid down in WTO document WT/Let/1024, 11 December 2014.

3.21. The Philippines' goods schedule is still in HS 2002. The Philippines has requested a waiver from the General Council in order to implement domestically the recommended amendments to update to the Harmonized System nomenclature of HS 2007 and HS 2012.[10]

3.1.3.4 Preferential tariffs

3.22. As at October 2017, the Philippines had preferential trading agreements with 15 partners:the other nine parties of ASEAN[11], six countries that have negotiated agreements with ASEAN (Australia and New Zealand; China; Japan[12]; Republic of Korea; and India).

3.23. Preferential tariffs are lowest for imports from other ASEAN members, as over 99% of tariff lines in this agreement carry a preferential rate of zero. Imports from India face the highest average preferential duty, of 5.2%. For the other agreements, average preferential rates range between 0.6% and 2.7% (Table 3.3). Moreover, preferential rates are always higher, on average, for agricultural products (WTO definition) than for non-agricultural goods.

Table 3.3 Summary analysis of the Philippine's preferential tariffs, 2017

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty free rates (%)	Average (%)	Duty free Rates (%)	Average (%)	Duty free rates (%)
MFN	**7.6**	**12.6**	**10.3**	**3.7**	**7.2**	**13.8**
ASEAN Trade in Goods Agreement (ATIGA)	0.1	99.3	0.4	96.3	0.04	99.7
ASEAN - Australia New Zealand FTA (AANZFTA)	0.6	94.2	1.7	90.8	0.4	94.7
ASEAN – China FTA (ACFTA)	2.7	84.4	2.8	91.2	2.6	83.4
ASEAN - India FTA (AIFTA)	5.2	12.6[a]	8.4	3.7	4.7	13.8
ASEAN - Japan (AJCEPA)	2.1	65.8	1.5	46.5	2.2	68.6
ASEAN - Korea, Rep. of FTA (AKFTA)	1.0	85.7	2.2	82.4	0.9	86.2
Japan-Philippines EPA (JPEPA)	1.5	70.0	1.0	51.0	1.6	72.7
Memorandum						
Japan[b]	1.4	70.2	1.0	51.0	1.4	72.9

a Under the AIFTA 43.2% of all lines have a rate greater than zero, but less than or equal to 2% (so called nuisance rates).
b Based on lowest rates taken from AJCEPA and PJEPA.

Note: 2017 tariff schedule is based on HS17 nomenclature. Where the preferential tariff rate is higher than the applied MFN rate, the latter was used for the calculations.

Source: WTO Secretariat calculations, based on data received by the authorities.

3.1.3.5 Tariff concessions and exemptions

3.24. Sector-specific duty exemptions are provided for inputs under specific laws. These include the Jewellery Industry Development Act of 1998 and the Philippine Fisheries Code of 1998. Exemptions are also granted upon fulfilment of particular conditions (Table 3.4). In addition, the President may, upon NEDA's recommendation, allow any imports to enter duty free if in the "interest of national economic development". The authorities indicate that the system of concessions and exemptions is currently under review.

3.25. Revenue forgone under tariff and tax concessions is considerable. In 2016, it amounted to PHP 549 billion in customs duties and PHP 301 billion in VAT.

[10] WTO documents WT/L/997 and WT/L/998, 12 December 2016.
[11] The other ASEAN members are Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Singapore, Thailand and Viet Nam.
[12] In addition to the ASEAN-Japan trade agreement, the Philippines has its own bilateral trade agreement with Japan.

Table 3.4 Goods subject to a conditional duty exemption

Product	Requirement
Aquatic products	Caught or gathered by fishing vessels of Philippine registry
Equipment used in the salvage of vessels or aircraft	Identification and the giving of a bond in an amount equal to one and one-half times the ascertained duties
Cost of repairs, excluding the value of parts, made to vessels or aircraft registered in the Philippines	Proof that adequate facilities for such repairs do not exist in the Philippines; or that the vessel or aircraft was compelled during the trip to make such repairs
Articles brought into the Philippines for repair, processing or reconditioning to be re-exported	A bond is in an amount equal to one and one-half times the ascertained duties, and that they are exported within 6 months from the date of import
Medals, badges, and cups	Bestowed as trophies or prizes
Personal and household effects belonging to returning residents	Items need to be formally declared before departure
Overseas contract workers' used house appliances	Quantity is limited to one of each in a calendar year
Articles used exclusively for public entertainment, and displayed in public expositions, or for competition exhibitions for prizes, and devices for projecting pictures	Examination and appraisal and the giving of a bond in an amount equal to one and one-half times the ascertained duties thereon, and provided that they are exported within 6 months from the date of import
Articles brought by foreign film producers directly and exclusively used for making or recording motion picture films in the Philippines	Examination and appraisal and the giving of a bond in an amount equal to one and one-half times the ascertained duties, taxes and other charges thereon, and provided that they are exported within 6 months from the date of importation
Films exposed outside the Philippines where the principal artists employed are Filipinos	Upon affidavit by the importer and identification that such these films had been previously exported
Imports for the official use of foreign embassies and other foreign governmental agencies	Provided that those countries provide the same privileges to agencies of the Philippines
Containers to export locally manufactured cement, boxes for fresh fruits for export	Examination, issue of a bond of one and one-half times the ascertained duties, re-export within 6 months
Supplies for the "reasonable requirements" of a vessel or aircraft on a voyage or flight outside the Philippines	Any surplus of such supplies is dutiable
Coffins or urns containing human remains, used personal effects of the deceased person	Value must not exceed PHP 10,000
Samples of no commercial value and samples of medicines	Authorization by the Department of Finance, and in the case of medicines by the Department of Health
Commercial samples	Value below PHP 10,000, payment of a bond of one and one-half times the ascertained duties, re-export within 6 months
Animals (except race horses) and plants for scientific, experimental, propagation, botanical, breeding, zoological, and national defence purposes	Import undertaken by an authorized institution. Animals imported for breeding purposes must be of a recognized breed. The National Economic and Development Authority must certify that these imports are necessary for economic development. The Bureau of Animal Industry of the Department of Agriculture needs to issue a permit prior to import
Educational, technical or cultural materials, children's books, globes, music	Certification by the Department of Education
Philippine products exported from the Philippines and returned without any added value	Reimbursement of drawbacks
Aircraft, equipment and machinery, spare parts, aviation gas, fuel, and other articles imported by, and for the use of, scheduled airlines	Provided that such articles are not locally available and are necessary for the proper operation of the scheduled airline
Spare parts of foreign vessels or aircraft when imported as replacements for emergency repair	Proof that such spare parts are utilized to secure the safety of the vessel or aircraft
Articles of easy identification exported for repair and subsequently re-imported	Proof that such articles cannot be repaired locally
Trailer chassis imported by shipping companies for their exclusive use in handling containerized cargo	Posting of a bond of one and one-half times the ascertained duties
Completely built units (CBUs)	Under the Motor Vehicle Development Programme, preferential tariff rates are available on imports of CBUs on the basis of equivalent foreign exchange earnings
Inputs used by agriculture and fisheries enterprises	Items included in Executive Order No. 376 of 2004, certificate from the Department of Agriculture

Product	Requirement
Capital equipment used by tourism establishments	Equipment to be used in medical and spa facilities
A 50% refund of the duty paid on petroleum	Imported for the generation of electricity and the manufacturing of city gas
A 99% refund on duties paid on imported fuel	Fuel used in domestic vessels engaged in trade
Imported articles donated to any registered relief organization to be donated to the needy	Certificate by the Department of Social Welfare and Development
Importation by, and donations to, qualified entities in the interest of national economic development	Certification is by the National Economic and Development Authority (NEDA)

Source: Information provided by the authorities.

3.1.4 Other charges affecting imports

3.26. Most imports, like domestically produced goods, are subject to value-added tax. On imported goods, VAT is based on the c.i.f. value plus customs duties and excise taxes.

3.27. The standard VAT rate is 12%. Items exempt from VAT, whether imported or produced domestically, include: food products and livestock; agricultural inputs; books, newspapers, and magazines; educational services; and vessels, aircraft, and parts thereof. VAT is zero-rated on sale of power or fuel generated through renewable energy sources, and services performed by subcontractors in processing goods for an enterprise whose export sales exceed seventy percent of total annual production.

3.28. Fiscal income derived from VAT on imports increased from PHP 220,254 million in 2011 to PHP 291,724 million in 2016.

3.29. Excise taxes are levied on alcoholic beverages, tobacco products, automobiles, petroleum products, minerals, and goods defined as "non-essential", which essentially includes perfumes and jewellery (Table 3.5). Both specific and *ad valorem* taxes are applied; in addition, tobacco products are subject to an inspection fee. Since 2013, imported and domestically produced alcoholic beverages are subject to the same tax rates.

Table 3.5 Excise tax rates, 2017

Product or product group	Tax rates
I. ALCOHOL PRODUCTS	
A. DISTILLED SPIRITS, *ad valorem* and specific tax	
1) *AD VALOREM* TAX RATE - Based on the Net Retail Price (NRP) per proof (excluding the excise and value-added taxes); and	20%
2) SPECIFIC TAX - per proof litre	PHP 21.63[a]
B. WINES, per litre of volume capacity	
1) Sparkling wines, where the NRP (excluding the excise and VAT) per bottle of 750ml volume capacity, is: Php500.00 or less	PHP 292.47[a]
More than Php500.00	PHP 818.90[a]
2) Still wines and carbonated wines containing 14% of alcohol by volume or less	PHP 35.10[a]
3) Still wines and carbonated wines containing more than 14% (of alcohol by volume) but not more 25% of alcohol by volume	PHP 70.20[a]
4) Fortified wines containing more than 25% of alcohol by volume	Taxed as distilled spirits[a]
C. FERMENTED LIQUORS, per litre of volume capacity	
1) All liquors	PHP 23.50[a]
2) If brewed and sold at small establishments, regardless of the NRP	PHP 32.76[a]
II. TOBACCO PRODUCTS	
A. TOBACCO PRODUCTS, per kg	
1. Tobacco products and preparations	PHP 2.05[a]
2. Chewing tobacco unsuitable for use in any other manner	PHP 1.75[a]
B. CIGARS, per cigar	
3. Cigars	
(a) Based on the NRP per cigar (excluding the excise and value-added taxes), and	20%
(b) Per cigar	PHP 5.85[a]
C. CIGARETTES, per pack	PHP 30.00[a]
INSPECTION FEES	
(1) Cigars	PHP 0.50 per thousand pieces
(2) Cigarettes	PHP 0.10 per thousand pieces
(3) Leaf tobacco	PHP 0.02 per kilogram
(4) Scrap and other manufactured tobacco	PHP 0.03 per kilogram

Product or product group	Tax rates
III. PETROLEUM PRODUCTS	
PRODUCT TYPE	**TAX RATES**
Lubricating oils and greases, and additives for lubricating oils and greases	PHP 4.50 per litre
Processed gas	PHP 0.05 per litre
Waxes and petrolatum	PHP 3.50 per kilogram
Denatured alcohol, if used for motive power	PHP 0.05 per litre
Naphtha, regular gasoline or similar products	PHP 4.35 per litre
Naphtha used as a raw material in petrochemical production or as replacement fuel, in lieu of locally-extracted natural gas during the non-availability thereof	PHP 0.00 per litre
Leaded premium gasoline	PHP 5.35 per litre
Unleaded premium gasoline	PHP 4.35 per litre
Aviation turbo jet fuel and kerosene used as aviation fuel	PHP 3.67 per litre
Kerosene, diesel and similar fuel oils having the same generating power	PHP 0.00 per litre
Liquefied Petroleum Gas; if used for motive power	PHP 0.00 per litre
Asphalt	PHP 0.56 per kilogram
Bunker fuel oil and similar fuel oils having more or less the same generating power	PHP 0.00 per litre
IV. MINERALS AND MINERAL PRODUCTS	
Coal and coke	PHP 10.00 per metric ton
Minerals and mineral products (non-metallic), quarry resources	2% of the actual market value
Locally-extracted natural gas and liquefied natural gas	PHP 0.00
Indigenous petroleum	3% of the international price
V. AUTOMOBILES AND OTHER MOTOR VEHICLES	
Price from Php 0 to Php 600,000	2%
Price from Php 600,000 to Php 1,100,000	PHP 12,000 + 20% in excess of PHP 600,000
Price from Php 1,100,000 to Php 2,100,000	PHP 112,000 + 40% in excess of PHP 1,100,000
Price over Php 2,100,000	PHP 512,000 + 60% in excess of PHP 2,100,000
VI. NON-ESSENTIAL GOODS	
Perfumes and jewellery	20%

a The specific tax rate is increased by 4% annually.

Source: Information provided by the authorities.

3.30. Imports continue to be subject to various customs fees and charges for BOC services, such as import processing, refund processing, documentary stamp tax, and registration fees (Section 3.1.1).

3.1.5 Import prohibitions, restrictions, and licensing

3.31. The Philippines prohibits the importation of certain goods under the Republic Act No. 10863, also known as the "Customs Modernization and Tariff Act (CMTA)" and various other laws (Box 3.1). The list of products subject to an import prohibition has remained largely unchanged since the Philippines last TPR. The Philippines notified its import prohibitions to the WTO.[13]

Box 3.1 Prohibited imports, 2017

A. Products specifically listed under Section 101 of the Tariff and Customs Code: Dynamite, gunpowder, ammunition and other explosives, firearms and weapons of war, and parts thereof, except when authorized by law;

Articles containing matter advocating or inciting treason, 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;

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;

[13] WTO documents G/MA/QR/N/PHL/1, 21 May 2015; and G/LIC/N/3/PHL/12, 19 October 2016.

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 articles when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
Lottery and sweepstake tickets except those authorized by the Government, advertisements thereof, and lists 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 in violation of the "Food and Drugs Act";
Marijuana, opium, or any other narcotics or synthetic drugs, or any derivative or preparation thereof;
Opium pipes and parts thereof, of whatever material.
B. Used clothing and rags (RA No. 4653). C. Toy firearms and explosives (LOI No. 1264). D. Hazardous wastes (Section 24 of the IRR of RA No. 6969). E. Polychlorinated biphenyls, chlorofluorocarbons, halons, carbon tetrachloride and trichloroethane (Section 5 of DENR Administrative Order 2004-08). F. Right-hand drive vehicles (RA No. 8506). G. Infringing goods as defined under the Intellectual Property Code and related laws. H. Brown and blue asbestos (DENR Administrative Order No.2/2000). I. Live piranhas, shrimps and prawns (Fisheries Administrative Orders No.126/1979 and 207/2001) J. Used motorcycle parts except engines (Executive Order No. 156).

Source: WTO documents G/MA/QR/N/PHL/1, 21 May 2015 and G/LIC/N/3/PHL/12, 19 October 2016; and information provided by the authorities The importation of used cars is allowed only for residents returning from abroad and limited to one vehicle per family. This effectively prohibits the commercial importation of used cars. The measure has not been notified to the WTO. The import of second-hand vehicles into the Subic Bay Free Port remains allowed provided these cannot be exported.

3.32. A vast range of goods is subject to licences or permits when imported (Table 3.6). For certain products, multiple permits or licences are required, and informal payments have been reported by the business community.[14] The import licensing regime is regulated mainly by the Customs Modernization and Tariff Act of 30 May 2016. Import licensing is intended, *inter alia*, to safeguard public health, national security and welfare, and to meet international treaty obligations regulating certain products. Costs for the licence or permit depend on its validity period, the product, and import quantities; additional inspection fees may also apply.[15]

Table 3.6 Goods subject to import permits or licensing

Commodity	Government agency issuing permit/clearance
Live animals, animal products, feeds and components thereof, veterinary biological products	Bureau of Animal Industry (BAI)
Recyclable materials containing hazardous substances, cyanide and its compounds, asbestos, mercury and its compounds, ozone depleting substances, methyl bromide, certain chemicals under the Philippine Revised Priority Chemical List, new transformers, used computers and parts thereof, new chemicals	Department of Environment and Natural Resources (DENR) / Environmental Management Bureau (EMB)
Drugs, food products including ingredients and raw materials, cosmetics, pesticides, toys and child care articles, medical and health-related devices	Department of Health (DOH)/Food and Drugs Administration (FDA)
Fishery products	Bureau of Fisheries and Aquatic Resources (BFAR)
Colour reproduction machines with more than 2.400 dots per inch	National Bureau of Investigation (NBI) and Cash Department of the Bangko Sentral ng Pilipinas (BSP)
Optical and magnetic media, their manufacturing equipment; parts, accessories and manufacturing materials	Optical Media Board (OMB)

[14] ITC (2017).
[15] Registration fees and charges are listed in WTO document G/LIC/N/3/PHL/12, 19 October 2016.

Commodity	Government agency issuing permit/clearance
Fertilizers, pesticides and other chemical products that are intended for agricultural use	Fertilizer and Pesticide Authority (FPA)
Used motor vehicles for personal use by returning residents, used trucks (excluding pick-up trucks), used buses, automotive and motorcycle replacement parts, used trucks for rebuilding purposes, used tyres	Department of Trade and Industry (DTI)/Fair Trade Enforcement Bureau
Used vehicles imported by the diplomatic corps, international organizations, and returning foreign service personnel	Department of Foreign Affairs (DFA)
All commodities originating from Albania, Angola, Ethiopia, Laos, Libya, Mongolia, Mozambique, Myanmar, Nicaragua, and North Korea	Philippine International Trading Corporation (PITC)
Ships, ship equipment and spare parts	Maritime Industry Authority (MARINA)
Nuclear and radioactive materials	Philippine Nuclear Research Institute (PNRI)
Legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines of an amount exceeding PHP 50,000.00 Bank notes, coins of precious metal other than gold and of non-precious metal not being legal tender, coin blank essentially of gold, coin blank essentially of steel, coin blank essentially of copper, coin blank essentially of nickel, coin blank essentially of zinc, coin blank essentially of tin, and coin blank essentially of aluminum	Bangko Sentral ng Pilipinas (BSP)
Living plants; nursery stocks; seeds; fruits and vegetables; plant products; cultures of fungi, algae, mushrooms; grains and cereals	Bureau of Plant Industry (BPI)
Coal and anthracite, whether or not pulverized, but not agglomerated	Department of Energy (DOE)/Energy Resource Development Bureau (ERDB)
Wood products and chainsaws	DENR / Forest Management Bureau (FMB)
Aircrafts and parts thereof	Civil Aviation Authority of the Philippines (CAAP)
Lighting products	DENR and Department of Energy
Donated articles	Department of Social Welfare and Development
Radio transmitters and receivers, telecommunication equipment	National Telecommunications Commission (NTC)
Gaming machines and equipment, playing cards,	Philippine Amusement and Gaming Corporation (PAGCOR)
Narcotic drugs and substances	Philippine Drug Enforcement Agency (PDEA) and Dangerous Drugs Board (DBB)
Firearms, parts thereof, ammunition, explosives and certain chemicals	Philippine National Police – Firearms and Explosives Office
Sugar and preparations thereof	Sugar Regulatory Administration (SRA)
Cement when imported by small-scale importers	Department of Trade and Industry

Source: WTO document G/LIC/N/3/PHL/12, 19 October 2016; and information provided by the authorities.

3.33. Applications must generally be filed at least two weeks prior to the loading date. Licences may be granted immediately. Processing time for SPS licences usually takes between three and five days. Fees vary by-products and are collected by the agency granting the licence. In case of disapproval of an application, the applicant is informed of the reason and may make a written appeal for reconsideration.

3.34. Licensing procedures are also in place for products subject to tariff quotas (Section 3.1.3.2). For agricultural products, there are regular and special licences. Regular licences are issued annually for tariff quotas at the start of the quota year. Special licences, which may be valid for less than a year, are issued for tariff quotas reallocated from the surrendered volumes during the quota year, additional quotas created by government and any remaining quota allocated on a first-come-first-serve basis. Processing of special licences takes about one month.

3.35. Licensees who use less than the quota utilization threshold (set at 80%) are penalized; 50% of their unused and unsurrendered quotas is deducted from their next quota-year allocation on the first instance; 75% on the second instance; and 100% on the third instance. The list of licensees and their corresponding allocations are published in two newspapers of national circulation.

3.36. The Philippines replied to the questionnaire on import licensing procedures.[16]

3.37. Since its last TPR, the Philippines has also prohibited or restricted the importation of various products for sanitary or phytosanitary reasons (Section 3.3.2).

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.38. The Philippines has consolidated its regulatory framework for Anti-dumping, countervailing, and safeguard measures under the Customs Modernization and Tariff Act (R.A. 10863 of 2016). The existing legislation on these measures has been incorporated by reference, without any further amendments, into this Act. The institutional framework remains unchanged since last Review. Initial anti-dumping, countervailing and safeguards investigations are conducted by the DTI (for industrial goods) or the DA (for agricultural goods), upon request of private sector representatives[17]. Responsibility for the final determination of injury and imposition of duties lies with the Tariff Commission in cooperation with the DA or the DTI.

3.1.6.1 Anti-dumping and countervailing measures

3.39. The Anti-dumping Act of 1999[18] and its implementing rules and regulations[19] continue to set forth the rules for the application of anti-dumping duties in the Philippines. Since the last Review, the Philippines notified the expiration of an anti-dumping measure on clear float glass from Indonesia.[20] Furthermore, it has initiated three anti-dumping investigations: on wheat flour from Turkey, resulting in the imposition of definitive duties; and on clear float glass and bronze float glass from China, giving rise to the imposition of definitive duties (Table 3.7).[21]

Table 3.7 Anti-dumping measures, 2012-17

Country	Product	Initiation of investigation	Provisional duty	Definitive duty	Status
Turkey	Wheat flour, HS 1101.00.10	7 June 2013[22]	2 June 2014[23]	9 January 2015[24]	In force until 2020
China	Clear float glass and bronze float glass HS 7005.21; 7005.29	20 May 2016	22 November 2016[25]	6 September 2017	In force until 2022

Source: WTO Secretariat.

3.40. The Countervailing Duty Act (RA 8751 of 7 August 1999) and its implementing rules and regulations remain in force[26]. The Philippines has not initiated any countervailing actions during the review period.[27]

3.1.6.2 Safeguard measures

3.41. Safeguard actions continue to be governed by the Safeguard Measures Act of 2000[28] and its implementing rules and regulations. The Safeguard Measures Act also provides for the possibility

[16] WTO document G/LIC/N/3/PHL/12, 19 October 2016.
[17] While ex officio initiations are also possible, this has not happened yet.
[18] Republic Act 8752, 12 August 1999.
[19] Joint Administrative Order No. 1, 2000; and revised rules and regulations governing the conduct of investigation by the Tariff Commission, Commission Order No. 1, 21 June.
[20] WTO document G/ADP/N/223/PHL, 2 April 2012.
[21] WTO documents G/ADP/N/294/PHL, 7 February 2016; and G/ADP/N/300, 20 July 2017.
[22] WTO document G/ADP/N/244/PHL, 11 September 2012.
[23] WTO document G/ADP/N/259/PHL, 1 August 2014.
[24] WTO document G/ADP/N/265/PHL, 9 February 2015.
[25] WTO document G/ADP/N/294/PHL, 7 February 2017.
[26] Joint Administrative Order No. 2, 2000.
[27] WTO document G/SCM/N/313/Add.1, 21 April 2017.

of imposing quantitative restrictions on agricultural products as a definitive measure "where the tariff increase may not be sufficient to redress or to prevent serious injury".[29] No such measure, however, has been implemented since 2000. Since the last Review, the Philippines has initiated two safeguard investigations: on newsprint, resulting in the imposition of definitive duties; and on galvanized iron sheets and coils, which was terminated in 2015 with no measure being imposed (Table 3.8). During the review period, the Philippines has extended duties on steel angle bars and testliner board. It has also invoked special agricultural safeguards (SSG) on poultry meat (Section 4.1).

Table 3.8 Safeguard measures, 2012-17

Product	Initiation of investigation	Provisional duty	Definitive duty	Status
Ceramics floor and wall tiles HS 6907.9000; 6908.9000	28 May 2001	9 January 2002	23 May 2002 - Extension from 2005 - Further extension from 2008	Terminated in January 2012
Figured glass, and float glass HS 7003.1290; 7003.1990; 7005.2190 and 7005.2990	14 & 30 April 2003	13 October 2003	7 June 2004 -Extension from 2006 -Extension from 2010	Terminated in October 2013
Steel angle bars HS 7216.21.00 and 7216.50.10.	11 August 2008 For extension: 20 October 2014[30]	18 May 2009	30 September 2009 Extension from 2012[31] Further extension from 2015[32]	In force until 23 March 2019[33]
Testliner board HS 4805.24.00; 4805.25.10; and 4805.25.90	16 November 2009	16 September 2010	3 August 2011 - Extension from 2014[34] - Further extension from 2016[35]	In force until 20 June 2020[36]
Newsprint HS 4801.00.10 and 4801.00.90	20 September 2013[37] 2 October 2014[38]		5 May 2015[39]	In force until May 2018[40]
Galvanized iron sheets and coils	27 September 2013[41]		No measure was imposed[42]	

Source: WTO Secretariat.

3.1.6.3 Other measures

3.42. Under Section 714 of the Customs Modernization Tariff Act, the President may impose an additional duty of up to 100% on goods from any country that discriminates against Philippine

[28] RA 8800, 19 July 2000.
[29] Safeguard Measures Act (Section 8), RA 8800, 19 July 2000. See also WTO document G/SG/N/1/PHL/2, 9 July 2001.
[30] WTO document G/SG/N/6/PHL/7/Suppl.2, 1 December 2014.
[31] WTO documents G/SG/N/11/PHL/7/Suppl.4; and G/SG/N/14/PHL/7, 20 April 2012.
[32] WTO documents G/SG/N/10/PHL/6/Suppl.3; G/SG/N/11/PHL/7/Suppl.5; and G/SG/N/14/PHL/7/Suppl.1, 4 August 2015.
[33] WTO documents G/SG/N/10/PHL/6/Suppl.3; G/SG/N/11/PHL/7/Suppl.5; and G/SG/N/14/PHL/7/Suppl.1, 4 August 2015.
[34] WTO document G/SG/N/8/PHL/8/Suppl.3; G/SG/N/10/PHL/7/Suppl.2; G/SG/N/11/PHL/9/Suppl.3, 17 January 2014.
[35] WTO documents G/SG/N/8/PHL/8/Suppl.4; G/SG/N/10/PHL/7/Suppl.3; and G/SG/N/11/PHL/9/Suppl.4, 27 September 2016.
[36] WTO documents G/SG/N/8/PHL/8/Suppl.4; G/SG/N/10/PHL/7/Suppl.3; and G/SG/N/11/PHL/9/Suppl.4, 27 September 2016.
[37] WTO documents G/SG/N/6/PHL/9, 1 October 2013; and G/SG/N/6/PHL/9/Suppl.1, 8 November 2013.
[38] WTO document G/SG/N/6/PHL/9/Suppl.3, 1 December 2014.
[39] WTO documents G/SG/N/8/PHL/9; G/SG/N/10/PHL/8/; G/SG/N/11/PHL/10, 21 May 2015 and G/SG/N/8/PHL/9/Corr.1; G/SG/N/10/PHL/8/Corr.1; and G/SG/N/11/PHL/10/Corr.1, 25 August 2015.
[40] WTO documents G/SG/N/8/PHL/9; G/SG/N/10/PHL/8/; G/SG/N/11/PHL/10, 21 May 2015 and G/SG/N/8/PHL/9/Corr.1; G/SG/N/10/PHL/8/Corr.1; and G/SG/N/11/PHL/10/Corr.1, 25 August 2015.
[41] WTO documents G/SG/N/6/PHL/10, 10 October 2013; and G/SG/N/6/PHL/10/Suppl.1, 8 November 2013.
[42] WTO documents G/SG/N/9/PHL/2, 27 February 2015; and G/SG/N/9/PHL/2/Corr.1, 9 March 2015.

exports.[43] If discrimination persists or increases after the duty is imposed, the President may prohibit the importation of goods of that country or establish import quotas, if in the national interest. Although this measure has not been used during the period under review, it adds an element of uncertainty to the Philippines' trade regime.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.43. Registration and documentation requirements for exporters are similar to those for importers (Section 3.1.1). Only registered companies are allowed to export.[44] All exports must be covered by an Export Declaration (ED), filed electronically with the BOC or through the One-stop Export Documentation Centre (OSEDC).[45] The ED must be accompanied by a commercial invoice and a packing list, and, for certain products, by a permit (Section 3.2.3). A certificate of origin is required for exports under preferential arrangements.

3.2.2 Minimum export prices

3.44. Minimum export prices on rice and corn have not been used since the 1990s.

3.2.3 Export taxes, charges, and levies

3.45. Exports of plantation logs are subject to a tax of 20% on the f.o.b. value. No other products are subject to export taxes. No data was available on annual income from this tax.

3.2.4 Export prohibitions, restrictions, and licensing

3.46. The Philippines prohibits or regulates exports on grounds of national interest, security, public health, food security and to fulfil the requirements of international agreements (e.g. CITES).

3.47. Export prohibitions apply to certain wildlife and plant species, gold from small-scale mining[46], raw rattan, logs from naturally grown trees, and matured coconuts[47].

3.48. Export restrictions and licences apply to a very wide range of products (Table 3.9). The elimination of restrictions and licensing requirements for some products would facilitate their exportation.

3.49. Exports of rice, corn, and sugar remain restricted. In order to ensure food security and price stability, these commodities may be exported only if there is a surplus, according to the authorities. Fish exports are also regulated on grounds of domestic food security. Exports, when allowed, require a permit issued by the DOA. Permits are granted on a per-shipment basis. A sanitary certificate must also be issued on a per-shipment basis. In addition, only fish products that have been processed in fish-processing establishments certified by the BFAR as compliant with the Sanitation Standard Operating Procedures and Hazard Analysis and Critical Control Point system, may be exported.

[43] The authorities define "discrimination" as the unequal treatment of Philippine trade *vis-à-vis* that with other countries in the application of laws, administrative regulations and practices, customs procedures, duties and charges, and the classification of goods.

[44] Exporters must be registered through the Client Profiling Registration System (CPRS) of the BOC's electronic to mobile (e2m) project.

[45] The OSEDC, located in Pasay City, houses under one roof different government agencies that are involved in the processing of export documents, including issuance of permits and certificates of origin.

[46] The export prohibition of gold from small-scale mining is provided for under Section 17 of Republic Act No. 7076 (People's Small-Scale Mining Act) of 27 June 1991 which states that "All gold produce by small-scale miners in any mineral area shall be sold to the Central Bank, or its duly authorized representatives, which shall buy it at prices competitive with those prevailing in the world market regardless of volume or weight."

[47] The authorities indicate that this is "to sustain supply for local manufacturers of traditional coconut products".

Table 3.9 Goods subject to export permits or licensing

Regulated product	Regulating agency	Legal basis
Legal tender Philippine notes and coins, checks, money orders and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount exceeding PHP50,000.00	Bangko Sentral ng Pilipinas (BSP)	Manual of Regulations on Foreign Exchange Transactions as amended by BSP Circular No. 922 (23 August 2016)
Copper concentrates	Board of Investments (BOI)	Letter of Instruction No. 1387 (21 February 1984)
Live animals, their products and by-products, veterinary feed premixes and biologics, laboratory specimens of animal origin, feeds and feed ingredients	Bureau of Animal Industry (BAI)	R.A. No. 9296 "The Meat Inspection Code of the Philippines"; E.O. No. 338 of 2001 "Restructuring the Department of Agriculture"; E.O. No. 292 "Administrative Code of 1987" DA A.O. No. 14, series of 2012
Fish and aquatic products; additional rules apply to mud crabs, sea snakes, and certain shells	Bureau of Fisheries and Aquatic Resources (BFAR)	R.A. No. 8550 (The Philippine Fisheries Code of 1998) Section 61(d)
Plants, planting materials and plant products; pest specimens; wood packaging materials capable of harbouring plant pests	Bureau of Plant Industry (BPI)	International Standards for Phytosanitary Measures No.15 "Guidelines for Regulating Wood Packaging Material in International Trade" (2002) with modifications to Annex I (2006); P.D. No. 1433 "Promulgating the Plant Quarantine Law of 1978 "; BPI Quarantine Administrative Order No. 1 series of 1981
Used lead acid batteries	Environmental Management Bureau (EMB)	R.A. No. 6969 "Toxic Substances Hazardous and Nuclear Wastes Control Act of 1990"
Firearms, ammunitions and explosives	Firearms and Explosives Office, Philippine National Police (PNP-FEO)	P.D. No. 1866 of 29 June 1983; R.A. No. 8294 "Act to amend Presidential Decree No. 1866"
Bamboo, lumber, logs, poles, piles, log core and flitches/railroad ties produced from planted trees	Forest Management Bureau (FMB)	Revised Rules and Regulations Implementing Presidential Decree No. 930; P.D. No. 705 "Forestry Reform Code of the Philippines"; DENR Administrative Order No. 1988-34 "Guidelines on Certificate of Timber Origin"
Coffee	International Coffee Organization Certifying Agency (ICO-CA)	International Coffee Agreement (ICA 2007), Article 33
Crushed or sized sand gravel and other unconsolidated materials Iron, manganese and chromium ore Mine wastes and mill tailings Unprocessed, raw or run-of-mine minerals of ores	Mines and GeoSciences Bureau (MGB)	R.A. No. 7942 "Philippine Mining Act of 1995"; DENR Administrative Order No. 2008-20; DENR Memorandum Order Nos. 2008-04, 2009-01 and 2010-07
Grains and grain by-products	National Food Authority (NFA)	P.D. No. 4 "National Grains Authority Act" (26 September 1972)
Cultural properties such as archaeological and traditional ethnographic materials, antiques, historical relics, natural history specimens	National Museum (NM)	R.A. No. 10066 "National Cultural Heritage Act of 2009"; R.A. No. 8492 "National Museum Act of 1998"; R.A. No. 4846 "Cultural Properties Preservation and Protection Act" as amended
Optical and magnetic media, their manufacturing equipment; parts, accessories and manufacturing materials	Optical Media Board (OMB)	R.A. No. 9239 "Optical Media Act of 2003"
Terrestrial wildlife (live or preserved) and its by-products	Protected Areas and Wildlife Bureau (PAWB)	R.A. No. 9147 "Wildlife Resources Conservation and Protection Act of 2001"
Radioactive materials	Philippine Nuclear Research Institute (PNRI)	R.A. No. 2067 "Science Act of 1958"; R.A. No. 5207 "Atomic Energy Regulatory and Liability Act of 1968"
Cane-based sugar and molasses	Sugar Regulatory Administration (SRA)	E.O. No. 18 "Creating A Sugar Regulatory Administration" (28 May 1986)

Source: Philippine authorities.

3.2.5 Export support and promotion

3.50. According to the authorities, no export subsidies were provided during the period under review. Exports are exempted from goods and excise taxes.

3.51. The Center for International Trade Expositions and Missions (CITEM) is the export promotion arm of the DTI. It promotes goods and services exports through trade fairs, missions and other activities. For 2018, CITEM has an operating budget of PHP 315 million of which PHP 232 million are public contributions.

3.52. The Export Marketing Bureau (EMB) is the export marketing agency of the DTI. It renders advisory services, conducts market information sessions, and undertakes profiling of selected key exports industries, including to foreign-owned companies. Most of its work is geared toward crafting special studies and country trade regulations reports. EMB's 2017 operating budget amounts to PHP 106 million.

3.53. The Foreign Trade Service Corps (FTSC) is a network of 30 trade representatives or commercial attachés in 21 countries. It aims to facilitate relations between foreign and local businesses and to connect Philippine exporters with potential buyers abroad through business matching, and international networking with trade organizations.

3.2.6 Export processing zones

3.54. The Philippine Economic Zone Authority (PEZA) has jurisdiction over all economic zones proclaimed under its mandate. Enterprises need to be exporters of manufactured products or of IT-enabled services, and must physically locate their activity inside PEZA economic zones. 100% foreign ownership is allowed. Incentives include: income tax holiday (ITH) or exemption from corporate income tax for four to six years, extendable up to a maximum of eight years; after the ITH period, payment of a special 5% tax on gross income, in lieu of all other taxes; exemption from duties and taxes on imported capital equipment, spare parts, supplies and raw materials; domestic sales allowance of up to 30% of total sales; exemption from export taxes, wharfage fees; zero VAT rate on local purchases that are directly related to the company's registered activity; exemption from payment of local government fees (e.g. Mayor's permit, business permit, health certificate fee, sanitary inspection fee, and garbage fee); simplified import and export procedures; simplified employment of foreign nationals; and special visas for foreign investors and immediate family members.

3.55. As at October 2017, there were 376 economic zones operated by PEZA, of which 74 were manufacturing zones, 258 information technology parks and centres, 22 agro-industrial zones, 20 tourism zones, and two medical tourism parks. Except for four zones, all zones and parks were developed and are maintained by private operators. As at July 2017, there were a total of 4,047 enterprises operating in these zones of which 2,785 were foreign-owned (918 from Japan, 395 from the U.S., and 303 from Korea). Total employment in PEZA zones stood at 1,361,341 in July 2017. Total investment in PEZA zones from 1995 to September 2017 was PHP 3.6 trillion, while exports during the same period amounted to US$ 684.2 billion.

3.2.7 Export finance, insurance, and guarantees

3.56. The Philippine Export-Import Credit Agency (PhilEXIM), attached to the Department of Finance, is a public export credit and insurance agency. It offers loans, guarantees and insurance to Filipino-owned companies.

3.57. Loans are available specifically for exporting SMEs. Eligible companies must have been profitable for at least two years and have a minimum export volume of US$100,000 within the last six months. Short-term loans are for 180 days (360 days in exceptions) and cover up to 80% of the value of the shipment. Medium and long term loans are for up to seven years and an amount of up to PHP 50 million and also cover working capital. Loans are subject of a non-refundable application fee of PHP 10,000 plus GRT and a processing fee of 0.25% plus GRT of the approved loan amount.

3.58. Guarantees cover up to 90% of the approved loan. Applicants must pay an application fee of PHP 100,000 plus Gross Receipts Tax (GRT), a processing fee of 0.125% plus GRT, and a guarantee fee of up to 2.5% plus GRT of the guaranteed amount. Any company registered in the Philippines is eligible for the programme. A special guarantee program also exists for SMEs, with slightly different conditions and a maximum guaranteed loan amount of PHP 20 million.

3.2.8 Export performance requirements

3.59. Certain tax incentives provided by the Board of Investments under the Omnibus Investment Code to exporters of non-traditional goods[48] are contingent on export performance. The export performance requirement is higher for foreign-owned enterprises (70% of production) than for Philippine-owned companies (50%). According to the authorities, these provisions are currently under revision.

3.3 Measures Affecting Production and Trade

3.3.1 Standards and other technical requirements

3.60. The Bureau of Philippine Standards (BPS), a governmental body under the DTI, is the National Standards Body of the Philippines. It is responsible for developing and promulgating Philippine National Standards (PNSs), including standards developed by other government agencies such as the Department of Agriculture (DA) and Department of Health (DOH). The BPS has been actively involved in establishing mutual recognition agreements within APEC and ASEAN, and at the bilateral level. As a member of the International Organization for Standardization (ISO) and the International Electro-technical Commission (IEC), the BPS participates in the development of international standards. The BPS is also the WTO National Enquiry Point and National Notification Authority.

3.61. The BPS has two methods of developing standards, the technical committee method and the fast track method. Under the first method, PNSs are set by technical committees (consisting of academics, trade and industry associations, consumer groups, members of professional groups, research institutions, government agencies, and testing institutions), and are revised periodically. The fast track method is used to adopt existing international or foreign standards. During a period of 60 days, stakeholders can comment on draft standards.

3.62. As of October 2017, there were 10,091 PNSs; the share aligned with international standards was 79.9%, up from 78.5% in October 2011. Where PNSs are not aligned with international standards, this is due mainly to long standing business practices, climatic conditions, the absence of specific international standards, and the need for higher requirements than international standards. The authorities underlined their objective to strongly increase the share of internationally aligned standards by 2022.

3.63. PNS are voluntary, unless declared mandatory through Department Administrative Orders (DAO). There are 72 mandatory PNS (i.e. technical regulations), which apply, *inter alia,* to: automotive and motorcycle batteries, electrical wires and cables, fire extinguishers, household appliances, lighting fixtures, matches, medical equipment, Portland cement, pneumatic tyres, and sanitary ware. These products are subject to local inspection to assess compliance. Importers of products covered by mandatory PNS are issued an Import Commodity Clearance (ICC) after the BPS has determined that imports meet the relevant Philippine standard. Nevertheless, imports, including those certified abroad as meeting international standards, may be subject to sample testing by BPS; non-compliant imports are denied entry. BPS also conducts random checks at retail outlets to ensure that imports consistently meet Philippine standards.

3.64. The BPS implements two certification schemes, the Philippine Standard (PS) Quality Scheme and/or Safety Certification Scheme. Under these schemes, the BPS issues a licence to allow a company to affix the PS Quality or Safety Mark to its products, after inspections to determine that such products meet the relevant PNS. For 73 products, certification is mandatory.[49] Foreigncompanies may apply for PS Quality or Safety Certification through a BPS recognized counterpart. As of 1 October 2017, 373 foreign firms had been awarded the PS licences.

3.65. The Philippines Accreditation Bureau (PAB) is the national accreditation body of the Philippines. It covers the accreditation of inspection, testing and calibration laboratories and assesses the conformance of laboratories' quality management systems with international

[48] These are defined as goods with an export value of less than US$ 5 million in the year 1968.

[49] This includes air conditioners, batteries (automotive and motorcycle), brake fluids, cement, circular lamps, cooking ranges, electric fans, fire extinguishers, flat irons, fuses, LPG cylinders, lamps, lamp holders, and matches.

guidelines.[50] As at September 2017, PAB has accredited 243 conformity assessment bodies (76 testing laboratories, 41 calibration laboratories, six medical laboratories, four inspection bodies, and 16 certification bodies.

3.66. Between October 2011 and October 2017, the Philippines made 46 notifications to the WTO Committee on Technical Barriers to Trade.

3.3.2 Sanitary and phytosanitary requirements

3.67. The Philippines has reformed its food safety regime based on a "farm-to-fork" approach to enhance food safety.[51] However, the Philippines' complex SPS-related import requirements for food remain largely unchanged. The Food Safety Act of 2013 is the first comprehensive food safety law and applies to all food from "farm-to-fork", whether domestically produced or imported. The implementing rules and regulations entered into force on 20 February 2015.[52] Both the Act and the implementing legislation were notified to the SPS Committee.[53]

3.68. Food safety policy matters are overseen by the Food Safety Regulation Coordinating Board.[54] SPS measures are developed and implemented by the Department of Agriculture (DA) and the Department of Health (DOH). The DA has ten regulatory agencies that implement measures to protect human, animal and plant health and life from pathogens, zoonotic diseases and pests entering primary agricultural products such as raw meat, and fresh fruits and vegetables. The Food and Drug Administration of the DOH develops and implements measures for food additives, labelling of pre-packaged foods, dietary supplements, and food packaging, among others. The Department of the Interior and Local Government, and the Local Government Units, are responsible for the enforcement of food safety rules and regulations.

3.69. The scientific basis of the food safety regime has been strengthened, according to the authorities. The new Act provides that SPS measures must be based, amongst others, on the principles of non-discrimination, scientific evidence, proportionality, precaution, traceability, and transparency.[55] The principle of equivalence is recognized.[56] The responsibility for achieving the Food Safety Act's objectives is shared between the Government and the food business operators. New traceability requirements apply along the food chain.[57]

3.70. The DA Bureau of Agriculture and Fisheries Standards (BAFS) is in charge of developing food safety standards for agricultural and fishery products; it follows the WTO TBT Annex 2 on Good Standardization Practice. The food safety standards are mandatory; they are either in the

[50] The BPS signs memoranda of understanding (MoUs) with foreign certification bodies to work jointly in assessing quality systems. It has MOUs with SIRIM QAS International (Malaysia) and DSN (Indonesia).

[51] In 2014, the Standards and Trade Development Facility (STDF) funded research on the implementation of SPS measures to facilitate safe trade in selected countries in South East Asia, including the Philippines. The objective was to analyse how SPS measures are implemented for specific products based on the provisions of the SPS Agreement and Codex, IPPC and OIE standards. The research also explored the transaction costs of SPS measures for rice and other field crops, certain meat products, and fisheries, and considered how improving compliance with WTO principles can facilitate trade and contribute to better health protection. In the SPS Committee, the Philippines reported that the recommendations resulting from STDF's work were helpful in undertaking further reforms. The STDF's work was also used to inform collaboration between the International Finance Cooperation (IFC) and the Philippines Department of Agriculture to improve SPS import and export procedures. See also Van der Meer, K. and M. Marges (2014). Implementing SPS measures to facilitate safe trade in The Philippines. Country study conducted for the Standards and Trade Development Facility, p.14. Viewed at: http://www.standardsfacility.org/sites/default/files/Implementing_SPS_Measures_to_Facilitate_Safe_Trade_Philippines_Jun-2014.pdf.

[52] Joint DA-DOH Administrative Order No. 2015-0007 Implementing Rules and Regulations of the Food Safety Act of 2013. Viewed at: http://extwprlegs1.fao.org/docs/pdf/phi154130.pdf.

[53] WTO documents WTO/G/SPS/N/PHL/244, 20 December 2013 and WTO/G/SPS/N/PHL/244/Add.1, 1 July 2015.

[54] The board is headed by the Department of Health and the Department of Agriculture, and comprises the heads of their specialized regulatory agencies.

[55] Food Safety Act of 2013, Section 27, Article IV and Article VIII.

[56] The Department of Agriculture and Department of Health maintain lists of countries with accepted SPS equivalency.

[57] See WTO document G/SPS/N/PHL/387, 6 September 2017. The BFAR has implemented a traceability system for wild caught, farmed fish and other aquatic products since 2014 (BFAR Administrative Circular No. 251).

form of Philippine National Standards (PNS), the standards of other countries, or Codex Alimentarius standards. As of September 2017, it had developed 202 standards (including food safety and quality standards, codes of practice, organic agriculture, and agriculture and fishery tools and equipment).

3.71. Sanctions for violations of the Food Safety Act include fines ranging from PHP 50,000 to 500,000; imprisonment from 6 months to 6 years; and a permanent prohibition to re-enter the country in the case of foreigners. Importing agricultural products without SPS import clearance constitutes smuggling, which may carry penalties from 12 years to life imprisonment.[58]

3.72. A Rapid Alert System for Food and Feed (RASFF) was set up in April 2017.[59] Once operational, it will enable the authorities to cooperate with the EU RASFF, the ASEAN RASFF and the International Network of Food Safety Authorities (INFOSAN) to respond quickly to food safety incidents and to file notifications to national contact points and exchange information on food safety incidents.

3.73. The main features of the import "accreditation" regime remain unchanged (Table A3.2):

a. All food products are subject to accreditation in the form of a certificate of product registration issued by the competent agency of the Department of Agriculture or Department of Health.

b. Import consignments of food (other than processed and pre-packaged) require a permit ("SPS import clearance") issued by the Department of Agriculture. Prior to arrival, an Import Notification Document is required, on the basis of which the need for inspections, including lab testing, is determined by the DA or the DoH. Inspections are risk-based; and according to the Food Safety Act are to take place prior to the assessment of customs duties and other charges (specific guidelines are to be developed).

c. All food establishments including importers and exporters must be "registered", "accredited" or licenced ("licence to operate"), depending on the product.

3.74. The Department of Agriculture and the Department of Health have implemented an electronic system for licence and permit applications.[60] Furthermore, the Philippines has launched an initiative to establish an enhanced (web-based) single window, which would incorporate the DA/DoH import accreditation requirements and the DA's process of issuing import clearances.

3.75. As noted in the last TPR, in some instances domestic supply is taken into account when issuing import clearances.[61] For example, fish products may be imported only if certified by the DA as necessary to achieve food security. According to an STDF study (2014), "some traders believe that quotas applied in licences and permits aim at control of markets, not protection of health".[62]

3.76. Since the last TPR, Members have not raised any Specific Trade Concern (STC) in the SPS Committee regarding the Philippine SPS measures. According to authorities, DA Administrative Order No. 22 of 2010, which was the matter of concern of STC 320[63] (raised in 2011 by the United States – Restrictions on imported fresh meat) was superseded by AO No. 5 and No. 6 of

[58] Republic Act (RA) No. 10845, the Anti-Agricultural Smuggling Act of 2016. Viewed at: http://www.lawphil.net/statutes/repacts/ra2016/ra_10845_2016.html. The implementing rules and regulations entered into force in 2017, see Customs Administrative Order 2, 2017. Viewed at: http://customs.gov.ph/wp-content/uploads/2017/05/CAO-2-2017.pdf.

[59] The FDA is the agency in-charge of the PhilRASFF online platform (philsraff.org), as well as the National Contact Point, particularly the FDA Center for Food Regulation and Research.

[60] DA BAI Memorandum "Application and release procedures for SPS import clearance", 15 December 2016. Viewed at: http://www.bai.da.gov.ph/index.php/news-and-events/item/429-application-and-release-procedures-for-sps-import-clearance; and DOH FDA Circular 2016-014. Viewed at http://www.fda.gov.ph/attachments/article/355437/FDA%20Circular%20No.%202016-014.pdf.

[61] TPR of the Philippines (2012).

[62] Van der Meer, K. and M.Marges (2014). Implementing SPS measures to facilitate safe trade in the Philippines. Country study conducted for the Standards and Trade Development Facility, p.14. Viewed at: http://www.standardsfacility.org/sites/default/files/Implementing_SPS_Measures_to_Facilitate_Safe_Trade_Philippines_Jun-2014.pdf.

[63] SPS IMS online information. Viewed at: http://spsims.wto.org/en/SpecificTradeConcerns/View/320.

2012; the Philippines and the United States are engaging in a technical discussion on the results of the risk assessment conducted by the Philippines, which was the basis of the implementation of AO No. 5 and No. 6 of 2012.[64] Import consignments of meat must originate in a foreign meat establishment recognized by the Veterinary Administration and accredited in the Philippines.[65] According to the authorities, the authority for the safety of processed or pre-packaged meat has been transferred from the National Meat Inspection Service (NMIS) to the FDA but the operational transition is still ongoing [as of October 2017]. Furthermore, in May 2015, the Philippines received recognition from the OIE as free from Foot and Mouth Disease without vaccination. The Philippines follows OIE guidelines on regionalization.

3.77. The Bureau of Plant Industry (BPI) under the Department of Agriculture is responsible for the safety of "plant food"[66], as well as phytosanitary measures. The plant protection regime has remained substantially unchanged since the previous Review. It is governed by the Plant Quarantine Law 1978, as elaborated, *inter alia*, by the Department of Agriculture Administrative Order 9, 2010.[67] The import guidelines for plants were amended by DA Circular No. 4 of 2016.[68] The cost of carrying out import risk analysis, which was on a cost-sharing base, is borne since 2017 by the Philippine Government. All imported genetically-modified plant and plant products derived from the use of modern biotechnology require authorization for commercial distribution in the country of origin, a biosafety permit and SPS import clearance issued by the Bureau of Plant Industry.[69]

3.78. The Philippines has submitted over 200 notifications to the SPS Committee in the period from January 2012 to May 2017, including almost 100 emergency notifications and some 40 withdrawn emergency measures (most Members have less emergency measures than regular notifications). Most of the regular notifications concern food safety measures. The Department of Agriculture remains the national SPS enquiry point (as well as the National Notification Authority).

3.3.3 Labelling and marking requirements

3.79. The Consumer Act (RA No. 7394) prescribes labelling requirements for imported and locally manufactured products. If an imported good is covered by mandatory certification of the BPS and certified to have passed the standard prescribed by the BPS, the label must contain the Import Commodity Clearance (ICC) Mark or the PS Quality/Safety Mark if the manufacturer of the product is a PS license holder. Domestically produced goods that are regulated by BPS must have the PS Quality/Safety Mark. The standards for labelling health products are prescribed by the Food and Drug Administration (FDA).

3.80. Consumer products, whether manufactured locally or imported, must indicate in their packaging the following minimum labelling requirements: registered brand name; registered trademark; registered business name and address of the manufacturer, importer, or re-packer of the product; general make or active ingredients; net quality of contents, in terms of weight; and, if imported, country of origin. DTI Department Administrative Order No. 01 of 2008 provides for mandatory translation into English or Filipino in the product label or packaging.

3.81. Articles that cannot be marked prior to shipment, such as crude substances, and products imported for private use and not for resale in their imported form, are exempt from marking requirements. The packaging must be secure and adapted to tropical climatic conditions.

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[64] See http://www.officialgazette.gov.ph/2012/01/12/da-administrative-order-no-5-s-2012/ and http://www.officialgazette.gov.ph/2012/01/12/da-administrative-order-no-6-s-2012/.

[65] DA Administrative Circular No. 11, 2015. "List of Countries and Foreign Meat Establishments (FME) Accredited to Export Meat and Meat Products into the Philippines", 10 June 2015. Viewed at: http://www.bai.da.gov.ph/index.php/laws-issuances/administrative-order/category/101-ao-2015.

[66] The BPI has the mandate for the safety of those "plant food" items that are not regulated by commodity agencies (i.e. excluding rice, corn and other grains (NFA), coconuts (Philippines Coconut Authority) and sugar (Sugar Regulatory Authority).

[67] Online information. Viewed at: http://pntr.gov.ph/data/legalbasis/DAAO92010.pdf.

[68] WTO document G/SPS/N/PHL/371, 30 May 2017.

[69] WTO document G/SPS/N/PHL/373. Joint Department Circular No.1,2016. "Rules and regulations for the research and development, handling and use, transboundary movement, release into the environment, and management of genetically-modified plant and plant products derived from the use of modern biotechnology. Viewed at: http://www.dilg.gov.ph/PDF_File/issuances/joint_circulars/dilg-joincircular-2016314_6198c59c0c.pdf.

3.3.4 Competition policy and price controls

3.82. Since the previous TPR in 2012, the Philippines has made visible achievements in developing its legal framework and institutions for competition policy. The landmarks include the introduction of its first competition act in 2015 and the establishment of a competition authority, namely the Philippine Competition Commission (PCC), in 2016. Despite these efforts, the overall competition environment is still considered weak due to restrictive regulations on trade and investment, barriers to entrepreneurship and state control.[70]

3.83. After pending in Congress for 24 years, the Philippine Competition Act (PCA) (RA No. 10667) was passed in June 2015 and came into effect in August 2015. The Act serves as the primary legal instrument concerning competition policy and has terminated the long fragmentation of competition legislation. Provisions in other laws, decrees, executive orders and regulations inconsistent with the PCA are repealed or modified accordingly. Following the enactment of the PCA, relevant rules, regulations and clarificatory notes on implementing the Act have also been issued. The most important ones include the 2016 Implementing Rules and Regulations of the PCA (the IRR) and the 2017 Rules of Procedure of the PCC. The PCA also applies to state-owned enterprises.

3.84. The PCA prohibits anti-competitive agreements and acts. It provides for per se violations, namely, (i) restricting competition as to price, or components thereof, or other terms of trade; and (ii) fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation. Other anti-competitive agreements which have the object or effect of substantially preventing, restricting or lessening competition are also prohibited but subject to rule of reason. They include: (i) setting, limiting, or controlling production, markets, technical development, or investment; and (ii) dividing or sharing the market. The PCA also prohibits the abuse of dominant market position through engaging in various conducts that would substantially prevent, restrict or lessen competition. Such conducts include predatory pricing, imposing barriers to entry in an anti-competitive manner, unfair exercise of monopsony power, among others.

3.85. In terms of merger and acquisition, the PCA requires that parties to a merger or acquisition agreement where the value of the transaction exceeds PHP 1 billion should notify the PCC of such agreement. It prohibits merger and acquisition agreements that substantially restrict competition. The PCA gives the PCC the authority to prescribe other criteria that would trigger the notification requirement, e.g. increased market share in the relevant market in excess of minimum thresholds. Principal analytical techniques and the enforcement policy are outlined in the 2016 Implementing Rules and Regulations of the PCA.[71] A draft Merger Procedure is under preparation and currently available for public comments.[72]

3.86. The PCC was established as an independent institution in February 2016.[73] Its main role is to ensure fair competition in the market for the benefit of consumers and businesses. The Commission is composed of one cabinet secretary-level chairman and four commissioners. They serve for seven years without reappointment and enjoy security of tenure. The PCC has original and primary jurisdiction over all competition-related issues.

3.87. The PCA has a built-in two-year transitory period, which ended on 8 August 2017, to allow affected parties to renegotiate agreements or restructure their businesses to comply with the provisions of the PCA. By mid-September 2017, the PCC has received a total of 26 queries and complaints about possible anti-competitive conduct in various industries. Three of them have advanced to preliminary inquiry while another three have progressed to full administrative investigation. Most investigations related to power production, cement, professional health services, and garlic.

[70] The Philippine Development Plan 2017-2022. Viewed at: http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP%202017-2022-06-06-2017.pdf.

[71] Before the effectivity of the IRR in 2016, merger and acquisition reviews were guided by the Guidelines on Mergers and Acquisitions which were superseded by the IRR as of the latter's effectivity.

[72] Online information. Viewed at: http://phcc.gov.ph/pcc-merger-procedure/.

[73] Before the PCA was introduced, the Department of Justice had been designated as the competition authority on 9 June 2011.

3.88. The PCC can impose administrative fines of up to PHP 250 million. This amount is subject to adjustment every five years. Decisions of the PCC are appealable to the Court of Appeals. The Court of Appeals and the Supreme Court may issue a temporary restraining order, preliminary injunction or preliminary mandatory injunction against the PCC. Criminal penalties for prohibited anti-competitive agreements are imprisonment of two to seven years and a fine of PHP 50 million to PHP 250 million. The Office for Competition under the Department of Justice is tasked with undertaking prosecution of all criminal offenses.

3.89. The Mergers and Acquisitions Office (MAO) under the PCC is responsible for the review and investigation of mergers and acquisitions. It works under the guidance of the Implementing Rules and Regulations and has a maximum of 90 days to review a notification. Its findings are presented to the Commissioners and the Chairman for ruling. By mid-September 2017, the PCC has received 114 notifications for mergers and acquisitions since its inception in February 2016, of which 36 are for global mergers. These notifications carry a total transaction amount of PHP 1.95 trillion. The PCC has approved 95 transactions. The top five sectors involved in the review according to value of transaction are manufacturing; financial and insurance activities; electricity, gas, steam, and air-con supply; administrative and support services; and information and communication.

3.90. The PCC also sets its sight on promoting a culture of competition through advocacy, capacity building and research. In coordination with the National Economic and Development Authority, the PCC has conducted the National Competition Policy Review, the result of which served as the basis for crafting the competition chapter in the Philippine Development Plan 2017-2022 (PDP). Chapter 16 of the PDP elaborates on the promotion of competition.

3.91. In connection with its mandate to issue advisory opinions, the PCC submitted to the Supreme Court an amicus brief in 2016. The brief stated the PCC's opinion that the nationality-based distinction in the grant of licences to construction companies hinders competition in the construction industry, creating an uneven playing field between local and foreign contractors. The PCC also conducts market studies and market investigations, examining markets which may not be working well.

3.92. Competition provisions are included in several of the Philippines' regional trade agreements, such as the ASEAN-Australia New Zealand Free Trade Agreement, the ASEAN-Japan Comprehensive Economic Partnership Agreement, and the Philippines-Japan Economic Partnership Agreement.

3.3.5 State trading, state-owned enterprises, and privatization

3.93. The Philippines has notified the National Food Authority (NFA) as a state-trading enterprise.[74] The NFA has the exclusive authority to import rice, corn and other grains. It also has the sole authority to issue import quotas and import permits for rice.

3.94. State-owned enterprises, known in the Philippines as government-owned and controlled corporations (GOCC), are important in the transport, infrastructure, communication, and housing sectors. There were 137 operational GOCCs as at April 2017.[75]

3.95. In 2014, total assets of all GOCCs amounted to PHP 6.07 trillion (about US$133 billion). GOCCs are required to remit at least 50% of their annual net earnings to the national Government; in 2014, they remitted PHP 24.37 billion (about US$541 million).

3.96. The GOCC Governance Act of 2011 (R.A. No. 101409) aims to address various problems experienced by GOCCs, including poor financial performance, weak governance structures, and unauthorized allowances. It allows unrestricted access to GOCC account books and requires strict compliance with accounting and financial disclosure standards; establishes the power to privatize, abolish, or restructure GOCCs without legislative action; and sets performance standards and limits on compensation and allowances. The Act also created the GOCC Commission on Governance (GCG) to formulate and implement GOCC policies.

[74] WTO document G/STR/N/4-7/PHL, 24 September 2002.

[75] However, many of these companies are not-for-profit and include regional development organizations or regulatory agencies. The list of GOCCs is available online at: http://gcg.gov.ph/site/public_files/gcg1495439449.pdf.

3.97. Presidential Proclamation No. 50 of 1986 remains the policy instrument that lays down the principles of privatization policy. The Privatization and Management Office (PMO) under the Department of Finance oversees the privatization programme. All receipts from the sale of assets are remitted to the National Treasury. The PMO collected revenues totalling PHP 766 million in 2015 and PHP 302 million in 2016. Sixty percent of the receipts of the PMO are remitted to the special account of the Agrarian Reform Fund and 40% to the general fund. Other disposition entities, such as the National Development Company (NDC) and the Presidential Commission on Good Government (PCGG), also contribute to the government's revenues from privatization of assets.

3.98. Assets should be sold through public auction, and negotiated sale may be pursued only in case of a failed bid process.[76] Under R.A. No. 7886, a minimum of 10% of the sale of assets in corporate form are reserved for small local investors, to develop the domestic capital market. Under R.A. No. 7661, the intended sale of public assets must be published in at least three newspapers of general circulation for three consecutive days.

3.3.6 Government procurement

3.99. Government procurement accounts for about 10% to 11% of GDP. The Philippines has been making efforts to establish an open, transparent and competitive government procurement regime and relevant reforms have been carried out since early 2000s. However, despite the progress, there continues to be high risk of corruption in the system.[77] The restriction on foreign suppliers' participation in the sector also remains as a concern. The Philippines is not yet a party or observer of the WTO Agreement on Government Procurement (GPA). It has not included government procurement provisions or chapters in its free trade agreements with trading partners.

3.100. Government procurement in the Philippines is regulated by the Government Procurement Reform Act (GPRA)[78], its Implementing Rules and Regulations (IRR), relevant resolutions, guidelines, opinions and procurement manuals developed by the Authority. During the period under review, the main development in the regime is the second revision of the IRR in 2016, which further streamlined, standardized and clarified relevant procedures with a view to easing the procurement process and encouraging more suppliers to participate in government projects.[79] The major changes in the revised IRR include, among others: (i) the clarification of the concept of an indicative annual procurement plan to avoid unnecessary delay of project implementation; (ii) the simplification of the submission of eligibility documents by bidders; and (iii) reduction of the bid advertising cost by increasing the thresholds for procurements that must be advertised in newspapers.[80]

3.101. The GPRA and the 2016 IRR cover all types of procurement of goods, services and construction works, including foreign-funded procurement unless otherwise stated by international treaties or agreements. All government agencies including local public units and autonomous regions, state universities, public corporations and public financial institutions must follow the GPRA and the IRR. Exemptions include financial and material assistance, participation in scholarships and trainings, and joint ventures with private entities.

3.102. The Government Procurement Policy Board (GPPB), an independent inter-agency body with private sector representation, is responsible for formulating the country's procurement policy and facilitating the implementation of relevant rules and regulations. It is also tasked to carry out the Government's public procurement reform agenda.

3.103. In general, the Philippines maintains a decentralized procurement system under which each procuring entity establishes its own and Awards Committee. The Committee is responsible for the whole procurement process.

[76] Commission Audit Circular No. 89-296.
[77] Department of Budget and Management of the Philippines. Viewed at: http://www.dbm.gov.ph/?page_id=16070.
[78] The Act came into effect in January 2003 and consolidated previous legislation on public procurement.
[79] The previous version of the Implementing Rules and Regulations was enacted in 2009.
[80] The thresholds for goods increased from PHP 2 million to PHP 10 million; for infrastructure projects, from PHP 5 million to PHP 15 million; and for consulting services, from PHP 1 million to PHP 5 million.

3.104. Nonetheless, since 2011 the Government directed all procuring entities to procure their common-use supplies and equipment from the Procurement Service of the Department of Budget and Management (PS-DBM) which serves as a fiscal management tool to maximize bulk buying capacity. The PS-DBM estimates that PHP 7 billion of savings have been achieved in the fiscal year 2014-2015 due to the utilization of this tool. The PS-DBM is now being tapped to procure for non-commonly used supplies such as information and communication technology products and software. For government agencies, there is a website with a centralized electronic catalogue of common and non-common use goods, supplies, materials and equipment available.

3.105. Transparency, competitiveness, procedural uniformity, accountability and public monitoring are the main principles governing government procurement in the Philippines. Guided by these principles, open bidding is prescribed by the GPRA as the default procurement method and it is mandatory to advertise open bidding opportunities in at least one newspaper of general nationwide circulation. In 2016, 52% of the total value of contracts was procured through open bidding. Alternative methods include limited source bidding, single source procurement, repeat order, shopping and negotiated procurement. They can only be resorted to in highly exceptional cases and need to be indicated in the approved annual procurement plan.

3.106. Limited source bidding can be used for procurement of highly specialized types of goods and consulting services where only a few suppliers or consultants are known to be available. In such process, the procuring entity invites all suppliers or consultants appearing in the pre-selected list to bid. All procedures are the same as under competitive bidding except for the advertisement of invitation to bid/request for expression of interest.

3.107. Single source procurement is used when the goods can be obtained only from the proprietary source due to its special nature. It does not require bidding documents and the supplier is simply asked to submit a price quotation or a pro-forma invoice together with the conditions of sale. The offer may be accepted immediately or after some negotiations.

3.108. Repeat order is a method of procurement of goods from the previous winning bidder when there is a need to replenish the goods procured under a contract previously awarded through competitive bidding. Shopping is used for procurement of ordinary or regular office supplies and equipment not available in the Procurement Service when the procurement value does exceed relevant thresholds.[81] Negotiated procurement method can be used following cases such as two failed biddings and emergency cases, etc. Under this method, the procuring entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor or consultant.

3.109. Each and every procurement above certain thresholds starts with a mandatory internal pre-procurement conference, the purpose of which is to assess the readiness of the procurement.[82] To facilitate the organization of procurement and to prevent procuring entities from introducing restrictions that can limit competition, the GPPB has developed generic procurement manuals and standard bidding documents. The use of these documents is mandatory in all government procurements. The standard bidding documents have been updated to their fifth edition in October 2016.

3.110. The IRR allows procuring entities to require the bidders to pay for the bidding documents, but only to recover the cost of preparation and development. On 24 February 2012, the GPPB approved the Guidelines on the Sale of Bidding Documents, which prescribe the maximum fee corresponding to the appropriate range of the approved budget for the project. These guidelines were issued to rationalize the fees and lessen the discretion of procuring entities in prescribing such fees.

3.111. The nationality requirement of bidders continues to restrict wholly-owned foreign entities from participating in public procurement. For procurement of goods and consulting services, it

[81] The thresholds for central government level procuring entities are PHP 1 million for procurement of ordinary or regular office supplies and equipment and PHP 200,000 for contingency. For the complete information on the thresholds, see the 2016 IRR, page 156. Viewed at: http://www.gppb.gov.ph/laws/laws/RevisedIRR.RA9184.pdf.

[82] The threshold is PHP 2 million for goods, PHP 5 million for infrastructure projects and PHP 1 million for consulting services.

requires that at least 60% of the interest of partnerships or the outstanding capital of corporations belong to citizens of the Philippines. For infrastructure projects, it requires 75% Filipino ownership. Foreign bidders are only eligible to participate (i) when allowed under any treaty or international or executive agreement; (ii) when the foreign bidder is a citizen, corporation or association of a country whose laws or regulations grant reciprocal rights to citizens, corporations, or associations of the Philippines; (iii) when the goods sought to be procured are not available from local suppliers; or (iv) when there is a need to prevent situations that defeat competition or restrain trade. Of the 930,557 award notices issued between 2012 and 2016, 524 contracts (0.05 per cent) were awarded to foreign suppliers.

3.112. To promote transparency and efficiency, the Philippine Government has mandated the use of electronic procurement in all procurement activities of all procuring entities. The Philippine Government Electronic Procurement System (PhilGEPS) was established for this purpose. All procuring entities are mandated to register and use the system in the conduct of procurement of goods, civil works and consulting services. All procurement opportunities, bid results, awards and other related information in the procurement must be posted in the system. This enables the PhilGEPS to serve as the single portal for primary and definitive source of information on government procurement. The system also helps procuring entities cut down their advertising costs.

3.113. Manufacturers, suppliers, distributors, contractors and consultants are also required to register with the PhilGEPS and maintain a updated file of: (a) Registration Certificate; (b) Mayor's/Business Permit or its Equivalent Document; (c) Tax Clearance; (d) Philippine Contractors Accreditation Board (PCAB) license and registration; and (e) Audited Financial Statements. For foreign bidders, these documents may be substituted by the appropriate equivalent documents issued by their own countries but translated into English. During bid submission or eligibility check, bidders are required to submit their PhilGEPS Certificate of Registration instead of the aforementioned documents. On 31 July 2017, the GPPB published a resolution to defer the mandatory submission of PhilGEPS Certificate of Registration to allow prospective bidders with additional time to register with the system.[83]

3.114. Bidders, at any stage of the procurement process, can question a decision of the procuring entity through filing a request for reconsideration. There are clear procedures for the filing of protests. If the BAC denies the request, a bidder may file a verified protest with the head of the procuring entity, accompanied by a non-refundable protest fee. The head of the procuring entity shall resolve the protest within seven calendar days from receipt thereof. The decision of the head of the procuring entity on the protest is final. The protest fee ranges from 0.75% of the approved budget for the contract when the budget is below PHP 50 million, to 0.1% of the approved budget when it is more than PHP 5 billion. Since 2016, requests for reconsideration can be filed without a fee. Between 2012 and 2016 there were 199 protests of which some 20% were given favourable consideration.

3.115. In April 2012, an Asian Development Bank study observed that this bidder challenge is neither independent nor objective.[84] The fee requirement may discourage bidders from filing protest, particularly with respect to large value procurements. It recommended long-term alternatives to strengthen the independence of the protest body by establishing an independent panel of experts to hear disputes, or the designation of the GPPB as the independent review panel. With respect to the designation of the GPPB as the independent review panel, reservations were raised by several sectors on the GPPB's independence and ability to act as a review panel, as it is primarily a policy-making body.

3.3.7 Other measures

3.116. The Biofuels Act of 2006 (RA 9367) establishes local content requirements for gasoline, which must have a minimum content of locally produced biofuel and biodiesel.

3.117. The Philippine International Trading Corporation (PITC) administers the Philippines' Countertrade Programme. Countertrade is mostly used as supplemental tool in connection with

[83] See the resolution at: http://www.gppb.gov.ph/issuances/Circulars/Circular%20No.%2007-2017.pdf.
[84] Philippines Country Procurement Assessment Report 2012, viewed at: https://www.adb.org/sites/default/files/institutional-document/34079/files/philippines-country-procurement-assessment-report-2012.pdf

public procurement. Total completed countertrade transactions amounted to some US$14.5 million in 2016; most deals were carried out for the Philippines' armed forces.

3.118. The Philippines maintains reserve stocks for rice for food security purposes. The Strategic Rice Reserve, equivalent to at least 15 days of national consumption, is maintained in public warehouses. In addition, the Rice Stock for Stabilization, also equivalent to at least 15 days of national consumption, has as an objective to stabilize prices and supply in deficit areas during lean periods.

3.119. The Philippines has never taken any measures for balance-of-payment purposes.

3.3.8 Intellectual property rights

3.3.8.1 General issues

3.120. The Philippines' legal framework on IPRs comprises mainly the Intellectual Property (IP) Code as amended and its implementing rules and regulations (R.A. No. 8293 of 1998), including patent, trade mark, and copyright laws. [85]

3.121. The main institution responsible for implementing the IP Code is the Intellectual Property Office of the Philippines (IPOPHL). The National Committee on Intellectual Property Rights (NCIPR), established in 2008, has the objective to strengthen both inter-agency collaboration and the enforcement of IPRs.

3.122. The Philippines has signed various IPR conventions and treaties (Table 3.10).

Table 3.10 Membership in international IPR conventions and treaties, 2017

Name	Date of membership
Paris Convention on the Protection of Industrial Property (1883)	27 September 1965
Berne Convention for the Protection of Literary and Artistic Works (1886)	1 August 1951
Convention establishing WIPO (1967)	14 July 1980
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)	25 September 1984
Budapest Treaty on the International Recognition of the Deposit of Microorganism for Purposes of Patent Procedure (1977)	21 October 1981
Patent Cooperation Treaty (1970)	17 August 2001
WIPO Copyright Treaty	4 October 2002
WIPO Performers and Phonograms Treaty	4 October 2002
Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks	25 July 2012

Source: Information provided by the authorities.

3.3.8.2 Patents

3.123. The term of a patent is 20 years from the filing date. A patentable invention is "any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable". The Law lists non-patentable inventions (e.g. discoveries, scientific theories, and mathematical methods). In the case of drugs and medicines, the mere discovery of a new form or new property or new use of a known substance, or the mere use of a known process, are not patentable. Also excluded from patent protection are schemes, rules, and methods of performing mental acts, playing games or doing business, and computer programs; methods for the treatment of human or animal body by surgery or therapy and diagnostic methods practiced on the human or animal body; and plant varieties or animal breeds or essentially biological process for the production of plants or animals.

[85] Amendments include: (1) The Act Providing for the Protection of Layout-Designs (Topographies) of Integrated Circuits (R.A. No. 9150 of 2001); (2) the Universally Accessible Cheaper and Quality Medicines Act of 2008 (R.A. No. 9502 of 2008); and (3) The Act Amending Certain Provisions of Republic Act No. 8293 (R.A. No. 10372 of 2013).

3.124. Patent owners have the right to assign, or transfer by succession the patent, to conclude licensing contracts for the patent, and to exclusively use the patented good or process. However, the Law places some limitations on the patent rights[86], and confers prior user right.[87]

3.125. Compulsory licensing may be granted without the patent owner's agreement on specific grounds, including: national emergency, public interest, national security, nutrition, or health; or where a judicial or administrative body has determined that the patent owner is exploiting the patent in an anti-competitive manner. Adequate compensation has to be paid to the right holder according to the circumstances of each case. No compulsory licences were granted between 2011 and 2017.

3.126. The Universally Accessible Cheaper and Quality Medicines Act of 2008 (R.A. 9502 of 2008) allows parallel imports of patented drugs and medicines. This law also allows for the issuance of a special compulsory license for the importation of patented drugs and medicines, which are primarily for domestic consumption and are subject to the payment of adequate remuneration to the patent owner either by the exporting or importing country. The compulsory license also contains a provision directing the grantee of the license to exercise reasonable measures to prevent the re-exportation of such products imported.

3.3.8.3 Copyright and related rights

3.127. The IP Code protects original literary and artistic works, which include books and other writings, music, plays, visual arts, designs, technical drawings or works, photographs, audio-visual and cinematographic works, advertisements, computer programs, and other literary, scholarly, scientific and artistic works. Derivative works, such as adaptations and other alterations of original works, and collections of works or compilations of data, are also protected. Performances, sound recordings, and broadcasting organizations are granted neighbouring or related rights. These works are protected by the fact of their creation and do not require registration. However, the deposit of literary and artistic works at the National Library of the Philippines, or the Library of the Supreme Court for works in the field of law, is required only for the purpose of completing the records of the libraries. The IP Code stipulates an author’s economic and moral rights.[88] The author, and in case of works of joint authorship, the co-authors, are the original owners of the copyright over the work. Particularly for literary and artistic works, the general terms of protection is lifetime plus 50 years after the death of the author, but the duration may vary according to the kind of protected work.

3.128. Copyright protection afforded by the IP Code applies to works of authors who are nationals of or have their habitual residence in the Philippines; to audio-visual works the producers of which have their headquarters or habitual residence in the Philippines; works of architecture erected in the Philippines or other artistic works incorporated in a building or other structure located in the Philippines; works first published in the Philippines; and works published in another country but also published in the Philippines within 30 days irrespective of the nationality or residence of the authors. Protection is granted to national performers; foreign nationals are protected only if performing in the Philippines or if their performance is incorporated in a sound recording that is protected by the IP Code or the sound is carried by a broadcast protected under the IP Code. Protection for sound recordings is granted if produced by nationals and first published in the Philippines. The provisions of the IP Code apply to broadcasts made by organizations headquartered in the Philippines, and broadcasts via transmitters situated in the Philippines. National treatment is provided to performers, producers of sound recordings, and broadcasting organizations, by virtue of international conventions to which the Philippines is a party.

[86] The patent owner has no right to prevent, *inter alia*, the use of a patented product, which has been put on the domestic market; the private and non-commercial use of such a product; and the use of a product for experiments or for use in the medical profession and by pharmacies.

[87] Any person, who in good faith was using the invention prior to the filing date or priority date of the application on which a patent was later granted, has the right to continue using it.

[88] These consist of the exclusive right to carry out, authorize or prevent: reproduction of the work; dramatization, translation, adaptation, abridgment, arrangement or other transformation of the work; first public distribution of the original and each copy of the work by sale or other forms of transfer of ownership; rental of the original or a copy of the work; public display of the original or a copy of the work; public performance of the work; and other communication to the public of the work.

3.129. In March 2013, the amendments to the IP Code (R.A. No. 10372 of 2013) took effect and provided for, among others, the establishment of a Bureau of Copyrights within the IPOPHL that is responsible for the accreditation of organizations that collect royalties for copyrighted works used for commercial purposes.

3.130. The Anti-Camcording Act (RA No. 10088 of 2010) prohibits and penalizes the use of audiovisual recording devices for the unauthorized recording of films or their soundtracks in an exhibition facility.

3.3.8.4 Trademarks

3.131. A trade mark must be registered in the Philippines to be protected against trademark infringement. Well-known marks are similarly protected when these are declared as such by competent authorities. Marks that can be registered are visible signs capable of distinguishing goods and services. Applications for registration of a trade mark are filed with the IPOPHL Bureau of Trademarks. Pre-grant opposition and post-grant cancellation proceedings are available under the IP Code. Trade names or business names, whether registered or not, are protected against any subsequent use by a third party which is likely to mislead the public.

3.132. Protection of a trade mark is granted for ten years, and registration may be renewed (indefinitely) for periods of ten years. All registered trademarks are published in the *IPOPHL Gazette*. Marks, with the exception of collective marks, may be subject to licensing contracts.

3.3.8.5 Utility models, industrial designs and layout designs

3.133. Registration with the IPOPHL Bureau of Patents is necessary to protect utility models, industrial designs, and layout designs. An invention qualifies for registration as a utility model if it is new and industrially applicable, while an industrial design may be registered if it is new or original. Layout-designs must be original in order to be registered. A utility model registration expires seven years after the date of the filing of the application without the possibility of renewal. Registration of an industrial design is for five years from the filing date of the application, which may be renewed for two consecutive periods of five years each. Protection is granted to layout-designs for a non-renewable period of ten years from the date of the first commercial exploitation, anywhere in the world, or from the filing date of the application, if the layout has not been previously exploited.

3.3.8.6 Plant varieties

3.134. The Philippine Plant Variety Protection Act (Republic Act No. 9168 of 2002) governs the protection of plant varieties. New plant varieties may be protected if they have been exploited in the Philippines for more than a year prior to the date of filing an application to the Department of Agriculture, Bureau of Plant Industry, or if they have been exploited in another country (where the application has been filed) for more than four years or, in the case of vines and trees, for more than six years prior to the filing date. A plant is not considered new if it has been in the market five years prior to the approval of the Act. Trees and vines are protected for 25 years, while other types of plants are granted protection for 20 years. The Bureau may grant compulsory licences or cancel protection on specific grounds, but this has not happened since 2011.

3.3.8.7 IP registration and enforcement

3.135. During the period under review, applications and registrations for most types of IP have grown strongly (Table 3.11).

Table 3.11 IP applications and registrations, 2011-17

	2011	2012	2013	2014	2015	2016	2017[a]
Trademark applications	18,613	20,058	22,664	25,686	27,112	27,171	21,834
Resident (direct)	10,548	11,651	12,244	14,484	14,811	15,329	12,476
Non-resident (direct)	8,065	8,111	7,159	7,291	7,041	7,110	4,827
Non-resident (Madrid system)	-	296	3,261	3,911	5,260	4,732	4,531
Industrial designs applications	1,113	1,230	1,362	1,333	1,085	1,489	852
Resident	581	756	878	815	530	969	422

	2011	2012	2013	2014	2015	2016	2017[a]
Non-resident	532	474	484	518	555	520	430
Patent applications	3,160	2,981	3,096	3,290	3,341	3,098	1,948
Resident	190	180	208	263	300	254	149
Non-resident (Patent Cooperation Treaty)	2,716	2,577	2,668	2,877	2,853	2,601	1,595
Non-resident (direct)	254	224	220	150	188	243	204
Copyright filings	167	616	714	676	649	919	600
Copyright registrations	167	609	648	640	636	891	417
Utility model applications	688	733	687	778	802	1,135	753
Resident	648	704	654	754	756	1,089	721
Non-resident	40	29	33	19	46	46	32

a January–September.

Source: Intellectual Property Office of the Philippines.

3.136. The National Committee on Intellectual Property Rights (NCIPR) coordinates enforcement efforts of the various institutions involved.[89] It comprises the DTI as Chair, IPOPHL as Vice-Chair, and members from various other public institutions. Public information campaigns to educate businesses, consumers, judges, prosecutors, and government officers are organized by IPOPHL on its own, or in coordination with the NCIPR.

3.137. Sanctions for infringements of IPRs are: (i) for patents, administrative and civil cases may be filed, and repetition of the offence constitutes a criminal action. Upon conviction, at the discretion of the court, an infringer may be imprisoned for six months to three years or fined PHP 100,000 to PHP 300,000; (ii) for trademarks, the courts may award damages, impose a penalty of imprisonment from two to five years, or a fine ranging from PHP 50,000 to PHP 200,000; (iii) for copyrights, fines and imprisonment depend upon the number of times the offence is committed; and (iv) for plant varieties, imprisonment for three to six years or fines of at least PHP 100,000 or up to three times the profit derived from the infringement are envisaged.

3.138. Enforcement efforts since 2012 include expediting the prosecution and adjudication of IPR cases, the establishment of a task force on piracy, and the adoption of an Enforcement Action Plan. The total market value of seized counterfeited and pirated goods between 2011 and October 2017 amounted to more than PHP 45 billion.

3.139. The Customs Modernization and Tariff Act (RA No. 10863) of 30 May 2016 prohibits the importation or exportation of infringing goods. Upon reasonable cause, enforcement authorities may examine and search all types of consignment.

3.140. An amendment to the IP Code, RA No. 10372 of 28 February 2013, strengthens IPOPHL's enforcement powers with regard to visits to businesses engaging in IP violations. The amendment also introduces a secondary liability for persons who benefit from copyright infringements.

[89] Executive Order No. 736, 21 June 2008.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Overview

4.1. Agriculture and forestry contributed 10.2% to GDP in 2016 and employed approximately 23.8% of the labour force (Table A1.1). The large gap between output and employment is mainly due to the effect of agriculture's low labour productivity and subsistence (non-marketed) production. The Philippines had about 11.3 million farmers in 2015. Agricultural production is dominated by small family farms (averaging 1.3 ha in 2012). The average farm size is smaller than three decades ago, primarily owing to a land reform launched in the late 1980s (Comprehensive Agrarian Reform Programme, CARP).[1] Legislation was passed during the review period with the aim, amongst others, of encouraging larger and more productive farm structures (Section 4.1.6).[2] However, FDI in agriculture remains subject to restrictions. Land ownership is limited to Filipino citizens; for corporations, foreign investment involving farm land ownership is limited to 40%. For rice and corn (and related products), a 40% foreign equity cap applies for production (i.e. cultivation), milling, processing, purchasing or trading (except retailing) of these commodities (Section 2.4).

4.2. The Philippines ranks among the major producers of bananas, coconuts, rice, and pineapples. The gross value of agricultural production of the Philippines totalled US$28.2 billion in 2016, led by rice (22.5% of the total) and bananas (11.1%); livestock production (mainly pig meat and poultry meat) contributed about one-third of the total (Table A4.1). A member of the Cairns Group of agricultural exporting countries, the Philippines is a major exporter of coconut oil, copra oilcake and desiccated coconuts; bananas; and pineapples and pineapple products. On balance, the Philippines' imports of agricultural products substantially outstrip exports, notably in 2016 (US$10.6 billion and US$5.2 billion, respectively) (Tables A1.2 and A1.3).

4.1.2 Market access

4.1.2.1 Applied MFN tariffs

4.3. Applied MFN tariffs on agricultural products (WTO definition) averaged 10.3% in 2017, with a range from zero to 65% (Section 3.1.3.1). The highest tariffs (out-of-quota tariffs) apply to raw or refined cane sugar (65%), corn (50%) and rice (50%).

4.1.2.2 Tariff quotas

4.4. The Philippines has 14 tariff and other quota[3] commitments for agricultural products.[4] The administration of these commitments was last notified to the Committee on Agriculture in 1998 and to the Committee on Import Licensing in 2016.[5] The principal tariff quota administration methods – licensing based on past import performance, combined with a first-come-first-served licence allocation – have not changed. However, for several of the tariff quota commitments, no tariff quotas have been implemented, since imports are allowed (in unlimited quantities) at the applied in-quota tariffs. Tariff quota fill rates were notified up to calendar year 2015, with fill rates ranging from zero to 100% depending on the product.[6]

4.5. The tariff quota year runs from February to January, and licences are allocated twice per quota year. They are issued through a "systematic distribution procedure" combined with first-come-first-served allocation when quotas are underutilized. There is a beginning-year pool (annual commitment quantity plus unused quota volumes from the previous quota year), where

[1] Under CARP, original land owners are allowed a maximum of 5 hectares, and CARP beneficiaries a maximum of 3 hectares.
[2] Sugarcane Industry Development Act, 2015; and Agricultural and Fisheries Mechanization Act, 2013 (aimed at farm sizes of at least 50 ha).
[3] This refers to the minimum access opportunities for rice.
[4] In addition, the Philippines has opened an autonomous tariff quota for coffee (HS2101), see Table A3.1.
[5] WTO documents G/AG/N/PHL/13, 9 April 1998; and G/LIC/N/3/PHL/12, 19 October 2016.
[6] WTO documents G/AG/N/PHL/43 & 47, 21 May 2014 and 29 September 2017, respectively.

priority access is given to: (i) licensees that have not surrendered any of their previous year's quota allocation, and have utilized at least 80% of the previous year's allocation from the beginning-year pool and used 30% from the mid-year pool by the last working day of May; and (ii) qualified entrants (first-time licensees or licensees that failed to obtain a quota share in the previous quota year). The mid-year pool is fed by surrendered quota allocations by end-May of each quota year. Any tariff quota volumes remaining in the beginning-year or mid-year pools are distributed to interested applicants on a first-come-first-served-basis. A special regime applies for rice (Section 4.1.5).

4.1.2.3 Special safeguard

4.6. The Philippines has provided an SSG notification (Table MA:5) covering the calendar years 2010-15. The price-based SSG was "reinstated" (activated) each year during 2010-15 for poultry meat (HS 0207.1492) and also triggered every year.[7] The volume-based SSG was not invoked during 2010-15.[8]

4.1.3 Domestic support

4.7. In the period under review, agricultural policy remained geared towards ensuring food security, in particular towards achieving self-sufficiency in rice, sugar and maize. The government policy on food security in 2011-16 was guided by the Food Staples Sufficiency Programme, including its Rice Self-Sufficiency Roadmap. To achieve food security, three strategies and interventions were pursued: raising farm productivity and competitiveness; enhancing economic incentives and enabling mechanisms; and managing food staples consumption. Current agricultural policy is based on a ten-point agenda, which includes a credit programme for farmers (see below); a livestock, dairy and poultry programme; and a government export marketing campaign for high-value crops.[9]

4.8. The institutional framework for implementing agricultural policies in the Philippines is fragmented: key policies are implemented by the Department of Agriculture and its specialized agencies[10]; the Department of Agrarian Reform and the Department of Environment and Natural Resources (land reform); and the National Food Authority (food security in rice and maize).

4.9. The main trade policy instruments remain unchanged: price support, input subsidies, insurance programmes, credit schemes, and buffer stocks, in addition to Green Box-type general services. The Philippines has yet to provide up-to-date domestic support notifications (the most recent year covered is calendar year 2010).[11] The Philippines does not have a bound Total AMS commitment; domestic support is subject to a 10% *de minimis* ceiling.

4.10. According to OECD estimates, the overall level of government support for farmers in the Philippines (PSE[12]) ranged from US$6.3 billion to US 8.7 billion in 2014-16 (Table 4.1).[13] The support has been overwhelmingly in the form of price support for a single commodity – rice. Rice producers benefited from price support14 in the magnitude of US$4.4 billion in 2016, out of a total level of support (PSE) of US$6.3 billion. None of the major crops or livestock benefit, in relative

[7] WTO document G/AG/N/PHL/44, 29 March 2016. The trigger prices were notified up-front in WTO document G/AG/N/PHL/27, 23 September 2002.
[8] AG-IMS ID 80063. The authorities have clarified that, contrary to notification G/AG/N/PHL/44, the volume-based SSG was not imposed in 2015 on processed chicken (HS1202.3220).
[9] Department of Agriculture online information. Viewed at: http://www.da.gov.ph/.
[10] The Sugar Regulatory Authority, the Philippines Coconut Authority, the Agriculture Credit Policy Council, the National Irrigation Administration (NIA), the Fertilizer and Pesticide Authority (FPA), the Philippine Crop Insurance Corporation (PCIC), amongst others, are under the Department of Agriculture.
[11] WTO document G/AG/N/PHL/42, 18 March 2013.
[12] PSE: total annual monetary transfers to farmers individually (not agriculture generally) from market price support, mainly through border measures but also food aid, export subsidies (calculated by the price gap between domestic and border price), payments to farmers, and tax/fee reductions (revenue forgone). The percentage PSE is a useful indicator for comparisons over time and among countries, *inter alia*, because it eliminates the effect of inflation.
[13] OECD (2017), *Agricultural Policies in the Philippines*. Viewed at: http://www.oecd-ilibrary.org/agriculture-and-food/title-agricultural-policies-in-the-philippines_9789264269088-en.
[14] Market price support, as defined by the OECD, comprises all policy measures that raise the domestic price relative to the border price of the commodity concerned, including border measures (tariffs, tariff quotas, and other import restrictions), administered prices, and export subsidies.

terms, from commodity-specific support as high as that for rice – approximately 65% of farmers' gross receipts for rice in 2014-16 were the result of government support policies (as per OECD Single Commodity Transfers).[15] However, about one third of all rice-producing households and well over two thirds of all households were net buyers of rice, according to the Survey of Food Demand for Agricultural Commodities 2012[16]; these farmers and households are unlikely to benefit from the high level of tariff protection and price support for rice.

4.11. The total support (PSE) of the Philippines (expressed as a share of gross farm revenues, also referred to as "percentage PSE") averaged 24.5% in 2014-16, meaning that about a quarter of farmers' revenues were due to support policies. By comparison, the average level of support across the OECD countries was 18% in 2014-16. Total budgetary expenditures for Philippine farmers were in the range of US$250-450 million in 2014-16.

Table 4.1 OECD Producer Support Estimate (PSE) for the Philippines, 2014-16

(PHP million)

	2014	2015	2016
Total value of production at farm gate	**1,432,627**	**1,370,485**	**1,390,387**
Producer Support Estimate (PSE) (1+2)	**384,796**	**357,110**	**297,468**
(PSE in US$ million)	*8,667.5*	*7,848.1*	*6,263.5*
Price Support (1), of which	**373,731**	**336,829**	**280,058**
Rice	223,836	205,544	210,118
Pig meat	55,611	65,480	57,068
Poultry meat	30,906	35,391	34,078
Payments to producers (2), of which	**11,066**	**20,280**	**17,410**
(in US$ million)	*249.3*	*445.7*	*366.6*
Production Support Services (PSS) on the National Rice Programme (distribution of seeds and fertilizers)	594	2,143	2,002
Philippine Crop Insurance Corporation payments for relief from natural disasters	1,184	1,300	1,600
Maize - Provision of Agricultural Equipment and Facilities (PAEF)	556	1,203	1,093
Philippine Coconut Authority programmes (accelerated coconut planting and re-planting, fertilization, intercropping and hybridization)	1,899	3,257	1,018
Percentage PSE (as a percentage of gross farm receipts, incl. (2))	**26.7**	**25.7**	**21.1**
Nominal Protection Coefficient (NPC)	**1.38**	**1.34**	**1.27**

Note: PSE: total annual monetary transfers to farmers individually (not agriculture generally) from: market price support mainly through border measures but also food aid, export subsidies (calculated by the price gap between domestic and border price); payments to farmers; and tax/fee reductions (revenue forgone).
NPC: nominal protection coefficient, i.e. ratio between the average price received by producers and the border price.

Source: OECD PSE database. Viewed at: http://www.oecd.org/tad/agriculturalpolicies/producerandconsumersupportestimatesdatabase.htm.

Crop insurance

4.12. The Philippine Crop Insurance Corporation (PCIC) under the Department of Agriculture is implementing insurance programmes for: (i) rice and corn; (ii) high-value crops; (iii) livestock; (iv) fisheries; (v) non-crop agricultural assets; and (vi) credit and life.[17] The PCIC covers losses arising from natural disasters. The government expenditures were accordingly notified as Green Box "payments for relief from natural disasters".[18] The PCIC administers two programmes: (i) a regular programme, whereby the premium cost for so-called "borrowing farmers" (as opposed to self-financed farmers) is co-shared by the government (55%), and lending institutions and insured farmers (45%); and (ii) a special programme, whereby premiums are 100% subsidized. Government support (Government Premium Subsidy – GPS) is through the allocation of an annual budget to the PCIC. The subsidy is provided in the form of matching grants (GPS) to cover the premium cost of the insurance for subsistence farmers. The subsidy has increased significantly in

[15] The price support for maize was negative in 2015 and 2016 (i.e. producers were implicitly taxed).
[16] Quoted in OECD (2017), p.34.

recent years (PHP2.943 billion in 2017, up from PHP1.6 billion in 2016, and PHP183.7 million in 2012) (Table 4.1).

Agricultural credit

4.13. The Agricultural Credit Policy Council under the Department of Agriculture oversees eight ongoing Agro-Industry Modernization Credit and Financing Programme (AMCFP) lending facilities for small farmers and fishermen, and one ongoing Agrarian Production Credit Programme (APCP) for agrarian reform beneficiaries (ARBs): (i) Production Loan Easy Access (PLEA) Programme/Programme for Unified Lending in Agriculture (PUNLA); (ii) Survival and Recovery (SURE) Assistance Programme; (iii) LBP Agri-Financing Programme; (iv) PCFC Agri-Microfinance Programme II; (v) Cooperative Banks Agri-Lending Programme (CBAP) II; (vi) Sikat Saka Programme (SSP); (vii) Value Chain Financing Programme (VCFP); and (viii) Agrarian Production Credit Programme (APCP).[19] The PLEA/PUNLA is a new special credit programme to address the financial needs of marginal and small farmers and fisherfolk, offering non-collateralized loans at a 6% annual interest rate in areas underserved by banks, according to the authorities.

4.1.4 Export subsidies

4.14. The Philippines has notified the Committee on Agriculture that it did provide export subsidies during calendar years 2011-13 and 2014-15.[20] The export subsidy notification for 2016 is outstanding. In line with its "significant exporter" status for fruit (G/AG/2/Add.1, 16 October 1995), the Philippines has regularly notified the total exports of its major fruits (bananas, coconut oil, pineapples, mango, watermelon, coconuts and papaya).

4.1.5 Rice

4.15. As a result of the Uruguay Round, the Philippines obtained the right to defer temporarily the tariffication of its import restrictions on rice (Special Treatment – Annex 5 of the Agreement on Agriculture). This exception allowed the Philippines to maintain quantitative restrictions (QRs) on rice imports for 10 years until 30 June 2005, together with a bound minimum access quota for rice; the out-of-quota tariff remained unbound. The special treatment was extended until 30 June 2012, and subsequently the WTO General Council granted, upon request by the Philippines, a further extension until 30 June 2017.[21] The Philippines agreed to tariffy the quantitative restrictions on rice upon the expiry of the waiver. According to the authorities, the House of Representatives is currently [October 2017] reviewing a consolidated bill that would allow for tariffication of the QR on rice[22], and the Philippine executive branch is working closely with both Houses of Congress in the finalization of the bill, as the President ordered the passage of the rice tariffication law to be expedited.

4.16. Under the 2012 WTO Waiver, a number of concessions were agreed upon for rice:

i. MFN in-quota tariff to be reduced from 40% to 35%;

ii. out-of-quota tariff to remain at 50% from 2014 to 2017;

iii. minimum access volume increased from 350,000 tonnes to 805,200 tonnes[23];

[17] The crop insurance coverage is based on the cost of the production inputs of the insured crops (not the market value of the crop).

[18] WTO document G/AG/N/PHL/42, 18 March 2013.

[19] The AMCFP and APCP lending facilities, including terminated/completed programmes have granted PHP14.55 billion in terms of loans to 277,134 small farmers and fisherfolk from 2003 to 2016.

[20] WTO documents G/AG/N/PHL/45 and PHL/46, 31 March 2016 and 25 July 2017.

[21] WTO document WT/L/932, 25 July 2014.

[22] "An Act Replacing the Quantitative Import Restrictions on Rice with Tariffs, Amending for the Purpose Republic Act 8178, as Amended by Republic Act No. 9496, Further Amended by Republic Act No. 10848, entitled: 'An Act Replacing Quantitative Import Restrictions on Agricultural Products, Except Rice, with Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and for Other Purposes'."

[23] Covering tariff item numbers (HS Code) 1006.10 00 (rice in the husk, paddy and rough), 1006.20 00 (husked (brown) rice), 1006.30 00 (semi-milled or wholly milled rice, whether or not polished or glazed), and 1006.40 00 (broken rice).

iv. increased country-specific allocations (totalling 755,200 tonnes, with 50,000 tonnes for others).

4.17. In addition, the Philippines offered tariff concessions on several other agricultural products, including butter, buttermilk, cheese, poultry meat, and oilseeds. Executive Order No. 23 of 22 May 2017 extended the 2012 waiver-related tariff concessions on rice and other commodities until 30 June 2020, or until such time as a law relating to rice tariffication has been enacted, whichever comes first.[24] Thus, as of October 2017, the Philippine rice import regime is governed by the status quo.

Quota administration

4.18. The Philippines is a major producer of rice, with a paddy harvest ranging from 18 to 19 million tonnes in 2012-16. It is also a major (net) importer of rice, with imports in the range of 365,000 tonnes (2013) to 1.867 million tonnes (2014), which on the high end was well beyond the minimum access commitment (Table A4.3).

4.19. The National Food Authority (NFA), as the grains trading arm of the Government (STE), holds a statutory monopoly on the import and export of rice, with the prerogative of allocating the import quota to local farmers.[25] The Agricultural Tariffication Act (Republic Act 8178) provides that "In the exercise of this power, the Council after consultation with the Office of the President shall first certify to a shortage of rice that may occur as a result of a short-fall in production, a critical demand-supply gap, a state of calamity or other verified reasons that may warrant the need for importation" (Section 6.1, paragraph 2); this requirement does not apply to the importation of rice equivalent to minimum access commitments under the WTO. Exports are restricted by law, and require a certificate of surplus issued by the DA and approved by the NFA Council (Presidential Decree No. 4, as amended).

4.20. Oversight of the NFA was transferred in 2014 from the Department of Agriculture (Inter-Agency Committee on Rice) to the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM). The creation of OPAFSAM also paved the way for the establishment of the Food Security Committee (FSC) on rice, chaired by the NEDA under the Special Order No. 3 of 2015. In 2016, the NFA was among several other agencies of the government placed under the supervision of the Office of the Cabinet Secretary through an executive order.

4.21. Since 1995, the NFA has implemented an import quota regime through the annual opening of minimum access opportunities to the intended beneficiaries. In the period 1995-2005, there were no imports by the farmers' organization/sector and rice imports were mainly carried out by the private sector and the NFA. The private sector volume within the minimum access quota is fixed by the NFA. Imports of minimum access volumes by the private sector have increased steadily from 2011, except in 2013 (due to high world market prices for rice). From 2008-16, private sector imports were subject to equalization fees for the purpose of equalizing or approaching the prevailing domestic prices of rice, but this mechanism has been discontinued. In 2017, applicant-importers under the minimum access volume (MAV) scheme are charged a non-refundable processing fee of PHP50,000 to cover administrative and pre-evaluation charges. The minimum access quota is allocated to qualified applicants on a pro-rata basis, with a cap of 20,000 t per applicant; applicants must meet a 95% substantial compliance criterion (95% arrival of the allocated quota) to remain eligible for the next quota year.

4.22. Most rice imports are sourced from other ASEAN countries.[26] In-quota imports (minimum access volume) are subject to an applied MFN rate of 35%, equal to the ATIGA tariff rate; out-of-quota imports are subject to an applied MFN rate of 50%, while imports from ASEAN countries benefit from the preferential ATIGA rate of 35%. Out-of-quota imports are carried out exclusively by the NFA via open tender or government-to-government transaction (there are no country-specific allocations).

[24] Online information. Viewed at: http://www.officialgazette.gov.ph/downloads/2017/04apr/20170427-EO-23-RRD.pdf.
[25] Presidential Decree No. 4 as amended by PD Nos. 699 and 1485.
[26] Thailand and Viet Nam each have of country-specific quota of 293,100 tonnes.

Table 4.2 Determination of in-quota and out-of-quota imports of rice

In-quota imports (minimum access quota)	Out-of-quota imports
The Food Security Committee (FSC) in its regular quarterly meeting makes a recommendation to the NFA Council for the schedule of opening of the minimum access quota, including the schedule of arrival of rice imports, which should not coincide with the country's main/dry paddy harvest pattern.	The FSC conducts an evaluation of the country's supply-demand situation and outlook every quarter or as needed. The FSC Chair then submits and presents a report to the NFA Council regarding the result of the assessment/evaluation, including the probable volume of rice import requirements in case of a deficit situation.
The NFA Council evaluates and deliberates the FSC recommendation and submits the Council's consensus/decision for approval by the President.	The NFA Council chaired by the Cabinet Secretary convenes a meeting to evaluate the FSC report and acts on the recommendation for importation. The Cabinet Secretary then reports to the President for the approved volume of importation.
Once the NFA Council has approved and certified the opening of the minimum access quota on an annual basis, the NFA drafts the guidelines and administers the minimum access quota importation. Rice imports by the private sector are issued with the import permit to serve as evidence/documentation for the legal arrival of rice stocks.	Once the NFA Council has certified the approved volume for rice import, the NFA carries out the physical importation, either through government-to-government procurement or by open tender in accordance with the GP Law (RA 9184).

Price support and procurement

4.23. The Philippines maintains a complex system of price and consumer support for rice. The support is provided through a combination of trade policy instruments: restricted imports via a rice quota, a producer support price scheme, where the administered price is considerably higher than the duty-paid import price, and which is underpinned by targeted NFA purchases (procurement) and buffer stocks of rice; which is then sold for local consumption at subsidized prices.

4.24. As part of its mandate to ensure food security and the stabilization of the supply and price of rice and corn, the NFA intervenes as buyer of last resort in the markets for palay rice and (to a limited extent) corn.[27] The NFA's operations include the buying/procurement of paddy on a nationwide scale at a fixed government support price. Procurement of paddy is undertaken from individual farmers and farmers' organizations, although farmers are free to sell their harvest through other channels. According to the authorities, the NFA only procures in the domestic market when the prevailing farm gate price of paddy significantly drops to a level that would deprive the farmers of earning a modest income for their produce. The volume of procurement depends on the magnitude of production and the prevailing market situation. The production eligible to receive the support price has not exceeded 6% of total rice production since 1995; in 2012-16, it ranged from zero to 2% (Table A4.3), owing to high domestic prices for rice.

4.25. According to the authorities, the support price is set at a level that guarantees farmer-producers reasonable returns in their palay production investments/expenses, taking into account the cost of paddy production; inflation rate; prevailing situation and outlook on the domestic/global rice market; income of rice/corn farmers relative to farmers of other crops; cost of end-product to consumers; and the government's capability to implement. The Inter-Agency Committee (IAC) on Rice was abolished (Special Order No. 3 Series of 2015) and replaced by the Food Security Committee (FSC) on Rice headed by the National Economic Development Authority. The FSC on Rice conducts a periodic review and evaluation of the support price, while the NFA Council deliberates on the need for any increase with either a recommendation for the approval of the new pricing policy to the President or referral of the matter to the FSC on Rice for further studies/re-evaluation. For the period 2012-2017, the nationwide support price was set at PHP17.00/kg (plus PHP0.30/kg cooperative development incentive fee, PHP0.20/kg delivery incentive & PHP0.20/kg drying incentive). According to the OECD, the NFA support prices of 2012-14 were US$403/t, US$400/t and US$383/t, respectively, resulting in price gaps (price support) vis-à-vis import parity prices (at farm gate) in excess of 100%.[28]

4.26. The NFA acts as a seller of last resort whenever the commercial prices of rice are perceived to go beyond the reach of the consuming public. The NFA sells rice to accredited

[27] NFA procurement of corn was 623,000 t in 2012; and in the range of 1,400 t to 12,500 t in 2013-16. The procurement price is PHP12.30/kg of yellow corn and PHP13/kg of white corn (plus incentives as for rice).

[28] OECD (2017), p. 117.

retailers/wholesalers at a two-tiered and subsidized government release price for milled rice: (i) wholesale price (mandatory price at which NFA rice is sold to licensed and accredited retailers only, PHP25/kg milled); (ii) retail price (mandatory price at which NFA rice is sold directly to end-consumers and non-retailers, PHP27/kg).[29] The agency has focused its distribution of rice to deficit areas and the provinces classified under the Accelerated and Sustainable Anti-Poverty Programme (ASAPP) for the Human Development and Poverty Reduction Cabinet Cluster (HDPRCC). The release prices of rice were also increased to approach near market levels to reduce the agency's financial losses.

Buffer stock scheme

4.27. The NFA is the custodian of the government rice buffer stock scheme for food security and stabilization purposes, which comprises: (i) a year-round 15-day Strategic Rice Reserve (SRR) in government depots for food security purposes in times of calamities and emergencies; and (ii) a 30-day government rice buffer stock (GRBS), inclusive of the 15-day SRR. The Agency resorts to domestic procurement to meet the 30-day buffer, which should be available and strategically in place by 1 July of each year (this buffer is within the food security benchmark of an ideal-90 day national rice buffer stock policy). At any time, however, the NFA must have a strategic rice reserve that is sufficient to meet the 15-day supply. If the volume of local paddy procurement is inadequate to meet the 30-day buffer stock supply taking into account the situation and outlook of the domestic and global rice market, the government resorts to rice importation. As the NFA's paddy procurement in recent years amounted to less than 2% of the annual rice crop, rice imports were necessary in order to meet buffer stock requirements (117,000t in 2016, down from 228,000t in 2015).

4.28. The subsidy for the operation of NFA's paddy procurement was PHP4.25 billion in CY 2016; it procured 117,000 tonnes, valued at PHP2.02 billion. The subsidy covers the cost of procurement, incentives, milling, storage and losses, warehousing, drying, insurance and the "social cost".

4.1.6 Sugar

4.29. Sugarcane ranks among the top five crops (Table A4.1). Crop year 2016/17 (September to August) set a 38-year record with a production of 2.5 million tonnes of raw sugar, while the 2015/16 harvest of 2.2 million metric tonnes was adversely affected by El Niño. The sugar industry produces sugar, bioethanol and power as major products. At present, there are 27 operational sugar mills and 11 sugar refineries.[30]

4.30. The Sugarcane Industry Development Act of 2015 (RA 10659) provides mandated programmes and budgetary appropriations, following decades without government support for infrastructure development and other measures, according to the authorities. The new measures include a block farming programme (implemented since 2012 and institutionalized in 2016), aimed at consolidation of small farms to a minimum of 30-50 ha; covering subsidies for machinery, seeds, lime and organic fertilizers; 64,000 farmers with less than 5 ha are eligible. The "socialized credit" programme is designed to support crop financing, farm mechanization and other farm support services, providing subsidized interest rates to small farmers and farm service providers. Infrastructure development is also funded under the law, covering *inter alia* the construction of all-weather farm-to-mill roads and bridges, and loading ports. Total subsidies amounted to PHP1.9 billion in 2016 and PHP1.51 billion in 2017, of which: block farming (PHP324.7 million and PHP300.0 million, respectively); socialized credit (PHP324.7 million and PHP300 million, respectively) and infrastructure development (PHP914.4 million and PHP557.2 million, respectively).

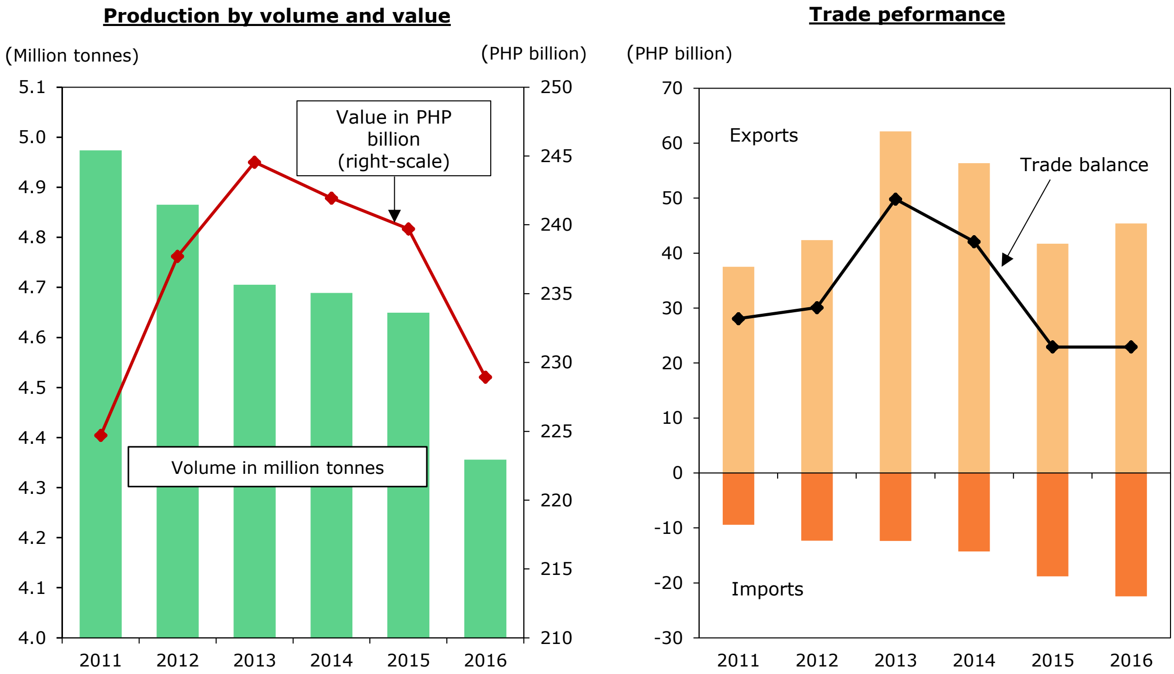
4.2 Fisheries

4.31. The Philippine archipelago (with an area of over 2.2 million km^2) ranks among the top-10 fishing nations.[31] The fisheries sector is nonetheless relatively small in terms of its contribution to

[29] The cost recovery price for paddy procured at PHP17/kg lies around PHP34/kg milled rice.
[30] One sugar mill is registered with the Sugar Regulatory Authority (SRA) as producer of muscovado sugar (2,000-3,000 hectares).
[31] FAO online information. Viewed at: http://www.fao.org/fishery/statistics/en [August 2017].

GDP (1.6% in 2016) and employment (3.1%). Fisheries production shows a downward trend across all subsectors (commercial, municipal, and aquaculture); aquaculture accounts for over half of production (Chart 4.1).

Chart 4.1 Fish production and trade, 2011-16



Source: Philippine Statistics Authority, Fisheries Statistics of the Philippines.

4.32. In 2016, fish production dropped sharply by 6.3% in volume and 4.5% in value as compared to 2015, mainly due to the effects of El Niño (dry spell) and a fishing ban that was placed on some species by the Western and Central Pacific Fisheries Commission.[32] The Philippines is a net exporter of fish and fish products. The three major export items/species (tuna, seaweed, shrimp/prawn) accounted for 59% of the total export volume and 56% of the total export value in 2016.[33] The European Union was the biggest market for Philippine fish exports (22% of the total value), followed by the United States (20%), Japan (17%) and Hong Kong, China (13%) in 2016.[34] Imports of fish and fishery products have grown strongly over the last five years (18.9% annually), mainly destined for further processing (canning) for export, leading to a continuous decline in the trade surplus in fish since 2013 (Chart 4.1).[35]

4.33. The legal framework for fisheries governance has been strengthened since the last Review. The Fisheries Code (RA 10654) was revised in 2015, through amendment of the Fisheries Code (RA 8550) of 1998.[36] Stricter rules apply, *inter alia*, in the areas of vessel licensing and monitoring, and illegal, unreported and unregulated (IUU) fishing. There are several violations under the amended Fisheries Code that were not found in the old Code, and the penalties are higher. The Fisheries Code of 2015 also clarifies the mandate of the Bureau of Fisheries and Aquatic Resources (BFAR) of the Department of Agriculture (DA) as the law enforcing body (RA 10654, Section 65).

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[32] Philippine Statistics Authority, "Fisheries Situationer, January-December 2016", 24 January 2017. Viewed at: https://psa.gov.ph/content/fisheries-situationer-january-%E2%80%93-december-2016; and information provided by the authorities.

[33] Philippine Statistics Authority, Fisheries Statistics of the Philippines, Volume 25, 2014-16.

[34] Information provided by the authorities of the Philippines.

[35] Encarnacion Emilia S. Yap and Amor G. Diaz (2015), *"Status of Philippine Fisheries Trade and Marketing"*, December 2015.

[36] Republic Act No. 10654, Bureau of Fisheries and Aquatic Resources online information. Viewed at: http://www.bfar.da.gov.ph/BFAR_ANNOUNCEMENT?id=43.

4.34. Market access for foreign fishing vessels in Philippine waters is restricted. Foreign fishing vessels must comply with port state measures, including, *inter alia*, prior notification of port entry; use of designated ports; restrictions on port entry and landing or transhipment of fish; catch and other documentation requirements; and port inspections (RA 10654, Section 42). For tuna catch, transhipments and landings by foreign vessels are permitted in only one port (Davao).[37] Philippine-flagged fishing vessels in waters beyond the national jurisdiction require authorization from the DA-BFAR for transhipment through the Philippines, in order to comply with commitments under international conventions and agreements (RA 10654, Section 42). Under the Constitution and the Fisheries Code, fishermen must be Filipino citizens; the use and exploitation of fishery and aquatic resources is reserved for Filipinos; and foreign equity in the operation of commercial fishing is capped at 40% (Table A2.2).

4.35. The Philippines does not have any bilateral fishing agreements.[38] Fishing outside the Philippine waters is coordinated by Regional Fisheries Management Organizations (RFMOs), such as the Western and Central Pacific Fisheries Commission (WCPFC). Under the Conservation Management Measures (CMM) adopted by WCPFC[39], Philippine-flagged vessels had access, under strict conditions[40], to the high seas, the so-called "High Sea Pocket 1 (HSP1)".[41] The CMM on HSP1 expired in December 2017, but negotiations for extension are under way, according to the authorities. Under the new Fisheries Code, the scope of application has been extended to areas governed by a RFMO.

4.36. The fisheries sector enjoys relatively high tariff protection, with tariffs on fish and fish products averaging 9.2% (ranging from 1% to 15%) (Chapter 3.1.3). However, owing to free trade agreements (except for India), most imports are duty-free or subject to nuisance tariffs. The Philippines has bound only 5.1% of its fishery tariff lines, leaving flexibility for autonomous increases of the applied MFN rates. Fish caught in the high seas by Philippine-flagged vessels is not subject to import duties and taxes, provided the catch is landed in designated fish landings or ports (RA 10654, Section 32).

4.37. The tariff exemptions on imports of fishery inputs, machinery and equipment (granted from 2005 as per Executive Order 376 of 22 October 2004) expired in 2015. The Philippine Fisheries Development Authority has the mandate to manage, develop and operate regional fish ports, cold storage and ice plants (as per Executive Order No. 722 of 8 February 1982).

4.3 Energy

4.3.1 Fuels

4.38. The Department of Energy (DOE) is the line ministry for the energy sector. It is mandated "to prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution and conservation".

4.39. The DOE formulated the Philippine Energy Plan (PEP) 2017-40, which establishes a comprehensive roadmap to ensuring sustainable, secure, sufficient and accessible energy. The Plan covers renewable energy, fossil fuels, downstream oil and natural gas, alternative fuels, power development, and energy efficiency and conservation. It also identifies the sector's priority infrastructure projects.

4.40. The DOE regularly holds Philippine Energy Contracting Rounds (PECRs), a bidding process to award contracts for the exploration of local fossil fuels. PECRs for petroleum cover a total of 16 sedimentary basins, representing an area of over 700,000 km^2, with a combined potential of

[37] Western Central Pacific Fisheries Commission, "Annual Report to the Commission Part 1: Information on fisheries, research, and statistics", 3-11 August 2016.
[38] The Philippines has a bilateral agreement with Papua New Guinea concerning catch certification and certification of traceability.
[39] Conservation and Management Measures. Viewed at: https://www.wcpfc.int/conservation-and-management-measures.
[40] DA-BFAR Fisheries Administrative Order 245.
[41] HSP1 is bounded by the exclusive economic zones or EEZs of the Federated States of Micronesia, the Republic of Palau, Indonesia, and Papua New Guinea.

4.8 billion barrels of oil equivalent. As of end-December 2016, the DOE awarded 24 petroleum service contracts (SCs) and 75 coal operating contracts (COCs), including the 7 COCs awarded in December 2014 as a result of the fifth PECR. According to the authorities, the Philippine National Oil Company (PNOC), a government-owned-and-controlled oil company, does not have special privileges with regard to the PECRs. During the process of a PECR for petroleum, PNOC Exploration Corporation (PNOC-EC) is given the option to farm out up to a 10% participating interest in the contract; the authorities noted that participation is entirely on a commercial basis.

4.41. There are four major oil fields in the country: Nido, Matinloc, North Matinloc, and Galoc. Total domestic oil production reached 2.01 million barrels in 2016, decreasing from 2.33 million barrels in 2011. This was primarily due to the natural depletion of the reservoir in the Galoc field. To meet demand, the Philippines also imports 35.8 million barrels of crude oil. According to the DOE, about 86% of oil imports were sourced from the Middle East, and the Russian Federation supplied about 8%.

4.42. There are two local refiners (Petron and Pilipinas Shell). As of June 2017, total crude processed was 36.6 million barrels, down from 39.6 million barrels in June 2016. Refinery utilization during the same period also decreased from 76.3% to 70.5%. The drop may be due to the extended maintenance shutdown and turn-around schedule of the local refineries. Consequently, local petroleum refinery production output decreased by 7.1%. In the first half of 2017, the average refining output was 0.2 million barrels per day. Diesel oil remains the dominant refined output of local refineries (37% of total output), followed by gasoline (25%), and kerosene/avturbo (7%).

4.43. According to the DOE, total demand for refined products for the first half of 2017 was 81.1 million barrels, up from 79 million barrels in the first half of 2016. Imports met 60% of the total demand. Over the same period, imports of refined products amounted to 48.6 million barrels, up from 44.4 million barrels one year before. Among all imports, diesel oil accounted for 40% of all fuel imports, gasoline for 18%, and LPG for 14%.

4.44. Distribution of petroleum products has been fully liberalized since the passage of the Downstream Oil Industry Deregulation Act (RA 8479) in 1998. According to the DOE, as of end-2016, there were 264 companies, with a total investment value of PHP 52.73 billion. In the distribution subsector, major oil companies (Petron Corp., Chevron Philippines, and Pilipinas Shell Petroleum Corp.) accounted for 58% of the market.

4.45. Malampaya gas field is the main source of gas and condensate, producing 99% of the country's gas. In 2016, total gas production was recorded as 140.5 billion standard cubic feet, while the associated condensate reached 4.2 million barrels. The gas from Malampaya already fuels three major power plants, and provides feedstock for compressed natural gas-powered buses.

4.46. Natural gas is a key component of the Government's fuel diversification programme, and is considered one of the most viable and cleanest alternatives to oil, particularly for use in power generation. In October 2017, the DOE circulated its draft Rules and Regulations Governing the Philippine Natural Gas Industry to stakeholders for comments. This draft policy aimed to create a liberalized market, encourage investment in the gas sector, and transform the Philippines into a liquefied natural gas (LNG) trading and trans-shipping hub in the Asian Pacific region.

4.47. Semirara produces 99% of the country's total coal. Production reached 12.1 million metric tonnes (MMT) in 2016, up from 7.6 MMT in 2011. The increase in production was attributed to the expansion of operations by Semirara Mining and Power Corporation. Coal is mainly used to fuel power plants for electricity generation.

4.48. The biofuel industry in the Philippines has seen a rapid expansion. The Biofuel Act (RA 9367) set forth the mandatory requirements for using locally sourced biofuels: a minimum volume of 10% bioethanol must be blended in the gasoline sold in the country; for diesel, the minimum volume is 2%. The Act clearly requires that bioethanol must first exhaust domestic sources, and the volume of imported equivalent must not exceed the extent of the shortage as determined by the National Biofuel Board.[42]

4.49. Consumption of bioethanol continued to outstrip domestic supply, due to insufficient production capacity. In 2016, about 40% of total demand for bioethanol was met by domestically produced products (118.9 million litres). As of end-2016, there were 11 biodiesel and 10 bioethanol production facilities in the country. Biodiesel production reached 225.9 million litres, while bioethanol production reached 230.2 million litres. In 2016, the DOE approved three biofuel production facilities: Emperador Distillers, Inc., with a total annual rated capacity of 66 million litres of bioethanol; Bio Renewable Energy Ventures Inc. and Archemicals Corporation with total annual rated capacity of 90 million litres of biodiesel.

4.3.2 Electricity

4.50. The electricity sector in the Philippines is considered fairly liberalized in the region. The Energy Regulatory Commission (ERC), under the Department of Energy, is the regulator for the sector. With the implementation of the PEP 1999-2008, the Philippines liberalized its power generation and "retail supply" markets through the enactment of the Electric Power Industry Reform Act (RA 9136) in June 2001. As of end-2016, the country's total installed capacity reached 21,423 MW, while dependable capacity stood at 19,097 MW.

4.51. Power generation remains highly dependent on traditional fossil fuels. As for the installed capacity, in December 2016, 34.6% was powered by coal, 17.2% by natural gas, and 14.8% by oil. In terms of generation, coal power plants generated 48% of total electricity supply (43,303 GWh), natural gas plants 22%, and oil power plants 6%. During the period under review, a number of new projects were under construction or were commissioned. As of end-2016, a total of 2,189 MW installed capacity had been added to the grid.

4.52. Renewable energy (geothermal, hydro, wind, biomass, and solar) makes up the rest of the installed capacity of the country (accounting for about 34.3%). The DOE issued the National Renewable Energy Programme (NREP), with the aim of diversifying and expanding renewable energy. Under the NREP, the Philippines aims to double the 2010 installed capacity of renewable energy sources by 2030, which implies an increase from 5,438 MW in 2010 to 15,304 MW in 2030.

4.53. As of end-June 2017, the DOE had awarded 831 Renewable Energy Service Contracts (RESCs), with an aggregate potential capacity of 21,938 MW. Among the awarded projects, hydropower accounts for the largest potential capacity (13,419.7 MW), followed by solar (5,181.7 MW) and wind (2,381.5 MW).

4.54. There are three regional grids in the country: Luzon, Visayas, and Mindanao. All three are owned and managed by the National Grid Corporation of the Philippines. Currently, Luzon and Visayas grids are interconnected through a 440 MW submarine high voltage direct current cable. The project to link the grids of Visayas and Mindanao is still ongoing and expected to be completed by end-2020.

4.55. As part of the electricity liberalization programme, the Energy Regulatory Commission (ERC) established competitive wholesale electricity spot markets (WESM) for three regional grids: the one for Luzon was established in June 2006, for Visayas in December 2010, and for Mindanao in June 2017. Stakeholders, including power generation companies, electricity retailers, as well as transmission and distribution companies, must be registered to become a WESM member and trade electricity in the spot market. The market is administered by an independent and non-profit body.[43]

4.56. In order to encourage development of renewable energy, a Feed-In Tariff (FIT) system was introduced, and became operational in August 2010. FIT is a non-fiscal incentive scheme that offers guaranteed payment at a fixed rate for electricity sales for qualified renewable energy producers; it is administered by the ERC. The authorities indicated that FIT rates will be adjusted periodically in order to maintain a balance between an acceptable rate of return for producers and

[42] Article 5.2, the Biofuel Act.

[43] For details of trading procedures and pricing rules, see the Wholesale Electricity Spot Market Rules. Viewed at: https://www.doe.gov.ph/sites/default/files/pdf/downloads/w_e_s_m.pdf.

end-use pricing for consumers; but new rates are applied only to the projects approved and operational after the new rates are promulgated. Currently, the FIT rate for solar power is PHP 8.69/KWh, for wind power PHP 7.40/KWh, for biomass PHP 6.59/KWh, and for hydropower PHP 5.87/KWh.

4.57. There is limited FIT capacity, known as the installation target. In addition to adjusting FIT rates, the ERC periodically reviews the installation targets under FIT. For instance, the installation target for FIT preference for solar power was increased ten-fold from 50 MW in 2012 to 500 MW in 2016; for wind power by 100% from 200 MW to 400 MW.

4.58. In order to qualify for the FIT scheme, producers must meet certain eligibility criteria and obtain a certificate of eligibility from the DOE.[44] Once the applications have been vetted, certificates of eligibility are issued on a first-come-first-served basis, regardless of the size of the project. Some observers argue that this competition to access FIT preferences will push out smaller firms that are traditionally drivers of renewable energy in new markets. As of 30 June 2017, the DOE issued certificates of eligibility to the ERC for a total capacity of 1,079.6 MW for 50 projects.

4.59. The Government also provides a number of tax incentives for renewable energy producers (Section 3.2.8).

4.60. Retail of electricity is liberalized; however retailers must obtain a congressional franchise. Retail tariffs must be approved by the ERC. During the period under review, the ERC also issued a number of circulars to ensure competition in the market.

4.4 Manufacturing

4.61. Manufacturing accounted for 25% of GDP, and employed about 8% of the labour force during the period under review. Its value added grew at least 5% on a year-on-year basis. The manufacturing sector mainly comprises: food and beverages, furniture and fixtures, electronics, chemicals, petroleum refining, and motor vehicles (Table 4.3). Most industries mainly supply the domestic market, except the electronics industry whose products are mostly for export. This is due to high production and logistics costs, compared to its regional competitors.

Table 4.3 Gross value added in the manufacturing sector, 2011-16

(PHP billion, constant price based on 2000)

	2011	2012	2013	2014	2015	2016
Gross value added	**1,324.3**	**1,395.7**	**1,538.9**	**1,666.5**	**1,761.0**	**1,884.3**
	Of which %					
Food manufacturers	37.3	38.1	36.1	35.6	34.3	34.6
Beverage industries	4.4	4.3	3.8	4.4	4.1	4.2
Tobacco manufacturers	0.4	0.3	0.3	0.3	0.3	0.3
Textile manufacturers	2.3	2.2	1.7	1.8	1.8	1.6
Wearing apparel	2.1	2.8	2.2	1.9	1.8	1.7
Footwear and leather and leather products	0.4	0.4	0.5	0.4	0.4	0.4
Wood, bamboo, cane and rattan articles	1.0	1.0	0.9	0.8	1.0	1.1
Paper and paper products	1.1	1.0	0.8	0.8	0.9	0.9
Publishing and printing	0.6	0.6	0.5	0.9	1.0	1.0
Petroleum and other fuel products	3.8	3.5	2.8	3.0	2.8	2.6
Chemical and chemical products	6.9	6.8	12.0	11.5	12.5	12.9
Rubber and plastic products	1.6	1.6	1.5	1.5	1.4	1.7
Non-metallic mineral products	2.5	2.7	2.7	2.4	2.5	2.2
Basic metal industries	2.0	1.5	2.0	2.0	2.0	2.6
Fabricated metal products	1.1	1.0	0.9	1.2	1.2	1.2

[44] Details are set forth in the Guidelines for the Selection Process of Renewable Energy Projects under Feed-In Tariff System and the Award of Certificate for Feed-In Tariff Eligibility.

	2011	2012	2013	2014	2015	2016
Machinery and equipment except electrical	1.5	1.5	1.4	1.6	1.8	2.1
Office, accounting and computing machinery	1.3	1.5	1.4	1.4	1.2	1.5
Electrical machinery and apparatus	2.5	2.6	2.2	2.1	2.1	2.2
Radio, television and communication equipment and apparatus	18.3	17.1	17.0	16.6	17.7	16.2
Transport equipment	2.2	2.4	1.7	1.7	1.8	2.1
Furniture and fixtures	3.0	3.8	5.0	5.7	5.1	4.8
Miscellaneous manufactures	3.7	3.2	2.6	2.4	2.3	2.1

Source: Information provided by the authorities.

4.62. Based on Comtrade data, manufactured goods accounted for 84.2% of total merchandise exports in 2016. The Philippines' main exports were machinery and transport equipment, such as electronic integrated circuits, office machinery and telecommunications equipment, other electrical machines, and automotive products. In the same year, manufactured goods accounted for 75.8% of merchandise imports, principally office machines and telecommunications equipment, as well as transport equipment. Manufacturing also attracted the largest share of FDI into the country (Section 1). In general, there are no restrictions on foreign investment in the manufacturing sector.

4.63. In 2016, the simple average applied tariff on manufactured products (ISIC definition) was 6.7%, with tariffs ranging from zero to 65%. The products receiving the highest tariff protection include cane sugar (with an applied tariff of 65%), rice and beet sugar (50%), and automotives, motorcycles, and waste materials (30%). For non-food processing manufacturing, the tariff structure exhibits a pattern of tariff escalation. Tariff quotas apply to 49 tariff lines, representing 0.6% of the total tariff.

4.64. A variety of incentives are offered to assist manufacturing industries. According to a number of industrial censuses and surveys by the Philippine Statistics Authority (PSA), the top industries in terms of utilizing the incentive measures provided by the Government, such as special grants, tax exemptions, and tax privileges, are parts and accessories for motor vehicles and their engines, electronic components, and textiles.

4.65. The electronics industry comprises mainly semiconductors, electronic data processing equipment, office equipment, telecommunications equipment, automotive and industrial electronics, and consumer electronics. Most of these industries are foreign-owned. According to the PSA, the electronics industry continues to be the largest employer in the manufacturing sector, and generates the highest production output.

4.66. During the period under review, the Philippines began to specialize in automotive electronics such as advanced driver systems, safety measures, cameras, entertainment systems and other interactive features, leaving Philippine-based manufacturers well placed to supply inputs to other assembly hubs in the region. As most tariffs between ASEAN members became zero-rated, a number of international companies are able to use the Philippines as a gateway to access other ASEAN members.

4.67. Government assistance to the automotive sector is channelled through the Motor Vehicle Development Programme (MVDP). The objective of the Programme is to encourage domestic automobile production by imposing low tariffs (between zero and 1%) on motor vehicle components, and high tariffs on finished automobiles and motorcycles (between 15% and 30%). The authorities note that the provisions under the MVDP are currently under review.

4.68. A common challenge facing the manufacturing sector is high production costs as a result of an inadequate infrastructure. These costs are related to both the transport network (i.e. insufficient land, sea, and air connectivity) and the electricity sector (i.e. lack of capacity and high prices). The authorities noted that a number of measures have been taken to address concerns from the business community regarding the infrastructure, including transport and electricity. For instance, the Department of Trade and Industry (DTI) and the Department of Public Works and Highways (DPWH) launched the DTI-DPWH Convergence Roads Leveraging Linkages for Industry and Trade (ROLL IT) Programme in 2016, with the aim of developing infrastructure projects that will connect to key manufacturing and economic areas in the country; as of November 2017, there were 229 road project proposals nationwide.

4.5 Services

4.5.1 Financial services

4.5.1.1 Banking

4.69. The BSP Monetary Board is the Philippines' principal regulator for the banking sector; it supervises banks' operations, and exercises regulatory powers over quasi-banks[45] including their subsidiaries and affiliates engaged in allied activities.[46] The Bangko Sentral ng Pilipinas (BSP) has some overlapping responsibilities with the Securities and Exchange Commission (SEC) with respect to non-bank financial institutions (e.g. financing companies or investment houses) with a quasi-banking licence.[47]

4.70. During the review period, the Philippines took measures to liberate its banking sector. From 15 July 2014 onwards, the Full Entry of Foreign Banks Act (RA 10641) allows 100% foreign ownership of banks in the Philippines. Under this Act, foreign persons can now own 100% locally incorporated subsidiaries, or 100% of the voting shares of an existing domestic bank; BSP must ensure at least 60% of the resources or assets of the entire Filipino banking system are held by domestic banks. The Act also abolishes restrictions on the licensing of branches of foreign banks with respect to the entry period, total number of entrants, and location of sub-branches. The authorities expected that, by allowing foreign banks entry into the Philippines, this would also bring their clients looking for investment opportunities, and would encourage more competition in the sector, which would, in turn, benefit all consumers.

4.71. Since the launch of the ASEAN Economic Community (AEC) in December 2015, the Philippines now allows foreign banks from ASEAN member States to operate in the country, enjoying the same benefits as domestic banks. BSP and the Central Bank of Malaysia signed a bilateral agreement in April 2017 that allows qualified ASEAN banks (QABs) to enter each other's market. The status of QAB is granted by the sectoral regulator of the home country. There were no banks granted QAB status by BSP, or QABs from Malaysia operating in the Philippines at the time of drafting this report. The authorities indicated that negotiations of bilateral agreements on QABs have been initiated with Indonesia and Thailand.

4.72. The authorities noted that both domestic and foreign banks are subject to the same regulatory requirements. The authorities further noted that foreign banks are also given the right to participate in foreclosure proceedings and take possession of the mortgaged property, similar to domestic banks. However, the title to the mortgaged property may not be transferred to a foreign bank; foreign banks therefore have a maximum period of five years within which to transfer the said property to qualified Filipino nationals. Foreign banks entering the Philippine banking system through the establishment of a branch are allowed to establish five sub-branches in locations of their choice.

4.73. Banks in the Philippines may take one of a number of forms. Universal banks are commercial banks that have expanded functions, such as performing the activities of investment houses, investing in non-allied enterprises[48], and owning up to 100% of saving banks, rural banks,

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[45] Quasi-banks engage in borrowing funds through issuing, endorsing, or accepting deposit substitutes for re-lending or purchasing receivables and other obligations (WTO, 2005).

[46] In the proposed amendment to the Central Bank Act, the bill envisaged expanding BSP's regulatory powers over the payments and settlement systems including financial market infrastructure. The amendment bill is still pending in Congress.

[47] BSP, the Securities and Exchange Commission (SEC), the Insurance Commission (IC), and the Philippine Deposit Insurance Corporation (PDIC) coordinate their respective supervisory actions through the platform of the Financial Sector Forum.

[48] A list of what constitutes a non-allied undertaking is provided in the Manual of Regulations for Banks. Viewed at: http://www.bsp.gov.ph/regulations/reg_MORB.asp.

or allied financial or non-financial enterprises, or 51% of insurance companies. Commercial banks may do likewise, but they may not own insurance companies, and their equity in other non-bank financial institutions (e.g. leasing and credit-card companies) is capped at 40%. Saving banks or thrift banks comprise savings and mortgage banks, as well as private development banks. Rural and cooperative banks provide basic banking services in neighbourhoods.

4.74. At end-June 2017, there were 593 banks with more than 10,000 branch offices. The banking sector is dominated by private domestically owned institutions. While rural and cooperative banks are significant in numerical terms[49] (i.e. 493 out of 593), universal and commercial banks together account for around 90% of total bank assets (Table 4.4).

Table 4.4 Banking sector structure, December 2016

Bank type	Number	Total assets (PHP billion)
Universal and commercial banks	42	12,881.5
Private	39	10,863.9
- domestic	17	9,785.2
- foreign	22	1,078.7
State owned	3	2,017.6
Thrift banks	58	1,137.0
Rural banks	467	205.6
Cooperative banks	26	18.1
Total	**593**	**14,242.2**

Source: Information provided by the authorities.

4.75. Among the universal and commercial banks, three domestic private banks controlled 42% of the total assets of the sector as of end-June 2017: BDO (18.1%), Metrobank (12.6%), and BPI (11.1%). There were 25 foreign banks operating in the Philippines, accounting for less than 10% of total assets at end-June 2017. Among these 25 foreign banks, 20 entered the country as foreign bank branches while the other five were locally incorporated as subsidiaries; most foreign banks originated from Chinese Taipei and the Republic of Korea.

4.76. There are three government-owned banking institutions in the Philippines: the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP), and Al Amanah Islamic Investment Bank of the Philippines (AAIIBP). Together, these account for 14.2% of the total assets of the banking sector. The DBP and the LBP provide commercial banking services as well as development financing. The AAIIBP is the only bank in the Philippines authorized to offer Islamic banking. It is also licensed to perform both commercial and investment banking services.

4.77. The Philippines has fully implemented the Basel III risk-based capital adequacy framework since January 2014.[50] This framework is applied to all universal and commercial banks as well as quasi-banks. Under the new requirement, minimum capital ratios are set as 6% Common Equity Tier 1 (CET1) ratio, 7.5% Tier 1 ratio, and 10% Total Capital Adequacy Ratio (CAR). The capital conversation buffer (CCB) is 2.5%. Branches of foreign banks are subject to equivalent requirements, effective from 21 November 2014.[51] According to the authorities, the risk-based CAR of universal and commercial banks was recorded at 15.3% on a solo basis, and 16.0% on a consolidated basis as of end-June 2017.

4.78. As of end-June 2017, 493 rural and cooperative banks had combined assets of PHP 223.7 billion which accounted for 1.6% of the Philippine banking system. The number of rural and cooperative banks significantly dropped from 692 in end-June 2009 to 493 in end-June 2017. According to the authorities, the decline could be attributed to the mergers and consolidations of banks to improve financial strength, enhance viability, strengthen management and governance, and expand market reach.

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[49] Rural and cooperative banks usually have only one branch.

[50] On 15 January 2013, BSP issued Circular No. 781 providing the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements. Minimum buffers composed of CET1 capital have been required of systemically important banks starting January 2017, and are expected to be fully complied with by January 2019.

[51] RA 10641 de-recognized the "Net Due to Head Office" as a component of the capital of foreign bank branches. Under RA 16041, the capital of a foreign bank branch shall be composed of: permanently assigned capital, undivided profits, and accumulated net earnings which is composed of unremitted profits not yet cleared by BSP for outward remittance and losses in operations.

4.79. On 15 February 2016, the BSP Monetary Board issued Circular 902 which gradually lifts the moratorium on the granting of licences for the establishment of new banks. The implementation of the Circular is in two phases: the initial phase is expected to be completed by end-2017, during which existing saving banks may apply for a licence to convert into a universal or commercial bank; the second phase will commence on 1 January 2018 when all locational restrictions on the granting of new bank licences shall be fully lifted.

4.80. On 24 May 2013, a new law (RA 10574) allowing the infusion of foreign equity in the capital of rural banks entered into force. Under this Act, non-Filipino citizens may own, acquire or purchase up to 60% of the voting share of a rural bank, and these non-Filipino citizens may become members of the Board of Directors, proportional to the share they possess.

4.81. Similarly, the restrictions on foreign equity in financing companies and investment houses was relaxed by the Act Amending Investment Restrictions in Specific Laws Governing Adjustment Companies, Lending Companies, Financing Companies and Investment Houses Cited in the Foreign Investment Negative List and for Other Purposes (RA 10881). The Act provides that lending companies, financing companies and investment houses may be wholly owned by foreign nationals. Similar to the privilege granted to foreign banks, a financing company with more than 40% foreign-owned shares may bid on, and take part in, any sale of land, and, as a consequence of such mortgage, avail of enforcement proceedings, take possession of, and transfer their rights to qualified Filipino nationals for a period not exceeding five years from actual possession. The implementation regulations and rules for RA 10881 are in the process of drafting.

4.82. Traditionally, banks in the Philippines are primarily exposed to large domestic corporations. As of end-June 2017, 54% of outstanding domestic bank loans were extended to financial and non-financial private corporations.[52] Following the recent expansion in infrastructure construction projects, banks are also expanding their lending to the Government through the PPPs. Meanwhile, the share of household loans in banks' lending portfolios has risen since 2010. Most retail lending was for real estate and automobiles, reflecting the economic improvement during the same period of time.

4.83. As of end-June 2017, the total loan portfolio (TLP) stood at PHP 8,022 billion, growing by 18% on a year-on-year basis. Despite the continued loan growth, the loan quality of the banking system remained satisfactory. The non-performing loan (NPL) ratio was 1.9% and the non-performing asset (NPA) ratio was 1.8%. The banking system continued to provide a sufficient buffer for credit losses, as evidenced by a high NPL coverage ratio of 114.3% and NPA coverage ratio of 79.6%. The net profit of the banking system stood at PHP 82.3 billion for the first half of 2017, up by PHP 3.1 billion from PHP 79.2 billion for the period ended June 2016.

4.84. The Credit Information Corporation (CIC) began to operate in 2016. The CIC is a state-run credit history bureau. Before this, there was a private credit bureau in the Philippines.[53] The operation of the CIC will facilitate information sharing among banks and private credit bureaux, so as to ensure that banks have a better borrower risk profiling system.

4.85. The Philippine Deposit Insurance Corporation (PDIC), under the Ministry of Finance, is responsible for determining insured deposits, providing deposit insurance, conducting bank examinations independently or in coordination with the BSP, examining deposit accounts in failing banks, acting as receiver in the event of a bank's failure, and, under certain conditions, providing support to banks that are in danger of closing. PDIC provides the maximum deposit insurance coverage of PHP 500,000 per depositor per bank. The PDIC's Deposit Insurance Fund (DIF) stood at approximately PHP 130.0 billion as of 31 December 2016.[54]

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[52] Private corporations are composed of financial and non-financial corporations. Financial corporations are private corporations that are primarily engaged in financial intermediation or in auxiliary financial activities that are closely related to financial intermediation but are not classified as banks. Non-financial corporations are private corporations whose principal activity is the production of goods or non-financial services for sale.

[53] In 2011, five large banks in the Philippines (BDO, Metrobank, BDI, Citibank, and HSBC) partnered with the US credit agency TransUnion to establish a private credit bureau.

[54] Commission on Audit online information. Viewed at: https://www.coa.gov.ph/index.php/gov-t-owned-and-or-controlled-corp-goccs/2016/category/6370-philippine-deposit-insurance-corporation.

4.86. Regarding financial innovation, BSP follows three principles to develop its regulatory environment, namely: risk-based and proportionate regulation, active multi-stakeholder collaboration, and consumer protection. These principles are implemented through a test-and-learn approach, referred to as the "regulatory sandbox". BSP has applied the "sandbox" to a number of cases such as G-Gash/Smart Money and Lendr Solution. The authorities are of the view that the test-and-learn approach enables the regulator to craft appropriate regulations that aim to promote financial technology innovation while mitigating technology-related risks.

4.5.1.2 Insurance

4.87. The Insurance Commission (IC) remains the sector regulator for insurance services, whose responsibilities include licensing operators, market surveillance, claims and complaints adjudication, and approving insurance premiums and products. IC also regulates and supervises the pre-need and health maintenance organizations sector.[55]

4.88. The main legislation on insurance services is the Insurance Code. It was amended on 15 August 2013. The amendment tightened the prudential and solvency requirements for both domestic and foreign companies, and strengthened the regulatory power of the Commission. The authorities noted that the amended Code aligned the Philippine law with global development in the insurance sector.

4.89. As per the amended Insurance Code, all insurance companies authorized to do business in the Philippines are required that risks must first be offered "to other companies similarly authorized to do business in the Philippines in such amounts and under such arrangements as would be consistent with sound underwriting practices".[56]

4.90. As of end-2016, 98 insurance companies were operating in the Philippines, with an insurance penetration rate of 1.6%. The authorities are of the view that the small size of the insurance market is, *inter alia*, attributed to a lack of priority being placed on insurance products by citizens, and a low financial literacy level among low-income households.

4.91. Companies must obtain a licence (Certificate of Authority) from the IC prior to commencement of business. There are no restrictions on the form of business that foreign companies may operate in the country (i.e. branches, subsidiaries, or joint ventures), nor are there limits on foreign equity participation.[57] A company is considered a foreign company if more than 40% of its equities are owned by non-Filipinos. At the end of 2016, there were 18 foreign companies in the Philippine insurance market, accounting for 55.1% of total premiums (Table 4.5). According to the authorities, since the entry into force of the amended Insurance Code, all companies have been subject to the same regulatory requirements, regardless of ownership.

Table 4.5 Insurance market structure, 2011-16

Insurance company type	2011	2012	2013	2014	2015	2016
Composite	**4**	**4**	**4**	**4**	**4**	**4**
Domestic	3	3	3	3	3	3
Foreign	1	1	1	1	1	1
Life	**30**	**29**	**26**	**27**	**26**	**27**
Domestic	22	22	20	21	19	18
Foreign	8	7	6	6	7	9
Non-life	**81**	**76**	**70**	**67**	**66**	**66**
Domestic	73	69	63	60	59	58
Foreign	8	7	7	7	7	8
Professional reinsurer	**1**	**1**	**1**	**1**	**1**	**1**
Domestic	1	1	1	1	1	1
Total	**116**	**110**	**101**	**99**	**97**	**98**

Source: Information provided by the authorities.

[55] Insurance Commission online information, "Mandates, Objectives, and Functions". Viewed at: https://www.insurance.gov.ph/about/mandates-objectives-and-functions/.
[56] Article 224, the Insurance Code.
[57] The World Top 200 companies requirement set forth in IC Order No. 100-94 was abolished when the amended Insurance Code entered into force.

4.92. The authorities noted that all insurance companies, irrespective of ownership, are subject to the same capitalization, minimum paid-up capital, and net worth requirements. Pursuant to the amended Insurance Code and IC Circular Letter 2015-02-A, there is a minimum capitalization requirement of PHP 1 billion for new insurance companies. Existing companies must have a net worth[58] of PHP 500 million by end-2016, and PHP 1.3 billion by end-2022. For new reinsurance companies, the capitalization requirement is PHP 3 billion, of which at least 50% must be paid-up capital and the remainder contributed surplus, which in no case shall be less than PHP 400 million; existing reinsurance companies must have a net worth of PHP 2.25 billion by end-2016, and PHP 3 billion by end-2022.[59]

4.93. A branch of a foreign company, or foreign reinsurance company, must deposit with the IC approved securities valued at the amount equal to the minimum paid-up capital required of their domestic counterparts. The Philippines maintains security funds of PHP 5 million each for life companies and non-life companies. Insurance companies make a one-time contribution to this fund in an amount proportional to their net worth during the year of assessment. The security funds are used for payments to claimants and reinsurance companies in the event of insolvency of an authorized insurance company.

4.94. Taxes levied on life insurance companies include a 2% premium tax, and a documentary stamp tax (for insurance policies over PHP 100,000) which ranges from PHP 10 to PHP 100 depending on the premium of the insurance. Life insurance companies are subject to 12% VAT on their management fees, rental income and other income from services pursued independently of insurance business. Premiums are not subject to VAT. However, non-life insurance is subject to 12% VAT and a documentary stamp tax of 12.5% of the premium value. A fire services tax is applied to non-life insurance companies at 2% of all premiums, excluding re-insurance premiums for the sale of fire, earthquake and explosion hazard insurance. Local governments also impose a levy on non-life insurance companies at a rate of 0.5% on their annual gross receipts.[60]

4.95. The National Reinsurance Corporation of the Philippines (NRCP) is a domestic reinsurer for domestic and regional clients; 25.7% of the NRCP is owned by the Government through the Government Service Insurance System (GSIS). Reinsurance companies doing business in the Philippines are required to cede to the NRCP at least 10% of outward reinsurance placements.[61] Reinsurance services may be obtained from abroad upon the authorization of the IC. The reinsurer must have a resident agent registered with the IC.

4.96. Under the Property Insurance Law (RA 656), the GSIS has responsibility for administering the General Insurance Fund, which provides insurance coverage for government assets and properties.[62] As of end-2016, the total risks underwritten by the GSIS amounted to PHP 1.98 billion.

4.97. All pre-need companies[63] (including health maintenance organizations)[64] are now regulated by the IC. Under the Pre-Need Code (RA 9829), new pre-need companies must have a minimum paid-up capital of PHP 100 million; for existing companies, the amounts may be lower depending on the number of different plans sold. Companies must also make monthly deposits into a trust fund for each pre-need plan in order to ensure that the benefits promised under the contract may be met. There are no restrictions on foreign equity participation in pre-need companies.

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[58] The net worth of a foreign insurance company must be its net worth in the Philippines.

[59] Reinsurance companies here refers to the insurance companies authorized to transact solely reinsurance business.

[60] The gross receipts include receipts derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rental income on property and profit from exchange or sale of property, and insurance premiums.

[61] Presidential Decree No. 1270, Section 4. Viewed at: http://www.chanrobles.com/presidential decrees/presidentialdecreeno1270.html.

[62] The GSIS's main responsibility is to provide social security benefits to Government employees.

[63] The pre-need companies provide payments in times of need for memorial or burial services, education or pensions; they partially compete with insurance companies in the market.

[64] A health maintenance organization (HMO) is an entity that provides or arranges for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee for a specific period of time through the use of a network of selected health care providers. Pursuant to the Executive Order No. 192 (s.2015), the IC took over the regulatory power on HMOs from the Department of Health.

4.98. Insurance intermediaries such as brokers and agents are also subject to licensing requirements by the IC. Licensing requirements also apply to individuals in various insurance-related jobs. As of 13 October 2017, the insurance sector employed more than 80,000 licensed agents (Table 4.6). Foreign nationals residing in the Philippines are allowed to be a licensed agent, subject to the same requirement as Filipino agents.

Table 4.6 Numbers of licensed agents, October 2017

Agent type	Licence type	Number
General	Life	66
	Non-life	94
Ordinary	Life	32,269
	Non-life	10,548
	Microinsurance life	78
	Microinsurance non-life	8
	Variable	37,396
Total		**80,459**

Source: Information provided by the authorities.

4.5.2 Telecommunications

4.99. The legal framework of the telecommunications sector remained largely unchanged since the last Review of the Philippines. The Public Telecommunications Policy Act (RA 7925) remains the main law governing the sector. The National Telecommunications Commission (NTC) is the line agency for the sector, responsible for administering the provisions of the Act. Pursuant to the Department of Information and Communication Technology Act (RA 10844) enacted in May 2016, the Department of Information and Communication Technology (DICT) is responsible for overseeing the policy development in the telecommunications sector.

4.100. Telecommunications in the Philippines is entirely private-sector driven. In 2016, the Philippines was ranked 107th out of 175 territories in the ITU's ICT Development Index.[65] During the period under review, mobile penetration was on an increasing trend, while fixed-line penetration remained largely stable. The mobile penetration rate has exceeded 100% since 2012. More notably, Internet usage in the Philippines has experienced rapid growth since 2011. Internet is now used by 55.5% of individuals, compared to 29% in 2011. Fixed broadband penetration sharply increased from 1.88% in 2011 to 5.46% in 2016 (Table 4.7).

Table 4.7 Selected telecommunications indicators, 2011–16

	2011	2012	2013	2014	2015	2016
Fixed telephone subscriptions ('000)	3,556	3,493	3,149	3,093	3,224	3,836
Fixed telephone subscriptions per 100 inhabitants	3.74	3.61	3.20	3.09	3.17	3.71
Mobile-cellular telephone subscriptions ('000)	94,190	101,978	102,824	111,326	117,838	113,000
Mobile-cellular telephone subscriptions per 100 inhabitants	99.09	104.45	104.50	111.22	115.75	109.17
Internet users (%)	29	36.2	48.1	49.6	53.7	55.5
Fixed broadband subscriptions ('000)	1,797	2,147	2,573	2,900	4,870	5,649
Fixed broadband subscriptions per 100 inhabitants	1.88	2.22	2.61	2.9	4.78	5.46
Wireless broadband total subscriptions ('000)	..	..	..	..	..	..
Wireless broadband total subscriptions per 100 inhabitants	..	..	..	..	..	41.58

.. Not available.

Source: ITU online information. Viewed at: www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx; and information provided by the authorities.

4.101. Telecoms services are regarded as a public utility, and foreign equity in telecoms companies (both public (i.e. basic) and value added) is limited, by the Constitution as well as the Public Service Act, to 40%. The authorities indicated that, according to a Department of Justice opinion, if the service is not provided directly to consumers or the public, then the 40% limit does

[65] The ICT Development Index comprises 11 indicators covering ICT access, use, and skills. Viewed at: http://www.itu.int/net4/ITU-D/idi/2016/.

not apply. Foreigners may not become executives or managers of telecoms firms, and the number of foreign directors must be proportionate to the firm's aggregate share of foreign capital.

4.102. Basic telecoms services providers must obtain prior approval from both Houses of Congress to become a "congressional franchise". This requirement is applied to basic telecoms services of local exchange operators, inter-exchange carriers, international carriers, mobile radio services, and radio paging services. A franchise may be granted for a maximum period of 50 years, renewable. In practice, franchises have generally been granted for 25 years. In addition to the "congressional franchise", services providers may apply for an "administrative franchise" from the NTC. As of end-October 2017, all but one telecoms services providers are "congressional franchised" companies.

4.103. Franchised companies must then apply to the NTC for Certificates of Public Convenience and Necessity (CPCN) in order to provide the relevant services. A CPCN specifies geographical area, type or classification of activities, regulations for providing the services and, in some cases, the rates chargeable. A public hearing will be organized by the NTC prior to its decision on issuing a CPCN.

4.104. Currently, there are nine franchised companies operating public chunk lines, while 58 operators are franchised on local loops. Fixed-line services are dominated by two providers: the Philippine Long Distance Telephone Company (PLDT) and Globe Telecom. Monopoly might exist in the market of local exchange; the authorities noted that operators must fulfil their franchise conditions when providing local exchange services. There are 10 franchised operators of cellular services.

4.105. Value-added telecoms services providers need not obtain a franchise, but are required to register with the NTC.

4.106. Value-added services may be provided by franchised public telecoms services providers, provided they do not discriminate against other value-added services providers with respect to rates or deny them equitable access to their facilities. In addition, the value-added services they offer may not be cross-subsidized from their utility operations.

4.107. The Public Telecommunications Policy Act requires NTC to allocate spectrum to the "best qualified" provider(s). In general, spectrum is allocated to applicants, subject to an annual spectrum fee. The authorities indicated that applicants were pre-qualified, based on a set of criteria relating to their track record, roll-out plan, and schedule rates for their services. This was followed by an auction in the event of there being more qualified applicants than available spectrum blocks. According to the authorities, the annual spectrum fee is not used to finance the operation of the NTC, but to finance communication and information technology infrastructure (e.g. free WiFi in public spaces).

4.108. The NTC sets tariffs for telecoms providers. However, if a service has sufficient competition to ensure fair and reasonable rates or tariffs, the NTC may exempt the service from its rate or tariff regulations. The authorities did not clarify the criteria used to determine "sufficient competition", or which providers' tariffs are currently regulated.

4.109. In June 2017, the DICT issued a National Broadband Plan. The Plan will serve as a blueprint for improving the telecoms infrastructure and promoting an open access network in the country. The Plan also calls for regulatory reforms so as to enhance investment in the sector.[66]

4.5.3 Transport

4.5.3.1 Aviation

4.110. The legal and institutional framework for air transport remained largely unchanged during the period under review. The Civil Aeronautics Board (CAB), under the Department of

[66] Department of Information and Communications Technology (2017). National Broadband Plan: Building Infrastructures for a Digital Nation. Viewed at: http://www.dict.gov.ph/wpcontent/uploads/2017/06/National-Broadband-Plan.pdf.

Transportation, is responsible for licensing domestic (through franchising) and international airlines, and regulating competition within the sector. The Civil Aviation Authority of the Philippines (CAAP), also under the Department of Transportation, has responsibility for the regulation of the technical, operational, safety, and security aspects of aviation. The CAAP provides air navigation services in the airspace of the Philippines.

4.111. Cabotage in the Philippines is reserved for Filipino carriers, i.e. foreign equity in a domestically licenced airline may not exceed 40%. There are no provisions on requirements regarding crews' nationality/residency on domestic flights. Government-financed air transport of cargo is reserved for Filipino carriers, however, in practice, the Fair Trade Enforcement Bureau (FTEB), under the Department of Trade and Industry, may issue waivers when there are no Filipino carriers available on the specific route or time.

4.112. Anyone wishing to provide air transport services as a Filipino carrier must obtain two separate authorizations from the Department of Transportation: a licence of operation from the CAB concerning economic authority, and a permit from the CAAP concerning safety-related matters. The CAB has statutory authority to preserve competition in the sector. In this regard, it is responsible for eliminating rate discrimination, unfair competition, and deceptive practices, and for approving airline mergers.[67]

4.113. Philippine Airlines (PAL) is the flag carrier, serving a large number of international scheduled routes. There are three other major Filipino airlines operating international as well as domestic routes. With regards to domestic routes, there are no specific legal provisions limiting cabotage to domestically licensed airlines. However, granting exclusive rights to carriers may create an adverse effect on competition.

4.114. In principle, Executive Order 29 of 2011 authorizes the Philippines' negotiators[68] to offer in a bilateral air services agreement (ASA) up to fifth freedom rights to all airports except the Ninoy Aquino International Airport (NAIA), and to do so without imposing restrictions on frequency, capacity, or type of aircraft. However, most bilateral ASAs in force are restrictive, covering only third and fourth freedoms. All ASAs require substantial ownership, effective control of the airline and dual approval of tariffs. In addition, capacity is generally predetermined, with a few exceptions. On the other hand, multiple-designation is the general rule. Currently, there are 68 ASAs in force.

4.115. For ASAs already in force, the CAB has the authority to grant foreign air carriers increased frequencies and capacities beyond the terms of the relevant ASA. These increases must be approved by the President, and may have conditions attached, including that they may apply only for a specific period of time.

4.116. Effective from March 2013, the Income Tax Exemption to International Carriers Act (RA 10378) repealed the 3% Common Carriers Tax (CCT) and a 2.5% Gross Billings Tax on carriers.

4.117. There are 85 airports in the country, 11 of which are international airports and 34 serve domestic scheduled services. NAIA is the main airport for international flights, approaching its full capacity. As per CAAP regulations, airports may be state- or privately owned. There are 102 privately owned airports, mainly used for air-taxi services.

4.118. The operation and management of airports may be fully carried out by the airport's owners, or partly or wholly by a third party through outsourcing and management contracts. The Mactan-Cebu Airport and NAIA are managed by the Mactan-Cebu International Airport Authority (MCIAA) and the Manila International Airport Authority (MIAA), respectively; both airport authorities are government-owned and controlled companies. The management and operation of Caticlan Airport has been privatized. All other airports are managed and operated by the CAAP.

[67] Executive Order 219. Viewed at: http://www.cab.gov.ph/mandates/item/executive-order-no-219-1995?category_id=86.

[68] Bilateral air services agreements (ASAs) are negotiated by the Philippine Air Negotiating Panel and/or the Philippine Air Consultation Panel (together known as the Philippines Air Panels). The Philippine Air Negotiating Panel is responsible for negotiations to conclude ASAs, and the Philippine Air Consultation Board is responsible for any succeeding negotiations.

4.5.3.2 Maritime

4.119. The Maritime Industry Authority (MARINA), under the Department of Transportation, has overall responsibility for the regulation and development of the four maritime sectors in the Philippines (domestic and overseas shipping, shipbuilding/ship repair, and maritime manpower).[69] MARINA develops sectoral policies, registers and licences ships and personnel, and franchises carriers for domestic routes. The Philippine Coast Guard is responsible for matters concerning safety and security for domestic and international shipping.

4.120. MARINA is responsible for registering vessels under the Philippine Register of Ships. Only Filipino nationals or domestic companies[70] may register vessels. The Chief Executive and Chief Operating Officers must be citizens or permanent residents of the Philippines. Moreover, the crew must be 100% Filipino. Ships are registered to provide either domestic or international shipping. As of 30 June 2017, there were 14,351 Philippine-registered ships involved in the domestic transport of cargo and passengers (representing 2,580,418.5 gross tonnes), and 117 Philippine-registered ships engaged in international voyages (2,413,534 gross tonnes).

4.121. As per the Domestic Shipping Development Act (RA 9295), domestic shipping (i.e. cabotage) is reserved for Philippine-registered ships. MARINA grants certificates to domestic shipping operators. Foreign participation in domestic shipping may be through joint ventures with up to 40% ownership. Foreign vessels, under a special permit granted by MARINA, may provide cabotage services when no domestic vessel is available or suitable to provide the service required, and the public interest warrants it. As of September 2017, MARINA granted 242 special permits to foreign vessels.

4.122. There is a Memorandum of Understanding (MoU), effective on 2 November 2007, on Establishing and Promoting Efficient Integrated Sea Linkages among the governments of Brunei Darussalam, Indonesia, Malaysia, and the Philippines. According to this MoU, the participating parties will grant temporary exclusive rights to vessels from one another to operate on a route that no existing shipping services operate. Currently, a Philippine vessel under this temporary exclusive right is operating a route between Zamboanga (Philippines) and Sandakan (Malaysia).

4.123. Under the Foreign Ships Co-Loading Act (RA 10668), effective 21 July 2015, international relays are now possible in the Philippines. Foreign ships may carry goods that are bound for international trade between inter-island domestic ports; the goods for international relays must be unloaded by another foreign vessel calling at that port, *en route* to the port of final destination. Foreign vessels are not allowed to carry goods not bound for international trade and passengers between domestic ports.

4.124. Similar to air transport, government cargos transported by sea are reserved for Philippine-registered vessels. An exemption may be obtained from the FTEB if suitable Philippine-flagged vessels are unavailable at reasonable freight rates within a reasonable period.

4.125. The Philippine Ports Authority (PPA) is responsible for administering most state-owned ports. Under the jurisdiction of the PPA, 17 ports serve international trade[71] and 3 ports handle foreign transhipment cargos. The principal port is Manila Port (Table A4.4).[72] In September 2014, under Executive Order 172, the Philippines designated Batangas Port and Subic Bay Free Port as extensions to Manila Port for international trade during congested times and in emergency cases. The authorities state that the Philippines offers port services on a non-discriminatory basis to all international traffic.

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[69] On 13 March 2014, MARINA was designated, through RA 10635, as the single maritime administration responsible for implementing and enforcing the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.

[70] Companies that are at least 60% Filipino-owned are considered domestic companies.

[71] Government-owned ports that serve international trade are: South Harbour (Manila); Manila MICT; Limay; Batangas; Legazpi; Puerto Princesa; Dumaguete; Iloilo; Cagayan de Oro; Iligan; Nasipit; Surigao; Davao; General Santos; Tagbilaran; Tacloban; and Currimao. The ports that handle foreign transhipment cargos are: Currimao, Salomague, and the MICT. There are five other ports which traditionally handle domestic trade that have begun to handle international trade: Coron, Ozamis, Ormoc, Calapan, Tabaco and Pasacao.

[72] Manila Port comprises the North Harbour (mainly handling domestic trade), and the South Harbour and the MICT, handling foreign trade.

4.126. The PPA grants concession contracts to the private sector for port management and operations for some of its major ports: the Manila International Container Terminal (MICT) is managed by International Container Terminals Services, Inc.; Manila South Harbour and Batangas Port are managed by Asian Terminals, Inc.; and Manila North Harbour is managed by Manila North Harbour Port, Inc. A concession contract is usually for 25 years. As is the case for shipping, foreign participation in port management is capped at 40% ownership. According to the authorities, cargo handling services in various PPA ports has been privatized, and PPA-owned passenger terminal buildings in various ports are also being operated by private entities.

4.127. Private companies may apply to the PPA for a licence to finance, develop, construct, and operate ports.[73] Foreign equity in port ownership is limited to 40%. While the port facility and back-up area of the port may be privately owned, the foreshore area belongs to the State.

4.128. All Philippine vessels must be repaired, altered, reconditioned, converted and dry docked at domestic shipyards or ship-repair facilities registered with MARINA. Exemptions apply, subject to a waiver from MARINA, such as when emergency repairs are required overseas, when repairs or work cannot be accommodated by Philippine shipyards, or when the Philippines is not a port of call. There are no foreign equity limits in shipbuilding or ship repair.

4.129. The Philippines has a significant maritime manning industry. In March 2014, MARINA became the single maritime administration responsible for the implementation and enforcement of the 1978 International Convention on Standards of Training, Certification, and Watchkeeping for Seafarers, and related international agreements and covenants. The authorities indicated that this step was taken to address the concerns from other stakeholders such as the European Maritime Safety Agency, and to ensure the standards for Filipino seafarers are compliant with the international ones. Furthermore, the Seafarers Protection Act (RA 10706) entered into force on 26 November 2015. The Act aims to promote and protect the welfare of Filipino seafarers from unscrupulous individuals who take advantage of the plight and wellbeing of the seafarers.

4.5.4 Tourism

4.130. In 2016, the tourism sector contributed 8.6% to GDP and 12.8% to employment. Tourist arrivals to the Philippines reached 5.97 million in 2016, increasing by 11% compared to 2015. The top five sources of tourist arrivals were Korea (the Republic of), China, Japan, the United States, and Chinese Taipei. Since 9 November 2014, the Philippines has offered 30-day tourist visa waivers to nationals from 157 countries.[74] Furthermore, the Philippines provides 14-day visa-free entry for Indian nationals if they have a valid visa (or a permanent resident permit) from Australia, Canada, Japan, the Schengen area, Singapore, the United Kingdom, or the United States.

4.131. Tourism is considered to be central to the Philippines' social and economic development. The sectoral policies are set forth in a six-year National Tourism Development Plan (NTDP) by the Department of Tourism. The current NTDP is the NTDP 2016-2022, succeeding the NTDP 2011-2016. According to the authorities, the NTDP aims to develop a global competitive, environmentally sustainable and socially responsible tourism industry that promotes inclusive growth through employment generation and equitable income distribution.

4.132. The authorities indicated that the main bottleneck to tourism development includes uncompetitive tourist destinations and products, infrastructural weaknesses, and weak tourism governance. To address these concerns, the Department of Tourism has identified 12 strategic programmes, in its NTDP 2016-2022, covering areas of, *inter alia,* transport infrastructure, travel facilitation, tourism investments and business environment, product development, marketing, human resources and services standards, as well as quality standards.

4.133. Notwithstanding the importance the Government attaches to growth, significant market access and barriers to foreign investment remain in the tourism sector. 100% foreign equity is allowed in accommodation facilities. However, lands may be leased to foreign investors only for a period of 50 years, renewable once for not more than 25 years. For tourism projects, private land may only be leased to foreigners for investments of a minimum of US$5 million. Minimum paid-up

[73] The construction of the port must conform to the overall national port development plan.
[74] Executive Order 408.

capital for 100% foreign-owned restaurants is US$2.5 million; otherwise foreign ownership is limited to 40%.[75]

4.134. The Tourism Act developed the concept of a Tourism Enterprise Zone (TEZ). A TEZ benefits from a number of tax incentives, including an income tax holiday for up to 12 years, 5% tax on gross income in lieu of national taxes, duty-free imported capital goods and equipment, exemption from VAT and excise on imported goods for TIEZA-registered activities, and tax credit equivalent to national taxes paid on local goods and services for activities in TEZs. The Act provides the criteria for designation as a TEZ.[76] Applications for designation must be made to the Tourism Infrastructure and Enterprise Authority (TIEZA), and be accompanied by a development plan. The minimum required investment in order to benefit from incentives is US$5 million; however, exemptions may be granted.[77] As of end-2015, TIEZA has implemented 52 tourism infrastructure projects.

4.135. During the review period, the Department of Tourism took steps to enhance the business environment of the sector. The efforts, through a number of initiatives and projects with other stakeholders, included cutting regulatory red tape through the Regulatory Impact Assessment Programme, improving road access to priority tourist destination areas, and enhancing inclusiveness of local communities in the tourism sector.

4.5.5 Professional services

4.136. The Philippines Professional Regulation Commission (PRC) has responsibility for regulating and licensing 43 professions (except the legal profession), which it does through its sector-specific Professional Regulatory Boards (PRBs) and the respective profession-specific laws.[78]

4.137. Practice of all professions in the Philippines is limited to Filipino citizens, except in cases prescribed by law. However, the Labour Code provides that non-resident aliens may be admitted to the Philippines to supply a service after it has been determined that a competent and willing Filipino is not available at the time of application. Moreover, the Philippines Professional Regulation Commission Modernization Act allows the PRC, upon the recommendation of the professional regulatory body concerned, to approve the licensing and registration of foreign professionals, with or without examination, when substantially the same requirements for licensing and registration for the profession exist in the respective country, and on the basis of reciprocal treatment.

4.138. Licences or special temporary permits may be granted to: foreign professionals under reciprocity and other international agreements; consultants engaged in foreign-assisted government projects; employees of foreign private firms or institutions; or health professionals engaged in time-limited humanitarian missions.

4.139. The Philippines included specific commitments on professional services in its regional and bilateral trade agreements, i.e. the ASEAN Framework Agreement on Services (AFAS), the ASEAN-Australia–New Zealand Free Trade Area (AANZFTA), the ASEAN–Korea Agreement on Trade in Services (AK–ATS), the ASEAN–China Free Trade Area (ACFTA), and the bilateral FTA between the Philippines and Japan (Table A4.5). To facilitate the implementation of these commitments, mutual recognition arrangements/agreements (MRAs) were developed for engineering services, nursing services, architectural services, surveying, medical practitioners, dental practitioners, and

[75] No foreign equity is allowed if specialty restaurants are not part of hotel facilities.

[76] See Chapter IV(A) of the Tourism Act of 2009.

[77] Projects with less than US$5 million may be invested in a Cultural Heritage Tourism Zone or an Eco-tourism Zone if TIEZA deems it sufficient for the purposes, requirements and nature of the tourism project to be undertaken. Details for granting incentives are set forth in the Tourism Act of 2009, and its associated regulations.

[78] The 43 regulated professions are: accountancy; aeronautical engineering; agricultural engineering; agriculture; architecture; chemical engineering; chemistry; civil engineering; criminology; customs brokers; dentistry; electrical engineering; electronics engineering; environmental planning; fisheries; forestry; geodetic engineering; geology; guidance counselling; interior design; landscape architecture; librarians; master plumbers; mechanical engineering; medical technology; medicine; metallurgical engineering; midwifery; mining engineering; naval architecture and marine engineering; nursing; nutrition and dietetics; optometry; pharmacy; physical therapy and occupational therapy; professional teachers; psychology; radiologic and x-ray technology; real estate service; respiratory therapy; sanitary engineering; social workers; and veterinary medicine.

accountancy services.[79] Under the MRA among ASEAN members on Engineering and Architectural Services, the Philippines began registration in 2014. Registration for accountancy is also set to commence once its Monitoring Committee is established.

4.140. Legal practitioners are regulated by the Supreme Court. To practice as a lawyer in the Philippines, one must pass the Supreme Court Philippine Bar Examination. Candidates for the bar examination must acquire a professional degree in law from a recognized law school in the Philippines or from a foreign law school that has been accredited by the Philippine Government, and a bachelor's degree (with academic credits in required subjects) from a recognized college or university in the Philippines or abroad. Lawyers must be Filipino citizens and residents.

[79] The health-related MRAs identified five areas of mobility (limited practice, expert visits, education and training, humanitarian missions and research) where cross-border movement of practitioners is contemplated.

5 APPENDIX TABLES

Table A1.1 Basic economic and social indicators, 2011-16

	2011	2012	2013	2014	2015	2016
Real GDP at market price (US$ million, 2010 prices)	136,452.9	149,311.1	159,039.8	161,402.3	167,026.4	171,109.3
Real GDP at market price (pesos billion, 2010 prices)	5,910.2	6,305.2	6,750.6	7,165.5	7,600.2	8,126.4
Current GDP at market price (US$ million)	224,142.9	250,092.1	271,836.2	284,584.8	292,773.8	304,905.6
Current GDP at market price (Pesos billion)	9,708.3	10,561.1	11,538.4	12,634.2	13,322.0	14,480.7
GDP per capita at current market price (US$)	2,352.5	2,581.8	2,760.3	2,842.9	2,878.3	2,951.1
GDP by economic activity, at constant 2010 prices (%age change)						
Agriculture	2.6	2.8	1.1	1.7	0.1	-1.3
Agriculture and forestry	4.4	3.6	1.2	2.1	0.6	-0.6
Fishing	-4.3	-0.4	0.7	-0.2	-1.8	-4.3
Mining and quarrying	7.0	2.2	1.2	12.1	-1.5	3.2
Manufacturing	4.7	5.4	10.3	8.3	5.7	7.0
Construction	-9.6	18.2	9.6	7.2	11.6	13.7
Electricity, gas and water	0.6	5.3	4.7	3.7	5.7	9.8
Services	5.6	7.0	7.3	6.1	6.8	7.5
Trade and repair of motor vehicles	3.4	7.6	6.2	5.8	7.1	7.2
Transport, storage, and communication	4.3	6.9	6.0	6.5	8.0	5.9
Financial intermediation	5.2	8.2	12.6	7.2	6.1	7.6
Real estate and business activities	8.4	6.4	8.9	8.0	7.1	8.9
Public administration and defence	1.9	5.7	2.7	4.1	1.2	7.2
Other services	5.6	7.3	5.2	4.0	8.3	7.3
GDP by economic activities, at current prices (%)						
Agriculture	15.4	14.4	13.7	13.8	12.5	11.8
Agriculture and forestry	13.1	12.2	11.6	11.9	10.8	10.2
Fishing	2.3	2.2	2.1	1.9	1.8	1.6
Mining and quarrying	1.8	1.4	1.2	1.3	1.0	1.0
Manufacturing	25.6	25.0	24.9	25.1	24.5	24.0
Construction	6.5	7.3	7.6	7.7	8.3	8.9
Electricity, gas and water	4.1	4.3	4.2	4.1	4.0	3.8
Services	46.6	47.6	48.4	48.1	49.7	50.5
Trade and repair of motor vehicles	21.2	21.5	21.9	21.6	22.1	22.3
Transport, storage, and communication	7.8	7.8	7.7	7.6	7.8	7.7
Financial intermediation	8.5	8.8	9.3	9.5	9.7	9.8
Real estate and business activities	13.8	14.0	14.5	14.8	15.6	16.0
Public administration and defence	5.0	5.3	5.1	4.8	4.7	4.9
Other services	11.4	11.7	11.7	11.4	11.9	12.0
Share of sector in total employment						
Agriculture	33.0	32.2	31.0	30.5	29.2	26.9
Agriculture and forestry	29.0	28.4	27.4	26.9	25.7	23.8
Fishing	3.9	3.8	3.7	3.6	3.4	3.1
Mining and quarrying	0.6	0.7	0.7	0.6	0.6	0.5
Manufacturing	8.3	8.3	8.3	8.3	8.3	8.3
Construction	5.6	5.9	6.2	6.7	7.0	8.2
Electricity, gas and water	0.4	0.4	0.4	0.4	0.3	0.4
Services	52.1	52.6	53.4	53.5	54.6	55.6

	2011	2012	2013	2014	2015	2016
Trade and repair of motor vehicles	..	18.3	18.6	18.8	18.9	19.6
Transport and storage	..	7.0	7.2	6.9	7.2	7.4
Accommodation and food service activities	3.0	4.2	4.2	4.4	4.4	4.3
Information and communication	..	0.9	0.9	0.9	1.0	0.9
Financial and insurance activities	..	1.2	1.2	1.3	1.3	1.3
Real estate	..	0.5	0.5	0.4	0.5	0.5
Professional, scientific and technical activities	..	0.5	0.5	0.5	0.5	0.5
Administrative and support service activities	..	2.5	2.7	2.8	2.9	3.4
Public administration and defence; compulsory social security	5.0	5.2	5.2	5.1	5.4	5.3
Education	3.2	3.2	3.2	3.2	3.3	3.2
Human health and social work activities	1.2	1.2	1.2	1.2	1.3	1.2
Arts, entertainment and recreation	..	0.9	0.9	0.9	0.9	0.9
Other services	7.8	7.2	7.1	7.0	7.1	7.1

.. Not available.

Source: Philippine Statistics Authority online information; IMF elibrary-Data online information.

Table A1.2 Merchandise exports by group of products, 2011-16

	2011	2012	2013	2014	2015	2016
Total exports (US$ billion)	48.0	52.0	56.7	61.8	58.6	56.3
	% of total exports					
Total primary products	19.8	17.2	21.3	20.8	15.1	14.5
Agriculture	11.3	9.8	11.4	11.2	8.7	9.2
Food	10.2	8.9	10.4	10.2	7.7	8.4
4223 - Coconut (copra) oil and its fractions	3.0	2.0	1.8	2.2	1.9	2.0
0573 - Bananas (including plantains), fresh or dried	1.0	1.2	1.7	1.8	0.8	1.1
Agricultural raw material	1.0	0.8	1.0	1.0	0.9	0.8
Mining	8.5	7.5	9.9	9.6	6.4	5.3
Ores and other minerals	2.7	2.6	4.5	5.5	3.6	2.9
2841 - Nickel ores and concentrates	0.9	1.3	1.8	2.8	1.3	1.0
2831 - Copper ores and concentrates	0.7	0.4	1.7	1.5	1.2	0.9
Non-ferrous metals	2.9	2.4	1.7	1.1	1.4	1.1
Fuels	2.9	2.4	3.8	3.0	1.3	1.3
Manufactures	57.9	81.7	78.0	78.6	84.1	84.2
Iron and steel	0.4	0.5	0.3	0.2	0.2	0.2
Chemicals	3.9	3.7	4.1	3.6	2.8	2.8
Other semi-manufactures	5.8	6.2	8.5	7.2	6.5	6.6
6353 - Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes	3.5	4.1	5.3	4.7	4.7	4.9
Machinery and transport equipment	41.4	59.6	55.7	57.6	64.6	64.5
Power generating machines	0.0	0.9	0.4	0.6	0.5	0.3
Other non-electrical machinery	1.3	3.7	2.9	3.0	2.3	2.0
Agricultural machinery and tractors	0.0	0.0	0.0	0.0	0.0	0.0
Office machines & telecommunication equipment	27.3	36.1	36.2	37.5	43.8	45.1
7764 - Electronic integrated circuits and microassemblies	9.6	18.0	19.3	19.5	23.7	25.6
7527 - Storage units, whether or not presented with the rest of a system	3.2	3.0	4.9	6.0	4.6	5.5
7763 - Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices (including photovoltaic cells, whether or not assembled in modules or made up into panels); light-emitting diodes	5.3	5.1	4.3	4.7	5.1	4.1
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	3.0	3.0	3.5	3.6	3.3	3.1
7526 - Input or output units for automatic data-processing machines, whether or not presented with the rest of a system and whether or not containing storage units in the same housing	0.5	3.2	1.6	1.6	3.3	2.8
7649 - Parts and accessories suitable for use solely or principally with the apparatus of division 76	0.7	0.9	1.0	1.0	1.4	1.7
Other electrical machines	6.7	12.6	11.7	10.6	11.7	11.0
7731 - Insulated (including enamelled or anodized) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables made up of individually sheathed fibres, whether or not assembled with	2.4	3.0	3.2	3.5	3.9	4.0
7712 - Other electric power machinery; parts of the electric power machinery of group 771	2.6	3.6	3.4	2.5	2.6	2.8
7725 - Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (e.g., switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders, junction boxes) for a voltage not exceeding 1,000	0.9	0.8	1.0	1.3	1.1	1.1
7786 - Electrical capacitors, fixed, variable or adjustable (pre-set)	0.1	0.3	0.8	0.8	1.0	1.0

	2011	2012	2013	2014	2015	2016
Automotive products	4.6	3.1	3.0	2.8	2.6	2.7
7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	4.3	2.7	2.6	2.4	2.2	2.3
Other transport equipment	1.5	3.2	1.4	3.1	3.8	3.5
7932 - Ships, boats and other vessels (other than pleasure craft, tugs, pusher craft, special-purpose vessels and vessels for breaking up)	1.3	2.0	0.9	2.4	2.6	1.8
7929 - Parts, n.e.s. (not including tyres, engines and electrical parts), of the goods of group 792	0.0	0.2	0.3	0.4	0.9	1.3
Textiles	0.4	0.3	0.3	0.4	0.3	0.3
Clothing	2.9	3.1	2.8	3.0	2.5	1.9
Other consumer goods	3.1	8.3	6.4	6.7	7.2	8.0
8746 - Automatic regulating or controlling instruments and apparatus	0.1	0.4	0.2	0.6	0.7	0.9
Other	22.4	1.0	0.7	0.5	0.8	1.3
9710 - Gold, non-monetary (excluding gold ores and concentrates)	1.1	0.9	0.6	0.5	0.8	1.2

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.3 Merchandise imports by group of products, 2011-16

	2011	2012	2013	2014	2015	2016
Total imports (US$ billion)	63.7	65.3	65.7	67.7	70.2	85.9
	% of total imports					
Total primary products	34.3	35.9	34.7	34.5	25.9	23.9
Agriculture	11.0	11.1	10.9	12.8	12.3	12.3
Food	10.3	10.4	10.2	12.2	11.7	11.6
0412 - Other wheat (including spelt) and meslin, unmilled	1.5	1.5	1.3	1.4	1.4	1.2
0813 - Oilcake and other solid residues (except dregs), whether or not ground or in the form of pellets, resulting from the extraction of fats or oils from oil-seeds, oleaginous fruits and germs of cereals	0.9	1.1	1.2	1.4	1.0	1.1
0989 - Food preparations, n.e.s.	0.9	0.9	1.0	1.0	1.0	1.1
Agricultural raw material	0.7	0.6	0.7	0.6	0.6	0.7
Mining	23.3	24.8	23.8	21.7	13.6	11.6
Ores and other minerals	1.7	2.1	2.2	0.6	0.7	0.7
Non-ferrous metals	1.5	1.1	1.0	1.1	1.1	1.2
Fuels	20.1	21.6	20.6	20.1	11.8	9.7
334 - Petroleum oils and oils obtained from bituminous minerals, other than crude	5.8	7.6	8.0	8.6	4.8	4.6
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	12.4	11.7	10.1	9.4	5.6	3.4
3212 - Other coal	1.0	1.2	1.2	1.1	0.9	1.2
Manufactures	49.9	63.6	64.8	64.9	73.6	75.8
Iron and steel	2.3	2.3	2.4	2.8	2.9	4.0
Chemicals	10.6	10.3	9.9	11.0	10.1	10.1
5429 - Medicaments, n.e.s.	0.9	1.0	1.1	1.0	1.2	1.1
Other semi-manufactures	4.0	4.1	4.5	4.8	5.5	5.7
Machinery and transport equipment	28.3	42.2	42.9	40.8	49.0	49.0
Power generating machines	0.5	0.5	0.8	1.0	1.1	1.2
Other non-electrical machinery	5.1	5.4	5.3	5.2	6.6	7.3
7285 - Parts, n.e.s., of the machines and mechanical appliances of headings 723.48, 727.21 and 728.41 through 728.49	0.9	0.8	0.7	0.6	0.9	1.3
Agricultural machinery and tractors	0.1	0.1	0.1	0.2	0.3	0.2
Office machines & telecommunication equipment	12.9	24.5	22.8	20.7	27.5	23.8
7768 - Piezoelectric crystals, mounted; parts, n.e.s., of the electronic components of group 776	0.6	9.0	10.8	11.9	14.5	8.7
7764 - Electronic integrated circuits and microassemblies	6.5	7.5	5.3	2.8	5.0	5.6
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	2.6	4.8	3.3	2.7	3.0	3.9
7649 - Parts and accessories suitable for use solely or principally with the apparatus of division 76	1.2	1.4	1.1	1.0	1.4	1.8
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound-recording or reproducing apparatus	0.6	0.5	0.8	0.7	1.0	1.2
Other electrical machines	3.9	3.7	3.8	3.9	4.5	4.9

	2011	2012	2013	2014	2015	2016
7725 - Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (e.g. switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders, junction boxes) for a voltage not exceeding 1,000	0.7	0.7	0.6	0.6	0.7	0.8
7731 - Insulated (including enamelled or anodized) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables made up of individually sheathed fibres, whether or not assembled with	0.5	0.5	0.6	0.6	0.7	0.8
Automotive products	3.8	4.7	4.7	4.7	5.9	7.7
7812 - Motor vehicles for the transport of persons, n.e.s.	2.0	2.6	2.6	2.5	3.3	4.6
7821 - Motor vehicles for the transport of goods	0.6	0.7	0.7	0.7	0.7	1.2
Other transport equipment	2.0	3.3	5.5	5.4	3.4	4.0
7924 - Aeroplanes and other aircraft, mechanically-propelled (other than helicopters), of an unladen weight exceeding 15,000 kg	0.5	1.7	3.4	3.0	0.9	1.1
7851 - Motor cycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars	0.4	0.4	0.4	0.6	0.8	0.9
7929 - Parts, n.e.s. (not including tyres, engines and electrical parts), of the goods of group 792	0.3	0.3	0.7	0.7	0.6	0.8
Textiles	1.3	1.2	1.4	1.3	1.2	1.4
Clothing	0.3	0.4	0.4	0.5	0.6	0.5
Other consumer goods	3.0	3.3	3.3	3.7	4.3	5.1
Other	15.8	0.5	0.4	0.6	0.4	0.2
9710 - Gold, non-monetary (excluding gold ores and concentrates)	0.0	0.0	5.5	0.0	0.0	3.9

Source: UNSD, Comtrade database (SITC Rev.3).

Table A2.1 WTO notifications by the Philippines, 2012-17

Products covered/ subject	Description of notification	Document title	Date
AGREEMENT ON AGRICULTURE			
Notifications under Articles 10 and 18.2			
Export subsidies	No export subsidies from 2008 to 2010	G/AG/N/PHL/41	6/2/2013
Domestic support	Covers 2005 to 2010	G/AG/N/PHL/42	18/3/2013
Imports under tariff quotas	Covers 2005 to 2012	G/AG/N/PHL/43	21/5/2014
Special safeguards	SSGs on imports of poultry and related products	G/AG/N/PHL/44	29/3/2016
Export subsidies	No export subsidies from 2011 to 2013	G/AG/N/PHL/45	31/3/2016
AGREEMENT ON IMPLEMENTATION OF ARTICLE VI OF THE GATT 1994 (ANTI-DUMPING)			
Notifications under Article 16.4			
Clear float glass from Indonesia	Expiration of AD duty on 7/12/11	G/ADP/N/223/PHL	2/4/2012
Wheat flour from Turkey	Investigation initiated Provisional measures Definitive measures Review Definitive duties Review. Definitive AD duties Review. Definitive AD duties	G/ADP/N/244/PHL G/ADP/N/259/PHL G/ADP/N/265/PHL G/ADP/N/272/PHL G/ADP/N/280/PHL G/ADP/N/286/PHL G/ADP/N/294/PHL	11/9/2013 1/8/2014 9/2/2015 27/8/2015 12/2/2016 12/9/2016 7/2/2017
Clear float glass and bronze float glass from China	Provisional measures	G/ADP/N/294/PHL	7/2/2017
Annual and semi-annual reports	Reports on preliminary and final anti-dumping actions	G/ADP/N/223/Add.1 G/ADP/N/230/Add.1 G/ADP/N/237/Add.1 G/ADP/N/245 G/ADP/N/252/PHL G/ADP/N/257 G/ADP/N/258 G/ADP/N/266 G/ADP/N/287 G/ADP/N/293 G/ADP/N/300/PHL	20/4/2012 12/10/2012 10/4/2013 26/7/2013 12/3/2014 23/5/2014 19/6/2014 18/12/2014 23/6/2016 13/12/2016 20/7/2017
AGREEMENT ON IMPORT LICENSING PROCEDURES			
Notifications under Articles 1.4 (a) and 8.2 (b)			
Licensing legislation	For a range of products, including food, health, energy and oil products, vehicles, and firearms.	G/LIC/N/1/PHL/2 G/LIC/N/1/PHL/3 G/LIC/N/1/PHL/4 G/LIC/N/1/PHL/5	14/8/2013 5/2/2014 7/9/2015 17/10/2016
Notifications under Article 5.1-5.4			
Licensing of firearms and ammunition	Enactment of the "Comprehensive Firearms and Ammunition Regulation Act"	G/LIC/N/2/PHL/1	8/11/2016
Licensing of imported drugs	Enactment of the "Dangerous Drug Board" Regulations, 2015	G/LIC/N/2/PHL/2	9/11/2016
Notifications under Article 7.3			
Licensing of import-regulated products	Import permits/clearances.	G/LIC/N/3/PHL/9 G/LIC/N/3/PHL/10 G/LIC/N/3/PHL/11 G/LIC/N/3/PHL/12	8/2/2013 6/2/2014 7/9/2015 19/10/2016
AGREEMENT ON SAFEGUARDS			
Notifications under Article 12.1 and Article 9, footnote 2			
Steel angle bar	Reduction of safeguard duty	G/SG/N/8/PHL/7/Suppl.3; G/SG/N/10/PHL/6/Suppl.2; G/SG/N/11/PHL/7/Suppl.3.	9/1/2012
	Extension of safeguard duty	G/SG/N/11/PHL/7/Suppl.4; G/SG/N/14/PHL/7.	20/4/2012
	Investigation on extension of safeguard duty	G/SG/N/6/PHL/7/Suppl.2.	1/12/2014
		G/SG/N/10/PHL/6/Suppl.3;	4/8/2015

Products covered/ subject	Description of notification	Document title	Date
	Extension of safeguard duty	G/SG/N/11/PHL/7/Suppl.5; G/SG/N/14/PHL/7/Suppl.1	
Ceramic floor and wall tiles	Reduction of safeguard duty; list of developing countries exempt	G/SG/N/11/PHL/1/Suppl.5; G/SG/N/14/PHL/1/Suppl.5	9/1/2012
Float glass	Reduction of safeguard duty; list of developing countries exempt Reduction of safeguard duty	G/SG/N/11/PHL/8/Suppl.1; G/SG/N/14/PHL/6/Suppl.1. G/SG/N/11/PHL/8/Suppl.2; G/SG/N/14/PHL/6/Suppl.2.	10/1/2012 2/11/2012
Testliner board	Reduction of safeguard duty; list of developing countries exempt Extension of safeguard duty Extension of safeguard duty	G/SG/N/8/PHL/8/Suppl.2 & Corr.1; G/SG/N/10/PHL/7/Suppl.1 & Corr.1; G/SG/N/11/PHL/9/Suppl.2 & Corr.1 G/SG/N/8/PHL/8/Suppl.3; G/SG/N/10/PHL/7/Suppl.2; G/SG/N/11/PHL/9/Suppl.3. G/SG/N/8/PHL/8/Suppl.4; G/SG/N/10/PHL/7/Suppl.3; G/SG/N/11/PHL/9/Suppl.4	18/4/2012, 20/04/2012 17/1/2014 27/9/2016
Newsprint	Investigation initiated No provisional measure Investigation initiated Imposition safeguard duty; exemption for newsprint to print school textbooks. List of developing countries exempt	G/SG/N/6/PHL/9 and Suppl.1 G/SG/N/6/PHL/9/Suppl.2 G/SG/N/6/PHL/9/Suppl.3 G/SG/N/8/PHL/9 & Corr.1; G/SG/N/10/PHL/8 & Corr.1; G/SG/N/11/PHL/10 & Corr.1	1/10/2013, 8/11/2013 6/10/2014 1/12/2014 21/5/2015, 25/8/2015
Galvanized iron and pre-painted sheets and coils	Investigation initiated Investigation terminated. No safeguard duty	G/SG/N/6/PHL/10 and Suppl.1 G/SG/N/9/PHL/2 & Corr.1	10/10/2013, 8/11/2013 27/2/2015, 9/3/2015
SPS AGREEMENT			
Notifications under Article			
Food & feed safety; veterinary and phytosanitary measures	Regular notifications Emergency notifications Withdrawal measures	G/SPS/N/PHL/206-G/SPS/N/PHL/218 G/SPS/N/PHL/219-G/SPS/N/PHL/244 G/SPS/N/PHL/245-G/SPS/N/PHL/261 G/SPS/N/PHL/262-G/SPS/N/PHL/315 G/SPS/N/PHL/316-G/SPS/N/PHL/374 G/SPS/N/PHL/348-G/SPS/N/PHL/375	2012 2013 2014 2015 2016 2017
AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES			
Notifications under Article 25.11			
Semi-annual reports on CV duties	No CV duties from 2011 to 2016 1 July-31 December 2011 1 January-30 June 2012 1 July-31 December 2012 1 January-30 June 2013 1 July-31 December 2013 1 January-30 June 2014 1 July-31 December 2014 1 January-30 June 2015 1 July-31 December 2015 1 January-30 June 2016 1 July-31 December 2016	G/SCM/N/235/Add.1 G/SCM/N/242/Add.1 G/SCM/N/250/Add.1 G/SCM/N/259/Add.1 G/SCM/N/267/Add.1 G/SCM/N/274/Add.1 G/SCM/N/281/Add.1 G/SCM/N/289/Add.1 G/SCM/N/298/Add.1 and Rev.1 G/SCM/N/305/Add.1 G/SCM/N/313/Add.1	24/4/2012 12/10/2012 10/4/2013 18/10/2013 15/4/2014 17/10/2014 24/4/2015 22/10/2015 22/4/2016 25/10/2016 21/10/2016 21/4/2017

Products covered/ subject	Description of notification	Document title	Date
AGREEMENT ON TECHNICAL BARRIERS TO TRADE			
Notifications under Articles 2.9.2; 2.10.1; 5.6.2			
Certification of products	Guidelines for certification of various products	G/TBT/N/PHL/160-162 G/TBT/N/PHL/163-177 G/TBT/N/PHL/178-187 G/TBT/N/PHL/188-193 G/TBT/N/PHL/194-196 G/TBT/N/PHL/197 G/TBT/N/PHL/197/Add.1 G/TBT/N/PHL/198 G/TBT/N/PHL/190/Add.1 G/TBT/N/PHL/199 G/TBT/N/PHL/200	2012 2013 2014 2015 2016 2017
AGREEMENT ON TRADE FACILITATION			
Notifications under Article X.3			
Category "A" commitments		WT/PCTF/N/PHL/1 WT/PCTF/N7PHL/1/Corr.1	1/8/2014 18/9/2014
GENERAL AGREEMENT ON TRADE IN SERVICES			
Notification under Article V:7(a) of the GATS			
RTA	ASEAN, Australia and New Zealand	S/C/N/545/Add.1; WT/REG284/N/2	9/5/2012
Notification under Article V:7(a) of GATS			
RTA	ASEAN Services Agreement	S/C/N/822	24/8/2015
GATT 1994			
Invocation of Article XXVIII:5			
Modification of schedule	Reservation of rights (2015 to 2018)	G/MA/304	18/11/2014
Notification pursuant to the decision on notification procedures for QRs (G/L/59/REV.1)			
Quantitative restrictions	Notification for 2015-2016	G/MA/QR/N/PHL/1	21/5/2015
Notification under Paragraph 4(a) of the Enabling Clause (GSP)			
RTA	ASEAN–India	WT/COMTD/N/35/Add.1	31/5/2012

Source: WTO Secretariat.

Table A2.2 Tenth foreign investment negative list, May 2015

Tenth foreign investment negative list, May 2015
I. LIST A: FOREIGN OWNERSHIP IS LIMITED BY MANDATE OF THE CONSTITUTION AND SPECIFIC LAWS
A. No foreign equity
1. Mass media except recording
2. Practice of professions
a. Pharmacy
b. Radiologic and x-ray technology
c. Criminology
d. Forestry
e. Law
3. Retail trade enterprises with paid-up capital of less than US$2,500,000
4. Cooperatives
5. Private security agencies
6. Small-scale mining
7. Utilization of marine resources in archipelagic waters, territorial sea, and exclusive economic zone as well as small-scale utilization of natural resources in rivers, lakes, bays, and lagoons
8. Ownership, operation, and management of cockpits
9. Manufacture, repair, stockpiling, and/or distribution of nuclear weapons
10. Manufacture, repair, stockpiling, and/or distribution of biological, chemical, and radiological weapons and anti-personnel mines
11. Manufacture of firecrackers and other pyrotechnic devices
B. Up to 20% foreign equity
12. Private radio communications network
C. Up to 25% foreign equity
13. Private recruitment, whether for local or overseas employment
14. Contracts for the construction and repair of locally funded public works except:
a. Infrastructure/development projects covered in RA 7718; and
b. Projects which are foreign funded or assisted and required to undergo international competitive bidding
15. Contracts for the construction of defence-related structures
D. Up to 30% foreign equity
16. Advertising
E. Up to 40% foreign equity[a]
17. Exploration, development, and utilization of natural resources
18. Ownership of private lands
19. Operation of public utilities
20. Educational institutions other than those established by religious groups and mission boards
21. Culture, production, milling, processing, trading, except retailing, of rice and corn and acquiring, by barter, purchase, or otherwise, rice and corn and the by-products thereof
22. Contracts for the supply of materials, goods, and commodities to government-owned or controlled corporation, company, agency, or municipal corporation
23. Facility operator of an infrastructure or a development facility requiring a public utility franchise
24. Operation of deep-sea commercial fishing vessels
25. Adjustment companies
26. Ownership of condominium units
LIST B: FOREIGN OWNERSHIP IS LIMITED FOR REASONS OF SECURITY, DEFENCE, RISK TO HEALTH AND MORALS, AND PROTECTION OF SMALL- AND MEDIUM-SCALE ENTERPRISES
Up to 40% foreign equity
1. Manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police (PNP) clearance:
a. Firearms (handguns to shotguns), parts of firearms and ammunition therefore, instruments or implements used or intended to be used in the manufacture of firearms
b. Gunpowder
c. Dynamite
d. Blasting supplies
e. Certain ingredients used in making explosives
f. Telescopic sights, sniper scope, and other similar devices

Tenth foreign investment negative list, May 2015
2. Manufacture, repair, storage, and/or distribution of products requiring Department of National Defence (DND) clearance:
a. Guns and ammunition for warfare
b. Military ordinance and parts thereof (e.g. torpedoes, depth charges, bombs, grenades, missiles)
c. Gunnery, bombing, and fire control systems and components
d. Guided missiles/missile systems and components
e. Tactical aircraft (fixed and rotary-winged), parts and components thereof
f. Space vehicles and component system
g. Combat vessels (air, land, and naval) and auxiliaries
h. Weapons repair and maintenance equipment
i. Military communications equipment
j. Night vision equipment
k. Stimulated coherent radiation devices, components, and accessories
l. Armament training devices
m. Others as may be determined by the Secretary of the DND
3. Manufacture and distribution of dangerous drugs
4. Sauna and steam bathhouses, massage clinics, and other like activities regulated by law because of risks posed to public health and morals
5. All forms of gambling except those covered by investment agreements with PAGCOR
6. Domestic market enterprises with paid-in equity capital of less than the equivalent of US$200,000
7. Domestic market enterprises which involve advanced technology or employ at least 50 direct employees

a Lending companies regulated by SEC are allowed to have up to 49% foreign equity participation; financing companies and investment houses regulated by SEC up to 60%; and reciprocity requirements were eliminated in the Tenth FINL.

Source: Executive Order No. 184, 2015. Viewed at: http://www.sec.gov.ph/wpcontent/uploads/2015/08/EONo.-184-The-Tenth-Regular-Foreign-Investment-Negative-List.pdf.

Table A3.1 In quota and out-of-quota tariff rates, 2017

HS Code	Description	In quota rate (%)	Out-of-quota rate (%)
01039100	Live swine, weighing less than 50 kg	30	35
01039200	Live swine, weighing 50 kg or more	30	35
01042090	Goats other than pure-bred breeding animals	30	40
01051190	Fowls of the species *Gallus domesticus,* other than breeding, weighing not more than 185 g	35	35
01051290	Turkeys, other than breeding, weighing not more than 185 g	35	40
01051390	Ducks, other than breeding, weighing not more than 185 g	35	40
01051490	Geese, other than breeding, weighing not more than 185 g	35	40
01051510	Guinea fowls, breeding, weighing not more than 185 g	35	40
01051590	Guinea fowls, other than breeding, weighing not more than 185 g	35	40
01059491	Other fowls of the specie *Gallus domesticus*, weighing not more than 2 kg	35	40
01059499	Other fowls of the specie *Gallus domesticus*, weighing 2 kg or more	35	40
01059910	Other breeding ducks, weighing more than 185 g	35	40
01059920	Other ducks, weighing more than 185 g	35	40
01059930	Other breeding geese, turkeys and guinea fowls, weighing more than 185g	35	40
01059940	Other geese, turkeys and guinea fowls, weighing more than 185 g	35	40
02031100	Meat of swine, fresh or chilled; carcasses and half-carcasses	30	40
02031200	Meat of swine, fresh or chilled; hams, shoulders and cuts thereof, bone-in	30	40
02031900	Meat of swine, fresh or chilled; other	30	40
02032100	Meat of swine, frozen; carcasses and half-carcasses	30	40
02032200	Meat of swine, frozen; hams, shoulders and cuts thereof, bone-in	30	40
02032900	Meat of swine, frozen; other	30	40
02045000	Meat of goats	30	35
02071100	Meat and edible offal, of fowl of the species gallus domesticus: not cut in pieces: fresh or chilled	40	40
02071200	Meat and edible offal, of fowl of the species gallus domesticus: not cut in pieces: frozen	40	40
02071300	Meat and edible offal, of fowl of the species gallus domesticus: cuts and offal: fresh or chilled	40	40
02071410	Meat and edible offal, of fowl of the species gallus domesticus: cuts and offal: frozen wings	40	40
02071420	Meat and edible offal, of fowl of the species gallus domesticus: cuts and offal: frozen thighs	40	40
02071430	Meat and edible offal, of fowl of the species gallus domesticus: cuts and offal: frozen liver	40	40
02071499	Meat and edible offal, of fowl of the species gallus domesticus: cuts and offal: frozen other	40	40
02072400	Meat and edible offal, of turkey: not cut in pieces: fresh or chilled	40	40
02072500	Meat and edible offal, of turkey: not cut in pieces: frozen	20	20
02072600	Meat and edible offal, of turkey: cuts and offal: fresh or chilled	40	40
02072710	Meat and edible offal, of turkey: cuts and offal: frozen livers	40	40
02072791	Meat and edible offal, of turkey: cuts and offal: frozen other	5	5
02072799	Meat and edible offal, of turkey: cuts and offal: frozen other	20	20
02074100	Meat and edible offal, of ducks, not cut in pieces, fresh or chilled	40	40
02074200	Meat and edible offal, of ducks, not cut in pieces, frozen	40	40
02074300	Meat and edible offal, of ducks, fatty livers, fresh or chilled	40	40
02074400	Meat and edible offal, of ducks, other, fresh or chilled	40	40
02074500	Meat and edible offal, of ducks, other, frozen	40	40
02075100	Meat and edible offal, of geese, not cut in pieces, fresh or chilled	30	40

HS Code	Description	In quota rate (%)	Out-of-quota rate (%)
02075200	Meat and edible offal, of geese, not cut in pieces, frozen	40	40
02075300	Meat and edible offal, of geese, fatty livers, fresh or chilled	40	40
02075400	Meat and edible offal, of geese, other, fresh or chilled	40	40
02075500	Meat and edible offal, of geese, other, frozen	40	40
02076000ex	Meat and edible offal, of guinea fowls, fresh or chilled, not cut into pieces	30	40
02076000ex	Meat and edible offal, of guinea fowls, other	40	40
07019010	Potatoes, fresh or chilled other than seed: chipping potatoes	3	40
07019090	Potatoes, fresh or chilled other than seed: other than chipping	40	40
09011110	Coffee, not roasted: not decaffeinated: arabica WIB or Robusta OIB	30	40
09011190	Coffee, not roasted: not decaffeinated: other	30	40
09011210	Coffee, not roasted: decaffeinated: arabica WIB or Robusta OIB	40	40
09011290	Coffee, not roasted: decaffeinated: other	40	40
09012110	Coffee, roasted: not decaffeinated: unground	40	40
09012120	Coffee, roasted: not decaffeinated: ground	40	40
09012210	Coffee, roasted: decaffeinated: unground	40	40
09012220	Coffee, roasted: decaffeinated: ground	40	40
09019010	Coffee husks and skins	40	40
09019020	Coffee substitutes containing coffee	40	40
10059090	Maize (corn) other than seed and popcorn	35	50
10061090	Rice in the husk (paddy or rough), other than suitable for sowing	35	50
10062010	Husked (brown) rice, Thai Hom Mali rice	35	50
10062090	Husked (brown) rice, other	35	50
10063030	Semi or wholly milled rice, glutinous rice	35	50
10063040	Semi or wholly milled rice, Thai Hom Mali rice	35	50
10063091	Semi or wholly milled rice, other: parboiled rice	35	50
10063099	Semi or wholly milled rice, other	35	50
10064010	Broken rice, of a kind used for animal feed	35	50
10064090	Broken rice, other	35	50
17011200	Raw sugar not containing added flavouring or colouring matter: beet sugar	50	50
17011300	Raw sugar not containing added flavouring or colouring matter: cane sugar	50	65
17011400	Raw sugar not containing added flavouring or colouring matter: cane sugar	50	65
17019100	Other - containing added flavouring or colouring matter	50; 1[a]	50; 1[a]
17019910	Other - refined sugar	50; 1[a]	65; 1[b]
17019990	Other sugar	50	65
21011110	Extracts, essences and concentrates of coffee: instant coffee	30	45
21011190	Extracts, essences and concentrates of coffee: other	30	45
21011210	Preparations with a basis of extracts (..) or with a basis of coffee	30	45
21011291	Preparations with a basis of extracts (..) or with a basis of coffee	30	45
21011292	Preparations with a basis of extracts (..) or with a basis of coffee	30	45
21011299	Preparations with a basis of extracts (..) or with a basis of coffee	30	45

a Imports containing over 65% by dry weight of sugar are at 50%, others are at 1% (Executive Order 295).

b Imports containing over 65% by dry weight of sugar are at 65%, others are at 1% (Executive Order 295).

Source: Data provided by the authorities of the Philippines.

Table A3.2 SPS accreditation requirements

Department of Agriculture (DA)	Production and post-harvest stages of food supply		
Bureau of Animal Industry **(BAI)** http://www.bai.da.gov.ph/	• Fresh food derived from animals • Feed • Live animals	• Food: Certificate of product registration (**CPR**); and Licence to operate (**LTO**); and SPS import clearance (**SPSIC**) • Feed: Certificate of Feed Product Registration (**CFPR**); Licence to operate (**LTO); SPS import clearance (**SPSIC**) • Live animals: Certificate of Registration (**COR**); and SPS import clearance (**SPSIC**); and quarantine declaration	• DA Administrative Order No. 8, Series of 2008 (Rules and Regulations Governing the Importation of Agricultural and Fish and Fishery/Aquatic Products, Fertilizers, Pesticides and Other Agricultural Chemicals, Veterinary Drugs and Biological Products into the Philippines) • DA Administrative Order No. 9, Series of 2010 http://pntr.gov.ph/data/legalbasis/DAAO92010.pdf • "The Animal Welfare Act", 2013 (Republic Act 8485, amended by R.A. No. 10631) and its revised implementing rules and regulations http://www.bai.da.gov.ph/index.php/laws-issuances/republic-act • Republic Act No. 1556, series of 1956 (Livestock and Poultry Feeds Act)
National Meat Inspection Service **(NMIS)** http://nmis.gov.ph/	Fresh meat	• NMIS Licence To Operate (**LTO**) and accreditation process for meat importers (**BOC & NMIS**) • Good Standing Certificate • BAI-SPS import clearance (**SPSIC**) • BOC veterinary quarantine inspection (**BOC & BAI-NVQSD**) • NMIS inspection at the cold storage ("second border")	• "The Meat Inspection Code of the Philippines", 2012 (Republic Act No. 10536: An Act Amending Republic Act No. 9296 http://nmis.gov.ph/attachments/article/561/RA.10536-web.pdf http://nmis.gov.ph/attachments/article/563/irr_ra9296.pdf http://nmis.gov.ph/index.php/republic-act • Implementing rules and regulations of the Meat Inspection Code DA Circular No.1, 2014 http://nmis.gov.ph/attachments/article/967/DA-Department%20Circular%20no.%2001%20series%202014%20IRR_2.pdf • DA Administrative Circular No.2, 2016 (LTO) and LTO guideline, http://nmis.gov.ph/attachments/article/1107/AC.02.2016.pdf • DA Administrative Order No.9, 2013 http://nmis.gov.ph/attachments/article/525/AO.09.2013.pdf • DA Administrative Order No. 26
Bureau of Fisheries and Aquatic Resources (**BFAR**) https://www.bfar.da.gov.ph/index.jsp	Fish and fishery/aquatic products	"Registration and Licence" SPS import clearance (**SPSIC**) Hazard Analysis and Critical Control Point (**HACCP**) requirements	Fisheries Code, 2015 (Republic Act 10654, amending R.A. 8550) https://static1.squarespace.com/static/55930a68e4b08369d02136a7/t/572105922b8ddeb9fbebdad5/1461781909286/IRRofRA10654_with+Annex.pdf Fisheries Administrative Order (FAO) No. 1958, Series of 2000, an Rules Governing Importation of Fresh,

Department of Agriculture (DA)	**Production and post-harvest stages of food supply**		
		International Health Certificate issued by country of origin	Chilled and Frozen Fishery Products Fisheries General Memorandum Order No. 02, Series of 2007 (Guidelines for Accreditation of Imports of Fresh, Chilled and Frozen and Fishery/Aquatic Products)
Bureau of Plant Industry (**BPI**) http://www.bpi.da.gov.ph/	Plants, planting materials and plant products	No pest risk: Plant Quarantine Services Certification (**PQSC**) or FDA Certificate of Product Registration (**CPR**); and Phytosanitary Certificate or equivalent certificate from origin Pest risk: Certificate of Registration (**COR**); and Phytosanitary certificate (**PC**); and SPS Import Clearance (**SPSIC**) (shipment within 20 days for fresh products and 60 for other products)	DA Circular No. 4, 2016, Guideline on the importation of plants, planting materials and plant products for commercial purposes. WTO document G/SPS/N/PHL/371 DA Quarantine Administrative Circular No. 01, Series of 2014 (Guidelines for Categorization of Commodities of Plant Origin) Department of Agriculture Administrative Order No. 9, Series of 2010 (Department of Agriculture Administrative Order No. 8, Series of 2009, As amended) http://pntr.gov.ph/data/legalbasis/DAAO92010.pdf BPI Quarantine Administrative Order No. 1, Series of 1981 (Rules and Regulations to Implement Presidential Decree No. 1433 entitled "Promulgating the Plant Quarantine Law of 1978, Thereby Revising and Consolidating Existing Plant Quarantine Laws to Further Improve and Strengthen the Plant Quarantine Service of the Bureau of Plant Industry) Presidential Decree No. 1433 (Promulgating the Plant Quarantine Law of 1978, Thereby Revising and Consolidating Existing Plant Quarantine Laws to Further Improve and Strengthen the Plant Quarantine Service of the Bureau of Plant Industry)
Bureau of Agriculture and Fisheries Standards (**BAFS**) http://www.bafps.da.gov.ph/	Food safety standards, incl. organic food	Organic product certification and organic entity certificate	Organic Agriculture Act of 2010 (Republic Act No. 10068) http://pntr.gov.ph/data/legalbasis/DAAO92010.pdf DA Circular No. 5, 2015 – Revised Rules and Regulations on the Registration of Organic Fertilizer Producers DA Circular No.5, 2016 on labelling requirements
Department of Health (DoH)	Processed and pre-packaged food		
Food and Drug Administration Center for Food Regulation Research FDA (CFRR) http://www.fda.gov.ph/fda-corner/center-for-food-regulation-	• Processed or pre-packaged food • Food additives • Food supplements, veterinary medicines	• Certificate of product registration (**CPR**); and • Licence to Operate (**LTO**)	• FDA Circular No. 29, 2014, amended by FDA Administrative Order No. 3, 2016 http://www.fda.gov.ph/attachments/article/209495/FDA%20Circular%20No.%202014-029.pdfhttp://www.fda.gov.ph/attachments/article/303720/Administrative%20Order%20No.%202016-0003.pdf

Department of Agriculture (DA)	Production and post-harvest stages of food supply		
research			• Food and Drug Administration Act of 2009 (Republic Act No. 9711) http://www.fda.gov.ph/attachments/article/29052/RA%209711-BFAD%20Strengthening%20Law.pdf

Note: With respect to imports of "*raw materials, ingredients and additives*" [for processing], a certificate of product registration (CPR) and a licence to operate (LTO) issued by the FDA are required from the Bureau of Customs (FDA Circular No. 4, 2014). Viewed at: http://www.fda.gov.ph/issuances-2/food-laws-and-regulations-pertaining-to-all-regulated-food-products-and-supplements/food-fda-circular/145863-fda-circular-no-2014-004.

Source: WTO Secretariat.

Table A4.1 Value of agricultural production, 2012-16

	2012	2013	2014	2015	2016
Total (PHP billion)	**1,179.4**	**1,226.6**	**1,366.3**	**1,302.0**	**1,341.5**
Crops (PHP billion)	**797.1**	**814.6**	**927.0**	**854.8**	**880.7**
	(% of total value production)				
Rice, paddy	24.8	25.7	27.7	23.9	22.5
Banana	9.1	9.6	9.6	10.5	11.1
Coconut	7.5	6.7	7.7	7.3	8.0
Corn	8.0	7.3	7.4	7.1	6.4
Sugarcane	3.6	3.3	3.0	3.3	3.4
Pineapple	1.5	1.4	1.4	1.6	1.7
Mango	1.7	1.6	1.4	1.6	1.7
Cassava	1.3	1.5	1.2	1.1	1.2
Other	10.1	9.4	8.5	9.3	9.5
Livestock and poultry (PHP billion)	**382.3**	**412.0**	**439.3**	**447.2**	**460.8**
	(% of total value production)				
Pig	14.8	15.7	14.9	15.9	15.7
Chicken	10.6	10.9	10.6	11.2	11.1
Chicken eggs	3.2	3.1	2.9	3.3	3.4
Cattle	1.8	1.8	1.7	1.9	1.9
Dairy	0.05	0.05	0.05	0.1	0.1
Other	2.0	3.0	4.0	5.0	6.0

Source: Philippine Statistics Authority, Selected Statistics on Agriculture 2016; and Performance of Philippine Agriculture, October-December 2016.

Table A4.2 Tariff quota administration

Product	HS code	TRQ commitment (mt)	TRQ administration	Applied MFN in-quota tariff	Applied MFN out-of-quota tariff
Live horses (head)	0101	57	TRQ not implemented	3-7%	n.a.
Live bovine animals (head)	0102	20,340	TRQ not implemented	0-3%	n.a.
Swine (head)	0103.91.00 0103.92.00	2,570	Past import performance (F-C-F-S for unused TRQ allocations)	30%	35%
Goats (head)	0104.20.90	82,290	Past import performance (F-C-F-S for unused TRQ allocations)	30%	40%
Poultry (head)	0105.12.90 0105.13.90 0105.14.90 0105.15.10 0105.15.90 0105.94.91 0105.94.99 0105.99.10 0105.99.20 0105.99.30 0105.99.40	9,513,540	Past import performance (F-C-F-S for unused TRQ allocations)	35%	40%
Beef	0201	5,570	TRQ not implemented	10%	n.a.
Pork	0203	54,210	Past import performance (F-C-F-S for unused TRQ allocations)	30%	40%
Goat meat	0204.50.00	1,120	Past import performance (F-C-F-S for unused TRQ allocations)	30%	35%
Poultry meat	0207	23,490	TRQ not implemented ______________ Except: HS0207.51.00 HS0207.60.00ex where: Past import performance (F-C-F-S for unused TRQ allocations)	5-40% 30%	n.a. 40%
Potatoes	0701.90	1,550	TRQ not implemented ______________ Except: Chipping potatoes (HS0701.90.10) where: Past import performance (F-C-F-S for unused TRQ allocations)	40% 3%	n.a. 40%
Sugar	1701	64,050	Past import performance (F-C-F-S for unused TRQ allocations) ________ Except: HS1701.12.00 HS1701.91.00ex[a] HS1701.91.00ex[b] Where: applied in-quota tariff regime	50% 50% 50% 1%	65% n.a. n.a. n.a.

Product	HS code	TRQ commitment (mt)	TRQ administration	Applied MFN in-quota tariff	Applied MFN out-of-quota tariff
Coffee	0901	5.9	TRQ not implemented	40%	n.a.
			Except HS0901.11.10 HS0901.11.90 Past import performance (F-C-F-S for unused TRQ allocations)	30%	40%
Corn	1005.90.90	216,940	Past import performance (F-C-F-S for unused TRQ allocations)	35%	50%
Rice	1006.20 1006.30 1006.40	805,200	National Food Authority import monopoly	35%	50%

n.a. Not applicable.

Source: WTO Secretariat.

Table A4.3 Rice imports and procurement, 2012-16

(000 tonnes)

	Total rice imports	of which: rice imports by NFA	of which: rice imports by private sector	Domestic procurement of rice by NFA	Total rice production	Domestic procurement (in % of rice production)
2012	692	119.8	572.2	360.9	18,032	2.0
2013	365	298	67	365.6	18,439	2.0
2014	1,867	1,567	300	26.5	18,968	0.1
2015	1,780	1,200	580	228.0	18,150	1.3
2016	1,238	597	641	117.0	17,627	0.7

Source: Philippine Statistics Authority and National Food Authority.

Table A4.4 Cargo throughput, by port, 2011-16

(million tonnes)

Port	2011			2012			2013		
	Cargo	Domestic	Foreign	Cargo	Domestic	Foreign	Cargo	Domestic	Foreign
Manila/Northern Luzon	40,947,280	16,456,571	24,490,709	41,938,241	16,113,642	25,824,599	42,536,744	16,127,079	26,409,665
North Harbor	13,768,284	13,768,284	0	13,576,032	13,543,444	32,588	14,074,091	14,074,091	0
South Harbor	8,467,330	1,780,361	6,686,969	8,380,491	1,482,220	6,898,271	7,526,390	891,274	6,635,116
M.I.C.T.	18,689,936	888,315	17,801,621	19,966,465	1,074,172	18,892,293	20,919,293	1,147,386	19,771,907
Limay	21,730	19,611	2,119	15,253	13,806	1,447	16,970	14,328	2,642
San Fernando	0	0	0	0	0	0	0	0	0
Southern Luzon	2,061,888	1,659,984	401,904	2,179,809	1,793,968	385,841	2,383,704	1,895,744	487,960
Batangas	776,714	489,800	286,914	849,957	573,148	276,809	964,158	634,586	329,572
Calapan	3,815	3,815	0	3,368	3,368	0	2,982	2,982	0
Legazpi	526,269	411,423	114,846	454,116	345,084	109,032	508,939	361,195	147,744
Puerto Princesa	755,090	754,946	144	872,368	872,368	0	907,625	896,981	10,644
Lucena	0			0			0		
Masbate	0			0			0		
Visayas	4,800,879	4,478,629	322,250	4,954,702	4,638,793	315,909	5,195,833	4,862,412	333,421
Dumaguete	425,408	422,815	2,593	488,889	488,889	0	504,028	504,028	0
Iloilo	2,467,137	2,172,820	294,317	2,430,821	2,149,186	281,635	2,550,531	2,260,653	289,878
Ormoc	351,629	351,629	0	364,791	363,308	1,483	376,505	376,505	0
Banago	28,238	28,238	0	40,465	40,465	0	8,217	8,217	0
Tacloban	567,342	542,002	25,340	642,720	609,929	32,791	613,881	570,338	43,543
Tagbilaran	961,125	961,125	0	987,016	987,016	0	1,142,671	1,142,671	0
Nothern Mindanao	6,527,748	5,995,940	531,808	6,598,559	6,208,312	390,247	6,848,171	6,236,228	611,943
Cagayan de Oro	3,890,385	3,383,470	506,915	4,110,752	3,833,784	276,968	4,231,754	3,991,656	240,098
Iligan	286,120	282,120	4,000	365,066	282,583	82,483	589,780	303,914	285,866
Nasipit	1,343,947	1,343,947	0	1,070,739	1,056,007	14,732	997,943	983,045	14,898
Ozamiz	662,647	662,647	0	704,976	702,896	2,080	658,970	658,739	231
Surigao	344,649	323,756	20,893	347,026	333,042	13,984	369,724	298,874	70,850
Southern Mindanao	9,520,005	5,327,873	4,192,132	9,569,141	5,652,764	3,916,377	9,546,830	5,820,685	3,726,145
Cotabato	7,351	7,351	0	4,989	4,989	0	262	262	0
Dapitan	276,377	271,269	5,108	335,048	324,635	10,413	344,166	344,166	0
Davao	5,429,221	2,097,907	3,331,314	5,173,447	2,219,908	2,953,539	5,015,251	2,347,528	2,667,723
General Santos	2,276,087	1,468,983	807,104	2,341,901	1,452,995	888,906	2,523,675	1,500,967	1,022,708
Zamboanga	1,530,969	1,482,363	48,606	1,713,756	1,650,237	63,519	1,663,476	1,627,762	35,714
Total	63,857,800	33,918,997	29,938,803	65,240,452	34,407,479	30,832,973	66,511,282	34,942,148	31,569,134

Port	2014			2015			2016		
	Cargo	Domestic	Foreign	Cargo	Domestic	Foreign	Cargo	Domestic	Foreign
Manila/Northern Luzon	41,849,611	15,684,111	26,165,500	46,926,109	19,865,792	27,060,317	54,469,615	24,381,010	30,088,604
North Harbor	15,233,360	15,233,360	0	19,774,547	19,774,417	130	24,326,403	24,326,403	0
South Harbor	5,095,732	0	5,095,732	5,439,549	10,807	5,428,742	6,560,222	0	6,560,222
M.I.C.T.	21,430,567	405,015	21,025,552	21,573,324	0	21,573,324	23,255,594	0	23,255,594
Limay	89,952	45,736	44,216	138,689	80,568	58,121	327,395	54,607	272,788
San Fernando	0	0	0	0	0	0	0	0	0
Southern Luzon	3,513,275	2,164,503	1,348,772	4,569,886	2,879,081	1,690,805	5,518,842	3,245,145	2,273,697
Batangas	2,045,858	880,948	1,164,910	2,374,978	955,985	1,418,993	2,876,267	1,036,560	1,839,707
Calapan	7,703	7,703	0	30,602	30,602	0	67,524	61,963	5,560
Legazpi	549,618	368,652	180,966	586,000	360,604	225,396	834,965	496,518	338,447
Puerto Princesa	910,096	907,200	2,896	1,114,298	1,068,379	45,919	1,267,426	1,177,442	89,983
Lucena	0			207,974	207,974	0	249,257	249,257	0
Masbate	0			256,034	255,537	497	223,404	223,404	0
Visayas	6,072,645	5,682,907	389,738	6,616,002	6,089,902	526,100	7,243,546	6,469,273	774,273
Dumaguete	552,909	552,909	0	664,439	664,439	0	690,524	677,486	13,038
Iloilo	2,988,204	2,621,697	366,507	3,347,648	2,902,041	445,607	3,574,575	2,950,526	624,049
Ormoc	440,862	440,862	0	458,478	455,178	3,300	443,443	440,180	3,263
Banago	46,821	38,705	8,116	12,236	6,736	5,500	346,143	346,143	0
Tacloban	757,071	741,956	15,115	761,973	714,626	47,347	740,716	660,499	80,217
Tagbilaran	1,286,778	1,286,778	0	1,371,228	1,346,882	24,346	1,448,144	1,394,438	53,706
Nothern Mindanao	7,267,829	6,805,324	462,505	8,234,036	7,401,383	832,653	9,201,097	7,967,000	1,234,097
Cagayan de Oro	4,641,131	4,317,729	323,402	5,251,979	4,700,835	551,144	5,934,760	5,038,168	896,592
Iligan	398,952	299,448	99,504	575,042	320,224	254,818	589,661	309,837	279,824
Nasipit	1,050,860	1,032,129	18,731	1,170,241	1,157,766	12,475	1,286,942	1,275,240	11,702
Ozamiz	825,732	825,732	0	831,055	831,055	0	959,254	928,173	31,082
Surigao	351,154	330,286	20,868	405,719	391,503	14,216	430,479	415,583	14,897
Southern Mindanao	8,377,650	5,809,163	2,568,487	9,242,787	6,256,817	2,985,970	9,842,290	6,233,932	3,608,358
Cotabato	0	0	0	0	0	0	0	0	0
Dapitan	308,533	308,533	0	331,546	331,546	0	373,529	373,529	0
Davao	3,888,112	2,448,440	1,439,672	4,186,925	2,626,177	1,560,748	4,209,801	2,521,391	1,688,410
General Santos	2,340,466	1,321,559	1,018,907	2,690,210	1,367,953	1,322,257	3,129,616	1,410,550	1,719,066
Zamboanga	1,840,539	1,730,631	109,908	2,034,106	1,931,141	102,965	2,129,344	1,928,462	200,882
Total	67,081,010	36,146,008	30,935,002	75,588,820	42,492,975	33,095,845	86,275,389	48,296,360	37,979,029
OTP Currimao	161,824	161,824	0	180	180	0	73	73	0
OGP Salomague	0	0	0	0	0	0	0	0	0

Source: Information provided by the authorities.

Table A4.5 Specific commitments on professional services undertaken in FTAs

	AFAS	AANZFTA	AK-ATS	ACFTA	Philippines-Japan
All subsectors of professional services	X	X	X	X	X
Legal (861)	-	-	-	-	-
Accounting, auditing and bookkeeping (862)					
- Accounting	-	X	-	-	-
- Auditing Services including financial auditing and accounting review (86211, 86212)	X	-	-	-	X
- Other accounting services (86219)	-	-	-	X	-
- Bookkeeping services, except tax returns (86220)	X	-	-	-	-
Taxation (863)	X	-	-	-	-
Architectural (8671)	X	-	-	-	X
Engineering (8672)					
- Aeronautical engineering	-	-	-	-	X
- Agricultural engineering	-	-	-	-	X
- Chemical engineering	-	-	-	-	X
- Civil engineering	X	X	-	-	X
- Mechanical engineering	X	X	-	-	X
- Sanitary engineering	X	X	-	-	X
- Electrical engineering	-	-	-	-	X
- Naval architecture and marine engineering	-	-	-	-	X
- Metallurgical engineering	X	X	-	-	X
- Electronics engineering	X	-	-	-	X
- Mining engineering	X	-	-	-	X
- Geodetic engineering	X	-	-	-	X
Urban planning and landscape architectural (8674)					
- Urban (environmental) planning (86741, 91123)	X	-	-	-	X
- Landscape architectural (86742)	X	X	-	-	X
Medical and dental (9312)					
- Medicine (9312**)	-	-	-	-	X
- Dentistry (9312**)	-	-	-	-	X
- Optometry	-	-	-	-	X
- Medical Technology	-	-	-	-	X
- Radiologic Technology	-	-	-	-	X
Veterinary (932)	-	-	-	-	X
Services provided by midwives, nurses, physiotherapists and para-medical personnel (93191)					
- Nursing (93191**)	-	-	-	-	X
- Midwifery (93181**)	-	-	-	-	X
- Physical and occupational therapy (93191**)	-	-	-	-	X
Other services					
- Criminology	-	-	-	-	X
- Chemistry	-	-	-	-	X
- Forestry	-	-	-	-	X
- Librarianship	-	-	-	-	X
- Merchant marine professional	-	-	-	-	X
- Master plumber	-	-	-	-	X
- Social work	-	-	-	-	X
- Agriculture	-	-	-	-	X
- Fisheries	-	-	-	-	X
- Interior design	-	X	-	-	X
- Geology	-	-	-	-	X
- Professional teachers	-	-	-	-	X
- Customs brokerage	-	-	-	-	X

Note: X represents commitment; - represents no commitment.

Source: Information provided by the authorities.